Annual Report 2009/2010

Creating

CARL ZEISS MEDITEC

Group highlights

676.7

Revenue in € million

Consolidated revenue increased by 5.7 % year-on-year to € 676.7 million.

14.0

Increase in earnings before interest and taxes (EBIT) in %

Earnings before interest and taxes (EBIT) thereby grew considerably more strongly than revenues.

313.5

Cash and cash equivalents in € million

Carl Zeiss Meditec continues to have a very comfortable liquidity situation. It even has improved year-on-year. Carl Zeiss Meditec is thus able to act quickly when worthwhile and viable external growth opportunities present themselves.

0.68

Earnings per share in €

We have achieved earnings per share of € 0.68. This corresponds to an increase of more than 9 %.

72.4

Investments in research and development in € million ensure sustainability

Innovations play an important role when it comes to securing and expanding our market position in the future. We therefore invested € 72.4 million in research and development in financial year 2009/2010.

0.22 + 0.33

Dividend per share in €

Carl Zeiss Meditec plans the distribution of a higher dividend for financial year 2009/2010. The regular dividend will be increased by a one-off special dividend of € 0.33.

Content

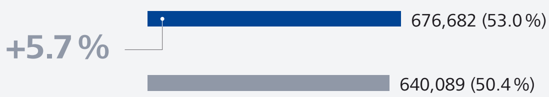
Business development

(Unless specified otherwise, figures in € ’000)

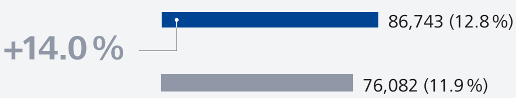
Revenue and net income

■ **Financial year 2009/2010** ■ Financial year 2008/2009

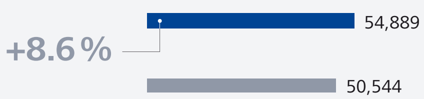
Consolidated revenue (Gross margin)



EBIT (EBIT margin)



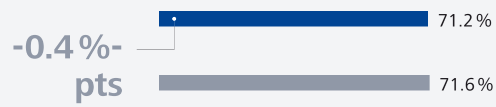
Consolidated net income after non-controlling interests



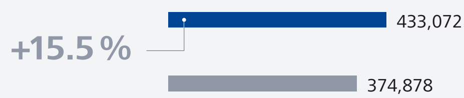
Key ratios in the statement of financial position and statement of cash flows

■ **30 September 2010** ■ 30 September 2009

Equity ratio

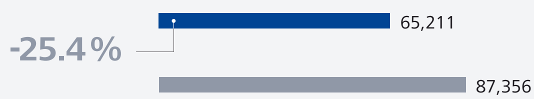


Working capital



■ **Financial year 2009/2010** ■ Financial year 2008/2009

Cash flow from operating activities



Annual Report 2009/2010

Creating

what’s to come.

Ladies and Gentlemen,
dear Shareholders,

I took over at the helm of Carl Zeiss Meditec in March 2010 as CEO with a vision of actively driving and helping to structure medical progress. This annual report's motto is "Creating what's to come" – and this is the vision that we live every day at Carl Zeiss Meditec, and in our dealings with our customers.

And our success proves that we are right: during the past few months we have used our opportunities and have once again grown faster than the market thanks to our clearly formulated strategic orientation. Our results for the 2009/2010 financial year are very positive. In financial year 2009/2010 we lifted our revenues to € 676.7 million (previous year: € 640.1 million), thus up by almost 6 percent. This growth is attributable in particular to the Asia/Pacific region. Earnings before interest and tax (EBIT) rose 14 % year-on-year from € 76.1 million to € 86.7 million. In particular our high-margin products in microsurgery and surgical ophthalmology contributed to the positive growth. We also want you, our shareholders, to participate in this positive growth. The Management Board and Supervisory Board will propose to the 2011 Annual General Meeting the payment of a dividend of € 0.55 per share. This consists of the regular dividend and a one-off special dividend. To this end, around 9 % of the cash and cash equivalents shown in Carl Zeiss Meditec's IFRS consolidated balance sheet as of 30 September 2010 will be distributed.

Dear shareholders, we have emerged from the economic crisis as a stronger company – and also because we did our homework early on. We focused on the correct areas that are critical for success, and shaped these in a target-oriented manner as part of our RACE 2010 (Rapid Achievement of Company Excellence) program, which we already launched prior to the crisis. The individual key items were innovation, customer orientation, new markets, high-performance company culture and process excellence. We have made major progress in each of these areas, and we are now benefiting from this. What we have to do now is to continue the successful course we have taken and to secure a continued high-income future for Carl Zeiss Meditec. We have set further foundations in this regard with our follow-on program MEGA (Meditec Excellence and Growth Agenda). This aims to continue the expansion of excellence in the same areas as RACE 2010 by adjusting activities to the Company's current situation and also includes a particular new focus on growth. As part of MEGA we will also simplify our legal structures in Germany.

The new program sets concrete targets which will help us to actively drive medical progress. But "Creating what's to come" means a whole lot more: We want to improve people's quality of life with our products and solutions, creating real additional benefits for doctors and patients. Although the number of cases of eye disease and spinal operations, for example, is increasing constantly around the world, many people still underestimate their impact. However, if you've ever threatened with losing your sight or if you've ever had your mobility seriously restricted, you know how important it is for doctors and surgeons to have access to state-of-the-art medical technology to be able to give the patient back their well-being and quality of life. Our annual report highlights patients who report on their experiences and their return to active, independent

Dr. Ludwin Monz
President and CEO

and unrestricted day-to-day life. Happy, thankful patients, who are looking to the future with optimism – that is our pay and our incentive both for our customers, the doctors involved in treatment and also for us and our day-to-day work.

Our employees take this great responsibility very seriously and are happy to accept the challenge of actively helping to structure the future of medical technology. A vital spirit for research and the interdisciplinary exchanges between departments and teams help to pick up trends or, even better, to set them ourselves. Our products and solutions for both ophthalmology and also microsurgery are, without a doubt, excellent, and already set standards in many areas. On pages 18 – 19 you can read about how our employees live our motto of "Creating what's to come".

And on our high-growth markets we also play an active role in structuring the future of these countries' populations. Emerging nations such as India have healthcare systems which are increasingly serving more and more people as a result of the rapid economic and political development. We have already succeeded in actively helping to structure these future markets, and this will also play a major role for us in future. We develop products and solutions that meet the special needs of doctors and patients on these high-growth markets. We recorded growth of 16.6 percent in the Asia/Pacific region last financial year, and this confirms our successful strategy of being present on and getting involved in high-growth markets at an early stage. For example, this is exactly what we did with the Carl Zeiss distribution company in India. This annual report also presents this company's work.

Our strategy of not saving in the wrong places during periods of crisis, but rather to make specific investments in the new and further development of innovative products and building distribution structures has paid off: the crisis on the markets is ebbing, and the economy is gaining pace again, and our stable order book means that we can look to the coming financial year with confidence. We have already set our next targets. We aim to continue the successful, sustained growth we enjoyed in this financial year in future, and increase our profitability: our goal is to achieve an EBIT margin of around 15 % by financial year 2015. A clear vision and a solid plan (MEGA) will allow us to succeed in this endeavor.

Jena, December 2010.

Yours sincerely,

Dr. Ludwin Monz
President and Chief Executive Officer

Dr. Christian Müller
Member of the Management Board

Ulrich Krauss
Member of the Management Board

Dr. Ludwin Monz
President and CEO

The most precious moment

Patients who have experienced at first hand how serious an impact disorders such as cataract, severe myopia or slipped disk can have on their quality of life are grateful for modern medical technology that can palpably enhance the diagnosis, treatment and healing processes.

Cataract surgery

See better – live better. After her cataract operation the sprightly pensioner Elfriede Flassak can now see better without glasses than before thanks to the AT LISA® intraocular lens.

Throughout her life Elfriede Flassak has always been open to new ideas. Which is why she immediately wanted to know more when she heard about the new multifocal lenses which basically function the same as variofocal spectacles once implanted in the eyes of cataract patients.

"My ophthalmologist referred me to an eye clinic for the cataract procedure. During a preliminary examination there it emerged that I would be a potential candidate. I'm glad that I paid the extra because things are much better than before, now that I no longer need glasses," says the retired secretary enthusiastically. Without glasses she now feels safer when driving and more confident when giving extra tuition to school pupils. At the gym she no longer needs special assistance and can take part in all the senior citizen "Stay Fit" program activities without worrying. "I also read a lot. With the new artificial lenses my eyes don't tire as quickly as they used to when I wore glasses," adds the 76 year old.

Elfriede has no detailed recollection of the short procedure itself or the various preliminary tests carried out by her ophthalmologist and the eye clinic, as these were no more trouble than her routine eye tests – and completely pain-free. Furthermore, the eye heals more or less overnight after surgery because the elastic artificial lens is inserted through a tiny millimeter-long incision. Her conclusion: "I should've had this operation much earlier."

Refractive laser surgery

Unrestricted vision. The 42 year old financial executive works as a senior manager in the TV and media sector. She was able to enjoy her new quality of life just a few hours after the pain-free laser correction.

Occasionally Heidelinde Schoemaker raises her hand to adjust her glasses out of habit. She did this regularly for 35 years ever since receiving her first glasses in second grade due to severe myopia. But this is now firmly a thing of the past. Drawing up spreadsheets, reading newspapers, driving – she can do all these now without glasses.

“There are times when I realize just how handicapped I was by my vision deficiency. At the hairdresser’s I can follow each individual cut for the first time.” Without tiresome disposable contact lenses she always felt uneasy and anxious during trips to the swimming pool or sauna, but this, too, is a thing of the past. She had read about the possibility of undergoing gentle laser treatment to make a permanent improvement to her eyesight in a newspaper. The report mentioned the VisuMax® from Carl Zeiss Meditec. Heidelinde then turned to the Internet to find a doctor in her area who used this ultramodern femtosecond laser – and was successful.

She attended an information session and decided in favor. After carrying out a thorough preliminary examination, Dr. Bertram Meyer of the Cologne Eye Center gave the all-clear for the operation. The operation itself took just seconds and was completely pain-free. “On the very same evening me and my partner, who had also had laser correction surgery, were able to sit and watch TV together – and to look at each other for the first time without glasses. It was such a good feeling!”

Prolapsed disk operation

Return to mobility. Thanks to a non-aggressive microsurgery procedure, the 46 year old tourism manager and keen mountaineer Thomas Brauer was soon back on his feet after suffering a prolapsed disk.

The energetic manager never thought that he, too, could be affected. “OK, I sit a lot in planes, in the car and at my desk. But I’m fit and I’ve been doing sports on a regular basis since the age of six.”

He did, however, often carry heavy equipment on his extensive mountaineering trips. Six months ago these strenuous expeditions coupled with longer periods of sitting finally took their toll. Brauer suffered severe pain during a long-haul flight. And when he came to pull his suitcase off the luggage carousel at Frankfurt airport, the inevitable happened. The feeling of numbness in his right leg did not go away. “My hope that I could treat the symptoms with conservative therapy in the form of medication and physiotherapy quickly turned out to be unrealistic. It eventually became clear there was no alternative to surgery,” reports Brauer. He was relatively soon back on his feet, a fact he puts down to the microsurgery. The incision which his surgeon made to remove the spongy core (nucleus pulposus) was just one and a half centimetres long. Yet despite the small dimensions, the surgeon had a clear overview of the procedure throughout. The camera installed in the VARIO 700 surgical microscope recorded the entire procedure. “When I watched the CD on my HD monitor at home I could understand my doctor’s enthusiasm. It was absolutely fascinating, the level of detail you could see in the tiniest of blood vessels and nerve structures,” said Thomas Brauer, looking back with gratitude.

Market with a bright future – India

With its 1.2 billion inhabitants, the multi-ethnic democracy is one of the most populous states in the world. And increasing numbers are now joining the rapidly growing affluent middle classes.

1 Medical care:
There are still too few doctors and beds for the numbers of patients.

1

Figure 1: International comparison – Patient/physician ratio

1 physician per

1,666	patients in	**India**
662	patients in	**China**
434	patients in the	**US**
294	patients in	**Germany**

Source: The World Bank: The World Bank authorizes the use of this material subject to the terms and conditions on its website, http://www.worldbank.org/terms

Focus on India

A land of tradition moving into the modern age

The roots of the Indian medical tradition extend back over 5000 years. Even today, some of the best doctors in the world come from India. Yet too few people can enjoy the benefits of first-rate local medical care. There are just under 20,000 hospitals, containing roughly 700,000 beds, to provide basic health care throughout the subcontinent. Mobile medical units and local First Aid stations are only able to provide rudimentary assistance in inaccessible rural areas.

But growth is now giving rise to signs of change: thanks to the 7 percent annual economic growth, more and more people are joining the ranks of the more affluent middle class. The population curve is also rising steeply: 30 percent of the Indian population is now under 14 and average life expectancy, at 65, is now significantly higher than it was in 1980. If even more of these potential patients are to benefit from the dynamic growth in the future, the national health systems and also the private initiatives in India will need targeted support in the form of medical equipment and training for medical specialists.

2

2 Dr Gullapalli N. Rao
No shortage of work.

A day in the life of an Indian Visionary Ophthalmologist
When Dr Gullapalli N Rao drives to the Hospital every morning, the 65-year old knows that there will be a lot of work waiting. He founded the L V Prasad Eye Institute (LVPEI) in Hyberabad in 1987, and it is much more than just a normal eye hospital. LPVEI not only performs in-depth research and provides training, but it is also the hub of a complex network for ophthalmology treatment, prevention and rehabilitation.

The service pyramid this pioneering Indian clinic has developed currently spans 80 establishments at the primary and secondary support levels, particularly in rural areas, and two central stations at the tertiary level in the cities of Bhubaneswar and Visakhapatnam. It thus covers 16 of the 23 districts in the Indian state of Andhra Pradesh, which is roughly the same size as Greece. This state is known as India's "rice bowl" and is home to 76 million people.
Dr Rao's extraordinary dedication has reached more than

3 Head office in Hyderabad
Founded in 1987, the L V Prasad Eye Institute is now a model clinic.

4 Impressive results
The LVPEI provides ophthalmic care to 11 million people.

5 Social commitment
Needy patients receive surgery free of charge.

6

7

6 VISION 2020
Dr. Rao is supporting the worldwide initiative to prevent blindness.

7 Cataract
7 million cataract operations are carried out each year in India.

11 million people with ophthalmology treatment over the course of almost 25 years. Up to 65,000 operations are carried out each year by the network. The range of treatments offered spans the entire spectrum of eye disease. Around 585,000 patients have been operated upon since the institute was formed. More than half were treated free of charge, irrespective of the gravity of their disease.
The LVPEI is a non-profit organization, which is run by two foundations. In addition, more than 12,000 specialists from India and abroad have been trained in ophthalmology. L V Prasad Zeiss International Academy has played a central role in this regard, offering a program of training and scholarships which is geared to practical needs.

Dr Rao, who is married to a politician who is very much involved in social affairs, is one of the founding fathers of VISION 2020, the international initiative to prevent blindness. LVPEI in Hyderabad is one of the most important partner institutes for this program, which Carl Zeiss Meditec also supports.

“Our philosophy of helping people to help themselves is bringing opportunity to the young generation in India.”
Dr. Ludwin Monz,
President and CEO of
Carl Zeiss Meditec AG

8 Routine procedure
For many patients, the operation represents the start of a new life.

9 Sustainability
Our devices are helping to found the healthcare system.

Forward-looking commitment
As part of the global VISION 2020 initiative, which Carl Zeiss Meditec has supported as a corporate sponsor since 2002, Carl Zeiss awards initial and further training grants totaling 300,000 rupees per year in conjunction with the Dr R P Centre for Ophthalmic Sciences in New Delhi.

The following centers have also been set up in India:

Hyderabad: Therapy and training center at the L V Prasad Eye Institute

Bangalore: Training center at the Lions Eye Hospital (cataract/IOL)

Madurai and Tirunelveli: Centres of Excellence at the Aravind Eye Hospitals (glaucoma)

Chennai: Centre of Excellence at the Sankara Nethralaya Eye Hospital (Retina)

Outside India there are further facilities in:

Indonesia: Training center at the Cicendo Eye Hospital in Bandung

Nigeria: Training center at the University College Hospital in Ibadan

Tanzania: Kilimanjaro training center Centre for Community Opthalmology in Moshi

More information on VISION 2020 can be found at www.v2020.org

Successfully tapping into new markets

Carl Zeiss founded its India Medical Team in 1997. There are now roughly 80 employees spread across the entire country: in New Delhi in the north, in Calcutta in the east, in Mumbai in the west, in Bangalore and Madurai in the south, and in Hyderabad which is in the center of the Indian subcontinent. This global sales network, the corresponding proximity to the clients and first-rate service are seeing the Carl Zeiss Meditec sales figures increase by 15 percent per year. A long time ago the group started to introduce its technological expertise to regions where it was needed most.

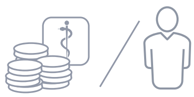
The ZEISS brand is therefore not only well known, it is also recognized as a synonym for quality and perfection. What

10 Passing on knowledge
Training is an integral part of our commitment in India.

11 Excellent service
The Indian team has already received several ZEISS awards.

12 Large distribution network
Doctors and patients recognize ZEISS as a synonym for quality and customer orientation.

Figure 2: International comparison – Total health expenditure per capita, 2007 (in US$)



Health expenditure per capita

USA	**$ 7,285**
Germany	**$ 3,588**
China	**$ 108**
India	**$ 40**

Source: The World Bank: The World Bank authorizes the use of this material subject to the terms and conditions on its website, http://www.worldbank.org/terms

started out as social commitment aimed at alleviating severe poverty has since become the basis for a global network of high quality ophthalmic care. We are currently setting up our Center for Application and Research in Bangalore.

Together with experts from the respective countries, we are developing products which are specially tailored to meet the needs of emerging markets such as India. Just what business potential these hold is shown by the success of the VISALIS® 100. The lens removal device necessary for cataract operation has rapidly developed into a top-seller in India.

"I'm not interested in research for its own sake, rather in seeing how my idea is turned into a useful product. That's what I like most about my job."
Dr. Manfred Dick (55)

Creating what's to come

Our Company's most effective ambassadors are our employees. Contributing their experience, ideas and a strong team spirit, they are helping us to map out the future of Carl Zeiss Meditec.

Living innovation. Dr. Manfred Dick values the stable environment in which he, as the leader of various innovation teams, can develop good ideas and put them into practice in clinically tested prototypes.

The physicist and medical laser specialist holds a doctorate and has been with the Company since the outset in 2002, leading the "Advanced Development" department in the Research and Development business unit. This ideas workshop is at the heart of what Carl Zeiss Meditec is all about, laying the foundations for innovations such as the VisuMax® femtosecond laser. In collaboration with partner universities and research institutes, Dr. Dick and his team are continuing to develop this ultramodern refractive laser surgery device. The aim is to use this laser to treat presbyopia, for instance. The goal of a further research project is to carry out clinical trials on a new technology for temperature-controlled laser coagulation of the retina, e.g. for the treatment of diabetic retinopathy.

Dr. Dick regards the structural changes in medical technology research as a major challenge. "Today we increasingly need experienced designers but also software specialists and medical physicists with a grounding in molecular biology. That's why I favor temporary, flexible teams in which experienced members work together with young university graduates on devising solutions to current problems in a fertile, innovative climate."

Many a good idea has first seen the light of day in informal conversations at an "Ophthalmo Lunch". The committed researcher shares his knowledge in numerous networks and passes it on to new generations of scientists at the Jena University of Applied Sciences.

"Improving procedures within a company can and indeed must be an ongoing process. I get a great deal of satisfaction from coordinating this."
Susanne Trutter (30)

Top quality through efficient processes. In Carl Zeiss Meditec Susanne Trutter has found a company which gives her varied and responsible work. Her role is to help raise quality and efficiency levels both internationally and across the different business units.

Susanne Trutter is a Business Process Excellence Manager. Last year she improved the processes in specific areas of customer care. "I had to liaise with the quality managers at the different Carl Zeiss Meditec sites in Germany and abroad and also carry out training. That's no problem for me as I speak English, Spanish and French," said the industrial IT graduate who has worked in the central Carl Zeiss Meditec department for Business Process Excellence in Oberkochen in the south-west of Germany since 2009. Before that, Susanne Trutter had successfully completed Carl Zeiss AG's 15-month TOP trainee program – one of the best ways of joining the renowned company, she feels. The two placements in Dublin (USA) and India, each lasting three months, left a particularly strong impression on her. "The fact that I took part in joint workshops and courses attended by trainees from all the different business units means that I now have an effective network of specialists to call upon in my daily work," says Susanne Trutter, looking back.

"That's when I really enjoy my work – collaborating in small but effective teams with highly motivated people whose experience I can draw upon, while maintaining constant links with our employees all over the world."

Financial Year 2009/2010

Creating

what's to come.

▸ INFORMATION TO THE SHAREHOLDERS

Dear Shareholders and Friends of the Company,

Dr. Michael Kaschke
Chairman of the Supervisory Board

Last financial year the Supervisory Board dealt in depth with the Company's growth and its perspectives.

In financial year 2009/2010, the Company enjoyed excellent growth despite what was, in some respects, an insecure situation, and it further expanded its future-oriented structures.

This impressive result was based on a highly successful cooperation between a large number of employees around the globe. I would like to offer a particular vote of thanks to our employees, and the members of our Management Board.

Cooperation between the Supervisory Board and Management Board

Last financial year the Supervisory Board dealt in depth with the situation and the business growth of the Carl Zeiss Meditec Group on an ongoing basis, and performed all of the tasks allocated to it by the law, the articles of association and the by-laws with the greatest care. It regularly advised the Management Board, in particular regarding the management of the Company.

We provide the Management Board with hands-on assistance in line with statutory provisions and the provisions of the German Corporate Governance Code, and are directly included in all fundamental decisions. Last financial year and during this financial year the Management Board provided us with ongoing, up-to-the minute, detailed information on the Company's economic situation, forecasts and growth, including the risks and risk management. Any differences between the forecast and actual business were discussed in detail with the Management Board. In addition, the Management and Supervisory Boards analyzed the reasons for any differences in detail, and discussed any activities needed to correct these differences.

Focus of the deliberations and audits of the Supervisory Board

The focal points of the supervisory and advisory activities of the Supervisory Board were strategy-related decisions as well as investments in the Company's business units, including their financing. At each meeting the Management Board of Carl Zeiss Meditec AG provided the Supervisory Board with a transparent overview of the development of revenue and earnings, the financial position of the Group and the development of business in the individual strategic business units, and gave a comprehensive explanation of the decisions and developments. In addition, the Supervisory Board addressed all other business transactions of importance for the Company and, after a close examination, raised no objections or doubts concerning the legitimacy or correctness of the management by the Management Board.

In accordance with the legal requirements of Section 90 (1) and (2) German Stock Corporation Act *(Aktiengesetz, AktG),* the Management Board of Carl Zeiss Meditec AG provided the Supervisory Board with regular, comprehensive and up-to-date verbal and written reports concerning matters of corporate planning and strategy, the course of business and the Group’s position, as well as the risk situation and opportunity and risk management.

1. Basic corporate planning issues pursuant to Section 90 (1) No. 1 *AktG* were dealt with at all ordinary Supervisory Board meetings in the reporting period. Business development and strategic planning issues were regularly discussed in detail on these occasions. Opportunities for external growth were also evaluated.

2. The annual financial statements for financial year 2008/2009 were discussed in depth at the Audit Committee meeting on 10 December 2009. Extensive preparations were thus made for the Supervisory Board’s meeting on the adoption of the accounts on the same day. As a result, the financial statements of Carl Zeiss Meditec AG and the Carl Zeiss Meditec Group were the main items on the agenda of this Supervisory Board meeting. Pursuant to Section 90 (1) No. 2 *AktG*, the profitability of Carl Zeiss Meditec AG and the Carl Zeiss Meditec Group was discussed both at the Audit Committee meeting mentioned above and at the Supervisory Board meeting. The discussion at each of these meetings was based on a detailed report prepared by the Management Board on the financial results for financial year 2008/2009. The profitability of the Company was presented using a system of key figures, the scope and content of which exceed the legal requirements. Since Carl Zeiss Meditec is driven according to Economic Value Added® (EVA®), this included, among other things, presentations on the development of working capital and the profitability of operating assets.

   Profitability trends at Carl Zeiss Meditec AG in financial year 2009/2010 were also the subject of the Audit Committee meeting and the Supervisory Board meeting to adopt the annual financial statements, both of which took place on 9 December 2010.

3. The Management Board of Carl Zeiss Meditec AG provides the Supervisory Board with regular, detailed written and verbal reports about the course of business. These reports prepared in accordance with the requirements of Section 90 (1) No. 3 *AktG* discuss the development of revenue and earnings, as well as the Company’s situation in general and the situation in individual business areas in particular. The Management Board also gave a report at each of the aforementioned Supervisory Board meetings on the development of business in the months preceding the respective meetings.

   The Company’s economic development in financial year 2009/2010 (reporting period 12 months) was on the agenda at both the Audit Committee meeting and the Supervisory Board meeting on 9 December 2010.

   Reports to the Supervisory Board always include a risk report, which discusses current developments recorded in the central risk management system of Carl Zeiss Meditec and its subsidiaries. Internal audit reports were also presented.

The described reporting structure ensures that the Supervisory Board of Carl Zeiss Meditec AG is informed comprehensively at all times about all major aspects of the Company's business development. This also ensures close cooperation between the Management Board and the Supervisory Board.

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

4. The Supervisory Board was informed in advance or included in decision-making, pursuant to legal requirements and the Articles of Association, regarding business transactions of major significance for the profitability or liquidity of Carl Zeiss Meditec AG within the meaning of Section 90 (1) No. 4 *AktG*. These included, for example, potential acquisitions or strategic measures which could have an effect on the profitability or liquidity of Carl Zeiss Meditec AG.

5. Insofar as business transactions and measures undertaken by the Management Board required the prior consent of the Supervisory Board, the Management Board obtained the consent of the Supervisory Board.

6. The remuneration system resolved by the Supervisory Board for the Management Board, including all of the main contractual elements, was subject to routine monitoring. On 31 July 2009 the German Act on the Appropriateness of Executive Remuneration *(Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG)* entered into force. This has led, in a series of points, to changes in the remuneration regulations for the Management Board provided for under German stock corporation law. Most of these regulations are already included in the existing contracts. The Supervisory Board shall take the new law into account when extending existing Management Board contracts and when concluding new ones.

The Supervisory Board has not requested any separate reports about Company affairs in the sense of Section 90 (3) *AktG* that go beyond the reporting described under points 1 to 6. The type and scope of the reports provided by the Management Board to the Supervisory Board and the discussion of additional matters have not given the Supervisory Board any cause to inspect or audit the books and publications of Carl Zeiss Meditec in accordance with Section 111 (2) *AktG*.

In addition to the reports to the Supervisory Board described above, the Chairman of the Supervisory Board also engaged in regular exchanges of information and ideas with the Management Board outside of the Supervisory Board meetings. The main topics discussed on such occasions were the Company's current business outlook and aspects of strategic development. For his part, the Chairman of the Supervisory Board was engaged in a lively exchange of information with the other members of the Supervisory Board. This ensured close collaboration between the Management Board and Supervisory Board.

Supervisory Board meetings and resolutions

A total of seven Supervisory Board meetings were held last financial year. The Supervisory Board discussed urgent issues in telephone conference calls on some occasions. The Supervisory Board also passed five resolutions by way of written circulars. Dr. Kurz was able to participate in three of the Supervisory Board's meetings. In two meetings he was not able to participate for professional reasons but sent a recorded message instead.

Each ordinary meeting dealt with Carl Zeiss Meditec AG's business growth, and this was discussed in detail with the Management Board. At the extraordinary meeting on 12 November 2009 the Supervisory Board met the request of Mr. Hirsch, and agreed to amicably release him from his appointment to the Management Board prior to expiry of his contract, on 30 November 2009.

In its meeting on 18 January 2010, the Supervisory Board dealt with the appointment of Dr. Ludwin Monz as the new Chairman and the agenda for the General Meeting.

Diligent work of the committees

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

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

   The General and Personnel Committee held two meetings in financial year 2009/2010.

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

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

   The Audit Committee convened at four meetings in the reporting period and passed one circular resolution.

3. The duties of the **Nominating Committee** concern the proposal of suitable candidates for the Supervisory Board to put forward for election at the General Meeting.

   The Audit Committee didn't hold any meeting in the reporting period, but passed one circular resolution.

No conflicts of interest arose between members of the Supervisory Board in the period under review.

Corporate Governance and Declaration of Conformity

According to Section 161 of the *AktG*, every listed company in Germany undertakes to comply with the German Corporate Governance Code. These companies have to publish an annual declaration of conformity on how they uphold the Code's recommendations, and provide reasons for any differences.

The Management and Supervisory Boards dealt in detail with upholding the Code's recommendations and its suggestions in the version of the Code dated 26 May 2010, together with changes from the current financial year. The members of these two executive bodies believe that fulfilling these standards and also the underlying conditions according to capital markets law and company law allows the Company to establish and secure a solid basis of trust with all of the Company's stakeholders. The only way to justify the trust placed in the Company is to increase value over the long term with a transparent and fair communication policy.

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

Audit of the annual and consolidated financial statements 2010

KPMG AG Wirtschaftsprüfungsgesellschaft ("KPMG"), Stuttgart, was appointed as the auditor for all of the financial statements and management reports for financial year 2009/2010 by the General Meeting on 4 March 2010. Before making its candidate proposal, the Supervisory Board obtained a declaration from the auditor of the financial statements, dated 11 January 2010, confirming that there are no personal, professional, business, financial, or other relationships between the auditor and its executive bodies and audit managers, or between the Company and its executive body members. The Supervisory Board engaged KPMG on 12 August 2010 to audit all of the financial statements and management reports, including the related parties report within the meaning of Section 312 of the *AktG* for financial year 2009/2010 for Carl Zeiss Meditec AG.

KPMG audited the financial statements and management report prepared by the Management Board as of 30 September 2010 *(HGB)* and also the consolidated financial statements and group management report (IFRS) for financial year 2009/2010 and issued these with an unqualified auditor's opinion. The consolidated financial statements of Carl Zeiss Meditec were prepared in accordance with the International Financial Reporting Standards (IFRSs), as they apply in the EU. All IFRSs applicable on the balance sheet date were taken into consideration. The present version of the consolidated financial statements complies with the provisions of Section 315a of the German Commercial Code *(Handelsgesetzbuch, HGB)*. It forms the legal basis for group accounting in accordance with international standards in Germany, in conjunction with the Regulation ("EC") No. 1606/2002 of the European Parliament and Council dated 19 July 2002 relating to the application of international accounting standards, and applies for financial years commencing on or after 1 January 2005.

The single-entity and consolidated financial statements and the associated management reports, as well as the audit reports prepared by the appointed auditors were submitted to all members of the Supervisory Board and discussed in detail at the meeting of the Supervisory Board's Audit Committee on 9 December 2010 in the presence of the auditor, in accordance with the requirements of Section 171 (1) No. 2 *AktG*.

The Management Board also presented the Supervisory Board Audit Committee with its proposal for the 2011 Annual General Meeting on the utilization of net retained earnings. This proposes utilizing the net earnings from financial year 2009/2010 of € 49,403,690.96 as follows:

1. Payment of a dividend of € 0.55 per no-par value share for 81,309,610 no-par-value shares:	€ 44,720,285.50
This comprises the following:	
a. Payment of a regular dividend of € 0.22 per no-par value share for 81,309,610 no-par-value shares:	€ 17,888,114.20
b. Payment of an additional special dividend of € 0.33 per no-par value share for 81,309,610 no-par-value shares:	€ 26,832,171.30
2. Carryforward of residual profit to new account:	€ 4,683,405.46

After a detailed examination of the financial statements and an in-depth discussion with the auditor, the Audit Committee of the Supervisory Board did not raise any objections to the Company's single-entity or consolidated financial statements and the associated management reports of the Company for financial year 2009/2010, and that these could thus be approved with no restrictions. The Chairman of the Supervisory Board Audit Committee gave a report on this at the Supervisory Board meeting on 9 December 2010 and thus recommended that the Supervisory Board approve and adopt the annual financial statements. On this basis, and following a detailed discussion of the annual financial statements, the Supervisory Board inspected the annual financial statements as of 30 September 2010, as prepared by the Management Board, at its meeting on 9 December 2010, concluded that there were no objections to be raised and approved the annual financial statements. The annual financial statements are thus adopted. The Supervisory Board also agreed to the above proposal of the Management Board to distribute a portion of the Company's net retained earnings in the form of a dividend and to carry forward the residual net earnings to new account.

Dependent company report

Pursuant to Section 315a *HGB*, the present consolidated financial statements in accordance with the IFRSs exempt the Management Board from its obligation to prepare consolidated financial statements in accordance with German law.

Pursuant to Section 312 *AktG*, the Management Board of Carl Zeiss Meditec AG, as a member of the Carl Zeiss Group, prepared a dependent company report in financial year 2009/2010 which states that – under the circumstances known to the Management Board at the time the legal transactions were concluded – Carl Zeiss Meditec AG received an appropriate consideration for each of the transactions listed and that reportable measures were neither implemented nor omitted in the financial year.

The auditor reviewed the dependent company report and issued the following audit opinion:

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

Both the dependent company report and the respective audit report were made available to the Supervisory Board. The Audit Committee of the Supervisory Board and the Supervisory Board also reviewed the dependent company report and agree with the findings of the auditor. On completion of its audit the Supervisory Board has no objections to raise against the declaration of the Management Board at the end of the dependent company report.

Composition of the Management Board, the Supervisory Board and its committees

At the meeting on 12 November 2009 the Supervisory Board met the request of Mr. Hirsch, and agreed to amicably release him from his appointment to the Management Board prior to expiry of his contract, on 30 November 2009. Dr. Christian Müller became the new CFO on 15 December 2010.
Dr. Michael Kaschke had resigned from his position as Chairman of the Supervisory Board with effect from the end of the 2010 General Meeting. Dr. Ludwin Monz assumed the position of President and CEO of Carl Zeiss Meditec AG, effective 4 March 2010.
The following changes took place on the Company's Supervisory Board during the past financial year. The 2010 General Meeting re-elected Dr. Michael Kaschke to the Supervisory Board. Mr. Ulrich Hoffmann left Carl Zeiss Meditec's Supervisory Board on 4 March 2010.

We would like to thank Messrs Hirsch and Hoffmann and Dr. Kaschke for their work.

Final remarks

On behalf of the Supervisory Board I would like to express my heartfelt thanks to the members of the Management Board and all of the employees for their continued dedication to Carl Zeiss Meditec.

Jena, 9 December 2010

For the Supervisory Board

Yours sincerely,

Dr. Michael Kaschke
(Chairman)

The Carl Zeiss Meditec share

- Carl Zeiss Meditec shares climbed to their high for three years
- The majority of analysts have issued a buy recommendation for Carl Zeiss Meditec shares
- Further increase in capital markets communication

Global stock market recovery

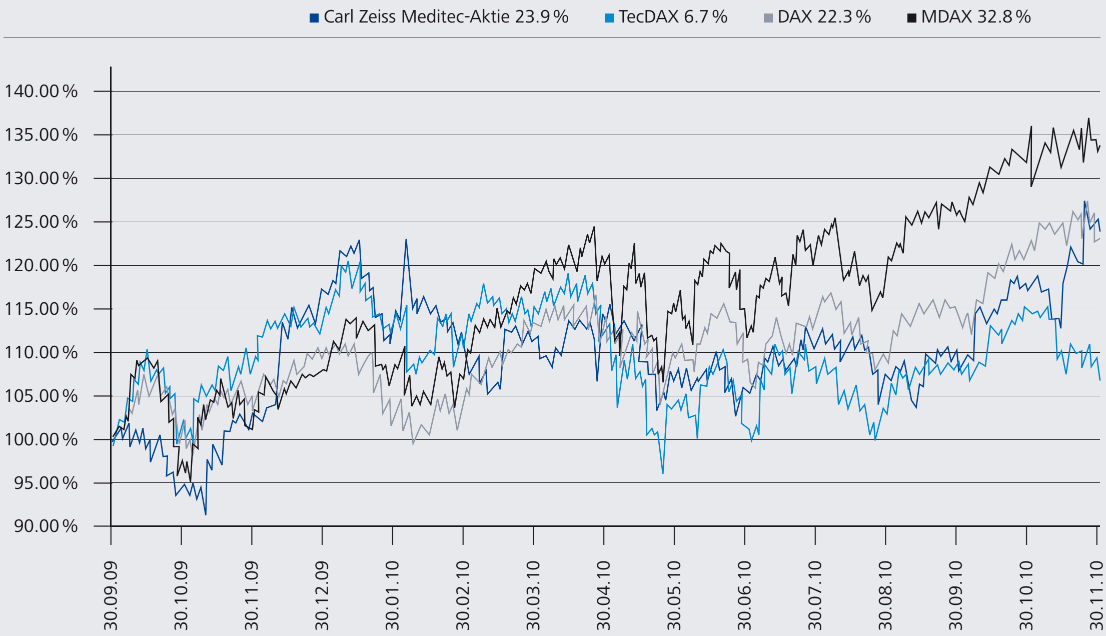
At the start of the year, the stock markets recovered significantly, even although there were concerns about state debt, discussions surrounding more regulation in the bank policy, and a more restrictive monetary policy in China which depressed global securities trading for a short period. The result was the German DAX index reaching its highest level in the past 18 months. This upswing was caused by strong corporate figures and continued expansive monetary policy by the European Central Bank (ECB) and the Federal Reserve Bank (FED). The global recovery caused the OECD to lift its forecast for global economic growth in 2010 from 3.4 % to 4.6 %. In addition, the German economy recorded the strongest growth since reunification in the second quarter of the year at 2.2 %. The Ifo index was also the source of a few surprises, soaring to a three-year high.

In spite of this, however, the stock markets did not go completely unscathed by the turbulence over the course of the year (1 October 2009 to 30 September 2010). The debt crisis in Greece, the announcement of dramatic savings measures in the euro-zone, and also weaker figures from the US economy and more restrictive monetary policy in China have shown the massive problems the global economy continues to face, and how nervously market players react to these factors.

The Carl Zeiss Meditec share

During the first half of financial year 2009/2010, shares of Carl Zeiss Meditec enjoyed a disproportionately strong upswing, and performed significantly better than the relevant peer indices. On the first day of trading in financial year 2009/2010, shares of Carl Zeiss Meditec started at a price of € 10.90 and climbed to their high for the three years of € 13.50 at the end of November 2010. This was due, on the one hand, to the sustained and stable growth of the Company and, on the other hand, to the its resulting dividend policy.

Figure 1: Relative performance of Carl Zeiss Meditec share compared with the DAX, MDAX and TecDax
(period 1 October 2009 to 30 November 2010)



Research coverage by 12 analysts

As a TecDax company, our shares enjoy the attention of many analysts – in particular in Germany and the UK (London). In financial year 2009/2010, 12 bank analysts regularly published equity research studies on current developments at Carl Zeiss Meditec.

Research institutes covering Carl Zeiss Meditec AG:

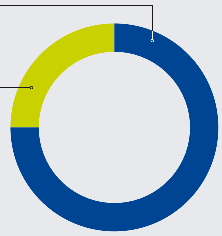
- J.P. Morgan Cazenove
- CA Cheuvreux
- Commerzbank
- fairesearch
- Deutsche Bank
- DZ Bank
- Equinet
- HSBC Trinkhaus & Burkhardt AG
- Jefferies
- Landesbank Baden-Württemberg
- Nord LB
- Unicredit (HVB) Equity Research

Analysts confirm buy recommendation

At the end of financial year 2009/2010, the analyses by the banks and investment companies were positive across the board, thanks to our excellent business growth in all of our strategic business units and thanks to our first-class growth prospects. Nine studies concluded with a “buy” recommendation, and three with “hold”.

Figure 2: Analysts’ recommendations as of 30 November 2010

Buy	**9**
Hold	**3**



An overview of the individual analysts’ recommendations which is constantly updated can be found at our Web site at **www.meditec.zeiss.com/ir.**

Dividend continuity

Our dividend policy is geared to results and continuity, and aims to reinforce our shareholders’ trust in our Company, and to acquire new shareholders. We shall also adhere to this dividend policy in future. We propose the distribution of a one-time special dividend of 30 % of the consolidated net income attributable to shareholders of the parent company for the last financial year in addition to the regular dividend. To this end, around 9 % of the cash and cash equivalents shown in Carl Zeiss Meditec’s IFRS consolidated balance sheet as of 30 September 2010 will be distributed. The Supervisory Board and Management Board shall therefore propose to the Annual General Meeting 2009/2010 a dividend of € 0.55 per share (previous year: € 0.18).

Investor Relations

We attach great importance to open and transparent financial communication with all of our shareholders. Our aim is to reinforce the trust in our sustainable corporate management, in particular also in a turbulent environment on the stock market, and to provide all of the players on the capital market with end-to-end, up-to-the-minute information on our company’s growth, our strategy, and all of the factors relevant to the capital markets at Carl Zeiss Meditec.

Investors and financial analysts have high requirements for information, and our investor relations work met these needs in many ways. The Management Board and Investor Relations employees responded to the questions of investors and analysts at numerous capital market events. The focus here was on London, Paris, Frankfurt am Main, Zurich, Boston and New York, as well as Scandinavia. In addition to regular telephone conferences on the quarterly results, we also held many individual and group discussions with institutional and retail investors.

The General Meeting offers all shareholders the opportunity of obtaining end-to-end information from Carl Zeiss Meditec's Management Board. The Annual General Meeting in the last financial year was held on 4 March 2010 in Weimar. A total of almost 80 % of the voting capital was represented at this General Meeting.

We have always been committed to a transparent and fair communication policy, which is why we have made the information and presentations given on these occasions accessible to all interested parties and shareholders on our investor relations Web site at **www.meditec.zeiss.com/ir.**

Listing and stock market trading

Carl Zeiss Meditec AG share

Segment	**Prime Standard**			
ISIN	DE 0005313704			
German securities code (WKN)	531370			
Trading volume	around 42,600 shares/trading day			
Indices	TecDAX	CDAX	DAX International Mid 100	
	DAXsector All Pharma & Healthcare		DAXsector Pharma & Healthcare	
	DAXsubsector All Medical Technology		DAXsubsector Medical Technology	
	Prime All Share	Technology All Share		
	DAXglobal Sarasin Sustainability German Index		MIDCAP MKT K-IN.	HDAX
Price performance:				
Share price at beginning of financial year 2009/2010				€ 10.90
Share price at end of financial year 2009/2010				€ 11.55
Share price on 30 November 2010				€ 13.25
Highest share price in financial year 2009/2010				€ 13.06
Lowest share price in financial year 2009/2010				€ 9.78
Shareholder structure:				
Free float				35 %
Carl Zeiss AG				65 %
Management Board and Supervisory Board of Carl Zeiss Meditec AG				< 0.01 %
Evaluation:				
Market capitalization of share capital as of 30 November 2010				€ 1.08 bilion
Market capitalization of free float as of 30 November 2010				€ 377.1 million
Designated sponsors:				Cheuvreux, Commerzbank, Morgan Stanley

SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

Consolidated management report for financial year 2009/2010[1]

1 The Carl Zeiss Meditec Group

1.1 Operations

The Carl Zeiss Meditec Group's activities are bundled in two main areas of business activity.

1.1.1 Ophthalmology

The equipment and systems in this sector handle the diagnosis, progress monitoring, treatment and follow-up treatment of ophthalmic disorders. These are vision defects (refraction), cataract, glaucoma and retinal disorders. The Company addresses the ophthalmic sector with two strategic business units (SBU). The **Ophthalmic Systems** SBU covers virtually the entire spectrum of ophthalmic laser and diagnostic systems. The **Surgical Ophthalmology** SBU combines activities of Carl Zeiss Meditec in the field of ophthalmic implants (intraocular lenses or IOL) and disposables.

1.1.2 Microsurgery

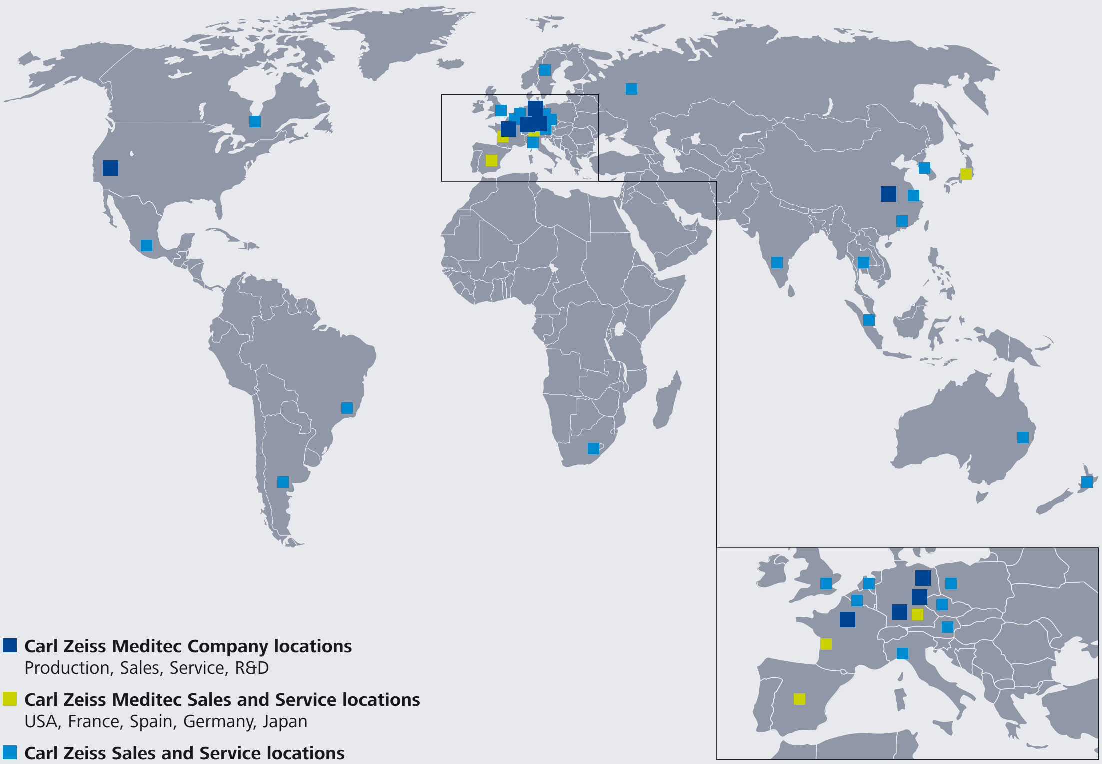
In the third SBU, **Microsurgery,** we offer surgical microscopes and visualization solutions, e. g. for ear, nose and throat surgery or neurosurgery. The products are mainly used as support equipment for the removal of tumors as well as the treatment of vascular diseases and functional disorders. Promising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

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

1.2 Markets

Carl Zeiss Meditec is a company with global operations. With our headquarters in Jena (Germany) and subsidiaries in Germany, France, Spain, USA and Japan we have a direct presence in the world's most important markets. Furthermore we use the efficient sales network of the Carl Zeiss Group: About 40 sales companies and over 100 agencies worldwide secure access to customers and give us the extra clout needed to prevail in the global competition.

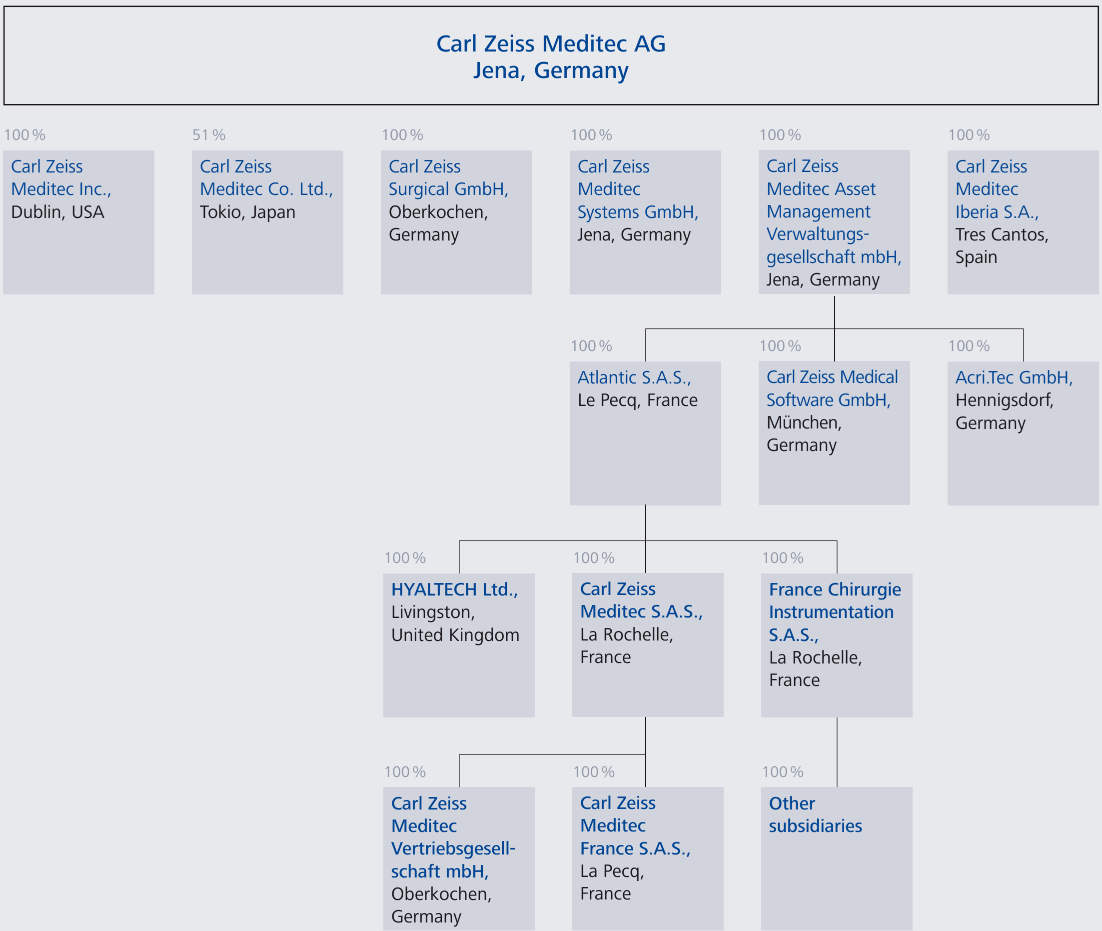
Figure 1: Carl Zeiss Meditec-locations



1.3 Group structure

Carl Zeiss Meditec AG, Jena, Germany, is the parent company of the Carl Zeiss Meditec Group ("Carl Zeiss Meditec", the "Group", the "Company"), which comprises additional subsidiaries. These are presented in the chart below, which shows the investment structure of the Carl Zeiss Meditec Group as of 30 September 2010.

Figure 2: Investment structure of the Carl Zeiss Meditec Group as of 30 September 2010



No major changes arose with regard to the Group's reporting entity and the structure of its financial statements in financial year 2009/2010.

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

Consistently implementing our targets means that we have to include the entire Company and each individual employee. The program RACE 2010 (Rapid Achievement of Company Excellence) aimed to focus the Company on the areas critical to success, and to process these in a target-oriented manner. The individual key items are innovation, customer orientation, new markets, high-performance company culture and process excellence. We have made major progress in each of these areas, and the Company is now benefiting from this. What we have to do now is to continue the course we have taken and to secure a continued high-income future for the group. We have set further foundations in this regard with our follow-on program MEGA (Meditec Excellence and Growth Agenda). This aims to continue the expansion of excellence in the same areas as RACE 2010 by adjusting activities to the Company's current situation and also includes a particular focus on growth.

1.5 Group management

Our prime objective is to generate long-term value-added for the Group. The tools for financial management of the Carl Zeiss Meditec AG comprise a system of key performance indicators, the scope and content of which exceed the legal requirements. The greatest importance is attached to revenue, EBIT margin, free cash flow and Economic Value Added® ("EVA®"). These KPIs define the balance between growth, profitability and financial flexibility, which contribute to sustained growth.

2 Business report

2.1 Underlying conditions for business development

2.1.1 Macroeconomic conditions

After the far-reaching economic crisis in 2008/2009, the economy improved again at the start of 2010. However, during the course of 2010 the global economic recovery slowed pace on the whole. According to information from the Joint Economic Forecast project group[2] there were significant regional differences. Economic growth in emerging nations did slow down a little, however it is still significantly higher than in industrial nations. Production in industrial nations has still not reached the same level as before the crisis. In contrast, growth rates in Asia and Latin America were able to return to their former levels in the spring. The reasons for the slower growth in industrial nations are primarily the scepticism on the financial markets and structural problems, such as the state of the public budgets in many European countries and Japan, the major debts incurred by private households, and the major slump in the real estate sector in the USA, which were either uncovered or significantly worsened by the crisis.

The economic dynamism in the USA slowed significantly after several economic programs came to an end. The situation on the real estate markets has hardly improved compared to the low seen in the most recent recession. A perceptible recovery on the labor market also failed to materialize despite high growth rates for gross domestic product (GDP) in the first half of the current year. GDP in the USA is forecast to increase by 2.7 % in 2010[3].

[2] Joint Economic Forecase project group (publisher): *"Deutschland im Aufschwung-Wirtschaftspolitik vor wichtigen Entscheidungen"* [Germany enjoys upswing – economic policy set to make key decisions] Gemeinschaftsdiagnose Autumn 2010, 12 October 2010, Munich.

[3] Cf. ibid., p. 14

The recovery in the euro-zone is also reserved. This is mostly due to the restrictive financial policy in some countries, which dampened growth coupled with the fact that only weak impulses are expected from exports in the second half of the year in view of the weak international economic forecast. Nevertheless, the project group expects GDP in Europe to increase by 1.6 %[4] in 2010 compared with the previous year.

The German economy is experiencing an upswing. In contrast to the previous year, the expansion in this year will no longer be solely driven by an increase in exports and a transition in warehouse investments. It is much rather the case that positive impulses for the domestic economy, private consumer spending and corporate capital expenditure increased perceptibly. The recovery in Germany was much faster than in almost all of the other industrial nations. The project group expects GDP in Germany to increase by 3.5 %[5].

The very strong upswing in Asian emerging nations in the first half of the year also slowed pace substantially. Well-known economic institutes are forecasting the dynamic economic growth in China to weaken in the second half of 2010, which is due to dampeners caused by economic policy. Overall, GDP is expected to increase by around 10.0 %[6]. Experts are forecasting similar growth for India. They are forecasting the level to be 8.3 %[6] higher than in the previous year.

2.1.2 Situation in the medical technology sector

In the first half of 2009, the global financial crisis also made itself felt on the medical technology market in the form of a temporary downturn in demand. However, the situation already stabilized in the second half of 2009 and market growth was recorded again in the first half of 2010.

The main growth drivers in the medical technology industry are intact. The global population is growing continuously. At the same time, the proportion of elderly people in the overall population is on the increase. As the incidence of many diseases increases with age, it can be assumed that the demand for diagnostic and therapeutic products will continue to grow in both ophthalmology and microsurgery in the medium term.

In ophthalmology and in microsurgery, cost pressure in the health care sector is also a major determining factor. As a result, key economies around the world are being forced to cut costs, and are trying to establish more efficient medical treatment. This tends to boost the demand for medical technology devices and systems that enable more efficient diagnosis and more effective treatments. However, in industrial nations in particular the investment dynamism for replacement investments in medical technology was still slower as a result of the crisis.

a) Market for ophthalmic products

The market for ophthalmic products in the broader sense includes ophthalmic pharmaceuticals, contact lenses, contact lens care products, consumables and implants for ophthalmic surgery, as well as devices and systems – with the exception of glasses and glasses frames. According to our estimates, the market had a global volume of around USD 27.3 billion (about € 20.2 billion) in 2009.

[4] Cf. ibid., p. 22
[5] Cf. ibid., p. 28
[6] Cf. ibid., p. 17

The Group's product range includes devices and systems, implants, consumables and instruments for ophthalmology and ophthalmic surgery. According to our estimates, these submarkets had a volume of around USD 7.4 billion, or around € 5.5 billion, in 2009.

We estimate our share of the "devices and systems for ophthalmology" market segment the Company addresses at about 22 % in 2009. In the market segment "implants, consumables and instruments for ophthalmic surgery", we estimate our global market share in 2009 at about 3 %. However, our regional market shares in the countries we are currently focusing on range between 5 and 20 %.

Overall, based on the knowledge at hand, we estimate that our market shares in the market segments we address increased slightly compared with the previous year.

b) Market for microsurgery products

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

According to the Group's estimates, the "Visualization" market segment addressed by us, which includes the sub-segments "Surgical microscopes" and "Other visualization", had a volume of about USD 800 million or around € 600 million in 2009. With a stable market share, which it estimates to be around 20 %, Carl Zeiss Meditec is one of the largest provider in this segment. According to own estimates, the Carl Zeiss Meditec Group continues to be the global market leader in the sub-segment "Surgical microscopes", with a market share of more than 50 %.

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

Carl Zeiss Meditec's current economic position of the past financial year can be described as very good, due not least to the positive development of business. In addition to our extensive, innovative product range, as well as our highly qualified and motivated employees, in particular our early entry into emerging nations has paid off.

We were able to increase group revenue by 5.7 % compared to the previous year from € 640.1 million to € 676.7 million. An exceptionally strong second half-year played a quite significant role in achieving this result. Particularly encouraging is the simultaneous increase in the gross margin by 2.6 percentage points to 53.0 % (previous year: 50.4 %). Carl Zeiss Meditec also has a robust financial and earnings profile, which safeguards the Company's performance against external influences.

2.3 Comparison of actual business development with forecast development

Table 1: Comparison of actual with forecast business in the 2008/2009 annual report.

	Forecast Financial year 2009/2010	Results Financial year 2009/2010	Objective achieved
Revenue	€ 640 – 670 million	€ 676.7 million	✓
Revenue growth	*+0 to 5 %*[7]	*5.7 %*	✓
EBIT margin	at least 11.9 %	12.8 %	✓
Research and development expenses/revenue	~ 10 %	10.7 %	✓

Our business performed better in 2009/2010 than we had forecast last year. Despite the significant forecast uncertainty regarding the short-term development of the markets, both the sales and earnings targets were met in financial year 2009/2010. Carl Zeiss Meditec benefited both from its broad regional structure and its balanced product mix.

In view of the successful developments during the course of the year, we have adjusted our forecast targets and have published our growth forecast in our interim reports.

2.4 Results of operations

2.4.1 Presentation of results of operations

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

	Financial year 2008/2009	Financial year 2009/2010	Change
Revenue	640,089	676,682	+5.7 %
Gross margin	*50.4 %*	*53.0 %*	*+2.6 %-pts*
EBITDA	92,447	107,713	+16.5 %
EBITDA margin	*14.4 %*	*15.9 %*	*+1.5 %-pts*
EBIT	76,082	86,743	+14.0 %
EBIT margin	*11.9 %*	*12.8 %*	*+0.9 %-pts*
Earnings before income taxes	78,615	82,976	+5.5 %
Tax rate	*29.9 %*	*28.1 %*	*-1.8 %-pts*
Consolidated net income after non-controlling interests	50,544	54,889	+8.6 %
Earnings per share after non-controlling interests	€ 0.62	€ 0.68	+9.7 %

[7] The forecast is based on market growth in the markets addressed by Carl Zeiss Meditec AG according to the respective market segment.

2.4.2 Revenue

Group revenue increased by 5.7 % to € 676.7 million compared to the previous year (previous year: € 640.1 million). Carl Zeiss Meditec benefited in particular from the rising demand in the Asia/Pacific (APAC) region. Compared on a similar basis with the previous year, i.e. assuming constant exchange rates, revenue would have increased by 5.0 %.

a) Consolidated revenue by strategic business unit

In the reporting year the strategic business unit **Ophthalmic Systems** accounted for 47.7 % (previous year: 48.6 %) and thus almost half of Carl Zeiss Meditec's revenue. The **Surgical Ophthalmology** SBU contributed 12.6 % of revenue (previous year: 12.3 %), and the **Microsurgery** SBU accounted for 39.7 % (previous year: 39.1 %).

Figure 3: Share of strategic business units in consolidated revenue in financial year 2009/2010, in percent

Ophthalmic Systems SBU	**47.7 %**
Microsurgery SBU	**39.7 %**
Surgical Ophthalmology SBU	**12.6 %**

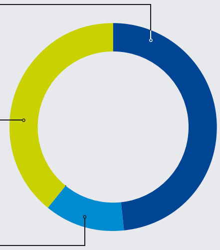


Figure 4: Consolidated revenue by strategic business unit (figures in € '000)

	Financial year 2009/2010	Financial year 2008/2009	
Surgical Ophthalmology SBU	**85,575**	79,036	+8.3 %
Ophthalmic Systems SBU	**322,711**	310,788	+3.8 %
Microsurgery SBU	**268,396**	250,265	+7.2 %
Consolidated revenue	**676,682**	640,089	

Carl Zeiss Meditec recorded pleasing growth of 8.3 % compared to the previous year in its "Surgical Ophthalmology" strategic business unit. The positive sales development was significantly aided by the IOL product lines AT LISA® and CT ASPHINA®.

The "Microsurgery" business unit also made a growing contribution to consolidated revenues, up 7.2 % to € 268.4 million in financial year 2009/2010 (previous year: € 250.3 million). Worth mentioning here are the OPMI Lumera®, which is used in ophthalmic surgery, OPMI® Pentero® and OPMI® Vario, which are used in neurosurgery and spinal surgery.

The SBU "Ophthalmic Systems" recorded revenues up 3.8 % in the year under review. In addition to pleasing revenue growth with the diagnostic systems Cirrus™ HD-OCT, IOLMaster® and Humphrey® Field Analyzer (HFA II-*i*) that are already on the market, the femtosecond laser VisuMax® also made a solid contribution to revenues in this business unit.

The following figure shows consolidated revenues by strategic business unit in the reporting period based on constant exchange rates and compared with the prior year. Accordingly, the SBUs Ophthalmic Systems and Microsurgery benefited slightly from changes in exchange rates, and Surgical Ophthalmology was mostly unaffected by these changes.

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

	Financial year 2009/2010	Financial year 2008/2009	
Surgical Ophthalmology SBU	**85,575**	79,072	+8.2 %
Ophthalmic Systems SBU	**322,711**	312,997	+3.1 %
Microsurgery SBU	**268,396**	252,596	+6.3 %
Consolidated revenue	**676,682**	644,665	

b) Consolidated revenue by region

The distribution of revenue by region in the period under review essentially reflects the trends described in the section "Macroeconomic conditions".

Figure 6: Consolidated revenue by region (figures in € '000)

	Financial year 2009/2010	Financial year 2008/2009	
Asial/Pacific	**195,600**	167,682	+16.6 %
Americas	**238,450**	227,674	+4.7 %
EMEA	**242,632**	244,733	-0.9 %
Consolidated revenue	**676,682**	640,089	

The **Asia/Pacific region ("APAC")** recorded the strongest growth in the past financial year at 16.6 %. Revenue increased here from € 167.7 million to € 195.6 million. The surgical microscopes OPMI® Pentero® and OPMI Lumera®, the Humphrey® Field Analyzer (HFA II-*i*) and Cirrus™ HD-OCT accounted for the lion's share.

The USA is the largest market for medical technology, and this primarily determines the **"Americas"** region for our Company. We were able to record pleasing growth in this region this financial year. Revenue rose by 4.7 % to € 238.5 million (previous year: € 227.7 million). Sales drivers were the diagnostic system Cirrus™ HD-OCT and the surgical microscope OPMI Lumera®. The diagnostic systems IOLMaster® and the Humphrey® Field Analyzer (HFA II-*i*), as well as the surgical microscope OPMI® Pentero® also developed positively.

Revenue in the **Europe, Middle East and Africa (EMEA)** region amounted to € 242.6 million (previous year: € 244.7 million). Compared to the previous year, this corresponds to a slight reduction of 0.9 %. One of the main reasons for this development was debates on healthcare reforms and the announcement of dramatic cost-cutting packages in some countries on this continent. This could not be compensated for by the, in most cases, encouraging development in the other European countries. Key sales drivers in this region were the diagnostic devices Cirrus™ HD-OCT, Humphrey® Field Analyzer (HFA II-*i*), IOLMaster®, and the VisuMax® femtosecond laser, the AT LISA® IOL product line and the OPMI Lumera®, OPMI® Pentero® and OPMI® Vario surgical microscopes.

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

Figure 7: Consolidated revenue by region based on constant exchange rates (figures in € '000)

	Financial year 2009/2010	Financial year 2008/2009	
Asia/Pacific	**195,600**	172,799	+13.2 %
Americas	**238,450**	227,108	+5.0 %
EMEA	**242,632**	244,758	-0.9 %
Consolidated revenue	**676,682**	644,665	

2.4.3 Gross profit

In financial year 2009/2010 gross profit increased disproportionately by 11.3 % to € 358.7 million (previous year: € 322.3 million). This was mostly due to the increased contribution from high-margin countries and products, cuts in manufacturing costs and economies of scale. Thus the gross margin simultaneously increased by 2.6 percentage points to 53.0 %.

2.4.4 Functional costs

In the reporting year 2009/2010 the functional costs increased by 10.5 % compared to the previous year. The increase to € 272.4 (previous year: € 246.5) million is mostly due to the increased volume of production and sales and also to "investments" in the future.

- **Selling and marketing expenses:** Selling and marketing expenses increased in the year under review from € 150.6 million to € 162.8 million. This growth is due, in particular, to investments in clinical studies for new products and strategic organizational developments as well as increased personnel expenses. The ratio as a proportion of consolidated revenue thus increased by 0.6 percentage points to 24.1 %.
- **General and administrative expenses:** Expenses in this area amounted to € 37.2 million in the reporting year (previous year: € 32.4 million). In relation to the revenue in the reporting year the ratio is 5.5 % (previous year: 5.1 %).
- **Research and development expenses:** The Carl Zeiss Meditec Group again made strong investments in research and development and thus, in a special way, in the Company's future. This is the only way for us to constantly present our customers with innovative, value-creating products. In financial year 2009/2010 R&D expenses amounted to € 72.4 million (previous year: € 63.4 million), thus corresponding to a higher portion of consolidated revenue compared with the previous year, of 10.7 % (previous year: 9.9 %).

2.4.5 Earnings growth

The pace at which Carl Zeiss Meditec's revenue grew in 2009/2010 is also reflected in its excellent earnings growth. As of 30 September 2010 **EBITDA** amounted to € 107.7 million (previous year: € 92.4 million). The **EBITDA margin** amounted to 15.9 %, which was 1.5 % percentage points higher than the previous year. Compared with the previous year, **EBIT** climbed 14.0 % to € 86.7 million (previous year: € 76.1 million), and thus increased to a greater extent than consolidated revenue. The **EBIT margin** thus increased to 12.8 % (previous year: 11.9 %). This is mostly due to the increased contribution by high-margin countries and high-margin products to consolidated revenues, cuts in manufacturing costs and economies of scale.

Interest income/interest expenses (net) amounted to € -3.6 million in financial year 2009/2010 (previous year: € -0.7 million) as the interest rate for short-term financial investments was further decreasing in the past financial year.

A key factor for the increase in the **other financial result** by 36.9 % to € 3.6 million compared to the previous year (€ 2.6 million) was the removal of the non-care activities in the Pharmaceuticals segment as part of the adjustment to the portfolio.

The **tax rate** slightly decreased year-on-year from 29.9 % to 28.1 %.

In financial year 2009/2010 the basic **consolidated revenue**[8] amounted to € 54.9 million (previous year: € 50.5 million). **Non-controlling interests** accounted for € 4.7 million (previous year: € 4.6 million). **Earnings per share of the parent company**[8] thus amounted to € 0.68 (previous year: € 0.62).

[8] Attributable to shareholders of the parent company

2.5 Financial position

2.5.1 Objectives and principles of financial management

A primary objective of financial management at Carl Zeiss Meditec AG is to ensure the solvency of the Company and to manage this efficiently throughout the Group. The Group's main source of liquidity comes from the business operations of the individual business units, upon which the financial activities and the strategic orientation of the Group are also based. The Company therefore operates a global financial management system that 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 comes before the goal of maximizing earnings, so that funds can be accessed quickly if, for example, acquisition opportunities arise. The Group has production facilities in the USA and Europe and is thus only partly exposed to a direct currency risk, which it hedges against using simple currency forward contracts. Details on these can be found in the notes to the consolidated financial statements under "(2) (i) Financial instruments", "(28) Additional disclosures on financial instruments", "(37) Financial risk management", "(2) (u) and (34) Related parties disclosures".

2.5.2 Financial management

The debt ratio of the Group, i. e., the ratio of borrowed capital to total assets, amounted to 28.8 % as of 30 September 2010 (30 September 2009: 28.4 %).

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

For further information on the financial liabilities of Carl Zeiss Meditec please refer to note "(25) Noncurrent financial liabilities", "(26) Current accrued liabilities" and "(27) Other current liabilities" in the accompanying notes to the consolidated financial statements.

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

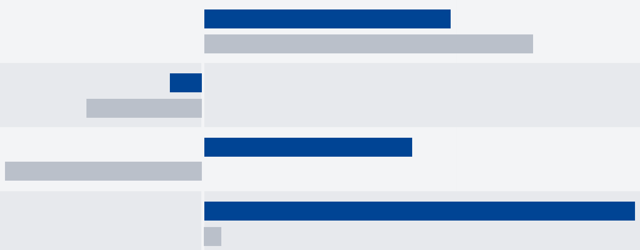
2.5.3 Cash flow statement

The Carl Zeiss Meditec Group's cash flow statement shows the origins and use of the cash flows during the financial year. As a result, a distinction is made between the cash flow from operating activities and the 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 respective date of first-time consolidation. In contrast, the consolidated balance sheet presents the figures as they stood on the balance sheet date 30 September 2010. As a result, the statements in the analysis of the financial position may differ from the presentation of net assets based on the consolidated balance sheet.

Figure 8: Summary of key ratios in the consolidated cash flow statement (figures in € ’000)

	Financial year 2009/2010	Financial year 2008/2009
Cash flow from operating activities	**65,211**	87,356
Cash flow from investing activities	**-8,452**	-30,591
Cash flow from financing activities	**54,992**	-52,231
Change in cash and cash equivalents	**113,521**	4,522



Cash flow from operating activities amounted to € 65.2 million in financial year 2009/2010 (previous year: € 87.4 million). Consolidated net income had a positive impact on this. The key factors behind this downturn were the increase in inventories connected with starting up new products, and also increased trade receivables.

Cash flow from investing activities amounted to € -8.5 million (previous year: € -30.6 million). The sale of the pharmaceuticals business had a positive effect of € 4.0 million in this regard. The previous year’s figure includes the payment for the acquisition of the assets of Welch Allyn.

Investments in property, plant and equipment amounted to € 4.6 million in the period under review (previous year: € 10.3 million). This is primarily based on investments in operating and office equipment at the German facilities and expanding capacity for IOL business.

Cash flow from financing activities led to a cash inflow of € 55.0 million in the reporting year 2009/2010 (previous year: € -52.2 million). This is due to a re-allocation of treasury receivables from the treasury of Carl Zeiss AG to cash and cash equivalents. In contrast, the last installment paid for the LDT loan (€ 8.6 million) and the dividend payment to shareholders in financial year 2009/2010 of € 14.6 million (previous year: € 14.6 million) have led to a net outflow of funds.

2.5.4 Investment and depreciation policy

To achieve a leading market position in the medical technology sector companies need to make well considered investments. Carl Zeiss Meditec AG makes a distinction 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 limits 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. As an exception, the production of intraocular lenses is an area that generally demands higher investments due to a large vertical range of manufacture.

Nevertheless, the investment of capital in real assets is only necessary to a relatively limited extent within the Group, which is evident from the development of the capex ratio – the ratio of total investments[9] in property, plant and equipment to consolidated revenue. In the reporting year, the capex ratio was 0.9 % in the previous financial year it was 2.0 %.

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

2.5.5 Key ratios relating to financial position

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

Key ratio	Definition	30 September 2009	30 September 2010	Change
Cash and cash equivalents	Cash-in-hand and bank balances	199,995	313,516	+56.8 %
Net cash	Cash-in-hand and bank balances + Treasury receivables from Group treasury of Carl Zeiss AG ./. Treasury payables to Group treasury of Carl Zeiss AG	288,850	327,983	+13.5 %
Net working capital	Current assets ./. Cash and cash equivalents ./. Treasury receivables from Group treasury of Carl Zeiss AG ./. Current liabilities excl. treasury payables to Group treasury of Carl Zeiss AG	86,028	105,089	+22.2 %
Working capital	Current assets ./. Current liabilities	374,878	433,072	+15.5 %

Table 4: Key ratios relating to financial position

Key ratio	Definition	Financial year 2008/2009	Financial year 2009/2010	Change
Cash flow per share	Cash flow from operating activities / Weighted average number of shares outstanding	€ 1.07	€ 0.80	-25.2 %
Capex ratio	Investment in property, plant and equipment / Consolidated revenue	2.0 %	0.9 %	-1.1 %-pts

[9] In financial year 2009/2010 total investments in property, plant and equipment amounted to € 6.4 million, compared with € 12.5 million in the previous year.

2.6 Net assets

2.6.1 Presentation of net asset position

The following chart summarizes the development of key items in the consolidated balance sheet:

Figure 9: Structure of the consolidated balance sheet (figures in € '000)

Assets	30 September 2010	30 September 2009
Goodwill	**113,068**	113,593
Noncurrent assets*	**120,752**	115,419
Cash and cash equivalents	**313,516**	199,995
Current assets**	**293,867**	325,358
Consolidated total assets	**841,203**	754,365

Liability and equity	30 September 2010	30 September 2009
Equity	**598,982**	539,772
Noncurrent liabilities	**67,910**	64,118
Current liabilities	**174,311**	150,475
Consolidated total liabilities	**841,203**	754,365

* excluding goodwill
** excluding cash and cash equivalents

ASSETS

Goodwill

As of 30 September 2010 the goodwill of Carl Zeiss Meditec AG amounted to € 113.1 million and was thus at a similar level as in the previous year (30 September 2009: € 113.6 million).

Inventories

Inventories increased by 20.4 % to € 119.2 million in the reporting period (previous year: € 99.1 million). The increase is mostly characterized by the increase in stocks, in order to meet the increased demand for Carl Zeiss Meditec's products and still allow short delivery periods (For further information on this see note "(18) Inventories" in the notes to the consolidated financial statements).

Trade receivables, incl. receivables from related parties

This balance sheet item increased compared with the previous year, from € 116.1 million to € 133.9 million, and is above all attributable to the high level of revenue generated in the fourth quarter.

Cash and cash equivalents

During the past financial year, cash and cash equivalents increased despite dividend payment (€ 14.6 million) and repayment of the LDT loan (€ 8.6 million) from € 200.0 million to € 313.5 million. Part is due to the sale of the pharmaceuticals business, however the primary factor behind the increase is the reclassification of cash invested with Carl Zeiss AG's group treasury and which were previously carried as treasury receivables. This balance sheet item decreased to € 24.7 million (30 September 2009: 96.0 million).

LIABILITIES AND EQUITY

Equity

The Company was able to increase its equity thanks to the excellent business growth this year from € 539.8 million to € 599.0 million. As a result, it was possible to pay a dividend of € 0.18 per share, which corresponds to a total payment of € 14.6 million.

Provisions for pensions and similar commitments

As of 30 September 2010 this item totaled € 14.1 million (30 September 2009: € 11.3 million). This increase is mainly due to an adjustment of the interest rate.

Other noncurrent provisions

The Company's very successful business growth also goes hand-in-hand with increase provisions for personnel. This balance sheet item increased to € 15.0 million (30 September 2009: 10.8 million).

Noncurrent financial liabilities

Noncurrent financial liabilities amounted to € 9.1 million as of 30 September 2010 (30 September 2009: € 9.3 million).

Current portion of noncurrent financial liabilities
This balance sheet item amounted to € 0.3 million at the end of the financial year 2009/2010 (previous year: 9.3 million). The US subsidiary Carl Zeiss Meditec Inc. took out a low-interest US dollar loan of USD 26.0 million (€ 19.6 million based on the rate of exchange at the date of acquisition) with Carl Zeiss AG's Group treasury to help finance the acquisition of the US company Laser Diagnostic Technologies ("LDT") in 2004. As the remaining portion of this loan fell due in November 2009, there was a reclassification to the balance sheet item "Current portion of noncurrent financial liabilities" in financial year 2008/2009. These liabilities have been settled in the reporting year.

Trade payables
Trade payables increased from € 23.1 million as of 30 September 2009 to € 28.7 million as of 30 September 2010 and are attributable partly to the high revenue in the fourth quarter of the financial year.

2.6.2 Key ratios on net asset position

Table 5: Key ratios on net asset position

Key ratio	Definition	30 September 2009	30 September 2010	Change
Equity ratio	Shareholders' equity / Total assets	71.6 %	71.2 %	-0.4 %-pts
Rate of inventory turnover	Cost of goods sold / Average inventories	2.9	2.9	±0.0 %
Days of sales outstanding (DSO)	Trade receivables including receivables from related parties / Consolidated revenue x 360 days	65.3 days	71.2 days	+9.1 %

2.7 Orders on hand

Our current orders on hand means that we can look to the future with confidence. As of 30 September 2010, Carl Zeiss Meditec increased the Group's orders on hand compared to 30 September 2009 (€ 57.5 million) by 28.9 % to € 74.1 million.

2.8 Events of particular significance

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

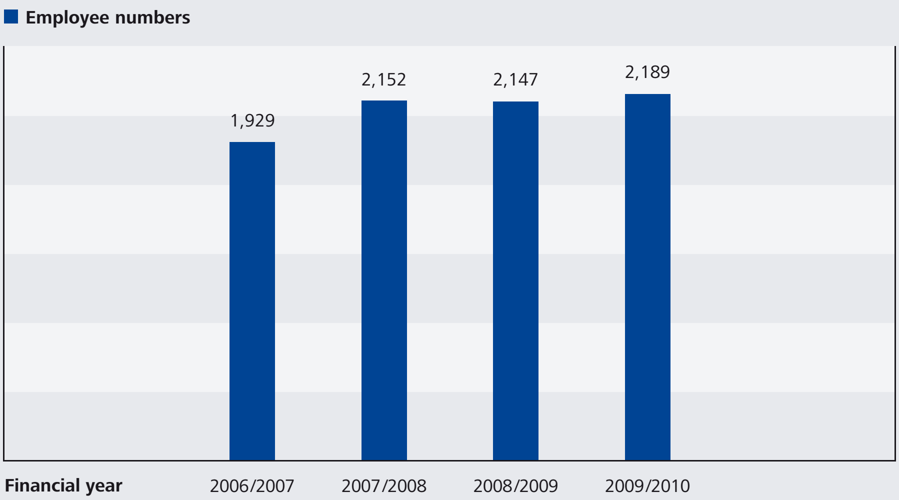
3 Non-financial performance indicators

3.1 Employees

3.1.1 Development of workforce

Carl Zeiss Meditec's success relies on the commitment, the motivation and the skills of its employees. Even in times of economic turbulence, we have kept employee numbers constant. As of 30 September 2010 the Carl Zeiss Meditec Group had 2,189 employees worldwide (previous year: 2,147).

Figure 10: Workforce of the Carl Zeiss Meditec Group at the end of the financial year



3.1.2 Strategic personnel development planning

Our employees, their competence and performance create the foundations that make Carl Zeiss Meditec a success all over the world. That is why the sustained development and target-oriented promotion of our employees' potential is a key task for our human resources management. We focus, in particular, on the personal and professional further development of the group's employees. We consider this a basis for ensuring the long-term economic success of our Company. We also aim to increase our attractiveness as an employer with our target-oriented HR development.

3.2 Production

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

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

Around half of all of the semi-finished products that we purchase stem from suppliers in the Carl Zeiss Group. The remainder stems from other suppliers outside the Carl Zeiss Group.

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

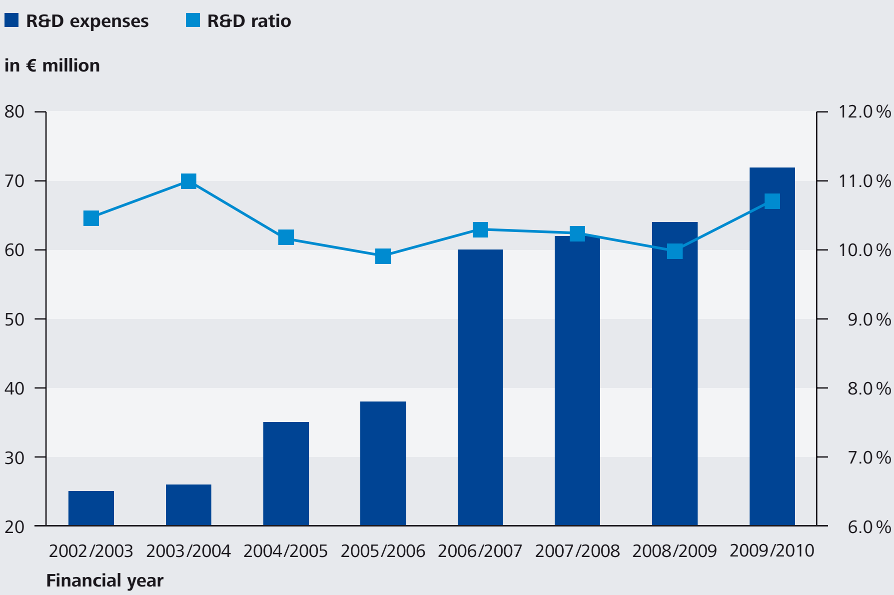
3.2.3 Production planning
Production planning in Jena and Oberkochen is based on the rolling forecast method. The majority of distribution partners prepare a sales forecast once a quarter for the next 15 months. The sales forecast is then translated into a demand forecast for production units, taking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

3.3 Research and development

3.3.1 Objectives and focus of research and development
We also want 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 increase our broad product range and constantly improve products that are already on the market. Our focus in this regard is, in particular, on increasing efficiency and effectiveness in diagnosis and treatment. We attach great importance to the needs of our customers and always work closely together with them.

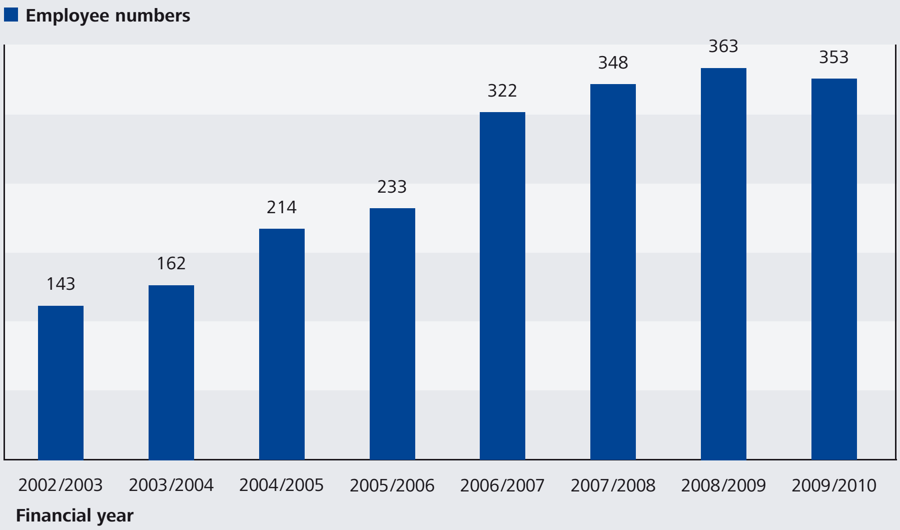
As a technology-oriented group, Carl Zeiss Meditec has also driven and further increased its research and development activities this financial year. Research and development expenses totaled € 72.4 million last financial year (previous year: € 63.5 million). As a result, the R&D ratio was 10.7 % (previous year: 9.9 %) of consolidated revenues and was increased slightly compared to the previous year.

Figure 11: R&D expenses and R&D ratio to revenues



During the past financial year, 353 (previous year: 363) employees worked on developing and improving new and existing products. This corresponds to 16.1 % of the Group's total workforce. The high importance of research and development activities can be seen on the growth in employee numbers since the Company was formed. Investments were still made in additional employees even during periods of crisis, in order to secure the Company's future earnings strength.

Figure 12: Development of R&D workforce in the past financial years



According to our strategy, innovation is a key driver for future growth. Carl Zeiss Meditec AG has the necessary resources to secure the Company's future earnings strength with its research and development activities.

3.3.2 Focus of research and development activities in the reporting period

Research and development at Carl Zeiss Meditec mainly focuses on:

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

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

ReLEx®
The combination of precise femtosecond technology and lenticule extraction is the beginning of a new era in refractive surgery. ReLEx® offers impressive clinical results for the physician. The key factor here is that the correction to the visual acuity is undertaken in the intact cornea, helping achieve greater precision in the predictability of the planned result. ReLEx® reduces the amount of equipment needed by the physician, as only one laser is necessary for the whole treatment.

IOLMaster® 500
With automatic and non-contact measurement of the patient's eye, the new IOLMaster® 500 offers a faster and easier way of calculating the right IOL for each cataract patient. Additionally, the IOLMaster® 500 offers to share patient data via an interface to an ultrasound A-scan device. The IOLMaster® 500 is part of the ZEISS Toric Solution and, via the FORUM® platform, is an integral component of the ZEISS Ophthalmic Data Management Solution.

OPMI LUMERA® 700
Awarded the red dot award for innovative product design, this surgical microscope combines a high-quality basic configuration with extensive options for surgery in the anterior and posterior ocular segments. With the new RESIGHT™ 700 fundus viewing system and innovative Stereo Coaxial Illumination (SCI) illumination technology, it allows the doctor to see the patient's eye with hitherto unparalleled detail and brilliance. OPMI LUMERA® 700 can be integrated with other Zeiss products to enable the optimum implantation of toric intraocular lenses (ZEISS Toric Solution).

ZEISS Toric Solution
This is an optimally coordinated range of different products that allow the physician to implant toric intraocular lenses with greater ease and speed. Treatment outcomes are thus improved.

BLUEMIXS™ 180 injector
The BLUEMIXS™ 180 injector is the first injector available on the market for the most comprehensive range of pre-loaded MICS IOLs. A 1.8mm incision thus allows the best results to be obtained. BLUEMIXS™ 180 guarantees the correct placement of the intraocular lens and covers the entire bandwidth of diopters offered in ZEISS MICS IOLs.

VISALIS® 500
Carl Zeiss Meditec now covers the entire spectrum in the area for cataract treatment and aftercare (diagnostic equipment, surgical microscope, phaco system, CALLISTO eye® OP cockpit and IOL). 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 for treating cataracts, VISALIS® 500 can also be used for retinal surgery. It thus offers all of the functions required in the ophthalmology operating room.

VISUCAM® 200 und VISUCAM® 500
The new VISUCAM® 200 and 500 fundus cameras enable doctors to diagnose typical eye diseases such as diabetic retinopathy, glaucoma and AMD more effectively at a single workstation. The measurement of macular pigment density is available as a new modality.

OPMI® VARIO 700

A further new product in our range of surgical microscopes is the OPMI® VARIO 700. The constantly increasing requirements of doctors in cranial and spinal surgery are driving development of the OPMI® VARIO. An elegant and compact design, simple user navigation, flexible positioning and impressive light quality are all part of just the very basic advantages that this system has to offer.

INTRABEAM®

INTRABEAM® offers the least disruptive treatment method available for the treatment of breast cancer. The radiation dose of INTRABEAM® is administered to the tumor bed in the operating room. The system utilizes a miniature X-ray source and a full range of radiation applicator options. The clinical effectiveness of the specific intraoperative one-off radiation with this product was recently proved in a multi-year international study (TARGIT-A).

Table 6: Other focal points of research and development activities in financial year 2009/2010

Focus	Activities
Continuous development of the existing product portfolio	• Further development of the functionality of the Cirrus platform • Further development of the perimetry gold standard Humphrey® Field Analyzer (HFA II-*i*) • Technical and clinical further development of the ReLEx® procedure • Product care for the entire portfolio of retina and glaucoma diagnostics • Further development of the phaco system • Further development of the MEL 80™ excimer laser system • Further development of an integration and workflow platform for cataract surgery • Further development of the successful OPMI® Pentero® • Expansion of the range of implantation systems for modern microincision cataract surgery
Development of new products and combination of diagnosis and treatment	• Multi-location development of modular components to make the product portfolio uniform • Merging existing products to form more complete systems • Practical testing of the new high-end visualization system for ophthalmosurgery and neurosurgery
Basic research	• Ongoing investigation and evaluation of new technologies for application in medical technology • Activities to develop new applications for molecular imaging • Cooperation with external research partners, e. g. universities and institutes

3.3.3 Brands and patents

Currently, the Company owns more than 700 patent families worldwide. Patent protection differs from country to country. However, we aim to protect all of our products on the various markets using patents. Due to the long market presence of many products the protection provided by patents does not usually extend to the basic functionality of these products. It is much rather the case that we aim to protect individual characteristics and improvements that offer technical advantages in order be able to continue to move successfully on the market and offer USPs.

In addition, the Company has more than 200 registered brands and brand registrations (as of 30 September 2010). These include product names, slogans, images, logos and other specific company characteristics.

4 Remuneration report

4.1 Remuneration of the Management Board

On 31 July 2009 the German Act on the Appropriateness of Executive Remuneration *(Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG)* entered into force. This has led to a series of amendments to the remuneration regulations for the Management Board provided for under German stock corporation law and also assigned authority regarding the stipulation of the Management Board's remuneration exclusively to the Supervisory Board . The law does not apply to existing Management Board contracts, however ("existing contracts"), and is only applicable for the first time for new contracts being concluded or for an extension of Management Board contracts.

The following remuneration report refers to the Management Board contracts already existing in the financial year just ended ("existing contracts") on the basis of the legal situation prevailing under stock corporation law and applying to the existing contracts of Management Board members up until the enforcement of the new regulations for the remuneration of the Management Board. The existing contract with the Management Board member Dr. Monz was adjusted in connection with his appointment as CEO. The contract with the Management Board member Mr. Krauss was extended during the financial year. A new contract was concluded with Dr. Müller, a new member of the Management Board. Dr. Kaschke and Mr. Hirsch left the Management Board during the financial year.

4.1.1 Structure and amount of remuneration paid to the Management Board
The Supervisory Board's Personnel Committee proposes the amount and structure of the remuneration to be paid to the Management Board, which are fixed by the Supervisory Board as a whole. The remuneration paid to the Management Board of Carl Zeiss Meditec AG consists of a fixed and a variable portion. The variable portion is split into two components: the first component is contingent upon the achievement of certain targets for the respective financial year and the second bears a long-term incentive effect and risk elements.

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

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

In addition to the two portions of Management Board remuneration described above, there is also a Long Term Incentive Program ("LTIP") for Management Board members Dr. Monz, Krauss and Dr. Müller. This program first came into effect in financial year 2005/2006 for Dr. Monz and Mr. Krauss and a new tranche is added each year. This LTIP consists of a remuneration component with a long-term incentive effect and risk elements. The annual tranches each have a term of three years. As part of the LTIP tranches Management Board members Dr. Monz, Krauss and Dr. Müller may, 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.

A key requisite for being entitled to this payment, however, is the achievement of a certain EVA® target set by the Supervisory Board for the respective three-year period, which is evaluated at the end of the period. The overachievement of this target is limited to a maximum of 200 %. In addition, the respective Management Board member's contract of employment must not have been terminated as of the end of the period. For the purposes of setting up appropriate provisions, an annual performance review is carried out at the balance sheet date at the end of each financial year during the three-year period for each tranche. The accrued amounts are not earned until the end of the period, however, and are only paid out at this time if the respective targets have been sufficiently met.

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

	Remuneration for financial year 2009/2010 Figures from the previous year are stated in brackets in each case		
	Fixed remuneration component	**Variable remuneration (performance-related)**	**Total remuneration for financial year 2009/2010**
Dr. Ludwin Monz	231.3 (214.5)	186.2 (133.0)	417.5 (347.5)
Dr. Christian Müller[10]	148.8 (–)	112.5 (–)	261.3 (–)
Ulrich Krauss	199.6 (207.0)	137.9 (131.3)	337.5 (338.3)
Dr. Michael Kaschke[11]	112.5 (270.0)	– (90.0)	112.5 (360.0)
Bernd Hirsch[12]	32.8 (206.5)	22.6 (137.0)	55.4 (343.5)

The LTIP for the three-year period from 2006/2007 to 2008/2009 was settled at the end of financial year 2008/09, but was paid out only in financial year 2009/2010. The LTIP settled in financial year 2006/2007 resulted in payments of € 16.2 thousand to Mr. Hirsch, € 16.2 thousand to Mr. Krauss and € 15.6 thousand to Dr. Monz. This led to the reversal in income of the provisions of € 222 thousand set up in the previous years. In financial year 2009/2010 separate provisions were set up for Management Board members for the ongoing tranches of the LTIP: Dr. Monz (€ 88.0 thousand), Dr. Müller (€ 33.4 thousand = proportionate value for the time since appointment to the Management Board of Carl Zeiss Meditec AG) and Krauss (€ 91.0 thousand).

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. In the case of the Management Board contracts concluded or extended during the financial year this complies with the amount of at least 10 % of the damages up to at least one-and-a-half times the fixed annual remuneration prescribed by the German Stock Corporation Act (*AktG*) since 5 August 2009. Pursuant to the transitional provisions pertaining to the new regulation under stock corporation law, in the case of

[10] Member of the Management Board since 15 December 2009

[11] Member of the Management Board until 04 March 2010

[12] Member of the Management Board until 30 November 2009

old contracts the excess stipulated in the Management Board contracts shall be adjusted to comply with the current legal situation when the respective Management Board contracts are extended.

4.1.2 Pension scheme for members of the Management Board
The appropriation to provisions for pensions or pension funds is to be stated annually for pension commitments. Pursuant to IFRS, an appropriation of € 198 thousand was made for Management Board member Krauss in financial year 2009/2010, an appropriation of € 60 thousand was made for Management Board member Dr. Müller, an appropriation of € 303 thousand was made for Management Board member Dr. Monz and an appropriate of € 44 thousand for Management Board member Hirsch. The Company did not set up any pension provisions for Management Board member Dr. Kaschke.

Projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amounted to € 347 thousand (previous year: € 190 thousand).

4.1.3 Departure of members of the Management Board
In the event of premature termination of the employment relationship, the contracts for members of the Management Board do not contain any explicit promise of a severance payment. A severance payment may, however, ensue from a severance agreement concluded on an individual basis. No compensation agreements were concluded in connection with the exit of the Management Board members Dr. Kaschke and Mr. Hirsch.

4.2 Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is calculated according to Section 19 (1) of the current version of Carl Zeiss Meditec AG's Articles of Association. The Supervisory Board decides itself how the performance-related remuneration is divided. This decision on the remuneration takes account of the Chair and Deputy Chair of the Supervisory Board and committee membership. The amount to be paid is determined firstly on the basis of the varying fixed remuneration for the Chairman of the Supervisory Board and his Deputy as laid down in the Articles of Association. Secondly, functions on Supervisory Board committees are taken into account for the distribution of the variable remuneration.

The table below shows an itemized breakdown of the remuneration paid to the Supervisory Board (previous year's figures in brackets):

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

	Fixed remuneration component	Variable remuneration (performance-related)
Dr. Michael Kaschke[13]	11.5 (–)	27.1 (–)
Dr. Markus Guthoff[14]	17.1 (20.0)	46.0 (46.5)
Dr. Dieter Kurz[15]	12.1 (15.0)	47.0 (41.0)
Dr. Wolfgang Reim	10.0 (10.0)	49.9 (47.5)
Ulrich Hoffmann[16]	4.2 (1.7)	11.4 (4.0)
Franz-Jörg Stündel[17]	10.0 (10.0)	33.6 (29.3)
Wilhelm Burmeister[17]	10.0 (10.0)	26.9 (23.3)

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 2009/2010.

5 Risk report

5.1 Risk management system

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

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

[13] Chairman of the Supervisory Board since 4 March 2010
[14] Chairman of the Supervisory Board until 4 March 2010, Deputy Chairman of the Supervisory Board since 4 March 2010
[15] Deputy Chairman of the Supervisory Board until 4 March 2010
[16] Member of the Supervisory Board until 4 March 2010
[17] Employee representative legally appointed to the Supervisory Board on a voluntary basis

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

- **Risk management system:** In order to be able to identify risks in good time, evaluate them and take the appropriate countermeasures, the Group has set up a successful risk management system. This is a clearly structured feedback loop which encompasses all corporate activities and comprises a systematic and ongoing process. The following phases are defined: Identification – Evaluation – Control – Documentation. A key component of this is a database-assisted software solution, which is used to regularly record, systematize and evaluate risks, their estimated probability of occurrence and their damage potential.
- **Controlling instruments:** The Controlling department at Carl Zeiss Meditec regularly updates the Management Board, the Managing Directors of the subsidiaries and all responsible decision-makers within the Carl Zeiss Meditec Group about arising risks based on key ratios, thereby supplementing the information provided by the risk management system. Continuous risk prevention is ensured by direct and regular contact between the individual functional areas using standardized procedures.
- **Certified quality management:** A vital part of early risk detection is the Group's certified quality management system. Clearly structured and documented quality management processes ensure not only transparency, but are now a prerequisite in most markets for obtaining regulatory approval for medical devices. The quality assurance system employed by Carl Zeiss Meditec was certified by *DQS GmbH Deutsche Gesellschaft zur Zertifizierung von Managementsystemen* and complies with the US standard for Good Manufacturing Practice ("GMP"), 21 C.F.R. part 820, Quality System Regulation. A key objective of these certified processes is 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 three 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, suitable steps are taken to avoid identified risks or reduce the probability of their occurrence, and minimize the potential financial losses of such risks. The measures for reducing risks and the early-warning indicators are regularly updated.

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

5.2 Internal control system (ICS)

The internal controls are the set of all of the workflows, methods and activities (control activities) prescribed by management that serve to ensure that operations run properly. The organizational internal controls are integrated into workflows. That means that they accompany the work, or precede or follow execution of the work.

The internal control system (ICS) comprises systematically designed organizational and technical activities and controls in the Company. It serves, for example, to ensure that guidelines are upheld and risks are reduced. Internal controls provide 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

In order to control the risks, the ICS is an integral component of risk management and is a fixed part of the Company's management. It is based on the following key components:

The management of Carl Zeiss Meditec including its consolidated subsidiaries is responsible for setting up, using and further developing a reasonable internal control system (ICS) with regard to the consolidated accounting process.

The accounting-related internal control system is a system structured under the CFO's supervision which provides sufficient security that the preparation of the consolidated financial statements is in line with International Financial Reporting Standards (IFRS) and that external financial reporting is reliable.

Carl Zeiss Meditec and its subsidiaries are responsible for upholding the guidelines and methods which apply throughout the Group and for the proper and timely execution of their accounting-related processes and systems. In so doing the Meditec Group Finance department provides support and supervision. Group Finance is responsible for consolidated reporting, including group-wide financial and management information, forecasts, budgets and risk reporting. Comments by management, external consultants and auditors on the content and presentation are taken into account and processed by Meditec Group Finance when preparing consolidated reports. Acts of law, accounting standards and other pronouncements are constantly analyzed with regard to their relevance for and impact on the consolidated and annual financial statements. Relevant requirements are communicated in the Group's accounting guidelines, and together with the calendar for financial statements which applies throughout the Group, these form the foundations for the process of preparing the financial statements. In addition, supplementary instructions for methods, standardized reporting formats, IT systems and IT-supported reporting and consolidation processes support the process for uniform and proper consolidated accounting. If required, Meditec uses external service providers or uses the central units in the Carl Zeiss Group, for example for the valuation of pension obligations, calculating deferred taxes, etc.

The effectiveness of the ICS is reviewed by the Audit Committee of the Supervisory Board of Carl Zeiss Meditec according to the requirements of the German Accounting Modernization Act *(Bilanzmodernisierungsgesetz),* which came into effect in May 2009. Carl Zeiss Meditec uses Carl Zeiss AG's group audit department for the independent review of how well the ICS works at the Company and its subsidiaries.

Risks in view of the consolidated accounting process
The main risks in the accounting process are that the financial statements may not provide a true and fair view of the financial position and results of operations as a result of unintentional errors or willful actions, or that there is a delay in publishing these. These risks can impact investors' trust or Carl Zeiss Meditec's reputation. Accounting then does not present a true and fair view of the Company's financial position and results of operations if the figures included in the financial statements differ materially from a concrete disclosure. Differences are regarded as being material if they could impact the economic decisions taken by the recipients on the basis of the financial statements, either individually or in total.

The internal control system aims to combat these risks. This system can offer reasonable but not absolute protection that errors are avoided in the financial statements.

The accounting based 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 also investigative controls, including IT-assisted and manual comparisons, splitting functions, the principle of dual control, general IT controls, such as access regulations for IT systems or quality management and also their supervision.

With regard to consolidated accounting, workflows with integrated controls ensure that the consolidated financial statements are complete and correct. These processes to organize and execute the consolidation work and to create the consolidated financial statements and also 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.

In order to avoid incorrect statements, activities including the controls described above are performed.

Valuation and outlook for the internal control system
The accounting-based ICS is constantly further developed.

As is the case for each internal control system, the accounting-based internal control system can only provide reasonable, however not absolute security regarding the attainment of the corresponding targets, irrespective of how carefully this ICS is structured and operated. The controls performed as part of the ICS, the workflows set up or the systems installed, can thus, as a rule, not prevent all errors. In addition, the cost/benefits ratio must be taken into account when setting up an ICS. 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 either be found in the workflows anchored in normal business operations or in workflows that are set up specially to assess the effectiveness of the ICS. In addition, information from other sources is a key component for management assessments, as these show the management shortcomings in the controls, or they can confirm the results of the controls.

These information sources include:

- Reports by group auditing;
- Reports on audits that were performed by the supervisory authorities or on their behalf (reporting to the supervisory board);
- Reports by external auditors;
- Reports that were commissioned to assess the effectiveness of workflows outsourced to third parties.

The focused review that management performed and which included information from other sources, has led to the conclusion that the ICS is suitably structured and effective.

5.3 Risk factors

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

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

In particular the underlying conditions in the global economy grew more difficult over the past few years, which has led to greater economic risks. The international financial market crisis, the slump in overall economic development, and the shifts in currency relations have also increased the risks for Carl Zeiss Meditec. Thanks to the early-warning system established within the Carl Zeiss Meditec Group, these risks are recognized in good time and can be countered accordingly. In addition, 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. The Company reacts to prevailing market conditions using a far-reaching program of measures that comprises adaptations of production, reductions in production costs and other cost-cutting and efficiency-enhancing measures in all areas of the Company.

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

5.3.2 Market and competition

The search for new treatment methods in the medical technology industry has intensified as a result of global competition. Some competitors of the Carl Zeiss Meditec Group are larger than the Company in terms of their total revenue, and they have greater financial resources at their disposal to deal with competitive pressure. In addition, small companies which focus on just one product can bring about substantial competitive pressure, as they focus their activities in just one segment. 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 doctors and hospitals may fall, prompting them to suspend or restrict the performance of the respective treatments. Market and competition-related risks are thus posed by possible benefit cuts in the health care sector, which could have an impact on growth opportunities. In addition, there can be no guarantee that patients will be willing or able to cover all or some of the costs of the treatment carried out with products of the Carl Zeiss Meditec Group themselves. Furthermore, in the case of new products, it is also impossible to predict with any certainty whether health insurance funds, insurance companies or government health schemes will offer any reimbursement at all. The complete or partial denial of reimbursements could reduce the demand for products of Carl Zeiss Meditec.

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

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

5.3.3 New technologies and products

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

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

5.3.4 Personnel risks

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

5.3.5 Product approval and political environment

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

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

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

5.3.6 Dependence on affiliated companies and external suppliers

The Carl Zeiss Meditec Group and the Carl Zeiss Group have close contractual relationships in some areas. This applies in particular to the procurement of IT services and agreements with distribution companies of the Carl Zeiss Group to ensure the distribution of the Carl Zeiss Meditec Group's products in various markets where the Company is not represented by its own distribution staff.

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

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

Monitoring supplier risks plays a key role in the early-warning, risk information and management system. In a difficult economic climate, suppliers must ensure their own liquidity. There is an increased risk of supplier insolvency, which means there is 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 as it can against supplier dependencies and changes on the commodities market.

5.3.7 Patents and intellectual property

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

Furthermore, in spite of the measures taken by the Group to protect its patents and other intellectual property, third parties may still attempt to copy or partly copy products of the Group, since the unauthorized use of intellectual property is generally difficult to monitor and copyright laws only provide for limited protection. The Company may become involved in lengthy and costly litigation proceedings in this respect. There is also no guarantee that the measures taken by the Group to protect its own intellectual property rights will successfully prevent the development and design of products or technologies that are either similar to or that could compete with the products of the Company. If its technological innovations could not be sufficiently protected, the competitiveness of the Carl Zeiss Meditec Group might be impaired.

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

5.3.8 Loss of confidential data

Carl Zeiss Meditec owns a large number of business secrets. There should be a guarantee that the confidentiality of these business secrets will be effectively protected and remain intact. If business secrets of Carl Zeiss Meditec leak to competitors, this may have adverse effects on the Group's competitive position. To limit this risk, ethical rules of behavior were laid down in the Carl Zeiss Group's "Code of conduct" and brought to the attention of all employees.

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

5.3.9 Product liability risk

There is an inherent risk of malfunctions in some of the medical technology devices, systems solutions and implants manufactured by the Company causing injury or treatment errors 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 made against the Company to date, no guarantee can be given that Carl Zeiss Meditec will not be faced with such claims in the future. In addition to claims that may result for damaged parties, this may lead to considerable legal costs, irrespective of whether a claim for damages ultimately materializes. On the other hand, it could damage the reputation of Carl Zeiss Meditec in the long term.

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

5.3.10 Acquisition of businesses

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

Pursuant to IFRS 3, the goodwill usually arising from the acquisition of other companies is not subject to planned amortization, but is rather regularly examined for impairment. To this end, an impairment test is carried out pursuant to IAS 36. In this test, the cash flows anticipated from the various acquired businesses (cash-generating units, CGUs), are determined and discounted to the balance sheet date. It is determined whether the carrying amount of the CGUs exceeds the recoverable amount. Impairment is indicated if the recoverable amount is lower than the carrying amount. Carl Zeiss Meditec reviews its goodwill for impairment at least once a year. In the event of a deterioration in the net assets, financial position or results of operations of the acquired companies, it is possible that the Group will be obliged to recognize in its income an impairment of the goodwill entered in the balance sheet of its consolidated financial statements.

As a result of past acquisitions Carl Zeiss Meditec reported goodwill around € 113.1million in its consolidated balance sheet as of 30 September 2010.

The impairment tests carried out in the financial year under review did not give any indication of impairment of the assets allocated to these cash-generating units. Based on the development of business, the Group also anticipates positive results for subsequent tests. For the future, however, the possibility cannot be entirely ruled out that the net assets, financial position and results of operations of individual or all of the companies which have been acquired to date may deteriorate. In such an event, Carl Zeiss Meditec may be forced to recognize in income an impairment of the goodwill entered in the balance sheet of its consolidated financial statements.

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

5.3.11 Legal risks

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

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

Further details on litigation and arbitration proceedings involving Carl Zeiss Meditec can be found in note “(30) Contingent liabilities and other financial commitments” in the accompanying notes to the consolidated financial statements.

5.3.12 Financial risks

In relation to the banking crisis of the past two years 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. Nonetheless, Carl Zeiss Meditec has taken a number of additional measures to limit these risks. One of these measures was to introduce a monitoring procedure to monitor the current situation on the capital markets.

The financial risks also include liquidity risks, price fluctuation risks for financial instruments and risks associated with fluctuations in cash flows. These risks and the management thereof are adequately described in note "(37) Financial risk management".

In spite of possible after-effects of financial crisis, we have categorized Carl Zeiss Meditec's financial risks as low. The basis for this categorization is our sound financing structure with an equity ratio of 71.2 %, the large reserve of cash and cash equivalents, and a strong cash flow from operating activities.

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

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

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

Potential risks of default on trade receivables – particularly given the recent financial crisis and the greater risk of bad debt losses that comes with it – are minimized by way of an active credit control system. The Group also regularly sets up adequate provisions to cover such risks. On the whole, however, we consider this to be a limited risk. The ratio of valuation allowances on trade receivables to consolidated revenue was 0.9 % in the year under review (previous year: 1.0 %).

The financial situation of Carl Zeiss Meditec can be considered stable. Cash and cash equivalents amounted to € 313.5 million as of the balance sheet date 30 September 2010. We also had a credit balance of € 24.7 million, expressed as accounts receivable from the Group treasury of Carl Zeiss AG. The Group also generated cash flow from operating activities of € 65.2 million in the period under review. At the present time, therefore, there are no liquidity risks.

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

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

5.4 Overall statement on the Company's risk situation

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

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

6 Disclosures pursuant to Sections 289 (4), 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 Section15ff *AktG*, who participate in the Company via employee share plans relating to the share capital of Carl Zeiss Meditec AG, exercise their control rights directly like all other shareholders of the Company.

Pursuant to Section 179 and Section 133 *AktG*, an amendment to the Articles of Association requires a resolution by the General Meeting which, in turn, requires a simple majority of the votes cast and a majority comprising at least three quarters of the share capital represented at the time the resolution is passed. The Articles of Association may specify a different capital majority; in the case of an amendment to the purpose of the Company, however, only a larger capital majority may be specified. Art. 24 of Carl Zeiss Meditec AG's Articles of Association states that in cases for which the law requires a majority of the share capital represented at the time of resolution, a simple majority of the share capital represented is sufficient, provided that a greater majority is not mandatory by law. In accordance with Art. 27 of the Articles of Association of Carl Zeiss Meditec AG, the Supervisory Board is authorized to resolve amendments to the Articles of Association that only affect the version. This complies with Section 179 (1) No. 2 *AktG*.

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

Pursuant to Art. 4 (5) of the Articles of Association of Carl Zeiss Meditec AG, the Company has an Authorized Capital I. Subject to the approval of the Supervisory Board, the Management Board is accordingly authorized to increase the share capital, on one or several occasions in the period until 9 March 2011, 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) No. 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 shall be authorized, subject to the approval of the Supervisory Board, to specify the details of capital increases from Authorized Capital I.

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

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

This authorization is limited to the acquisition of shares equivalent to share capital of € 8,130,000.00 or less than 10 % of the total existing share capital. The shares shall be purchased at the stock exchange. The consideration paid by the Company per share (excluding incidental purchase costs) may not be more than 10 % above or below the closing rate of the shares in Xetra trading (or an equivalent successor system to the Xetra trading system) at the Frankfurt Stock Exchange on the previous day of trading.

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

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

7 Report on events after the balance sheet date

As in previous years, the shareholders of Carl Zeiss Meditec are to participate in the Company's successful economic development. The Company proposes the distribution of a one-time special dividend of 30 % of the consolidated net income attributable to shareholders of the parent company for the last financial year in addition to the regular dividend. To this end, around 9 % of the cash and cash equivalents shown in Carl Zeiss Meditec's IFRS consolidated balance sheet as of 30 September 2010 will be distributed.

8 Outlook

8.1 Meditec Excellence and Growth Agenda (MEGA)

We have been consistently implementing our RACE 2010 program since 2009, and this has been a great success. That is why we will put the successor program MEGA (Meditec Excellence and Growth Agenda) in place in the new financial year in order to achieve our demanding targets. The Group's continued growth in the coming years will also be based on the five strategic focal areas defined in 2008, however with a stronger focus on growth:

Innovation:
A key part of our growth strategy is to make state-of-the-art 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). For example, during the past financial year, we presented the following product launches to our customers: ReLEx®, the combination of precise femtosecond technology and lenticule extraction is the beginning of a new era in refractive surgery. The surgical microscope OPMI® VARIO 700 exceeds the constantly growing requirements by doctors in cranial and spinal surgery. INTRABEAM® allows clinically proven more gentle treatment of breast cancer patients with its specific intraoperative one-off radiation. The clinical effectiveness of the specific intraoperative one-off radiation with this product was recently proved in a multi-year international study (TARGIT-A).

New markets:
Product requirements in emerging nations such as India or China are often very different to the requirements on 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. This was modified specially to the requirements of emerging nations, and has become very successfully established on the market there. However, we are also aware that meeting customer needs demands a stronger presence on location. That is why we will systematically increase our presence in key emerging nations. In so doing, we will use the strong sales and service presence that we have already been able to establish in these countries over many years.

Customer focus:
We are constantly working to improve our customer orientation and to be a reliable partner for our customers. We are convinced that customer satisfaction pays off over the longer term. We are expecting additional growth from the expansion of our global service business. Last year we already created an organizational platform which includes tightening key customer support processes, and making these uniform. Our service business and our partnership with our customers in supporting our equipment, from installation through to modernization and additions, is not only required by the market. It also has potential in terms of volume and income.

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 at all if possible, or to at least bring the processes into line with one another. That is why we have driven the harmonization of our workflows during the past year, and we will also continue this development in future. One example from the past is a uniform development process, which now greatly simplifies product development across SBUs and locations.

Employees:
Forward-looking human resources policy focuses on sustainable development and targeted support of the potential of all employees. We have also recorded several successes as part of the RACE program in this regard. These will now be continued as part of MEGA. In this connection, for example the mentoring program that we have put in place, the intensified employee training and a systematic plan for management successors are of key importance.

8.2 Future conditions for business development

8.2.1 Macroeconomic conditions
The global economic recovery is slowing, however it is continuing according to forecasts from all of the well-known economic institutes.

Table 9: GDP growth forecast 2009 – 2011 compared to previous year, source: Joint diagnosis, fall 2010

in %	2009	2010	2011
USA	-2.6	2.7	1.9
Euro-zone	-4.1	1.6	1.3
– Germany	-4.9	3.5	2.0
China	8.6	10.0	8.5
India	7.7	8.3	7.5

As a result of the fact that the political economic programs are coming to an end, and the poorer perspectives for income, in the USA private consumption will only increase moderately during the forecast period. GDP is forecast to increase by 2.7 % in the current year[18] and by 1.9 % in 2011[18]. The positive impulses for the economy are to be expected, in particular, from exports. During the forecast period, a slightly stronger increase in exports is to be expected, supported by the weakness of the US dollar.

The economy will continue to develop heterogeneously in euro-zone countries. In particular there is the danger that production in some countries may continue to slump in view of restrictive fiscal impulses. GDP is forecast to increase in total by 1.6 % in 2010[19] and by 1.3 % in 2011[19].

The economic recovery in Germany will continue during the forecast period, however leading economic institutes expect that the pace of expansion will slow perceptibly. The project group is forecasting GDP to increase by 3.5 % in 2010[20] and by 2.0 % in 2011[20].

The Asian region, characterized by the dynamic economies of China and India, will be the driver of growth also in 2011. However, a range of indicators point towards a slow-down in the expansion of the overall economy in China during the forecast period. That is why experts are forecasting an increase of 8.5 %[21] in gross domestic product in the coming year. As a result of the robust capital expenditure, the recovery in the agricultural sector and the comfortable profit situation, the upswing in India hardly seems to be in danger, which will result in an increase in GDP of 8.3 %[21] this year and 7.5 %[21] in the coming year.

However, the outlook for the global economic upswing continues to be uncertain as a result of significant risks. The possibility of the USA sliding into recession again cannot be ruled out as a result of its problems in the real estate sector and the high level of debt among private households. It is also still not certain how a heightened crisis with generally higher risk premiums for bonds in the euro-zone or even the European financial stabilization mechanism being called upon by a debtor country would impact the economy in Germany and also in the European Union.

8.2.2 Future situation in the medical technology industry

The growth drivers for medical technology are still intact and key demographic factors mean that we can take a positive view of the future. This also includes the permanent increase in the world’s population, which is also constantly ageing. In addition, the number of people suffering from glaucoma, cataract and AMD is increasing, the very diseases which correlate strongly with increasing age. At the same time, improvements in healthcare in emerging nations, which is reaching more and more people, is causing stable medium-term growth in demand for diagnostic and therapy products in both ophthalmology and also in microsurgery. Carl Zeiss Meditec depends on economic developments for part of its business. The possibility can therefore not be ruled out that our customers may postpone their investment decisions in future.

All of the statements below are made based on the condition that the positive development being forecast by the financial institutes basically will continue. Statements regarding the future development of business were made on the basis of the information at hand.

[18] Cf. ibid., p. 14
[19] Cf. ibid., p. 22
[20] Cf. ibid., p. 28
[21] Cf. ibid., p. 17

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

At a strategic business unit level, our forecasts are as follows as of mid-November 2010:

a) Ophthalmic Systems strategic business unit
We aim to further reinforce and expand our market share in financial year 2010/2011. We have core competences in technologies and Carl Zeiss Meditec is excellently positioned to face future challenges with its products that are already well established on the market. The femtosecond laser VisuMax® and IOLMaster® and Cirrus™ HD-OCT are just some examples of our promising products. We will also continue to expand our product offering in the current financial year. System networking and integrated data management are additional focal points in this strategy.

b) Surgical Ophthalmology strategic business unit
The Surgical Ophthalmology SBU proved its strong potential for the future in financial year 2009/2010. We will also consistently use our opportunities for consistent growth in future in this SBU as well. In financial year 2010/2011 we will place particular emphasis on marketing our intraocular lenses for minimal invasive surgery (MICS). In this regard, the very well established MICS lenses will play a key role, as will the newly launched injectors and our MICS-compatible phaco system. In addition to this strategy of innovation, there is also a focus on geographic expansion in the regions that have not yet been addressed such as Asia and Latin America.

c) Microsurgery strategic business unit
As was the case in the past, Carl Zeiss Meditec is focusing on innovation in its Microsurgery SBU. This strategy has enabled this business unit to further expand its position on the market over the past few years in particular. The technology we have available means that there are excellent opportunities on the market for us. For example with our OPMI® Pentero®, OPMI LUMERA® 700 and the multidisciplinary surgical microscope OPMI® VARIO 700 presented in 2010. That offering will also be further expanded in future.

Our INTRABEAM® product also offers further opportunities The clinical effectiveness of the specific intraoperative one-off radiation with this product was recently proved in a multi-year international study (TARGIT-A). The procedure therefore has the longer-term potential to become established as the new standard therapy for the treatment of early-stage breast cancer. We will expand this business in financial year 2010/2011.

8.4. Future selling markets

As a global Company, our aim in the coming years is to continue to maintain as balanced a distribution of revenue as possible across our individual markets. At present, Carl Zeiss Meditec still generates the largest proportion of its sales in the Europe, Middle East and Africa region, followed by the Americas region.

We see very promising business potential in the Asia/Pacific region, which will become considerably more important in the medium and long term due to its economic development. Our growth in this region has been in the high double digits in the last few years, but in future we plan to further expand our activities here in terms of the marketing, procurement and production of our products.

8.5. Future research & development activities

We can only meet our claim to being an innovation leader on our markets if we continue to retain and expand our Company's innovative prowess. Detailed knowledge of medical applications and new medical treatments, access to the most recent technologies, and an efficient, target-oriented development process are thus of central importance for Carl Zeiss Meditec's future. We are constantly redoubling our efforts in this area and invest substantial resources in researching new and improving existing solutions.

Our forecast for financial year 2010/2011 and the following years includes research and development expenses of 10 % of revenues. We shall systematically and continuously identify and evaluate new technology and market trends, and the most promising concepts will be incorporated in new development projects.

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

8.6. Future investments

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

8.7. Future dividend policy

Carl Zeiss Meditec pursues a long-term and earnings-oriented dividend policy. 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

The Company faces strong competition for qualified employees to support and advance the Company. That is why we offer our employees the opportunity of additional training and taking on responsibilities. In addition, we always keep an eye open for well-trained professionals and executives on the market. We are forecasting employee numbers to grow in the coming periods, in line with the course of our business.

8.9 Future financial position

Interest income and expenses depend on changes in interest rates on the financial markets. At present, the Company is not forecasting investment conditions to improve significantly in the next two years. It should thus be possible to keep interest income and expenses at the previous year's level. As of 30 September 2010 bank balances totaling € 313.5 million were available for financing. From today's perspective, we only anticipate a very limited refinancing requirement in the next two years, which will be fully covered by operative cash flow.

Carl Zeiss Meditec will continue to record a cash flow from operating activities in the significantly double-digit million region in 2011 and 2012 based on its active working capital management.

8.10 Opportunities

The global medical technology market is characterized by sustainable underlying growth. Some 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 clinical solutions will continue.

We believe that there will be positive growth in particular in the emerging nations in Asia and Latin America. We must use these opportunities and establish ourselves even more strongly on these markets. We also believe that there are additional opportunities in our innovative product range, which we will further expand in the coming financial year. This will secure and increase our market share. 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, however in so doing it does not lose sight of its long-term objectives. Our further development in future also includes exploiting external growth opportunities in some areas. We use a systematic process to look for pertinent additions that we evaluate and approach as the case may be. It is not possible at this point to gauge how feasible such opportunities might be.

Our ZEISS brand means that our customers always regard us as being a reliable, true partner, and they can look back on a long, successful cooperation with us. This means that we are able to build on our very positive brand image when we further develop our Company. In this regard, we focus our activities on areas that are critical to our success to achieve both excellence and success. That is why we will follow our RACE 2010 program, which has now expired, with a new, strong program entitled MEGA (Meditec Excellence and Growth Agenda).

8.11 Overall assertion on future development

We believe that the perspectives for Carl Zeiss Meditec are also positive for the coming financial year. From the current perspective we can assume that all of our strategic business units will contribute to our future revenue and earnings growth.

An increasing proportion of revenues with case-number dependent products and services is a decisive advantage for greater stability in our overall business, as these are exposed to lesser fluctuations than, for example, in business with investment items. We are assuming that this percentage will increase to at least 25 % in the medium term. This will also contribute to the aim of improving the Company's profitability.

The Management Board believes that the revenue and earnings growth will continue in the next period based on the excellent business growth in the past few years. We believe that the markets on which we operate will continue to grow. We aim to reinforce our position on these markets and further increase our market share.

Our EBIT profitability has already increased to 12.8 %, and we plan to increase this to 15 % by 2015, without omitting major investments, which are of benefit to sustainably secure our Company. This requires constantly exchanging information with our customers in order to uphold the continued high demands in medical technology.

The Management Board is taking a positive view of the future with regard to the Company's long-term growth. This is due, in particular, to demographic trends, for example the further increase in the global population and increasing ageing in large parts of the world. This is particularly important for ophthalmology, as the prevalence of these diseases depends greatly on the patients' age. However, the increasing importance that society is attaching to healthcare is also critical for the development of the medical technology market. And finally the rapid economic upswing in emerging nations will continue to contribute to the market's growth.

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

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

As a member of Carl Zeiss AG, Carl Zeiss Meditec AG has prepared a dependent company report pursuant to Section 312 *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) No. 2 *AktG* were entered into by the Company.

10 Declaration on corporate governance (within the meaning of Section 289a *HGB*)

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

Jena, 18 November 2010

Dr. Ludwin Monz
President and
Chief Executive Officer

Dr. Christian Müller
Member of the
Management Board

Ulrich Krauss
Member of the
Management Board

Consolidated income statement (IFRS) for the period from 1 October 2009 to 30 Sepember 2010

(Figures in € '000)	Note	**Financial year 2009/2010** 1 October 2009 – 30 September 2010	**Financial year 2008/2009** 1 October 2008 – 30 September 2009
Revenue	(2q) (4)	**676,682**	**640,089**
Cost of goods sold		(317,955)	317,799
Gross profit		**358,727**	**322,290**
Selling and marketing expenses		(162,801)	(150,648)
General and administrative expenses		(37,245)	(32,373)
Research and development expenses	(33)	(72,356)	(63,455)
Other income	(5)	485	836
Other expense	(6)	(67)	(568)
Earnings before interests, income taxes, depreciation and amortization		*107,713*	*92,447*
Depreciation and amortization		*20,970*	*16,365*
Earnings before interests and income taxes		**86,743**	**76,082**
Results from investments accounted for using the equity method	(8) (15)	(37)	(34)
Interest income	(8)	2,239	5,278
Interest expense	(8)	(5,883)	(6,001)
Foreign currency gains/(losses), net	(2d) (8)	(3,704)	(648)
Other financial result	(8)	3,618	2,642
Earnings before income taxes		**82,976**	**78,615**
Income tax expense	(9)	(23,340)	(23,514)
Net income		**59,636**	**55,101**
Attributable to:			
Shareholders of the parent company		54,889	50,544
Non-controlling interest		4,747	4,557
Profit/(loss) per share, attributable to the shareholders of the parent company in the current financial year (€):			
– Basic/diluted	(2s) (10)	**0.68**	**0.62**

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

Consolidated statement of comprehensive income (IFRS) for the period from 1 October 2009 to 30 September 2010

(Figures in € '000)	Note	Financial year 2009/2010 1 October 2009 – 30 September 2010	Financial year 2008/2009 1 October 2008 – 30 September 2009
Net income		**59,636**	**55,101**
Fair value measurement of available-for-sale financial assets			
Recognized directly in equity		(12)	88
Recognized in income statement (P/L)		–	–
Changes in equity from investments accounted for using the equity method	(8) (15)	1	(2)
Foreign currency translation	(2n) (22)	14,281	(1,510)
Other comprehensive income		**14,270**	**(1,424)**
Comprehensive Income		**73,906**	**53,677**
Attributable to:			
Shareholders of the parent company		66,077	47,492
Non-controlling interest		7,829	6,185

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

Consolidated balance sheet (IFRS) for the year ended 30 September 2010

(Figures in € '000)	Note	30 September 2010	30 September 2009
ASSETS			
Goodwill	(2f) (12)	113,068	113,593
Other Intangible assets	(2g) (13)	33,942	38,045
Property, plant and equipment	(2h) (14)	39,906	42,193
Investments accounted for using the equity method	(15)	68	103
Investments	(16)	364	364
Deferred tax assets	(2j) (17)	41,568	32,694
Noncurrent trade receivables	(19)	3,673	872
Other noncurrent assets		1,231	1,148
Total noncurrent assets		**233,820**	**229,012**
Inventories	(2k) (18)	119,216	99,054
Trade receivables	(19)	98,113	91,249
Accounts receivable from related parties	(2u) (34)	32,069	23,932
Treasury receivables	(2u) (38)	24,727	95,980
Tax refund claims		8,751	3,114
Other current assets	(2i) (20)	10,900	11,909
Securities	(2i)	91	120
Cash and cash equivalents	(2m) (21)	313,516	199,995
Total current assets		**607,383**	**525,353**
Total assets		**841,203**	**754,365**

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

(Figures in € '000)	Note	30 September 2010	30 September 2009
LIABILITIES AND EQUITY			
Share capital	(22)	81,310	81,310
Capital reserve	(22)	313,863	313,863
Retained earnings	(22)	191,646	151,397
Gains and losses recognized directly in equity	(2n)	(14,536)	(25,724)
Equity before non-controlling interest		572,283	520,846
Non-controlling interest	(22)	26,699	18,926
Total equity		**598,982**	**539,772**
Provisions for pensions and similar commitments	(2o) (23)	14,093	11,334
Other noncurrent provisions	(2p) (24)	15,001	10,796
Noncurrent financial liabilities	(25)	9,069	9,322
Noncurrent leasing liabilities	(2l) (30)	16,681	16,905
Other noncurrent liabilities		6,536	6,017
Deferred tax liabilities	(2j) (17)	6,530	9,744
Total noncurrent liabilities		**67,910**	**64,118**
Current provisions	(2p) (24)	36,306	30,652
Current accrued liabilities	(26)	46,936	37,988
Current financial liabilities	(2i)	3,385	1,782
Current portion of noncurrent financial liabilities	(25)	288	9,271
Current portion of noncurrent leasing liabilities	(2l) (29)	1,513	1,326
Trade payables		28,685	23,086
Current income tax liabilities		12,377	8,123
Accounts payable to related parties	(2u) (34)	10,899	9,058
Treasury payables	(2u) (34)	10,260	7,125
Other current liabilities	(27)	23,662	22,064
Total current liabilities		**174,311**	**150,475**
Total liabilities		**841,203**	**754,365**

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

Consolidated cash flow statement (IFRS) for the period from 1 October 2009 to 30 September 2010

(Figures in € '000)	Note	Financial year 2009/2010 1 October 2009 – 30 September 2010	Financial year 2008/2009 1 October 2008 – 30 September 2009
Cash flows from operating activities:			
Net income		**59,636**	**55,101**
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Income tax expenses	(9)	23,340	23,514
Interest income/expenses	(8)	3,644	723
Results from investments accounted for using the equity method	(8) (15)	37	34
Depreciation and amortization	(13) (14)	20,970	16,365
Gains/losses on disposal of fixed assets/financial assets		(196)	(80)
Result from sale of pharma business	(3)	(1,220)	–
Interest received		(1,998)	5,112
Interest paid		(2,459)	(2,976)
Income tax reimbursement		3,252	3,808
Income taxes paid		(34,951)	(26,096)
Changes in working capital:			
Trade receivables	(19) (37)	(13,053)	(2,026)
Inventories	(18)	(16,721)	20,645
Other assets	(20)	1,133	(5,122)
Trade payables		5,335	(5,606)
Provisions and financial liabilities	(23) (24) (26)	13,975	2,223
Other liabilities	(27)	491	1,737
Total adjustments		5,575	32,255
Net cash provided by operating activities		**65,211**	**87,356**
Cash flows from investing activities:			
Investment in property, plant and equipment	(14)	(4,605)	(10,326)
Investment in intangible assets	(13)	(7,057)	(6,066)
Investment in plan assets pension fund	(23)	(1,557)	(3,053)
Proceeds from fixed assets		766	438
Sale of pharma business	(3)	4,001	–
Acquisition of companies/businesses, net of cash acquired	(2) (3)	–	(11,584)
Net cash used in investing activities		**(8,452)**	**(30,591)**
Cash flows from financing activities:			
Repayments of short-term debt		–	(146)
Repayments of noncurrent financial liabilities	(25)	(412)	(567)
Repayments from noncurrent loans from related parties	(25) (34)	(8,648)	–
(Increase)/decrease in treasury receivables	(34)	76,884	(35,326)
Increase/(decrease) in treasury payables	(34)	3,135	(519)
Change of leasing liabilities	(29)	(1,271)	(1,037)
Dividend payments to shareholders of Carl Zeiss Meditec AG	(11)	(14,636)	(14,636)
Aquisition of non-controlling interests	(2) (3)	(60)	–
Net cash provided by financing activities		**54,992**	**(52,231)**
Effect of exchange rate fluctuation on cash and cash equivalents		1,770	(12)
Net increase/(decrease) in cash and cash equivalents		**113,521**	**4,522**
Cash and cash equivalents, beginning of reporting period	(21)	199,995	195,473
Cash and cash equivalents, end of reporting period	(21)	**313,516**	**199,995**

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

Consolidated statement of changes in equity (IFRS)

(Figures in € '000)	Note	Share capital	Capital reserve	Retained earnings	Reserves from currency conversion	Fair value reserve for asf financial instruments	Equity before non-controlling interest	Non-controlling interest	Total equity
As of October 2008		**81,310**	**313,863**	**115,489**	**(22,430)**	**(242)**	**487,990**	**12,741**	**500,731**
Fair value measurement of available-for-sale		–	–	–	–	88	88	–	88
Foreign currency translation	(2i) (22)	–	–	–	(3,138)	–	(3,138)	1,628	(1,510)
Changes in equity from investments accounted for using the equity method	(2d) (2n) (22)	–	–	–	–	(2)	(2)	–	(2)
Changes in value recognized directly in equity	**(2n) (22)**	**–**	**–**	**–**	**(3,138)**	**86**	**(3,052)**	**1,628**	**(1,424)**
Net income		–	–	50,544	–	–	50,544	4,557	55,101
Sum of comprehensive income for the period	**(2n) (22)**	**–**	**–**	**50,544**	**(3,138)**	**86**	**47,492**	**6,185**	**53,677**
Dividend payments	(11)	–	–	(14,636)	–	–	(14,636)	–	(14,636)
As of September 2009		**81,310**	**313,863**	**151,397**	**(25,568)**	**(156)**	**520,846**	**18,926**	**539,772**
Fair value measurement of available-for-sale financial assets		–	–	–	–	(12)	(12)	–	(12)
Foreign currency translation	(2i) (22)	–	–	–	11,199	–	11,199	3,082	14,281
Changes in equity from investments accounting for using the equity method	(2d) (2n) (22)	–	–	–	–	1	1	–	1
Changes in value recognized directly in equity	**(2n) (22)**	–	–	–	**11,199**	**(11)**	**11,188**	**3,082**	**14,270**
Net income		–	–	54,889	–	–	54,889	4,747	59,636
Sum of comprehensive income for the period	**(2n) (22)**	**–**	**–**	**54,889**	**11,199**	**(11)**	**66,077**	**7,829**	**73,906**
Dividend payments	(11)	–	–	(14,636)	–	–	(14,636)	–	(14,636)
Acquisition of non-controlling interests	(2b)	–	–	(4)	–	–	(4)	(56)	(60)
As of 30 September 2010		**81,310**	**313,863**	**191,646**	**(14,369)**	**(167)**	**572,283**	**26,699**	**598,982**

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

FINANCIAL STATEMENTS

Notes to the consolidated financial statements for financial year 2009/2010 (IFRS)

General information, accounting and valuation principles

1. The Company

(a) Description of operations

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

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

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

The consolidated financial statements may be obtained from the Company's headquarters and are published on the Internet.

(b) Basis of presentation

The consolidated financial statements of Carl Zeiss Meditec AG were prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), London, and take into account all accounting standards and interpretations adopted by 30 September 2010 for which application is mandatory, as they are to be applied in the EU. The present version of the consolidated financial statements complies with the provisions of Section 315a of the German Commercial Code *(HGB)*. It forms the legal basis for the group accounting in accordance with international standards in Germany, in conjunction with the Regulation (EC) No. 1606/2002 of the European Parliament and Council dated 19 July 2002 relating to the application of international accounting standards, and applies for financial years commencing on or after 1 January 2005.

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

2. Accounting and valuation principles

(a) Principles of consolidation

The consolidated financial statements comprise the financial statements of Carl Zeiss Meditec AG and all of its subsidiaries and joint ventures. Subsidiaries are all companies controlled by Carl Zeiss Meditec. A company is controlled if Carl Zeiss Meditec has the opportunity to determine the financial and business policy in order to derive benefit from the company's activities. Carl Zeiss Meditec holds the majority of voting rights in all of the companies it controls. Joint ventures are companies jointly managed with other companies. A full breakdown of the shareholdings of Carl Zeiss Meditec can be found in Note (40) "Other mandatory disclosures pursuant to Section 314 and Section 285 (1) No. 10 *HGB*" in these notes to the consolidated financial statements.

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

(b) Acquisitions of non-controlling interests
F.C.I. S.A.S., Paris, France
With effect from 7 January 2010 FRANSITEC S.A.S., a wholly-owned subsidiary of Carl Zeiss Meditec S.A.S., acquired the 0.5 % interest in F.C.I. S.A. remaining as of 31 August 2010. The company is now completely in the possession of F.C.I. S.A.S. (the former FRANSITEC S.A.S.). Since 01 September 2010 this company has been wholly owned by Atlantic S.A.S.

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

Jointly controlled entities within the meaning of IAS 31 “Interests in Joint Ventures” are reported according to the equity method of accounting pursuant to IAS 31.38. When applying the equity method pursuant to IAS 28 “Investments in associates”, equity investments are initially recorded at cost in the balance sheet and are subsequently adjusted to reflect the Group’s share in the equity (net assets) after acquisition and for losses due to impairment.

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

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

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

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

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

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

	Exchange rate as of balance sheet date 30 September 2010	Exchange rate as of balance sheet date 30 September 2009	+/- %	Average exchange rate 2010/2009	Average exchange rate 2009/2008	+/- %
USD	0.7326	0.6819	7.4	0.7370	0.7391	−0.3
JPY	0.0088	0.0076	15.8	0.0082	0.0078	5.1
GBP	1.1657	1.0990	6.1	1.1499	1.1423	0.7
CAD	0.7107	0.6353	11.9	0.7078	0.6274	12.8
SEK	0.1093	0.0979	11.6	0.1017	0.0944	7.7
CHF	0.7529	0.6629	13.6	0.6999	0.6607	5.9

(e) Use of estimates
The preparation of the consolidated financial statements in accordance with the IFRSs requires the use of certain assumptions and estimates that relate to the recognition and measurement of assets and liabilities, income and expenses, and contingent liabilities. The assumptions and estimates are mostly based on the uniform stipulation within the Group of useful lives, the determination of values in use of cash-generating

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

units, the accounting and valuation of provisions, as well as the certainty of realizing future tax relief. Actual values may vary in individual cases from the assumptions and estimates made. Changes are shown at the time the true value became known.

(f) Goodwill and intangible assets with an indefinite useful life
Goodwill and intangible assets with an indefinite useful life are not subject to scheduled amortization but are reviewed regularly for impairment (impairment test). During impairment testing as stipulated by IAS 36, the Company assesses whether or not an asset has been impaired. To do this, Carl Zeiss Meditec determines (i) the cash-generating units, (ii) the respective net assets of the cash-generating units and (iii) the recoverable amounts for the cash-generating units.

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

The recoverable amount for the cash-generating units is determined – as value in use – using cash flow forecasts. These forecasts are based on financial forecasts approved by the Company's management and modified to the current state of knowledge in each case. These financial forecasts, or management forecasts, relating to the development of sales, costs and earnings, which are taken as a basis for the impairment test, are, in turn, based on a planning horizon of five years. They are determined based on historical values, detailed budgets for the following year and the future strategic orientation of the business unit or cash-generating unit (medium-term planning). In addition, external information sources, such as market studies and the results of market surveys and publications are used in order to take macroeconomic trends into account to a reasonable extent. Sales planning considers usual market growth between ca. 3 % and 8 % in the relevant market according to industry surveys and in relation to company strategy. Cost planning also considers strategic aspects as well as price trends on the commodities markets. Pursuant to IAS 36.44, the cash flow projections resulting from the management's financial forecasts do not contain any cash flows from future restructuring measures. The estimates of future cash flows also contain no inflows or outflows of cash from financing activities or income tax revenues or payments (see IAS 36.50). The value in use of the cash-generating unit is derived from the sum of discounted future cash flows at a standard, risk-adjusted capitalization interest rate. The capitalization interest rate is calculated from the parameters risk-free base rate, risk premium (market risk premium and beta factor), borrowed capital spread and tax effect and reflects the capital structure of the cash-generating unit. To extrapolate (perpetuity) the cash flow forecasts beyond the five-year period, the capitalization interest rate is used without assuming a particular growth rate.

The carrying amount of a cash-generating unit includes all assets that stimulate the flow of cash, i. e., that contribute to the creation of a saleable service. This means that all non-operating items and interest-bearing borrowings are excluded from the calculation. The discount rates applied for cash flow forecasts range between 9.9 % and 10.2 %. These interest rates conform to IAS 36.55.

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

Carl Zeiss Meditec completed its annual impairment testing of goodwill and capitalized intangible assets with an indefinite useful life in the last quarter of financial year 2009/2010. The results of these tests did not give any indication of a need for impairment of goodwill or capitalized intangible assets with an indefinite useful life.

For details on the change in goodwill in financial year 2009/2010 and the previous year please refer to note (12).

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

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

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

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

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

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

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

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

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

(h) Property, plant and equipment

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

- *Buildings and leasehold improvements* — *8–32 years*
- *Plant and machinery, other fixtures and fittings, tools and equipment* — *4–21 years*
- *Other office equipment, fixtures and fittings* — *2–23 years*

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

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

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

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

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

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

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

Appropriate valuation allowances are recorded against doubtful receivables and loans with discernible collection risks on the basis of regular, systematic reviews and credit control assessments. This control measure takes into account historical bad debt losses, the size and adequacy of securities, as well as other relevant factors. Receivables and loans are written off against these valuation adjustments, if they are considered uncollectible. Please refer to note (37) for further information on credit risks.

Existing financial assets are allocated to the category "financial assets available for sale" (AfS). Due to the fact that these minority interests are not listed on a stock exchange, meaning that their fair values cannot be reliably determined, these financial assets are carried at cost. There are no plans to dispose of these financial instruments at the present time.

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

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

Derivative financial instruments and hedging
The Group is a company with global operations, and as such it is subject to the effects of exchange rate fluctuations. In order to hedge against its currency risk, it concludes currency forward contracts based on planned transactions in foreign currency. Hedge accounting within the meaning of IAS 39 is not applied. These contracts generally cover a period of up to one year. Asset-side derivative financial instruments are shown under the balance sheet item "Other current assets" and liabilities-side derivative financial instruments are shown under the balance sheet item "Current financial liabilities". The sole purpose of the derivative financial instruments is currency hedging. Please refer to note (37) for further information on currency risks.

(j) Deferred income taxes
Deferred income taxes are computed annually by the temporary concept pursuant to IAS 12 "Income taxes". All liabilities or claims relating to taxes on income and earnings arising during the financial year are reflected in the consolidated financial statements pursuant to the relevant tax laws. In order to take account of the tax effects of differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the corresponding tax bases, deferred taxes are calculated each year based on enacted or soon-to-be-enacted tax rates, for the taxable income in the year in which these differences are expected to be offset. Deferred tax assets are written down, if necessary, to reflect the net amount that is likely to be realized. Income tax expense comprises the tax payable or refundable for the reporting period, plus or minus the change in deferred taxes. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in income for the period in which the change was enacted.

(k) Inventories
Inventories are valued at the lower of cost or market value. Costs are primarily determined using the weighted average cost method. Manufacturing costs include materials and labor, as well as direct manufacturing and material overheads, including depreciation. In addition, the costs of company retirement benefits, the Company's social establishments and the Company's voluntary social benefits are also included to the extent

that these can be allocated to the production area. Administrative costs are taken into account to the extent that these are attributable to production. Production costs generally do not include any borrowing costs. In the case of inventories acquired within the scope of a business combination, the acquisition costs correspond to their fair values at their date of acquisition.

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

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

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

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

(n) Gains and losses recognized directly in equity
The item "Gains and losses recognized directly in equity" includes the other changes in equity not reflected in income that are not associated with transactions with shareholders. In the case of the Group, this currently relates for the most part to foreign currency translation and unrealized gains and losses on available-for-sale financial assets (see note (22)).

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

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

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

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

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

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

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

Actuarial gains or losses that may arise from changes in the valuation premises or a deviation in actual circumstances from the evaluation basis are only shown in income if the balance of the accumulated actuarial gains or losses amounts to more than 10 % of the present value of the defined benefit obligation and the fair value of the plan assets. Any amount that lies outside this 10 % corridor is posted to income over the average residual term of service of employees eligible for pensions, which at 30 September 2010 is estimated to be 15 years.

The pension provisions carried in the consolidated balance sheet correspond to the present value of the defined benefit obligation (DBO) on the balance sheet date less the fair value of the plan assets, adjusted for accumulated actuarial gains and losses not previously recognized in income.

(p) Provisions

Provisions are formed if the Group has a current (de facto or statutory) commitment as a result of a past event, the outflow of resources with an economic benefit to fulfil the commitment is probable and it is possible to reliably estimate the amount of the commitment. To the extent that the Group expects at least a partial reimbursement for a provision carried as a liability (as is the case, for example, in insurance policies), the reimbursement is only recorded as a separate asset if the reimbursement is as good as secure. Expenses for the formation of provisions are disclosed in the consolidated income statement after deduction of the reimbursement. If the interest impact is material, provisions are discounted using a pre-tax interest rate, which reflects the specific risks for the liability. In the event of discounting, the increase in the provision over time is carried as interest expenses. Provisions are broken down into their expected maturities, with the result that provisions which are due in up to one year are carried as current provisions and provision which are due in more than one year are carried as noncurrent provisions.

Personnel and social commitments

The provisions for personnel and social commitments mostly relate to commitments for partial retirement and anniversary expenses, as well as for vacation not yet taken.

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

Commitments from ongoing operations

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

Other commitments

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

(q) Revenue recognition

The Group generates revenue from selling products on the basis of corresponding contracts. The sale takes place once all the parts of the product have been supplied, the risks have passed, the payment is agreed or can be determined and there are no major obligations towards the customers and the payment of the receivable is deemed probable. Services are recorded according to their percentage of completion.

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

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

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

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

Unrecognized investment premiums and investment grants are subtracted from the acquisition or production costs of the relevant assets. Investment subsidies, such as investment grants and tax-free investment allowances, are disclosed as income (as a reduction in depreciation of the subsidized property, plant and equipment).

Government grants received in financial years 2009/2010 and 2008/2009 are listed in note (33).

(s) Earnings per share
Basic earnings per share were calculated by dividing the consolidated net income attributable to shareholders of the parent company by the weighted-average number of ordinary shares issued during each individual accounting period. There were no conversion or option rights in circulation.

(t) Borrowing costs
As a general rule, borrowing costs are booked as expenses in the period they arise.

(u) Related party disclosures
The parent company of Carl Zeiss Meditec AG is Carl Zeiss AG. Carl Zeiss AG, Oberkochen and its subsidiaries excluding the Carl Zeiss Meditec Group (the "Carl Zeiss Group") are considered to be related parties, and business transactions, such as sales, receivables to and liabilities from these companies are disclosed separately.

The Group sells some of its products via the distribution companies of the Carl Zeiss Group. For the purposes of furnishing the Group with short-term funds and investing surplus liquidity, Carl Zeiss Meditec cooperates with the group cash management system of Carl Zeiss Financial Services GmbH, Oberkochen. Loans granted or cash and cash equivalents invested within the scope of this business relationship are shown as liabilities due to or receivables due from treasury and usually are available on a daily basis. Current financial investments with a term of no more than three months and secured by a declaration of pledge are recorded under cash and cash equivalents (see note (21)). Noncurrent loans and receivables carry interest at a rate based on the 1-month EURIBOR and conform to normal market conditions.

In addition to financial services the Group draws various services from the Carl Zeiss Group, in particular from Carl Zeiss AG. These include services for research and development, HR and administrative activities, as well as logistics, distribution and IT services provided on the basis of contractual agreements. These transactions with related parties are conducted under the same conditions as arm's length transactions.

(v) Recent pronouncements on accounting principles

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

Date of issue	Standard/Interpretation	Amendment/New statutory regulation
30 November 2006	IFRIC 12 "Service concession arrangements"	Accounting of service concession arrangements
30 November 2006	IFRS 8 "Business segments"	Segment reporting mainly acc. to SFAS 131
29 March 2007	Amendment IAS 23 "Borrowing costs"	Abolition of option to immediately recognize borrowing costs as an expense
28 June 2007	IFRIC 13 "Customer loyalty programmes"	Accounting regulations for companies that grant their customers loyalty award credits, such as loyalty points or air miles when they buy other goods or services
5 July 2007	IFRIC 14 "IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction"	Interaction between an obligation existing as of the balance sheet date to pay additional amounts into a pension plan and the regulations stipulated under IAS 19 regarding the upper limit on the measurement of the defined benefit asset or liability
6 September 2007	Amendment IAS 1 "Presentation of financial statements"	Presentation of gains and losses recognized directly in equity, terminology for components of financial statements
10 January 2008	Revision of IFRS 3 "Business combinations"; revision IAS 27 "Consolidated and separate financial statements according to IFRS"	Accounting of step acquisitions and holdings of non-controlling interests
17 January 2008	Amendment IFRS 2 "Share-based payment"	Performance conditions, cancellation during the vesting period
14 February 2008	Amendment IFRS 32 "Financial instruments: presentation"; Amendment IAS 1 "Presentation of financial statements"	Treatment of puttable financial instruments as equity
22 May 2008	Improvements to IFRSs (2008)	Mainly two types of change: • Those relating to the financial accounting, approach and valuation • Changes in formulation
22 May 2008	Amendment IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and separate financial instruments pursuant to IFRS"	Simplification of the valuation of investments in single-entity financial statements being prepared according to the IFRSs for the first time

Date of issue	**Standard/Interpretation**	**Amendment/New statutory regulation**
3 July 2008	IFRIC 16 "Hedges of a net investment in a foreign operation"	Accounting matters relating to hedging foreign operations
31 July 2008	IFRS 39 "Financial instruments: recognition and measurement"	Supplementary document "Eligible hedged items"
5 March 2009	Amendment IFRS 7 "Financial instruments: disclosures"	Enhanced disclosures on fair value and liquidity risk
12 March 2009	Amendment IFRS 39 "Financial instruments: recognition and measurement"; Amendment IFRIC 9 "Reassessment of embedded derivatives"	Reclassification of hybrid financial instruments to category "at fair value through profit and loss"

During the reporting period, the Group applied the revised version of the Standard IAS 1 ("Presentation of Financial Statements") for the first time. Accordingly, for the first time the consolidated financial statements include a separate statement of comprehensive income in addition to the income statement. This discloses both the period-end result and all gains and losses recognized directly in equity for the period not resulting from transactions with the owners in their capacity as owners. Furthermore, in the consolidated statement of changes in equity the individual components of the "Gains and losses recognized directly in equity" are listed individually.

During the reporting period, the Group applied the revised version of IFRS 3 ("Business combinations") and the amended IAS 27 ("Consolidated and separate financial statements under IFRS") for the first time. This changes the scope and accounting of step acquisitions. Furthermore, the holdings of the non-controlling interest (NCI) may be measured at fair value or at the NCI's proportionate share of net assets of the acquiree. Due to the acquisition of shares in affiliated companies (see acquisition of of non-controlling interests) in the reporting period the difference has been shown in revenue reserves instead of goodwill in compliance with the first-time adoption of the amended IAS 27.

The Group applied IFRS 8 ("Operating segments") for the first time during the reporting period. Accordingly, the Group determines and publishes its operating segments based on the information that is reported internally to the CEO, who is also Chief Operating Decision Maker. Previously the segment report was prepared according to IAS 14, whereby the current breakdown of the segments corresponds to the previous presentation of the secondary segment report under IAS 14. However, in contrast to the previous presentation, results (EBIT) are being published for each segment for the first time. The operating segments correspond to the Group's Strategic Business Units (SBUs). The results of the SBUs for which separate financial information is available are regularly evaluated by the CEO in terms of decisions on resource allocation and performance. In addition to the publication of results at a segment level, the amortization and depreciation and the additions to provisions are published per segment for the first time. The presentation for the same period of the previous year was adjusted accordingly. "Improvements to IFRS 2009" has been used ahead of time and no information on assets per segment has been provided.

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

The IASB and IFRIC also issued the following standards, interpretations and revisions of existing standards; however, application of these is not yet mandatory for Carl Zeiss Meditec. The Company did not opt to apply these standards ahead of time, with the exception of the change of IFRS 8 within the scope of "Improvements to IFRS 2009".

Date of issue	Standard/Interpretation	Amendment/New statutory regulation	Date of first mandatory application	Adopted by the EU
3 July 2008	IFRIC 15 "Agreements for the construction of real estate"	Essentially guidelines for deciding when an agreement falls under IAS 11 or IAS 18	Financial years beginning on or after 1 January 2010	yes
27 November 2008	IFRIC 17 "Distributions of non-cash assets to owners"	Measurement of non-cash assets	Financial years beginning on or after 1 November 2009	yes
27 November 2008	Revised version IFRS 1 "First-time adoption of International Financial Reporting Standards"	Restructuring of IFRS 1	Financial years beginning on or after 1 July 2009	yes
29 January 2009	IFRIC 18 "Transfers of assets from customers"	Accounting treatment of transferred assets, particularly in the energy sector	Financial years beginning on or after 1 November 2009	yes
16 April 2009	Improvements to IFRS (2009)	15 different amendments to 12 existing standards and interpretations	Financial years beginning on or after 1 January 2010	yes
18 June 2009	IFRS 2 "Share-based payment"	Presentation of cash-settled share-based payments	Financial years beginning on or after 1 January 2010	yes
9 October 2009	Amendment IFRS 32 "Financial instruments: presentation"	Classification of rights issues	Financial years beginning on or after 1 February 2010	yes
4 November 2009	Amendment IAS 24 "Related party disclosures"	Simplification of reporting obligations of state-controlled entities	Financial years beginning on or after 1 January 2011	yes
12 November 2009	IFRS 9 "Financial instruments"	Classification and measurement of financial assets	Financial years beginning on or after 1 January 2013	no
26 November 2009	IFRIC 19 "Redemption of financial liabilities through equity instruments"	Comments on the redemption of financial liabilities through equity instruments	Financial years beginning on or after 1 July 2010	yes
15 November 2009	Amendment IFRIC 14 "The limit on a defined benefit asset, minimum funding requirements and their interaction"	Establishment of the restriction on a performance-oriented asset and of minimum financing regulations and their interplay	Financial years beginning on or after 1 January 2011	yes
28 January 2010	Amendment IFRS 1 "First-time adoption of International Financial Reporting Standards"	Exemption of first-time IFRS users from the obligation to make additional disclosures concerning financial instruments resulting from IFRS 7.	Financial years beginning on or after 1 July 2010	yes
6 May 2010	Improvements to IFRS (2010)	11 different amendments to 7 existing standards and interpretations	Financial years beginning on or after 1 July and 1 January 2011, respectively	no
7 October 2010	Amendment IFRS 7 "Financial instruments: disclosures"	Requirement of enhanced disclosures about transfer of financial assets	Financial years beginning on or after 1 July 2011	no
28 October 2010	IFRS 9 "Financial instruments"	Classification and measurement of financial liabilities	Financial years beginning on or after 1 January 2013	no

With the exception of IFRS 8, all of the standards listed above shall only be applied by Carl Zeiss Meditec from financial year 2010/2011 or thereafter. We do not anticipate the future application of these standards to have any material effect on the presentation of the financial statements.

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

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

Other intangible assets
The fair values of trademark, patent and technology rights or similar, which were acquired within the scope of a business combination, are determined according to the relief from royalty method. In this method an analogy is used, whereby the financial contributions (cash flows) of an intangible asset due to royalties are estimated, which the owner of this asset is then spared from paying, contrary to the alternative of licensing a similar asset with an equivalent use. The method thus calculates the fictitious licensing fees that would be payable if the respective intangible asset were to be owned by a third party. The fair values of intangible assets consisting of customer relationships acquired within the scope of a business combination are determined according to the multi-period excess earnings method. Customer relationships generally only generate cash flows in conjunction with other tangible or intangible assets. The planning of excess earnings is thus based on a collection of assets. The calculation of the relevant excess earnings received thus regards fictitious payments made for these “supporting” assets as fictitious user fees. It is assumed that the supporting assets are fictitiously rented or leased by a third party to the extent necessary to generate the cash flows.

Inventories
The fair value of inventories acquired within the scope of a business combination is based on the estimated selling price attainable in the normal course of business, less the estimated production and selling costs, as well as a profit margin, which adequately takes into consideration the necessary selling and production resources.

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

Equity interests and securities
The fair value of financial assets, which are either measured at fair value through profit or loss or classified as available for sale, is based, if an active market exists, on listed stock prices.

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

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

The Group exclusively holds currency forward contracts as financial instruments. The financial assets held for trading ("FAHfT/FLHfT") are carried at fair value, although changes in market value are recognized in income in the income statement. The fair value of forward currency transactions 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 to the contracted forward exchange rate.

Financial liabilities
The fair value of financial liabilities is calculated based on the present value of future capital and interest payment flows – discounted by a standard market interest rate – as of the balance sheet date.

3. Purchase and sale of business operations

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

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

The proceeds of € 1,220 thousand from deconsolidation of the company were disclosed under "Other financial result".

Financial year 2008/2009
Carl Zeiss Meditec Inc., Dublin, USA

On 5 November 2008 Carl Zeiss Meditec Inc. Dublin, USA, and the OEM supplier Welch Allyn, Inc. New York, USA concluded a purchase agreement which provided for the acquisition of all assets and liabilities associated with the manufacture of two products for glaucoma diagnostics. The acquired assets are mainly intellectual property rights, production rights, software and design know-how. The acquisition costs totaled € 11,688 thousand. The acquisition costs include incidental acquisition costs of € 120 thousand.

The fair values of the identified assets and liabilities at the date of acquisition and the corresponding book values directly prior to the date of acquisition are as follows:

(in € '000)	Carl Zeiss Meditec Inc.	
	Fair value	**Book value**
Noncurrent assets	9,399	–
Current assets	169	–
Current liabilities	(234)	(104)
Net assets	9,334	(104)
Goodwill from acquisition	2,354	
Total costs of acquisition	**11,688**	
Cash received	104	
Cash outflow due to purchase price payment	(11,688)	
Net capital outflow	**(11,584)**	

The identified goodwill from the acquisition of the assets and liabilities is mainly attributable to the anticipated synergy effects of the integration of the two production lines into the existing business of the “Ophthalmic Systems” SBU.

Notes to the consolidated income statement

4. Revenue

Group earnings for financial year 2009/2010 mainly consist of revenue. The table below shows a breakdown of revenue:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Income from the sale of merchandise	623,621	589,359
Income from the provision of services (incl. sale of replacement parts)	53,061	50,730
Total	**676,682**	**640,089**

5. Other income

Other income for financial years 2009/2010 and 2008/2009 was as follows:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Rental income	150	457
Reversal of other provisions and accrued liabilities	92	214
Other income from lease agreements	–	93
Tax rebate	–	31
Income from the sale of pharmaceutical business	200	–
Proceeds of impaired receivables	43	–
Other	–	41
Total	**485**	**836**

6. Other expense

Other expense for financial years 2009/2010 and 2008/2009 was as follows:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Expenses from rental agreements	50	345
Loss upon retirement of property, plant and equipment	–	141
Other taxes	17	25
Other	–	57
Total	**67**	**568**

7. Personnel expenses

Personnel expenses for financial years 2009/2010 and 2008/2009 were as follows:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Wages and salaries	150,214	133,333
Social security expenses	26,420	24,651
Pension costs	5,549	1,830
Total	**182,183**	**159,814**

Total expenses from all defined contribution plans in the current financial year amounted to € 6,359 thousand (previous year: € 5,313 thousand). The employer's statutory pension contribution is contained in the social security costs.

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

	30 September 2010	30 September 2009	Average/ financial year 2009/2010	Average/ financial year 2008/2009
Production	644	623	625	635
Sales & Marketing	576	592	581	608
Service	426	401	412	393
Research and Development	353	363	360	363
Administration	190	168	180	167
Total	**2,189**	**2,147**	**2,158**	**2,166**
Trainees	21	25	20	26
Employees joint venture (at equity)	1	1	1	1

8. Financial result

The financial result comprises the following:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Interest income	2,239	5,278
Interest expense	5,883	6,001
thereof interest expense pensions	2,653	2,546
Net interest income/loss	**(3,644)**	**(723)**
Earnings of companies carried at equity	(37)	(34)
Investment income	**(37)**	**(34)**
Foreign currency gains/(losses), net	(3,704)	648
Anticipated return from plan assets	2,307	2,172
Other financial result	1,311	470
Other financial result	**(86)**	**3,290**
Total financial result	**(3,767)**	**2,533**

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

9. Income taxes

Income taxes are comprised as follows:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Current taxes:		
Germany	16,058	13,558
Abroad	17,527	13,898
	33,585	27,456
(thereof prior-period)	(2,516)	(33)
Deferred taxes:		
Germany	(5,956)	(508)
Abroad	(4,289)	(3,434)
	(10,245)	(3,942)
Total	**23,340**	**23,514**

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

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Revaluation of securities (available for sale)	(1)	2
Total	**(1)**	**2**

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

(in € '000)	Financial year 2009/2010			Financial year 2008/2009		
	Before tax € ´000	Tax expenses/ income € ´000	After tax € ´000	Before tax € ´000	Tax expenses/ income € ´000	After tax € ´000
Gains/(losses) with no effect on income from revaluation of available-for-sale financial assets	(11)	(1)	(12)	86	2	88
Gains/(losses) from financial assets carried at equity	1	–	1	(2)	–	(2)
Gains/losses from foreign currency translation	14,281	–	14,281	(1,510)	–	(1,510)
Other result	**14,271**	**(1)**	**14,270**	**(1,426)**	**2**	**(1,424)**

In accordance with the tax law applicable in financial year 2009/2010, the income of Group subsidiaries in Germany is subject to a corporation tax rate of 15 % (previous year: 15 %). Taking into account the solidarity surcharge and the varying trade income tax rates, companies in Germany are subject to a tax rate of between 27.73 % and 32.97 % (previous year: 27.73 % to 32.97 %). The nominal tax rates applicable outside Germany in the financial year range between 28.00 % and 42.10 % (previous year: 28.00 % and 42.10 %).

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

(in € '000)	**Financial year 2009/2010**	**Financial year 2008/2009**
Expected income tax expense	24,594	23,302
Non-deductible expenses	621	565
Tax-free income	(2,608)	(343)
Taxes previous years	(2,516)	(33)
Foreign tax rate differential	3,024	2,827
Net retained earnings of subsidiaries intended for disbursement	478	343
Recognition & measurement of deferred tax assets	(631)	(3,340)
Other	378	193
Actual income tax expense	**23,340**	**23,514**
Effective taxation ratio	28.1%	29.9%

10. Earnings per share

The following table shows the calculation of earnings per share:

	Financial year 2009/2010	**Financial year 2008/2009**
Net income attributable to shareholders of the parent company (€ '000)	54,889	50,544
Weighted average of issued shares	81,309,610	81,309,610
Earnings per share (in €)	**0.68**	**0.62**

11. Dividend

During the period under review, a dividend of € 0.18 per share (previous year: € 0.18 per share) was paid to the shareholders of Carl Zeiss Meditec AG for financial year 2008/2009.

	Financial year 2009/2010		Financial year 2008/2009	
	€ Cent per share	€ '000 Total	€ Cent per share	€ '000 Total
Dividend paid	**18**	**14,636**	**18**	**14,636**

Notes to the consolidated balance sheet

12. Goodwill

The table below shows the development of the Group's recognized goodwill and its allocation to the respective strategic business units (SBUs) for financial years 2009/2010 and 2008/2009:

(in € '000)	Surgical Ophthalmology SBU	Ophthalmic Systems SBU	Total
As of 1 October 2009	**86,205**	**27,388**	**113,593**
Disposals	(1,414)	–	**(1,414)**
Currency effects	–	889	**889**
As of 30 September 2010	**84,791**	**28,277**	**113,068**
As of 1 October 2008	**86,205**	**25,530**	**111,735**
Additions	–	2,354	**2,354**
Currency effects	–	(496)	**(496)**
As of 30 September 2009	**86,205**	**27,388**	**113,593**

Accumulated impairment expenses of the capitalized goodwill do not exist. The allocation of existing goodwill to cash-generating units conforms to IAS 36.80. Accordingly, the relevant goodwill is allocated within the Group independently of individual assets and liabilities, i. e. it is allocated to the smallest cash-generating unit, which is expected to benefit from the synergy effects of the business combination. The cash-generating unit is determined based on the Group's internal reporting system. The change in the goodwill of the cash-generating unit Ophthalmic Systems SBU results from the allocation of the goodwill in the previous year which arose after the purchase price allocation of the assets from the acquisition of Welch Allyn, New York, USA (see note (3)). Currency effects also arose within this SBU between the US dollar and the euro. The change in the goodwill of Surgical Ophthalmology SBU results from the sale of the pharmaceutical business (see note (3)).

13. Other intangible assets

Intangible assets developed as follows in financial years 2009/2010 and 2008/2009:

(in € '000)	Brand names and trademarks	Software	Licenses, royalties	Patents and other industrial property rights	Develop-ment costs	Other intangible assets	Total
Acquisition and production costs as of 01 October 2009	**8,165**	**11,008**	**1,488**	**22,023**	**3,468**	**24,885**	**71,037**
Additions	–	135	–	2,501	4,233	195	7,064
Reclassifications	–	127	100	1,932	(117)	(2,042)	–
Disposals	(160)	(107)	–	–	(24)	(226)	(517)
Currency effects	61	575	–	212	86	827	1,761
As of 30 September 2010	**8,066**	**11,738**	**1,588**	**26,668**	**7,646**	**23,639**	**79,345**
Amortization as of 01 October 2009	**4,726**	**5,197**	**509**	**10,357**	**1,428**	**10,775**	**32,992**
Additions	738	1,449	841	4,757	1,149	3,100	12,034
Disposals	–	(107)	–	–	(6)	(123)	(236)
Currency effects	–	173	–	82	37	321	613
As of 30 September 2010	**5,464**	**6,712**	**1,350**	**15,196**	**2,608**	**14,073**	**45,403**
Net carrying amount as of 30 September 2010	**2,602**	**5,026**	**238**	**11,472**	**5,038**	**9,566**	**33,942**

(in € '000)	Brand names and trademarks	Software	Licenses, royalties	Patents and other industrial property rights	Develop-ment costs	Other intangible assets	Total
Acquisition and production costs as of 1 October 2008	**8,184**	**4,898**	**1,488**	**21,331**	**1,136**	**20,809**	**57,846**
Acquisitions	–	1,203	–	722	–	7,137	9,062
Additions	–	1,169	–	390	2,438	2,069	6,066
Reclassifications	–	4,439	–	–	–	(4,439)	–
Disposals	–	(119)	–	(1)	–	(6)	(126)
Currency effects	(19)	(582)	–	(419)	(106)	(685)	(1,811)
As of 30 September 2009	**8,165**	**11,008**	**1,488**	**22,023**	**3,468**	**24,885**	**71,037**
Amortization as of 1 October 2008	**4,072**	**4,035**	**294**	**8,050**	**620**	**7,916**	**24,987**
Additions	654	1,385	215	2,460	853	3,074	8,641
Disposals	–	(119)	–	(1)	–	–	(120)
Currency effects	–	(104)	–	(152)	(45)	(215)	(516)
As of 30 September 2009	**4,726**	**5,197**	**509**	**10,357**	**1,428**	**10,775**	**32,992**
Net carrying amount as of 30 September 2009	**3,439**	**5,811**	**979**	**11,666**	**2,040**	**14,110**	**38,045**

Accumulated extraordinary impairment expenses of the capitalized intangible assets do not exist. Other intangible assets include assets identified via purchase price allocations (PPA) for customer relationships with a carrying amount of € 3,810 thousand (previous year: € 4,454 thousand) and for technology with a carrying amount of € 5,066 thousand (previous year: € 7,188 thousand).

With the exception of the legally protected trademark with a book value of € 879 thousand, which is to be allocated to the Ophthalmic Systems SBU, (previous year: € 817 thousand), which was capitalized within the scope of the PPA of LDT[2], the Group does not have any other intangible assets which are not subject to scheduled amortization. The useful life was defined as indefinite, as indefinite perpetual use is to be assumed until further notice.

[2] Laser Diagnostics Technologies Inc., San Diego, USA, was taken over by Carl Zeiss Meditec Inc. and integrated into the Company by way of a 100 % acquisition of shares, with effect from 2 December 2004. See previous company reports for more details.

14. Property, plant and equipment

Property, plant and equipment developed as follows in financial years 2009/2010 and 2008/2009:

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

(in € '000)	Land, buildings and leasehold improvements	Technical plant and machinery	Other fixtures and fittings, tools and equipment	Construction in progress	Total
Acquisition and production costs as of 1 October 2008	**27,962**	**21,387**	**31,040**	**1,824**	**82,213**
Additions acquisitions	–	–	337	–	337
Additions	3,345	4,037	4,677	461	12,520
Reclassifications	1,276	(6,271)	6,561	(1,566)	–
Disposals	(62)	(1,079)	(1,623)	(31)	(2,795)
Currency effects	(649)	(30)	(669)	18	(1,330)
As of 30 September 2009	**31,872**	**18,044**	**40,323**	**706**	**90,945**
Depreciation and write downs as of 1 October 2008	**12,388**	**11,879**	**19,536**	**–**	**43,803**
Additions	1,300	1,511	4,913	–	7,724
Reclassifications	249	(4,509)	4,260	–	–
Disposals	(22)	(818)	(1,092)	–	(1,932)
Currency effects	(317)	41	(567)	–	(843)
As of 30 September 2009	**13,598**	**8,104**	**27,050**	**–**	**48,752**
Net carrying amount as of 30 September 2009	**18,274**	**9,940**	**13,273**	**706**	**42,193**

Property, plant and equipment – mainly land, buildings and leasehold improvements – includes leased property with a net book value of € 8,864 thousand (previous year: € 9,114 thousand).

In the Surgical Ophthalmology SBU an impairment loss on buildings and leasehold improvements in the amount of € 500 thousand was included in the income statement under administrative expenses in financial year 2009/2010. This was defined in accordance with the provisions of IAS 36 and resulted from the necessary move to new building for which existing parts could not be used anymore.

15. At-equity investments

Since the financial year 2007/2008 the Group has held a 49 % share in the voting rights of Advanced Research Institute GmbH – a joint venture pursuant to IAS 31 – which has its registered office in Hennigsdorf. This company is included in the consolidated financial statements according to the equity method under IAS 31.38.

The table below provides a summary of financial data relating to the at-equity investment based on a 100 % holding:

(in € '000)	30 September 2010	30 September 2009
Total assets	**139**	**211**
Current	139	211
Shareholders' equity	**138**	**210**
Total liabilities	**1**	**1**
Current	1	1
Expenses	**(79)**	**(84)**
Income	**4**	**14**
Result	**(75)**	**(70)**

16. Investments

The table below shows the changes in investments in financial years 2009/2010 and 2008/2009:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
As of 1 October	**364**	**368**
Disposals	–	(4)
As of 30 September	**364**	**364**

The balance sheet item "Investments" includes the non-controlling interests carried at amortized cost in Elsia S.A.S., La Rochelle, France (€ 240 thousand) and Polymerexpert S.A., Pessac, France (€ 122 thousand). Carl Zeiss Meditec S.A.S. holds 13.8 % (previous year: 13.8 %) of the shares in Elsia S.A.S. and 7.8 % (previous year: 8.0 %) of the shares in Polymerexpert S.A.

This item also includes the non-controlling interest carried at amortized cost in S&V Technologies AG, Hennigsdorf (€ 2 thousand). The investment book value decreased in the past financial year, due to the complete disposal of the proprietary interest – held via Acri.Tec GmbH – in the cooperation network *"oabb-optic alliance brandenburg berlin"* GbR.

17. Deferred taxes

Deferred tax assets and liabilities are broken down into the following balance sheet items:

(in € '000)	30 September 2010		30 September 2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carryforwards	3,165	–	2,416	–
Intangible assets	807	5,154	392	5,954
Fixed assets	4,164	1,016	4,228	936
Financial assets	581	782	249	–
Inventories	16,236	415	12,332	230
Trade receivables	1,277	18	1,189	114
Other assets	–	563	–	2,837
Provisions	14,995	102	10,587	746
Trade payables	–	55	–	46
Other liabilities	4,864	385	4,953	450
Retained earnings	–	2,561	–	2,083
Total	**46,089**	**11,051**	**36,346**	**13,396**
Deferred tax assets (net)	**35,038**		**22,950**	

After netting according to IAS 12, the consolidated balance sheet includes deferred tax assets totaling € 41,568 thousand (previous year: € 32,694 thousand) and deferred tax liabilities totaling € 6,530 thousand (previous year: € 9,744 thousand).

Deferred tax liabilities are carried in the amount of € 2,560 thousand (previous year: € 2,083 thousand) for net retained earnings from subsidiaries intended for disbursement in the amount of € 172,787 thousand (previous year: € 140,506 thousand).

The Group did not carry as liabilities deferred tax liabilities of € 3,717 thousand (previous year: € 2,817 thousand) on retained earnings of subsidiaries of € 96,980 thousand (previous year: € 82,795 thousand) because, from today's perspective, these earnings are to remain permanently invested.

Deferred tax assets for tax losses carried forward are carried at the amount at which the associated tax benefits are expected to be realized as a result of future tax profits. As of 30 September 2010, Carl Zeiss Meditec had tax credits from loss carryforwards in the amount of € 0 thousand (previous year: € 0 thousand), for which no deferred taxes were formed. At the present time, no tax loss carryforwards can be carried forward indefinitely.

The table below shows the reconciliation of deferred taxes:

(in € '000)	
Deferred tax assets (net) as of 30 September 2008	**18,878**
Effects recognized in income	3,942
Effects recognized directly in equity	2
Currency effects	128
Deferred tax assets (net) as of 30 September 2009	**22,950**
Effects recognized in income	10,245
Effects recognized directly in equity	(1)
Currency effects	1,844
Deferred tax assets (net) as of 30 September 2010	**35,038**

As in the previous year, Carl Zeiss Meditec's consolidated financial statements do not show any valuation allowance for deferred taxes in financial year 2009/2010.

18. Inventories

Inventories comprise the following:

(in € '000)	30 September 2010	30 September 2009
Raw materials and supplies	41,823	33,482
Work in progress	15,401	14,327
Finished goods	84,998	70,764
Total inventories, gross	**142,222**	**118,573**
Valuation allowances	(23,006)	(19,519)
Total inventories, net	**119,216**	**99,054**

Inventories were written up/down as follows:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Beginning of financial year	**19,519**	**18,992**
Additions recognized as expenses	5,412	5,585
Currency effects	489	(63)
Reclassifications	(34)	(354)
Reversals/utilization	(2,380)	(4,641)
End of financial year	**23,006**	**19,519**

The carrying amount of inventories carried at their net realizable value totaled € 92,204 thousand as of 30 September 2010 (previous year: € 57,456 thousand). Write-ups of € 1,119 thousand (previous year: € 619 thousand) were recognized in income. The reason for the write-ups was the reversal of allowances for slow/non-moving inventories and loss-free valuation. The cost of materials totaled € 309,807 thousand and € 285,301 thousand, respectively, in financial years 2009/2010 and 2008/2009. These expenses are calculated according to the total cost format and include the costs of raw materials and supplies and purchased goods and services, plus any valuation allowances and changes in inventories. No inventories have been pledged as collateral for liabilities.

19. Trade receivables

Trade receivables comprise the following:

(in € '000)	30 September 2010	30 September 2009
Current trade receivables	104,018	97,703
Noncurrent trade receivables	3,673	872
Trade receivables, gross	**107,691**	**98,575**
Valuation allowances	(5,905)	(6,454)
Trade receivables, net	**101,786**	**92,121**

20. Other current assets

Other current assets comprise the following:

(in € '000)	30 September 2010	30 September 2009
Derivative financial instruments	1,823	4,125
Prepaid expenses	3,749	2,686
Receivables from the tax office	1,554	2,034
Credit card receivables	828	864
Subsidies	322	462
Accounts receivable from R&D subsidies	184	196
Loans to employees	93	100
Advances paid	423	41
Pensions from deferred compensation programs	448	291
Other receivables	1,476	1,110
Other current assets	**10,900**	**11,909**

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

21. Cash and cash equivalents

The cash and cash equivalents at the end of the financial year, as they are presented in the cash flow statement, can be reconciled to the relevant items in the consolidated balance sheet as follows:

(in € '000)	30 September 2010	30 September 2009
Cash	97	16
Bank balances	22,786	12,873
Deposits with Carl Zeiss Financial Services GmbH (secured by a declaration of pledge)	290,526	187,000
Short-term time deposits	107	106
Cash and cash equivalents	**313,516**	**199,995**

22. Shareholders' equity

Share capital

As in the previous financial year 2008/2009, the share capital of Carl Zeiss Meditec AG consists of 81,309,610 no-par value shares bearing equal rights, each with a theoretical value of € 1 and was fully paid up. Ownership of the shares is linked to voting rights at the General Meeting and profit participation rights for resolved disbursements.

Authorized capital

Pursuant to a resolution of the Annual General Meeting in financial year 2005/2006 and the entry in the commercial register dated 26 October 2006, the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital of the Company, on one or several occasions until 9 March 2011, by up to a maximum of € 39,655 thousand, by issuing new no-par value bearer shares with a theoretical nominal value of € 1 per share (39,655,000 shares) against cash and/or contributions in kind (Authorized Capital I). The Management Board is authorized, with the consent of the Supervisory Board, to exclude shareholders' statutory subscription rights in certain cases.

Capital reserve

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

Retained earnings

Under the German Stock Corporation Act, the dividend available for distribution to the shareholders is dependent upon equity as reported in the single-entity financial statements of Carl Zeiss Meditec AG in accordance with the German Commercial Code *(HGB).* Dividends may only be declared and paid from any retained earnings that exist (after transfer to statutory reserves). The net profit disclosed in the single-entity financial statements *(HGB)* of Carl Zeiss Meditec AG generally differs from the accumulated net profit shown in these consolidated financial statements (IFRS). As of 30 September 2010, the single-entity financial statements of Carl Zeiss Meditec AG showed a net profit of € 49,403 thousand (previous year: € 35,383 thousand).

Non-controlling interests

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

Gains and losses recognized directly in equity

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

(in € '000)	
Currency translation as of 30 September 2007	**(21,390)**
Change in financial year 07/08	(1,040)
Currency translation as of 30 September 2008	**(22,430)**
Change in financial year 08/09	(3,138)
Currency translation as of 30 September 2009	**(25,568)**
Change in financial year 09/10	(11,199)
Currency translation as of 30 September 2010	**(14,369)**

23. Employee benefit obligations

The Group transferred cash and cash equivalents to legally independent trusts to cover its pension claims – within the scope of contractual trust arrangements (CTAs).

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

(in € '000)	30 September 2010	30 September 2009
Present value of obligations not being financed by a fund	8,428	6,612
Present value of obligations which are wholly or partly financed by a fund	59,415	42,494
Total value of defined benefit obligation (DBO)	**67,843**	**49,106**
Fair value of plan asset	42,678	39,505
Net obligation	**25,165**	**9,601**
Unrecognized actuarial net gains/(losses)	(13,669)	(484)
(Prepaid)/accrued pension costs	1,076	869
Other accrued pension costs	1,521	1,348
Reported net liability from defined benefit obligation	**14,093**	**11,334**

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

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Current service cost	2,586	1,545
Interest expense	2,653	2,546
Anticipated return on plan assets	(2,307)	(2,172)
Recognized actuarial (gains)/losses	635	380
Net expenditure in the financial year	**3,567**	**2,299**
Actual (income)/expense on plan assets	(1,808)	(1,043)

The ongoing annual expense of € 2,586 thousand (previous year: € 1,545 thousand) is included under both "Cost of goods sold" and "Functional costs". This also applies to the actuarial gains/losses recognized. Interest costs amounted with € 2,653 thousand (previous year: € 2,546 thousand) are included in interest expense. The anticipated income from plan assets is included in the other financial result.

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

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Defined benefit obligation (DBO) at beginning of financial year	**49,106**	**41,562**
Current service cost	2,586	1,545
Interest expenses	2,653	2,546
Benefit payments	(1,461)	(1,039)
Actuarial (gains)/losses	13,057	6,064
(Income)/expenses plan changes	–	(1,862)
(Additions)/disposals	79	–
Currency translation differences from foreign plans	1,823	290
Defined benefit obligation (DBO) at end of financial year	**67,843**	**49,106**

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

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Fair value of plan assets at beginning of financial year	**39,505**	**36,345**
Anticipated return on plan assets	2,307	2,172
Gains/(losses) from plan assets	(499)	(1,129)
Employer contributions	1,557	3,053
Employee contributions	44	26
Pension payments from plan assets	(944)	(847)
Change of items which cannot be offset	5	–
Currency translation differences from foreign plans	703	(115)
Fair value at end of financial year	**42,678**	**39,505**

For the coming financial year the Group intends to pay a contribution of € 4,011 thousand (previous year: € 1,142 thousand) into the defined benefit plans.

The main investment categories of the plan assets were as follows at the balance sheet date:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Equity instruments	8,828	10,822
Debt instruments	24,115	21,782
Cash	3,327	5,411
Other	6,408	1,490
Total plan assets	**42,678**	**39,505**

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

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

(in %)	Germany Financial year		Abroad Financial year	
	2009/2010	**2008/2009**	**2009/2010**	**2008/2009**
Discount factor	4.70	6.00	1.00–5.50	1.50–7.50
Long-term salary increase	3.00	3.00	2.54–3.50	2.54–3.50
Future pension increase	2.00	2.00	2.54–4.00	2.54–4.00
Cost trend medical care	–	–	8.40	8.80
Anticipated return on plan assets	4.50	5.00	7.50	7.50

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

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

(in € '000)	**Increase**	**Decrease**
Effect on total current service cost and interest expense	12	(11)
Effect on defined benefit obligation	287	(250)

The table below shows the development of historical adjustments:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009	Financial year 2007/2008	Financial year 2006/2007
Present value of defined benefit obligation	67,843	49,106	41,562	44,620
Fair value of plan asset	42,678	39,505	36,345	39,974
Plan surplus/(deficit)	**(25,165)**	**(9,601)**	**(5,217)**	**(4,646)**
Historical adjustments of plan liabilities as of the balance sheet date	13,057	6,064	(7,573)	(6,510)
Historical adjustment of plan assets as of the balance sheet date	(499)	(1,129)	(7,005)	725

The above disclosures are presented prospectively from financial year 2006/2007 pursuant to the transitional requirements based on the amendments to IAS 19 "Employee benefits" from December 2004.

24. Provisions

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

(in € '000)	Personnel and social	Ongoing operations	Other	Total
As of 1 October 2009	**9,928**	**24,313**	**7,207**	**41,448**
Additions	13,949	9,444	10,035	33,428
Interest yield	131	594	–	725
Reversals	(43)	(4,180)	(2,481)	(6,704)
Utilization	(7,505)	(6,440)	(4,689)	(18,634)
Currency effects	409	441	194	1,044
As of 30 September 2010	**16,869**	**24,172**	**10,266**	**51,307**
Current provisions	7,324	18,716	10,266	36,306
Noncurrent provisions	9,545	5,456	–	15,001
Provisions as of 30 September 2010	**16,869**	**24,172**	**10,266**	**51,307**
Current provisions	6,096	17,349	7,207	30,652
Noncurrent provisions	3,832	6,964	–	10,796
Provisions as of 30 September 2009	**9,928**	**24,313**	**7,207**	**41,448**

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

25. Noncurrent financial liabilities

Noncurrent financial liabilities comprise the following:

(in € '000)	30 September 2010	30 September 2009
Annuity loans	3,444	3,714
Loans from related parties	–	8,865
Other loans	5,913	6,014
Total noncurrent loans	**9,357**	**18,593**
Less current portion of noncurrent loans	288	9,271
Noncurrent loans, net of current portion	**9,069**	**9,322**

The annuity loan of a Group company has a term of 18 years and is redeemed in quarterly instalments of € 124 thousand, each including interest. The loan bears interest at a rate of 6.24 % p.a.; this rate is fixed until 30 July 2011.

In order to finance the acquisition of LDT[3], a loan in the amount of USD 26,000 thousand was taken out with the Group Treasury in financial year 2004/2005. The loan has a total term of five years, with the first half of the total amount due after three years. The second half of the total amount was repaid in full in financial year 2009/2010 The interest rate is fixed for the term and was 3.94 % p. a. for the first tranche (3-year term) and 4.5 % p. a. for the second tranche (5-year term).

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

[3] Laser Diagnostics Technologies Inc., San Diego, USA, was taken over by Carl Zeiss Meditec Inc. and integrated into the Company by way of a 100 % acquisition of shares, with effect from 2 December 2004. See previous company reports for more details.

As of 30 September 2010 the Company's noncurrent liabilities had the following maturities:

(in € '000)

Financial year ending 30 September	Liabilities
2011	288
2012	306
2013	6,239
2014	347
2015	369
2016	392
Thereafter	1,416
Noncurrent liabilities, total	**9,357**

26. Current accrued liabilities

Current accrued liabilities include the following items:

(in € '000)	30 September 2010	30 September 2009
Outstanding invoices	19,910	15,333
Other personnel liabilities	10,256	9,381
Commissions/bonuses	5,234	7,059
Christmas bonus and special payments	8,642	3,917
Year-end costs	585	330
Consultancy fees	35	7
Dismantling obligations	450	–
Other accrued liabilities	1,824	1,961
Current accrued liabilities	**46,936**	**37,988**

27. Other current liabilities

Other current liabilities comprise the following:

(in € '000)	30 September 2010	30 September 2009
Deferred income	11,905	9,985
Advance payments received on account of orders	4,109	3,601
Liabilities from taxes not related to income	2,060	2,953
Liabilities from social security	1,815	1,794
Wage withholding tax	1,229	1,095
Other liabilities	2,544	2,636
Other current liabilities	**23,662**	**22,064**

28. Additional disclosures on financial instruments

The following table shows the book values, carrying amounts and fair values by valuation category of the Company's financial instruments as of 30 September 2010 and 30 September 2009.

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

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

(in € '000)	30 September 2009 Recognition and measurement in balance sheet acc. to IAS 39							
	Valuation category according to IAS 39	**Book value**	**Amortized cost**	**Fair value taken directly to equity**	**Fair value through profit and loss**	**Recognition amount cash reserve**	**Recognition amount balance sheet IAS 17**	**Fair value***
Primary financial instruments								
Assets								
Trade receivables	LaR	**92,121**	92,121	–	–	–	–	**92,121**
Accounts receivables from related parties	LaR	**23,932**	23,932	–	–	–	–	**23,932**
Treasury receivables	LaR	**95,980**	95,980	–	–	–	–	**95,980**
Investments & at-equity investment	AfS	**467**	467	–	–	–	–	**467**
Securities	AfS	**120**	–	120	–	–	–	**120**
Noncurrent loans to employees	LaR	**2**	2	–	–	–	–	**2**
Other noncurrent financial assets	LaR	**182**	182	–	–	–	–	**182**
Other current financial assets	LaR	**100**	100	–	–	–	–	**100**
Financial assets which cannot be allocated to any category within the meaning of IAS 39:								
Cash		**199,995**	–	–	–	199,995	–	**199,995**
Liabilities								
Trade payables	FLAC	**23,086**	23,086	–	–	–	–	**23,086**
Accounts payable to related parties	FLAC	**9,058**	9,058	–	–	–	–	**9,058**
Treasury payables	FLAC	**7,125**	7,125	–	–	–	–	**7,125**
Loans from related parties	FLAC	**9,203**	9,203	–	–	–	–	**9,203**
Loans from banks	FLAC	**3,853**	3,853	–	–	–	–	**4,019**
Other financial liabilities	FLAC	**5,879**	5,879	–	–	–	–	**5,879**
Financial liabilities which cannot be allocated to any category within the meaning of IAS 39:								
Leasing liabilities		**18,231**	–	–	–	–	**18,231**	**21,707**
Derivative financial instruments								
Asset-side currency hedging contracts	FAHfT	**4,125**	–	–	4,125	–	–	**4,125**
Liabilities-side currency hedging contracts	FLHfT	**1,440**	–	–	1,440	–	–	**1,440**
Thereof aggregated by valuation category pursuant to IAS 39								
Loans and Receivables (LaR)		**212,317**	212,317	–	–	–	–	**212,317**
Available-for-Sale Financial Assets (AfS)		**587**	467	120	–	–	–	**587**
Financial Assets Held for Trading (FAHfT)		**4,125**	–	–	4,125	–	–	**4,125**
Financial Liabilities Measured at Amortized Cost (FLAC)		**58,204**	58,204	–	–	–	–	**58,370**
Financial Liabilities Held for Trading (FLHfT)		**1,440**	–	–	1,440	–	–	**1,440**

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

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

Category according to IFRS 7	**Category according to IAS 39**	**Balance sheet item**
• Trade receivables	LaR	• Noncurrent trade receivables • Trade receivables
• Accounts receivable from related parties	LaR	• Accounts receivable from related parties
• Treasury receivables	LaR	• Treasury receivables
• Investments • At-equity investment	AfS	• Investments • Investments accounted for using the equity method
• Securities	AfS	• Securities
• Noncurrent loans to employees • Other noncurrent financial assets	LaR LaR	• Other noncurrent assets
• Other current financial assets • Asset-side currency hedging contracts	LaR FAHfT	• Other current assets
• Cash	n. a.	• Cash and cash equivalents
• Trade payables	FLAC	• Trade payables
• Payable to related parties	FLAC	• Accounts payable to related parties
• Treasury payables	FLAC	• Treasury payables
• Loans from related parties • Other financial liabilities	FLAC FLAC	• Noncurrent financial liabilities
• Loans from banks	FLAC	• Current portion of noncurrent financial liabilities
• Liabilities-side currency hedging contracts	FLHfT	• Current financial liabilities
• Leasing liabilities	n. a.	• Noncurrent leasing liabilities • Current portion of noncurrent leasing liabilities

As of 30 September 2010 the Company had currency hedging contracts with a total nominal value of € 92,201 thousand (previous year: € 91,926 thousand). Gains and losses from the valuation of derivative financial instruments not yet due in the amount of € -1,517 thousand (previous year: € 2,797 thousand) are recorded in the income statement under "Foreign currency gains/(losses), net".

Net results by valuation category

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

(in € '000)		Interest effects	From subsequent valuation			Amorti-zation	Net result
			at fair value	Currency translation	Valuation allowance		
From loans and receivables	30 September 2010	2,433	n. a.	(4,178)	(860)	n. a.	(2,605)
	30 September 2009	3,485	n. a.	(477)	(1,297)	n. a.	1,711
From available-for-sale financial assets and liabilities	30 September 2010	–	n. a.	–	–	–	–
	30 September 2009	–	n. a.	–	–	46	46
From held-for-trading financial assets and liabilities	30 September 2010	–	(1,517)	–	–	10	(1,507)
	30 September 2009	–	2,797	–	–	–	2,797
From financial liabilities carried at amortized cost	30 September 2010	(1,170)	n. a.	2,137	n. a.	n. a.	967
	30 September 2009	(1,302)	n. a.	(373)	n. a.	n. a.	(1,675)

The interest from financial instruments is carried under "Interest income"; dividends are carried under "Other financial result" (see note (8)). Carl Zeiss Meditec records the other components of the net result under "Other financial result", with the exception of the valuation allowances on trade receivables attributable to the valuation category "Loans and receivables", which are carried under "Selling expenses".

Net gains/losses on valuation amounting to € -12 thousand (previous year: € 88 thousand) were posted to equity in financial year 2009/2010 in connection with the recording with no effect on income of the changes in value of available-for-sale financial assets. In addition, the income statement also takes into account all factors that cannot be allocated to financial instruments.

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

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

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

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

(in € '000)	30 September 2010			
	Category 1	**Category 2**	**Category 3**	**Total**
From available-for-sale financial assets and liabilities	452	71	–	523
From held-for-trading financial assets and liabilities	–	(1,551)	–	(1,551)

Other disclosures

29. Leases

Operating leases and rental agreements – Group as lessor
Carl Zeiss Meditec Inc. in Dublin, USA, has concluded a sublease for parts of the building which the Company leases under a finance lease agreement. The Group also leases office equipment, fixtures and fittings.

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

(in € '000)	Lease and rental payments
Up to 1 year	302
Due within 1 to 5 years	178
More than 5 years	–
Total minimum payments	**480**

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

The lease and rental expenses recorded in the income statement for financial years 2009/2010 and 2008/2009 amounted to € 9,055 thousand and € 9,084 thousand, respectively.

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

(in € '000)	Lease and rental payments
Up to 1 year	5,360
Due within 1 to 5 years	8,008
More than 5 years	657
Total minimum lease and rental payments	**14,025**

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

Finance leases – Group as lessor

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

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

Finance leases also exist for company vehicles at Carl Zeiss Meditec S.A.S.

The following table shows the minimum lease payments payable each year under finance leases. Sums of € 2,459 thousand and € 2,456 thousand were paid in financial years 2009/2010 and 2008/2009, respectively.

(in € '000)	Financial year 2009/2010	Financial year 2008/2009	Financial year 2009/2010	Financial year 2008/2009	Financial year 2009/2010	Financial year 2008/2009
	Present value of future lease payments		Interest portion of future lease payments		Total future lease payments	
Due within 1 year	1,513	1,326	1,276	1,274	2,789	2,600
Due within 1 to 5 years	7,064	5,900	4,072	4,191	11,136	10,091
Due after more than 5 years	9,617	11,005	1,826	2,494	11,443	13,499
Total	**18,194**	**18,231**	**7,174**	**7,959**	**25,368**	**26,190**

30. Contingent liabilities and other financial commitments

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

Purchase commitments
Carl Zeiss Meditec has purchase commitments with suppliers, for property plant and equipment in the amount of € 577 thousand (previous year: € 729 thousand), for intangible assets in the amount of € 0 thousand (previous year: € 14 thousand) and for inventories in the amount of € 60,690 thousand (previous year: € 37,978 thousand). These are spread over several years.

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

A litigation risk arises from the claim of a former sales partner in Egypt for compensation and damages. The Company believes that there is no sufficient basis for these claims; it therefore contests the claim.

The litigations described in the previous year's report have been terminated during the current financial year with no material effects.

31. Securities

Assets pledged as security
Borrowings in the amount of € 4,161 thousand (previous year: € 4,850 thousand) are secured with land and buildings, plant and machinery. There are no restrictions for availability rights.

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

32. Segment reporting

The group used IFRS 8 for the first time in the year under review. This standard replaces IAS 14. The operating segments correspond to the Group's Strategic Business Units (SBUs). The presentation for the same period of the previous year was adjusted accordingly.

The Ophthalmic Systems and Surgical Ophthalmology SBUs comprise Carl Zeiss Meditec's major activities in the ophthalmic market. Ophthalmic Systems include medical laser and diagnostic systems. The Surgical Ophthalmology segment combines the Company's activities in the field of intraocular lenses and consumables. The activities in the field of neuro, ear, nose and throat surgery are presented in the "Microsurgery" segment. Visualization solutions for ophthalmic surgery and activities in the area of intraoperative radiation are also allocated to this SBU. Internal management reports are evaluated by the CEO at least every quarter for each of the strategic business units.

(in € ’000)	Ophthalmic Systems 12 Months		Surgical Ophthalmology 12 Months		Microsurgery 12 Months		Total 12 Months	
	2009/2010	**2008/2009**	**2009/2010**	**2008/2009**	**2009/2010**	**2008/2009**	**2009/2010**	**2008/2009**
External revenue	**322,711**	**310,788**	**85,575**	**79,036**	**268,396**	**250,265**	**676,682**	**640,089**
Gross profit	155,826	137,247	49,565	44,454	153,336	140,589	358,727	322,290
Marketing and selling expenses	(71,867)	(65,170)	(24,429)	(22,511)	(66,505)	(62,967)	(162,801)	(150,648)
General and administrative expenses	(15,859)	(13,631)	(10,358)	(8,030)	(11,028)	(10,712)	(37,245)	(32,373)
Research and development expenses	(33,838)	(31,462)	(7,581)	(6,013)	(30,937)	(25,980)	(72,356)	(63,455)
Other	93	352	318	(77)	7	(7)	418	268
Earnings before interest and income taxes	**34,355**	**27,336**	**7,515**	**7,823**	**44,873**	**40,923**	**86,743**	**76,082**
Depreciation and amortization	8,004	8,606	8,853	6,578	4,113	1,181	20,970	16,365
Appropriation to provisions	16,209	13,803	1,363	1,205	15,856	14,164	33,428	29,172
Reconciliation of segments’ comprehensive income to the Group’s period-end result:								
Comprehensive income of the segments							**86,743**	**76,082**
Consolidated earnings before interest and taxes (EBIT)							**86,743**	**76,082**
Financial result							(3,767)	2,533
Consolidated earnings before income taxes							**82,976**	**78,615**
Income tax expense							(23,340)	(23,514)
Consolidated net income							**59,636**	**55,101**
Thereof attributable to:								
Shareholders of the parent company							54,889	50,544
Non-controlling interests							4,747	4,557

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

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

In the Surgical Ophthalmology SBU an impairment loss on buildings and leasehold improvements in the amount of € 500 thousand was included in the income statement under administrative expenses in financial year 2009/2010. This was defined in accordance with the provisions of IAS 36 and resulted from the necessary reconstruction works for which existing parts could not be used anymore.

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

(in € '000)	Financial year 2009/2010		Financial year 2008/2009	
	Revenue	Noncurrent assets	Revenue	Noncurrent assets
Germany	251,917	53,663	240,320	53,899
USA	226,551	35,332	214,461	36,998
Japan	97,815	515	89,145	437
Europe	100,399	98,637	96,163	103,645
Total	**676,682**	**188,147**	**640,089**	**194,979**

Segment assets comprise the noncurrent assets of the segment less deferred taxes (€ 41,568 thousand), investments (€ 364 thousand), at-equity investments (€ 68 thousand) and noncurrent trade receivables (€ 3,673 thousand).

Major customers
Carl Zeiss AG and its subsidiaries (except Carl Zeiss Meditec Group) is a major customer of Carl Zeiss Meditec accounting for 10 % of total revenue. Revenues of Carl Zeiss AG and its subsidiaries occur in all segments (see Section (34)).

33. Government grants

Grants allocated for the years ending 30 September 2010 and 2009 were as follows:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Research and development subsidies	441	493
Other subsidies	177	210
Total	**618**	**703**

Subsidies received in the amount of € 177 thousand (previous year: € 210 thousand) were deducted from the acquisition costs of the relevant property, plant and equipment. Investment subsidies and investment grants are subject to a subsequent review; however, the Group has not identified any risks of repayment.

34. Related party disclosures

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

(in € '000)	Transaction amount		Outstanding balance		
	Financial year 2009/2010	Financial year 2008/2009		30 September 2010	30 September 2009
Income	152,359	125,714	Receivables	32,069	23,932
thereof Carl Zeiss AG	5,715	668	thereof Carl Zeiss AG	6,655	2,632
Expenses	76,575	70,977	Payables	10,899	9,058
thereof Carl Zeiss AG	22,834	22,007	thereof Carl Zeiss AG	4,513	3,482

Expenses include research and development costs of € 6,592 thousand commissioned at the Carl Zeiss Group in financial year 2009/2010 (previous year: € 4,612 thousand). Relationships with key personalities with a significant influence do not and did not exist.

In addition, there was income – mostly financial income – and expenses – mostly financial expenses – totaling € 8,240 thousand (previous year: € 10,011 thousand) and € 4,988 thousand (previous year: € 7,070 thousand) as well as receivables from and payables to Carl Zeiss Financial Services GmbH in the amount of € 24,727 thousand (previous year: € 95,980 thousand) and € 10,260 thousand (previous year: € 7,125 thousand). The balance sheet item "Current portion of noncurrent financial liabilities" also includes a loan from Carl Zeiss Financial Service GmbH in the amount of € 8,865 thousand.

35. Employee participation program

This financial year no free shares were distributed to Group employees (previous year: 32 shares per employee). A total of € 214 thousand was recognized through profit and loss in financial year 2008/2009 in connection with the issue of shares of the previous year's program. The Company did not issue any stock options in financial years 2009/2010 and 2008/2009.

36. Notifiable transactions in the reporting period

In financial year 2009/2010 members of the Management Board and Supervisory Board executed the following notifiable securities transactions pursuant to Section 15a of the German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG).*

Notification from	Function	Date	Purchase/ sale	Designation security	Number	Total value
Dr. Christian Müller	CFO	10.09.2010	Purchase	Shares	2,000	22,500 €

The details of the above-mentioned securities transactions were published immediately after their disclosure on the Company's website at **www.meditec.zeiss.com/ir** – Corporate Governance – Directors' Dealings in accordance with the legal requirements of Section15b *WpHG.* The publication documents and the relevant disclosures were forwarded to the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).*

37. Financial risk management

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

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

The Group's exposure to each of the risks listed above is described below. The Group's objectives, strategies and procedures for controlling, and methods for measuring the risks are also described. The risk report in the management report also contains information about the risk management system.

Market risk

Interest fluctuation risk

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

An interest sensitivity analysis is based on the following assumptions: changes in market interest rates on primary financial instruments with fixed interest rates will only have an effect on income if these are valued at fair value. As a result, all financial instruments carried at amortized cost with fixed interest are not subject to any risks of interest rate changes within the meaning of IFRS 7. In addition, foreign currency derivatives are not subject to any major risk of interest rate changes and thus do not impact interest rate sensitivities. Variable-interest financial instruments with an original term of less than 91 days are not subjected to an interest sensitivity analysis, since the interest fluctuation risk of these financial instruments can be considered negligible, due to their short maturity. As in the previous year, the Group did not hold any fixed-interest financial instruments valued at fair value on the balance sheet date. It is therefore assumed that the Group is only exposed to interest fluctuation risks associated with variable-interest financial instruments with an original term of more than 90 days.

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

(in € '000)	**30 September 2010**	**30 September 2009**
Variable-interest financial assets	–	–
Fixed-interest financial assets	–	1
Total interest-bearing assets	**–**	**1**
Variable-interest financial liabilities	521	592
Fixed-interest financial liabilities	27,030	36,561
Total interest-bearing liabilities	**27,551**	**37,153**

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

(in € '000)		Book value	Effects of interest risks on			
			Result		**Shareholders' equity**	
			+100BP	-100BP	+100BP	-100BP
Variable-interest financial instruments	**30 September 2010**	521	(2)	2	–	–
	30 September 2009	592	(6)	6	–	–

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

Other price risks

IFRS 7 requires that the presentation of market risks also includes information about the effects hypothetical changes in risk variables could have on the prices of financial instruments. Possible risk variables are in particular stock market prices or indices. As in the previous year, there were no material risks of this kind within the Group as of 30 September 2010.

Currency risk

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

The book values of the Group's financial assets and liabilities denominated in foreign currencies reflect the level of risk exposure as of the balance sheet date. The tables below provide an overview of the Group's foreign currency financial instruments.

(in € '000)		Total	Thereof: in the following currencies – translated to € –							
		EUR	EUR	USD	JPY	GBP	CAD	SEK	CHF	Remainder
Assets										
Trade receivables	30 September 2010	101,786	100,356	723	526	19	–	–	162	–
	30 September 2009	92,121	91,850	271	–	–	–	–	–	–
Accounts receivable from related parties	30 September 2010	32,069	27,392	3,253	–	654	203	166	94	307
	30 September 2009	23,932	19,131	2,560	–	1,021	554	442	224	–
Asset-side currency hedging contracts	30 September 2010	1,823	–	1,450	150	65	89	–	69	–
	30 September 2009	4,125	–	2,968	837	295	16	–	9	–
Total assets	**30 September 2010**	**135,678**	**127,748**	**5,426**	**676**	**738**	**292**	**166**	**325**	**307**
	30 September 2009	**120,178**	**110,981**	**5,799**	**837**	**1,316**	**570**	**442**	**233**	**–**
Liabilities										
Trade payables	30 September 2010	28,685	27,963	718	1	–	–	–	3	–
	30 September 2009	23,086	21,710	1,102	105	29	–	–	140	–
Accounts payable to related parties	30 September 2010	10,899	4,247	4,028	–	1,043	914	202	129	336
	30 September 2009	9,058	8,868	6	–	141	–	–	–	43
Liabilities-side currency hedging contracts	30 September 2010	3,374	–	1,238	1,806	163	60	–	107	–
	30 September 2009	1,440	–	1,172	204	16	38	–	10	–
Total liabilities	**30 September 2010**	**42,958**	**32,210**	**5,984**	**1,807**	**1,206**	**974**	**202**	**239**	**336**
	30 September 2009	**33,584**	**30,578**	**2,280**	**309**	**186**	**38**	**–**	**150**	**43**

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

(in € '000)		**Book value**	**Effects of currency risks on**			
			Result		**Shareholders' equity**	
			+10 %	-10 %	+10 %	-10 %
Assets						
Trade receivables	30 September 2010	101,786	(143)	143	–	–
	30 September 2009	92,121	(27)	27	–	–
Accounts receivable from related parties	30 September 2010	32,069	(437)	437	–	–
	30 September 2009	23,932	(480)	480	–	–
Asset-side currency hedging contracts	30 September 2010	1,823	3,950	(3,950)	–	–
	30 September 2009	4,125	4,857	(4,857)	–	–
Effect of financial instruments before taxes	**30 September 2010**	**135,678**	**3,370**	**(3,370)**	**–**	**–**
	30 September 2009	**120,178**	**4,350**	**(4,350)**	**–**	**–**
Liabilities						
Trade payables	30 September 2010	28,685	72	(72)	–	–
	30 September 2009	23,086	138	(138)	–	–
Accounts payable to related parties	30 September 2010	10,899	632	(632)	–	–
	30 September 2009	9,058	19	(19)	–	–
Liabilities-side currency hedging contracts	30 September 2010	3,374	1,770	(1,770)	–	–
	30 September 2009	1,440	(176)	176	–	–
Effect of financial instruments before taxes	**30 September 2010**	**42,958**	**2,474**	**(2,474)**	**–**	**–**
	30 September 2009	**33,584**	**(19)**	**19**	**–**	**–**

Credit risk

The Group is exposed to a default risk due to its business operations and financing activities. The following applies to all performance relationships underlying the primary financial instruments: depending on the type and level of the respective service, collateral is required, credit information/references are obtained and historical data from the previous business relationship is used, in particular regarding payment behaviour, in order to minimize the default risk. To the extent that default risks can be identified for the individual financial assets, these risks are covered by valuation allowances. The management is routinely involved in such decisions on risk provisioning. The default risk from the derivative financial instruments used is not believed to be material, due to credit checks, among other things. There is no discernible concentration of default risks from business relationships with individual debtors or groups of debtors. The maximum default risk is reflected by the book values of the financial assets carried in the balance sheet. It is assumed that default rates will not change significantly in the future. As in the previous year, no significant financial assets were individually impaired as of the balance sheet date.

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

(in € '000)	**Valuation allowance on trade receivables**	
	Financial year 2009/2010	**Financial year 2008/2009**
Beginning of financial year	**6,454**	**8,480**
Appropriation	1,461	1,445
Utilization	(1,839)	(3,327)
Reversal	(601)	(330)
Exchange rate differences	430	186
End of financial year	**5,905**	**6,454**

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

(in € '000)

		Book value	**thereof neither impaired nor past due as of the balance sheet date**	**thereof not impaired as of the balance sheet date, but past due in the following periods**				
				up to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 360 days	more than 360 days
Trade receivables	30 September 2010	101,786	46,611	3,754	2,581	806	560	88
	30 September 2009	92,121	36,056	2,711	417	4,645	859	224
Accounts receivable from related parties	30 September 2010	32,069	24,344	6,424	839	478	53	293
	30 September 2009	23,932	23,116	460	11	53	405	4
Treasury receivables	30 September 2010	24,727	24,727	–	–	–	–	–
	30 September 2009	95,980	95,980	–	–	–	–	–

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

Liquidity risk

In order to ensure solvency and financial flexibility within the Group, Carl Zeiss Meditec forecasts, within a fixed planning period, the funds it will require using a cash forecast, and holds a corresponding liquidity reserve in the form of cash and unused lines of credit at the treasury of Carl Zeiss AG. Due to the high amount of cash and cash equivalents held within the Group and the Group's sound financing structure with an equity ratio of 71.2 %, the risk of insolvency is currently considered immaterial. As of 30 September 2010 the Group's financial liabilities had the following maturities.

(in € '000)

				Statement of contractually agreed undiscounted cash outflows				
	Balance sheet date	**Book value**	**Total**	up to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 360 days	more than 360 days
Trade payables	30 September 2010	28,685	28,685	21,230	7,386	40	27	2
	30 September 2009	23,086	23,086	18,942	4,087	57	–	–
Accounts payable to associated companies	30 September 2010	10,899	10,899	10,696	164	–	–	39
	30 September 2009	9,058	9,058	8,515	505	32	6	–
Treasury payables	30 September 2010	10,260	10,260	10,260	–	–	–	–
	30 September 2009	7,125	7,125	7,125	–	–	–	–
Loans from related parties	30 September 2010	–	–	–	–	–	–	–
	30 September 2009	9,203	9,203	–	9,203	–	–	–
Liabilities to banks	30 September 2010	3,449	3,449	6	–	–	288	3,155
	30 September 2009	3,853	5,186	27	170	159	282	4,548
Leasing liabilities	30 September 2010	18,194	25,167	228	456	685	1,372	22,426
	30 September 2009	18,231	26,142	212	425	638	1,277	23,590
Other financial liabilities	30 September 2010	5,919	5,919	6	–	–	–	5,913
	30 September 2009	5,879	7,682	–	120	117	239	7,206
Derivative financial instruments	30 September 2010	3,374	3,374	455	942	1,084	844	49
	30 September 2009	1,440	1,440	330	83	356	625	46
Total	**30 September 2010**	**80,780**	**87,753**	**42,881**	**8,948**	**1,809**	**2,531**	**31,584**
	30 September 2009	**77,875**	**88,922**	**35,151**	**14,593**	**1,359**	**2,429**	**35,390**

38. Additional disclosures on capital management

The Group manages its capital with the aim of minimizing the Group's capital costs and, at the same time, maintaining the balance between cash flow volatility and financial flexibility. In order to achieve this goal, the ratio of equity to borrowed capital, among other things, must be optimized accordingly. The main decisions relating to the financing structure are made by the Management Board. The key ratios equity ratio and net debt are used as a control variable for the relation between equity and borrowings. Carl Zeiss Meditec calculates these key ratios regularly and informs the Management Board of them to allow the Management Board to introduce any measures necessary. The key ratio equity ratio is defined as the percentage ratio of equity, including non-controlling interests, to total capital. Net debt is calculated from the Group's borrowings less cash and cash equivalents and treasury receivables (group treasury of Carl Zeiss AG). In the past financial year, the equity ratio stood at 71.2 % (previous year: 71.6 %) Net debt amounted to € 96.0 million (previous year: € 81.3 million). The table below shows the above key ratios in the reporting period:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Equity*	598,982	539,772
Borrowed capital	242,221	214,593
Total assets	**841,203**	**754,365**
Cash and cash equivalents	313,516	199,995
Treasury receivables	24,727	95,980
Equity ratio in percent	71.2 %	71.6 %
Net debt**	**(96,022)**	**(81,382)**

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

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

39. Events after the balance sheet date

Dividend payments

The Management Board and Supervisory Board propose a dividend payment of € 44,720 thousand (€ 0.55 per share). Based on financial year 2008/2009, a dividend of € 14,636 thousand (€ 0.18 per share) was proposed in the current financial year under review and distributed to the shareholders.

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

Information on executive bodies of the parent company

Management Board

The following were appointed as members of the Management Board of Carl Zeiss Meditec AG in financial year 2009/2010 and entered in the commercial register:

Member of Management Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Michael Kaschke, Physics graduate, BBA Chairman until 4 March 2010 Area of responsibility: “Microsurgery”, “Surgical Ophthalmology” SBUs, strategic business development, Group function (Human Resources, Corporate Communications) Year of first appointment 2008	• Chairman of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena, Germany • Chairman of the Supervisory Board of Carl Zeiss MicroImaging Inc., Thornwood, USA • Chairman of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan • Chairman of the Board of Directors of Carl Zeiss Pte. Ltd., Singapore, Singapore • Chairman of the Board of Directors of Carl Zeiss India Pte. Ltd., Singapore Ltd., Singapore, Singapore • 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 • Chairman of the Board of Directors of Carl Zeiss (Pty.) Ltd., Randburg, South Africa • 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 07 Oct 2010)	• Member of the Supervisory Board of Siltronic AG, Munich, Germany • Member of the Supervisory Board of Henkel AG & Co. KGaA, Dusseldorf, Germany
Dr. Ludwin Monz Physics graduate, MBA Chairman since 4 March 2010 Area of responsibility: "Ophthalmic Systems", "Microsurgery" SBUs, strategic business development, Group function (Human Resources, Corporate Communications) Year of first appointment 2007	• Chairman of the Board of Directors of Carl Zeiss Meditec Inc., Dublin, USA • Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan (since 16 December 2009)	
Ulrich Krauss Dipl.-Kaufmann (MBA) Area of responsibility: Sales, Service Year of first appointment 2002	• Chairman of the Supervisory Board of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain • Member of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena, Germany • Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan • 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 Administra-tive Board of Carl Zeiss GmbH, Vienna, Austria • Member of the Advisory Board (Director) of Carl Zeiss Ltd., Hertfordshire, United Kingdom • Member of the Supervisory Board of Carl Zeiss Meditec France S.A.S., Le Pecq, France	

Member of Management Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Christian Müller Dipl.-Kaufmann (MBA) Area of responsibility: Surgical Ophthalmology SBU, Group functions Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes Year of first appointment 2009	• Member of the Supervisory Board of Carl Zeiss Meditec France S.A.S., Le Pecq, France (since 16 April 2010)	
Bernd Hirsch Dipl.-Kaufmann (MBA) Areas of responsibility: Finance, Group functions (Investor Relations, Legal Affairs, Taxes), Business Process Excellence Year of first appointment 2002 Member of the Management Board until 30 November 2009	• Member of the Supervisory Board of Carl Zeiss Financial Services GmbH, Oberkochen, Germany (until 30 November 2009) • Member of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany (until 30 November 2009) • Director of Carl Zeiss Meditec Co., Ltd., Tokyo, Japan (until 30 November 2009) • Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA (until 30 November 2009) • Director of F.C.I. SUD Ltd., Quatre Bornes, Mauritius (until 30 November 2009) • Administrateur of F.C.I. S.A.S., Paris, France (until 30 November 2009) • Member of the Supervisory Board of Carl Zeiss Meditec France S.A.S., Le Pecq, France (until 30 November 2009)	

The total remuneration of the active members of the Management Board amounted to € 1,184 thousand in financial year 2009/2010 (previous year: € 1,389 thousand). In addition, there is a benefit obligation from the long term incentive program. Details of this remuneration are contained in the remuneration report in the management report. Projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amounted to € 347 thousand (previous year: € 190 thousand). In addition, the expense for transfers to provisions for pensions of active Management Board members was € 605 thousand in financial year 2009/2010 (previous year: € 174 thousand).

Supervisory Board

The Supervisory Board of Carl Zeiss Meditec AG had the following members in financial year 2009/2010:

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Michael Kaschke Chairman since 4 March 2010 Member of the Management Board of Carl Zeiss AG, Oberkochen, Germany Member of the Supervisory Board since 2002 until 21 July 2009, suspended mandate pursuant to Section 105 AktG between 22 July 2008 and 21 July 2009	• Chairman of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena, Germany • Chairman of the Supervisory Board of Carl Zeiss MicroImaging Inc., Thornwood, USA • Chairman of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan • Chairman of the Board of Directors of Carl Zeiss Pte. Ltd., Singapore, Singapore • Chairman of the Board of Directors of Carl Zeiss India Pte. Ltd., Singapore Ltd., Singapore, Singapore • 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., Kow-loon, Hong Kong • Chairman of the Board of Directors of Carl Zeiss (Pty.) Ltd., Randburg, South Africa • 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 Oct 2010)	• Member of the Supervisory Board of Siltronic AG, Munich, Germany • Member of the Supervisory Board of Henkel AG & Co. KGaA, Dusseldorf, Germany
Dr. Markus Guthoff Chairman until 4 March 2010 Deputy Chairman since 4 March 2010 Chief representative and member of the management of Interseroh SE, Cologne, Germany Member of the Supervisory Board since 2004	• none	• Member of the Advisory Board of Poppe & Potthoff GmbH & Co., Werther, Germany (until 31 December 2009)
Dr. Dieter Kurz Deputy Chairman until 4 March 2010 Chairman of the Management Board of Carl Zeiss AG, Oberkochen, Germany Member of the Supervisory Board since 2006	• Chairman of the Supervisory Board of Carl Zeiss SMT AG, Oberkochen, Germany • Chairman of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany • Chairman of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany • Chairman of the Supervisory Board of Carl Zeiss de Mexico S.A. de C.V., Sta. Catarina Coyoacán, Mexico • Chairman of the Supervisory Board of Carl Zeiss do Brasil Ltda., Sao Paulo, Brazil • Chairman of the internal advisory board of Carl Zeiss Argentina S.A., Buenos Aires, Argentina • Chairman of the Board of Directors of Carl Zeiss Inc., Thornwood, USA • Chairman of the Board of Directors of Carl Zeiss IMT Corp., Minneapolis, USA • Chairman of the Supervisory Board of Carl Zeiss AG., Feldbach, Switzerland • Chairman of the Supervisory Board of Carl Zeiss AB, Stockholm, Sweden • Chairman of the Supervisory Board of Carl Zeiss B.V., Sliedrecht, Netherlands • Chairman of the internal Administrative Board of Carl Zeiss GmbH, Vienna, Austria • Chairman of the Board of Directors of Carl Zeiss Ltd., Welwyn Garden City, United Kingdom • Chairman of the internal Advisory Board of Carl Zeiss N.V.-S.A., Zaventem, Belgium • President of the Supervisory Board of Carl Zeiss S.A.S.,Le Pecq, France • President of the Board of Manage-ment of Carl Zeiss S.p.A., Arese, Italy	• Member of the Supervisory Board of Ravensburger AG, Ravensburg, Germany

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Wolfgang Reim Independent MedTech consultant Member of the Supervisory Board since 2007	• none	• Member of the Supervisory Board of GN Store Nord, Ballerup, Denmark • Member of the Advisory Board of Klingel GmbH, Pforzheim, Germany • Member of the Advisory Boards of Venture Capital Fonds BB Biotech Ventures, Küsnacht/Zürich, Switzerland (since December 2009) • Member of the Supervisory Board of ESAOTE S.p.A., Genua, Italy (since May 2010) • Member of the Administrative Board of BB MedTech AG, Schaffhausen, Switzerland (until 3 October 2009)
Ulrich Hoffmann Head of Group function Legal Affairs and Patents at Carl Zeiss AG, Oberkochen, Germany, proxy holder of Carl Zeiss AG, Oberkochen, Germany, and Carl Zeiss Beteiligungs-GmbH, Oberkochen, Germany Member of the Supervisory Board from 2009 until 4 March 2010	• Member of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany • Member of the Supervisory Board of Carl Zeiss SMT GmbH, Oberkochen, Germany • Member of the Supervisory Board of Carl Zeiss B.V., Sliedrecht, Netherlands	• none
Wilhelm Burmeister Group Manager Manufacturing Control Chairman of the Works Council of Carl Zeiss Meditec AG, Jena, Germany (until 28 March 2010) Member of the Supervisory Board since 2004	• none	• none
Franz-Jörg Stündel Service engineer and member of the Works Council of Carl Zeiss Meditec AG, Jena, Germany Member of the Supervisory Board since 2002	• none	• none

Committees of the Supervisory Board

	Members
General and Personnel Committee	Dr. Michael Kaschke, Chairman Dr. Markus Guthoff Dr. Dieter Kurz
Audit Committee	Dr. Wolfgang Reim, Chairman Dr. Michael Kaschke Franz-Jörg Stündel
Nominating Committee	Dr. Dieter Kurz, Chairman Dr. Markus Guthoff Dr. Wolfgang Reim

The total remuneration of the active members of the Supervisory Board amounted to € 316 thousand in financial year 2009/2010 (previous year: € 258 thousand). Details of this remuneration are contained in the remuneration report in the management report. The remuneration of Supervisory Board members is governed by Art. 19 of the Articles of Association of Carl Zeiss Meditec AG.

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

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

Auditors' fees

According to Section 285 No. 1 Sentence 17, which was changed by the *BilMoG,* the auditors' fees carried as expenses in this financial year were broken down as follows:

(in € '000)	Financial year 2009/2010	Financial year 2008/2009
Audits	**874**	**819**
thereof KPMG incl. affiliated companies	305	199
thereof KPMG international association	539	454
thereof third parties	30	166
Other audit expenses	**3**	**–**
Tax consultancy services	**67**	**67**
thereof KPMG	67	67
Other services	**19**	**–**
thereof KPMG	9	–

Information on shareholdings (consolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)	Equity as of 30.09.2010 translated at the market rate on the balance sheet date*	thereof profit/loss for financial year 2009/2010 at average annual exchange rate*
Carl Zeiss Meditec Inc., Dublin, USA	USD '000 € '000	100	151,301 110,839	17,283 12,738
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany	€ '000	100	51,900	-17
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€ '000	100	2,432	-494
Carl Zeiss Surgical GmbH, Oberkochen, Germany	€ '000	100	70,821	25,117
Carl Zeiss Medical Software GmbH, Munich, Germany	€ '000	100	221	82
Carl Zeiss Meditec Co. Ltd., Tokyo, Japan	JPY '000 € '000	51	5,997,735 52,730	1,198,316 9,855
Carl Zeiss Meditec Systems GmbH, Jena, Germany	€ '000	100	5,436	444
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Oberkochen, Germany	€ '000	100	-1,111	-419
Acri.Tec GmbH, Hennigsdorf, Germany	€ '000	100	15,314	4,210
Advanced Research Institute GmbH, Hennigsdorf, Germany**	€ '000	49	193	-67
Atlantic S.A.S., Le Pecq, France	€ '000	100	32,955	16,172
HYALTECH Ltd., Livingston, United Kingdom	GBP '000 € '000	100	13,799 16,085	3,039 3,495
F.C.I. S.A.S., Paris, France***	€ '000	100	13,515	12,725
Carl Zeiss Meditec France S.A.S., Le Pecq, France	€ '000	100	2,213	-181
Carl Zeiss Meditec S.A.S., La Rochelle, France***	€ '000	100	59,753	47,595
IOLTECHNOLOGIE Production S.A.R.L., La Rochelle, France	€ '000	100	4,461	-1,600
F.C.I. SUD Ltd., Quatre Bornes, Mauritius	MUR '000 € '000	100	42,961 1,039	5,466 131
F.C.I. Ophthalmics Inc., Pembroke, USA	USD '000 € '000	100	1,575 1,154	367 270

* The figures show the values calculated according to the respective national accounting standards.
** The joint venture is included in the consolidated financial statements at equitiy; information on shareholdings according to the last financial statement available as of 31 December 2009 in accordance with *HGB*.
*** This contains one-off effects from the merger of legal entities in France or the sale of subsidiaries to other subsidiaries of legal entities in France within the scope of such mergers in financial year 2009/2010.

Disclosures pursuant to Section 160 (1) No. 8 *AktG*
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) No. 1 *WpHG.*

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

German Corporate Governance Code/Declaration according to Section 161 *AktG* (German Stock Corporation Act)
The declaration mandated under Section 161 German Stock Corporation Act *(AktG)* was issued by the Management Board and the Supervisory Board and made permanently available to the shareholders on the Company's website at: **http://www.meditec.zeiss.de.**

41. Clearance for publication

The Management Board of Carl Zeiss Meditec AG cleared these IFRS consolidated financial statements to be handed over to the Supervisory Board on 18 November 2010. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Jena, 18 November 2010

Carl Zeiss Meditec AG

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

42. Declaration pursuant to Section 264 (2) No. 3 *HGB* and Section 289 (1) No. 5 *HGB*

To the best of our knowledge, we declare that according to the principles of proper consolidated reporting applied, the consolidated financial statements present a true and fair view of the Group's net worth, financial position and results of operations, the consolidated interim management report presents a true and fair view of the Group's business development, including its results and the Group's position, and the significant opportunities and risks for the Group's anticipated growth have been described.

Jena, 18 November 2010

Carl Zeiss Meditec AG

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

Auditor's report

We have audited the consolidated financial statements prepared by the Carl Zeiss Meditec AG, Jena, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 October 2009 to 30 September 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 *HGB* are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 *HGB [Handelsgesetzbuch* „German Commercial Code"*]* and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer (IDW)*. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a No. 1 *HGB* and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Jena, 19 November 2010

KPMG Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Kursatz
Wirtschaftsprüfer

Pülmanns
Wirtschaftsprüfer

Single-entity financial statements of Carl Zeiss Meditec AG, Jena, financial year 2009/2010 *(HGB)* – Summary

The complete annual financial statements of Carl Zeiss Meditec AG, Jena, in accordance with the German Commercial Code *(Handelsgesetzbuch, HGB)*, including the unqualified audit certificate, will be available for downloading from the Carl Zeiss Meditec Website **www.meditec.zeiss.com/ir**. Alternatively, it may also be requested in written form as an offprint from Carl Zeiss Meditec AG.

Table: Overview of key items in the single-entity financial statements (figures in € '000)

Income statement	**Financial year 2008/2009**	**Financial year 2009/2010**	**Change**
Sales revenue	**133,546**	**139,259**	**+4.3%**
Gross profit	40,741	49,383	+21.2%
Result from ordinary activities	**20,673**	**32,273**	**+56.1%**
Net income/loss for the year	**17,262**	**28,656**	**+66.0%**
Retained profits brought forward	32,757	35,383	+8.0%
Net retained profit	**35,383**	**49,403**	**+39.6%**

Balance sheet	**30 September 2009**	**30 September 2010**	**Change**
Fixed assets	598,042	595,449	-0.4%
Current assets	197,766	220,798	+11.6%
Of which: trade receivables	*4,801*	*4,978*	*+3.7%*
Of which: cash and cash equivalents	*147,007*	*157,007*	*+6.8%*
Equity	764,705	778,725	+1.8%
Liabilities	12,383	11,964	-3.4%
Total assets	**795,888**	**816,279**	**+2.6%**

Proposal for the utilization of net retained profits by the Management Board for financial year 2009/2010

Financial year 2009/2010 closes with a net income for the year of € 28,656,081.88. The Management Board proposes utilising the net earnings from financial year 2009/2010 of € 49,403,690.96 as follows:

1. Payment of a dividend of € 0.55 per no-par value share for 81,309,610 no-par-value shares:	€ 44,720,285.50.
This dividends comprises the following:	
a. Regular dividend of € 0.22 per no-par value share for 81,309,610 no-par-value shares:	€ 17,888,114.20
b. Special dividend of € 0.33 per no-par value share for 81,309,610 no-par-value shares:	€ 26,832,171.30
2. Carryforward of residual profit to new account:	€ 4,683,405.46.

CORPORATE GOVERNANCE

Corporate Governance report in accordance with Section 3.10 of the current German Corporate Governance Code ("CGC")

I. Carl Zeiss Meditec follows all recommendations of the German Corporate Governance Code with just two exceptions

Corporate Governance

For the executive bodies of Carl Zeiss Meditec AG, corporate governance means managing the Company in a diligent and responsible manner, creating transparency for all stakeholders. At the same time, it ensures responsible corporate management and control, geared to creating value, and is also an end-to-end objective for the Company, spanning all of its divisions. In order to ensure this transparent, responsible corporate governance, which applies to all German *Aktiengesellschaften* (public limited companies), the Government Commission established by the Federal Ministry for Justice passed the German Corporate Governance Code on 26 February 2011.

The Company's management believes that upholding the code's recommendations and discretionary provisions in the version which currently applies dated 26 May 2010 offers a major opportunity to reinforce the trust placed in the Company by shareholders, business partners, and the general public over the long term.

Cooperation between the Supervisory Board and Management Board

The Management and Supervisory Board are united in their strategy, objectives and the path they intend to take in their cooperation to benefit the Company. This cooperation focuses on the Company's interests in sustained, profitable growth. The Management Board of Carl Zeiss Meditec has fully met its obligations to the Supervisory Board with regard to up-to-date, detailed and regular reports to the Supervisory Board, both in written and in verbal form. The key points of the dialog between these two bodies were all aspects of forecasting, business growth, the group's situation including its risk situation, risk management and compliance. The Management Board informed the Supervisory Board of all decisions which could have a material impact on the Company's financial position and results of operations in good time, and included it in these decisions.

Declaration of Conformity

The Management and Supervisory Board dealt with corporate governance in detail in the past financial year 2009/2010, and signed a declaration of conformity within the meaning of Section 161 *AktG* on 9 December 2010.

Art. 5.4.1 provides that the Supervisory Board sets out concrete goals for its composition. The Supervisory Board believes, that a globally leading company such as Carl Zeiss Meditec has to consider aspects such as professional skills, internationality and the appropriate participation of women for the composition of its Management and Supervisory Boards. When filling positions, Carl Zeiss Meditec has always tried to implement these principles and will do so in future decisions.

Annual General Meeting

The General Meeting is the highest executive body of an *Aktiengesellschaft* (German Public Limited Company) according to company law. It offers shareholders the possibility of participating actively in influencing the Company, as fundamental decisions are taken at this meeting, such as electing the members of the Supervisory Board, the appropriation of net retained profits or the ratification of the two executive bodies: the Management and Supervisory Boards. Additional major decision-making powers at the General Meeting are, for example, changes to the articles of association and key entrepreneurial activities such as Company contracts and conversions, issuing new shares and other financing instruments as well as the authorization to acquire treasury shares. The Management Board's task is to present the consolidated and single-entity financial statements, and the Chairman of the Supervisory Board chairs the entire General Meeting.

At the General Meeting, shareholders exercise their rights to participate actively in the Company and exercise their voting rights. Each Carl Zeiss Meditec AG share entitles its bearer to one vote at the General Meeting. Shareholders have the opportunity to voice their opinions on all agenda items and to ask relevant questions and make proposals. The Management Board also arranges for the appointment of a proxy to exercise the shareholders' voting rights in line with their instructions. This proxy can be reached during the entire event. Carl Zeiss Meditec AG thus helps the shareholders to personally uphold their rights and also assists them with voting by proxy.

The Management Board

The Management Board of Carl Zeiss Meditec AG had three members as of 30 September 2010 and one of these is the chairman.

The Management Board directs the Company with the objective of generating sustainable added value on its own authority and in the Company's interests, in other words, taking the needs of its shareholders, its employees and the other groups associated with the Company (stakeholders) into account. The strategic orientation, defining and pursuing business objectives and organizing the Group also fall within the responsibilities of the Management Board, as well as the publication and presentation of quarterly and annual financial statements, and the filling of important positions within the Company. The work of the Management Board, in particular the departmental responsibilities of individual members of the Management Board, matters reserved for the attention of the entire Management Board and the required majority for resolutions of the Management Board, is regulated by a set of rules of procedure. These rules of procedure were inspected and approved by the Supervisory Board.

Any conflicts of interest that arise between members of the Management Board must be disclosed immediately to the Supervisory Board and other members of the Management Board must be informed. Members of the Management Board may only take on secondary occupations with the consent of the Supervisory Board, particularly mandates on the supervisory boards of companies outside the Group.

The contracts of the Management Board members do not provide for any severance payments in the event of contract termination without just cause or in the event of a change in control.

The Supervisory Board

The Supervisory Board had member changes in the financial year just ended. Mr. Ulrich Hoffmann resigned from his position as of 4 March 2010. On the same day, the General Meeting re-elected Dr. Michael Kaschke to the Supervisory Board, and he became the Chairman. His position on the Supervisory Board was suspended temporarily within the meaning of Section 105 *AktG*. As of 30 September 2010 the Supervisory Board of Carl Zeiss Meditec AG had a total of six members. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board. In its own estimation, the Supervisory Board has a sufficient number of independent members who have no business or personal relationship with Carl Zeiss Meditec AG or the Management Board. This enables the Supervisory Board to advise and monitor the activities of the Management Board independently.

Remuneration of the Management Board

On 31 July 2009 the German Act on the Appropriateness of Executive Remuneration *(Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG)* entered into force. This has led to a series of amendments to the remuneration regulations for the Management Board provided for under German stock corporation law and also assigned authority regarding the stipulation of the Management Board's remuneration exclusively to the Supervisory Board as a whole. The law does not apply to existing Management Board contracts, however ("existing contracts") and is only applicable for the first time for new contracts being concluded or for an extension of Management Board contracts.

The following remuneration report refers to the Management Board contracts already existing in the financial year just ended ("existing contracts") on the basis of the legal situation prevailing under stock corporation law and applying to the existing contracts of Management Board members up until the enforcement of the new regulations for the remuneration of the Management Board. The existing contract with the Management Board member Dr. Monz was adjusted in connection with his appointment as CEO. The contract with the Management Board member Mr. Krauss was extended during the financial year. A new contract was concluded with Dr. Müller, a new member of the Management Board. Dr. Kaschke and Mr. Hirsch left the Management Board during the financial year.

Structure and amount of remuneration paid to the Management Board

The Supervisory Board's Personnel Committee proposes the amount and structure of the remuneration to be paid to the Management Board, which are fixed by the Supervisory Board as a whole. The remuneration paid to the Management Board of Carl Zeiss Meditec AG consists of a fixed and a variable portion. The variable portion is split into two components: the first component is contingent upon the achievement of certain targets for the respective financial year and the second bears a long-term incentive effect and risk elements.

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

The **variable portion** of the remuneration, which relates to targets set for the respective financial year, is contingent upon the achievement of certain quantitative and qualitative targets. The quantitative targets, which bear the most weight, are revenue, EBIT, free cash flow and Economic Value Added® ("EVA®").

Strategic targets agreed individually between the Chairman of the Supervisory Board and the members of the Management Board are also taken into consideration. This portion of the remuneration is paid after the end of the respective financial year. The amount is contingent upon the degree of target fulfillment.

In addition to the two portions of Management Board remuneration described above, there is also a Long Term Incentive Program ("LTIP") for Management Board members Dr. Monz, Krauss and Dr. Müller. This program first came into effect in financial year 2005/2006 for Dr. Monz and Mr. Krauss and a new tranche is added each year. This LTIP consists of a remuneration component with a long-term incentive effect and risk elements. The annual tranches each have a term of three years. As part of the LTIP tranches Management Board members Dr. Monz, Krauss and Dr. Müller may, 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.

A key requisite for being entitled to this payment, however, is the achievement of a certain EVA® target set by the Supervisory Board for the respective three-year period, which is evaluated at the end of the period. The overachievement of this target is limited to a maximum of 200 %. In addition, the respective Management Board member's contract of employment must not have been terminated as of the end of the period. For the purposes of setting up appropriate provisions, an annual performance review is carried out at the balance sheet date at the end of each financial year during the three-year period for each tranche. The accrued amounts are not earned until the end of the period, however, and are only paid out at this time if the respective targets have been sufficiently met.

Table 1: Itemized breakdown of remuneration paid to the members of the Management Board of Carl Zeiss Meditec AG (figures in € '000)

			Remuneration for financial year 2009/2010 Previous year's figures in brackets.
	Fixed remuneration component	**Variable remuneration (performance-related)**	**Total remuneration for financial year 2009/2010**
Dr. Ludwin Monz	231.3 (214.5)	186.2 (133.0)	417.5 (347.5)
Dr. Christian Müller[1]	148.8 (–)	112.5 (–)	261.3 (–)
Ulrich Krauss	199.6 (207.0)	137.9 (131.3)	337.5 (338.3)
Dr. Michael Kaschke[2]	112.5 (270.0)	– (90.0)	112.5 (360.0)
Bernd Hirsch[3]	32.8 (206.5)	22.6 (137.0)	55.4 (343.5)

[1] Member of the Management Board since 15 December 2009
[2] Member of the Management Board until 4 March 2010
[3] Member of the Management Board until 30 November 2009

The LTIP for the three-year period from 2006/07 to 2008/09 was settled at the end of financial year 2008/09, but was paid out only in financial year 2009/10. The LTIP settled in financial year 2006/2007 resulted in payments of € 16.2 thousand to Mr. Hirsch, € 16.2 thousand to Mr. Krauss and € 15.6 thousand to Dr. Monz. This led to the reversal in income of the provisions of € 222 thousand set up in the previous years. In financial year 2009/10 separate provisions were set up for Management Board members for the ongoing tranches of the LTIP. Dr. Monz (€ 88.0 thousand), Dr. Müller (€ 33.4 thousand = proportionate value for the time since appointment to the Management Board of Carl Zeiss Meditec AG) and Krauss (€ 91.0 thousand)

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 newly concluded or extended contracts of the Management Board members. In the case of the older contracts, pursuant to the transitional provisions pertaining to the new regulation under stock corporation law, the excess stipulated in the Management Board contracts shall be adjusted to comply with the current legal situation when the respective Management Board contracts are extended.

Pension scheme for members of the Management Board

The appropriation to provisions for pensions or pension funds is to be stated annually for pension commitments. Pursuant to IFRS, an appropriation of € 198 thousand was made for Management Board member Krauss in financial year 2009/2010; an appropriation of € 60 thousand was made for Management Board member Dr. Müller, an appropriation of € 303 thousand was made for Management Board member Dr. Monz and an appropriate of € 44 thousand for Management Board member Hirsch. The Company did not set up any pension provisions for Management Board member Dr. Kaschke.

Projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amounted to € 347 thousand (previous year: € 190) thousand.

Departure of members of the Management Board

In the event of premature termination of the employment relationship, the contracts for members of the Management Board do not contain any explicit promise of a severance payment. A severance payment may, however, ensue from a severance agreement concluded on an individual basis. No compensation agreements were concluded in connection with the exit of the Management Board members Dr. Kaschke and Mr. Hirsch.

Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is calculated according to Art. 19 (1) of the current version of Carl Zeiss Meditec AG's Articles of Association. According to the articles of association, the Supervisory Board decides itself how the performance-related remuneration is divided. This decision on the remuneration takes account of the Chair and Deputy Chair of the Supervisory Board and committee membership. The amount to be paid is determined firstly on the basis of the varying fixed remuneration for the Chairman of the Supervisory Board and his Deputy as laid down in the Articles of Association. Secondly, functions on Supervisory Board committees are taken into account for the distribution of the variable remuneration.

The table below shows an itemized breakdown of the remuneration paid to the Supervisory Board (previous year's figures in brackets):

Table 2: Itemized breakdown of the remuneration paid to the Supervisory Board of Carl Zeiss Meditec pursuant to Art. 19 (1) of Carl Zeiss Meditec AG's Articles of Association (figures in € '000)

	Fixed remuneration component	**Variable remuneration (performance-related)**
Dr. Michael Kaschke[4]	11.5 (–)	27.1 (–)
Dr. Markus Guthoff[5]	17.1 (20.0)	46.0 (46.5)
Dr. Dieter Kurz[6]	12.1 (15.0)	47.0 (41.0)
Dr. Wolfgang Reim	10.0 (10.0)	49.9 (47.5)
Ulrich Hoffmann[7]	4.2 (1.7)	11.4 (4.0)
Franz-Jörg Stündel[8]	10.0 (10.0)	33.6 (29.3)
Wilhelm Burmeister[8]	10.0 (10.0)	26.9 (23.3)

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 2009/2010.

Relationship with shareholders, transparency and communication

With regard to the reporting of and dissemination of reports that are of relevance to the share price, the Company primarily uses the opportunities offered by the Internet. All capital market-related information can be found on the Company's website at **www.meditec.zeiss.com/ir**. The majority of the additional investor relations publications, as well as mandatory publications, such as quarterly and annual reports of the Company, are published here. This ensures the equal treatment of all shareholders and stakeholders as all information is published simultaneously in German and in English. This information primarily relates to reports on the financial position and results of operations, the general course of business and other information which is of relevance to the share price, and which are published as ad hoc disclosures according to statutory requirements. The Company also uses other media to explain its business philosophy and future strategy, including telephone calls, conferences and, in some cases company visits.

[4] Chairman of the Supervisory Board since 04 March 2010
[5] Chairman of the Supervisory Board until 04 March 2010, Deputy Chairman of the Supervisory Board since 4 March 2010
[6] Deputy Chairman of the Supervisory Board until 04 March 2010
[7] Member of the Supervisory Board since 04 March 2010
[8] Employee representative legally appointed to the Supervisory Board on a voluntary basis

The Management Board publishes insider information pertaining to Carl Zeiss Meditec AG immediately, provided it is not exempt from this obligation in individual cases. As a result, the Company has set up an insider directory, in order to inform the involved persons of their resulting obligations at regular intervals. Carl Zeiss Meditec AG undertakes in accordance with the new legal regulations to disclose, throughout Europe on the Internet, changes in the security holdings of members of the Management Board and Supervisory Board in shares of the Company, among other things, as soon as the total sum exceeds an amount of € 5,000 in the calendar year. These disclosures also include notifiable changes in shareholdings, if an individual, by purchase, sale or other means, falls below or exceeds the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 or 75 % of the voting rights in Carl Zeiss Meditec AG, as well all information relating to company law that is subject to disclosure, which the electronic companies register makes centrally accessible.

The Company places a lot of value on providing up-to-date financial statements. As a result, the Company publishes its annual financial statements, including the accompanying annual report, within less than the required 90 days after the end of the financial year. Interim reports are published within 45 days of the end of the respective quarter.

The Company's management is dedicated to open and transparent communication, and aims to continue to do so in the future.

Objectives

The objective pursued by both the Management and Supervisory Boards is to exploit all of the opportunities that present themselves for profitable, organic growth. In addition to purely organic growth, the Company also continues to pursue opportunities and options for external growth.

Directors' Dealings: notifiable securities transactions by members of the executive bodies of Carl Zeiss Meditec AG in financial year 2009/2010

In financial year 2009/2010 members of the Management Board and Supervisory Board executed notifiable securities transactions pursuant to Section 15a of the German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG).*

On 10 September 2010 Management Board member Dr. Christian Müller purchased 2,000 shares with a value of € 22,500.

No member of the Management Board or Supervisory Board alone holds shares or related financial instruments that directly or indirectly comprise more than one percent of the issued shares of Carl Zeiss Meditec AG. Nor do the total holdings of all Management Board and Supervisory Board members exceed this value.

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

Directors' Holdings: shareholdings of members of the executive bodies of Carl Zeiss Meditec AG

Table 3: Directors' Holdings – Number of Carl Zeiss Meditec shares held by members of the Company's executive bodies

		Number of Carl Zeiss Meditec shares (30 September 2010)
Management Board		
Dr. Ludwin Monz	Shares	1,000
Dr. Christian Müller	Shares	2,000
Ulrich Krauss	Shares	1,650
Supervisory Board		
Dr. Michael Kaschke	Shares	6,000
Dr. Markus Guthoff	Shares	1,900
Dr. Wolfgang Reim	Shares	10,000
Dr. Dieter Kurz	Shares	–
Wilhelm Burmeister	Shares	1,419
Franz-Jörg Stündel	Shares	839
Company		
Carl Zeiss Meditec AG	Shares	–

Accounting and auditing

The Company has prepared its accounts according to international accounting standards (IAS) and international financial reporting standards (IFRS) since 1 October 2005. These provide a true and fair view of the group's financial position and results of operations. The Company's single-entity financial statements are prepared according to the requirements of the German Commercial Code *(HGB).*

The 2010 General Meeting appointed KPMG Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft ("KPMG"), Stuttgart, to audit the consolidated and single-entity financial statements including the management reports, after KPMG previously issued a declaration of independence within the meaning of Section 7.2.1 of the code.

In the financial year just ended no objections were raised by the German Financial Reporting Enforcement Panel *(Deutsche Prüfstelle für Rechnungslegung, DPR)* or the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin),* which are authorized to review the conformity of the annual financial statements and the consolidated financial statements (each with an accompanying management report) with the applicable accounting requirements (enforcement).

II. Discretionary provisions of the German Corporate Governance Code

In accordance with its voluntary commitment to good corporate governance, Carl Zeiss Meditec implements not only the recommendations of the Code – with just three exceptions – but also observes any relevant "discretionary provisions" of the Code.

The following table provides an overview of these provisions.

Table 1: Implementation status of discretionary provisions of the Code by Carl Zeiss Meditec AG in financial year 2009/2010

No.	Discretionary provision	Observance by the Company
2.2.1	The General Meeting can resolve to approve the remuneration system for the members of the Management Board.	~~✓~~ The Company believes that the remuneration system does not include any components which have to be presented to the General Meeting for approval.
2.2.4	The meeting chairman should ensure that the annual general meeting proceeds quickly. He should follow the guideline that an ordinary general meeting should last no longer than 4 to 6 hours.	✓
2.3.3	Proxies nominated by the company should also be contactable during the annual general meeting.	✓
2.3.4	The company should allow shareholders to follow the annual general meeting via modern communication media (e.g. the Internet).	~~✓~~ The Company doubts whether such a service would be used by many shareholders. However, Carl Zeiss Meditec will monitor relevant developments and respond quickly to any fundamental changes.
3.6	In supervisory boards with employee representatives, the shareholder and employee representatives should prepare for the supervisory board meetings separately or together with members of the management board, where applicable.	Does not apply to the Company.
3.6	The supervisory board should meet without the management board where necessary.	There was no such requirement for financial year 2009/2010.
3.7	An extraordinary general meeting should be held where appropriate.	There was no such requirement for financial year 2009/2010.
3.10	The company may comment on the Code's discretionary provisions in its corporate governance report.	✓

Table 1: Implementation status of discretionary provisions of the Code by Carl Zeiss Meditec AG in financial year 2009/2010

No.	Discretionary provision	Observance by the Company
5.1.2	The supervisory board may commission a committee with the task of preparing for the appointment of management board members. This committee shall also specify the contract details and the remuneration.	✓
5.1.2	When new management board members are appointed, the maximum possible term of office of five years should not be the general rule.	✓
5.2	The chairman of the supervisory board should not also be the chairman of the audit committee.	✓
5.3.2	The chairman of the audit committee should be independent and should not be a former member of the Management Board whose appointment ended less than two years ago.	✓
5.3.4	The supervisory board may delegate other issues to committees.	✓
5.3.5	The supervisory board may arrange for committees to prepare supervisory board meetings and to take decisions in place of the supervisory board.	✓
5.4.6	Remuneration of the supervisory board should also contain components based on the long-term success of the company.	~~✓~~ To date, the remuneration of the supervisory board does not provide for any components based on the long-term success of the Company.
6.8	Company publications should also be produced in English.	✓

Declaration by the Management Board and the Supervisory Board of Carl Zeiss Meditec AG on the German Corporate Governance Code in accordance with Section 161 Stock Corporation Act *(AktG)*

Pursuant to Section 161 *AktG* the Management and Supervisory Boards of Carl Zeiss Meditec AG are obliged to submit an annual declaration that the recommendations of the Government Commission on the German Corporate Governance Code *(Regierungskommission Deutscher Corporate Governance Kodex)* have been complied with. This declaration must be made permanently accessible to shareholders.

The Management Board and Supervisory Board declare herewith

that since its last declaration of compliance of 10 December 2009, Carl Zeiss Meditec AG has complied with, and continues to comply with, all the recommendations of the Government Commission on the German Corporate Governance Code in its version dated 26 May 2010 and in its version dated 18 June 2009, as published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger)*.

The Management Board and the Supervisory Board additionally declare that Carl Zeiss Meditec AG will continue in future to observe all recommendations of the Code in its version dated 26 May 2010.

Only the following recommendations of the German Corporate Governance Code were not and will currently not be applied:

Section 3.8 provides, in the case of D&O insurance being taken out for the Supervisory Board, for the agreement of an excess of at least 10 percent of the damages up to at least one-and-a-half times the fixed annual remuneration of the Supervisory Board member. The Company will react in good time and adjust its excesses during the course of financial year 2010/2011.

Item 5.4.1 states that the Supervisory Board must stipulate concrete objectives for its composition. These should take into account the company's international activities, potential conflicts of interests, a fixed age limit for members of the Supervisory Board and diversity, taking the company's specific situation into account. These concrete targets should also, in particular, include a reasonable number of women.

Carl Zeiss Meditec's Supervisory Board believes, that a globally leading company such as Carl Zeiss Meditec has to consider aspects such as professional skills, internationality and the appropriate participation of women for the composition of its Management and Supervisory Boards. When filling positions, Carl Zeiss Meditec has always tried to implement these principles and will do so in future decisions.

Jena, 9 December 2010

For the Supervisory Board	For the Management Board
(Dr. Michael Kaschke)	(Dr. Ludwin Monz)

Explanatory report of the Management Board of Carl Zeiss Meditec AG on the disclosures pursuant to Section 289 (4) and Section 315 (4) *HGB*

As an introduction please refer to the disclosures pursuant to Section 289 (4) and Section 315 (4) *HGB* in the consolidated management report for financial year 2009/2010, which are self-explanatory. In addition to these disclosures, the Management Board of Carl Zeiss Meditec AG is issuing the following explanatory report:

Classes of shares other than those described in the disclosures of the consolidated management report for financial year 2009/2010 as mentioned above do not exist. Nor are there restrictions on behalf of Carl Zeiss Meditec AG concerning the voting rights or transfer of shares. Furthermore, the Management Board is not aware of any other agreements concluded, for example, between individual shareholders.

The voting rights announcement last issued by Carl Zeiss AG pursuant to Section 21 (1), Section 22 (1) No. 1 German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG)* is dated 15 February 2006. Another voting rights announcement in connection with Germany's Transparency Directive Implementation Act *(Transparenzrichtlinie-Umsetzungsgesetz, TUG)* by 20 January 2007 was not required due to Section 41 (4a) No. 2. The voting rights announcement pursuant to Section 21 (1), Section 24 *WpHG*, which was issued by Carl Zeiss AG on behalf of Carl Zeiss Inc., is dated 27 October 2006. All of the voting rights announcements mentioned above can be viewed on the Company's website at: **www.meditec.zeiss.com/ir**, "Corporate Governance – Vote Right Disclosures".

The Company did not issue shares with special rights that grant supervisory powers.

Pursuant to Section 179 and Section 133 *AktG*, an amendment to the Articles of Association requires a resolution by the General Meeting, which, in turn, requires a simple majority of the votes cast and a majority that comprises at least three quarters of the share capital represented at the time the resolution is passed. The Articles of Association may specify a different capital majority; in the case of an amendment to the purpose of the Company, however, only a larger capital majority may be specified. Articel 24 of Carl Zeiss Meditec AG's Articles of Association states that in those cases for which the law requires a majority of the share capital represented at the time of resolution, a simple majority of the share capital represented is sufficient, provided that a greater majority is not mandatory by law. In accordance with Articel 27 of the Articles of Association of Carl Zeiss Meditec AG, the Supervisory Board is authorized to resolve amendments to the Articles of Association that only affect the version. This complies with Section 179 (1) No. 2 *AktG*.

The legal provisions concerning the appointment and dismissal of members of the Management Board are set forth in Section 84 and Section 85 *AktG*. In compliance with these provisions Articel 6 (2) of the Articles of Association of Carl Zeiss Meditec AG stipulates that the Supervisory Board should be responsible for appointing and dismissing the members of the Management Board. According to the legal requirements it is only possible to dismiss a member of the Management Board for serious reasons. The Supervisory Board is responsible for concluding and terminating contracts of employment with the members of the Management Board.

Further details on the authorization of the Management Board to repurchase own shares can be found in the Invitation to the Annual General Meeting 2010 under Agenda item 6 "Resolution on authorization to purchase Company's own shares" and the related report of the Management Board. The invitation is available on the Company's website at: **www.meditec.zeiss.com/ir**, "Annual General Meeting 2010".

ADDITIONAL INFORMATION

Financial glossary

Capex

Abbreviation for “Capital expenditure”
Indicates the level of investment in property, plant and equipment.
Usually stated as the capex ratio, i. e., investments in property, plant and equipment in the reporting period in relation to consolidated revenue for the same period.

Cash flow from operating activities

Also: operative cash flow
Shows the net change in the company’s cash and cash equivalents resulting from operating activities and is thus and indicator of the financial strength arising from this.
Calculation: usually an indirect calculation by adjusting the consolidated net income generated in a period by non-cash transactions from the income statement and cash transactions resulting from changes in individual items in the consolidated balance sheet; adjusted items are associated with the company’s operating activities – mainly depreciation and amortization and changes in working capital.

DSO

Abbreviation for “Days of sales outstanding”
Number of days that customers take to pay an invoice.

Earnings per share

Indicates the consolidated earnings per share that were generated.
Calculation: consolidated net income divided by the weighted average number of outstanding shares in the reporting period.

EBIT

Abbreviation for “Earnings before interest and taxes”

EBITDA

Abbreviation for “Earnings before interest, taxes, depreciation and amortization”
Property, plant and equipment and intangible assets are depreciated and amortized, respectively, insofar as they have a limited useful life.

EMEA

Abbreviation for "Europe, Middle East and Africa"
Term to describe the economic area of Europe, consisting of Western and Eastern Europe, the Middle East and Africa.

IFRS

Abbreviation for "International Financial Reporting Standards", until 2001: "International Accounting Standards" or "IAS"
International accounting regulations developed and published by the London-based "International Accounting Standards Board" (IASB).
Pursuant to Section 62 German Stock Exchange Regulations *(Börsenordnung, BörsO),* companies in Germany that are listed on the official or regulated market with extended admission criteria (Prime Standard), must prepare consolidated financial statements according to IFRS or US GAAP.

Working capital

Calculated from the difference between current assets and current liabilities and thus reflects, in purely financial terms, the extent to which current liabilities are covered by current assets.
Working capital is also an indicator of how much capital generated from operating activities is tied up in the company, i. e., it indicates the portion of current assets not tied up to cover current liabilities and that therefore "work" in the procurement, production and selling process.

Technical terms

AT LISA®

The world's first true multifocal microincision lens (MICS) for the correction of presbyopia through a microincision of up to 1.5 mm.

Cirrus™ HD-OCT

High-resolution diagnostic system for the structural examination of cross-sections and three-dimensional reconstructions of the fundus of the eye (e. g. for the early detection of glaucoma or the diagnosis of age-related macular degeneration).

FORUM®

State-of-the-art image and report management system than can store all relevant patient information, diagnostic data and images in a central location and can "communicate" with examination devices and Electronic Medical Record (EMR) systems in the particular practice or hospital.

Humphrey® Field Analyzer (HFA II-*i*)

System for static and kinetic measurement of the visual field for assistance with glaucoma diagnosis.

INTRABEAM®

INTRABEAM® offers the least disruptive treatment method available for the treatment of breast cancer. The radiation dose of INTRABEAM® is administered to the tumor bed in the operating room. The system utilizes a miniature X-ray source and a full range of radiation applicator options.

IOLMaster®

Device for accurate and efficient non-contact measurement of the eye and calculation of the required intraocular lens prior to cataract surgery.

MEL 80™

Laser for fast and accurate treatment of vision defects (refractive errors).

OPMI Lumera®

Surgical microscope for ophthalmology, which uses Stereo Coaxial Illumination (SCI) to enable surgeons to visualize details of the eye that were previously extremely difficult to identify.

OPMI® Pentero®

Unique surgical microscope for neuro- and spinal surgery that accurately displays diseased tissue, e.g. brain tumors and vascular diseases.
Pioneering technologies, e.g. fluorescence diagnostics, that have been integrated in a surgical microscope for the first time, enable significantly less invasive treatment for the patient.

OPMI® VARIO 700

Surgical microscope with simple user guidance and impressive lighting quality for spinal, ENT, plastic and reconstructive surgery and neurosurgery.

Visalis®

The Visalis® series of phacoemulsification devices enables the opaque, natural lens of the eye to be removed from the eye during cataract surgery. Carl Zeiss Meditec now covers the entire spectrum of services in this area (diagnostic equipment, surgical microscope, phaco system and IOL) for cataract treatment and aftercare.

VisuMax®

Innovative femtosecond laser system used to create incision-like tissue perforations in the cornea. This high-precision incision technique is used in refractive surgery and other corneal surgery procedures.

Cataract

Deterioration of vision through opacity of the lens.
Most common cause of blindness worldwide; typical disease among the elderly.

Ear, nose and throat surgery

Abbreviation: “ENT surgery”
Also: Otolaryngology
Medical field concerned with the recognition and surgical treatment of diseases, injuries, malformations and malfunctions in the entire head and neck area.

Glaucoma

Ophthalmic disease which leads to increasing restriction of the field of vision, often caused by an increase in ocular pressure.
Second most common cause of blindness in industrialized countries.

IOL

Abbreviation of “Intraocular lens”
Synthetic lens to replace the natural lens of the eye, used in cataract surgery.

Neurosurgery

Medical field concerned with the detection and surgical treatment of diseases, injuries and malformations of the central nervous system (brain, spinal cord, peripheral nerves).

ReLEx™

The combination of precise femtosecond technology and lenticule extraction is the beginning of a new era in refractive surgery. The key factor here is that the correction to the visual acuity is undertaken in the intact cornea, helping achieve greater precision in the predictability of the planned result.

ZEISS Toric Solution

This is an optimally coordinated range of different products that allow the physician to implant toric intraocular lenses with greater ease and speed. Treatment outcomes are thus improved.

Financial calendar and Event calendar 2010/2011

Table 1: Financial calendar 2010/2011

Date	Financial year 2010/2011
11 February 2011	3 Month Report
11 February 2011	Telephone conference
12 April 2011	Annual General Meeting
5 May 2011	6 Month Report
5 May 2011	Telephone conference
12 August 2011	9 Month Report
12 August 2011	Telephone conference
8 December 2011	Annual Financial Statements 2010/2011
8 December 2011	Analyst's Conference, Frankfurt am Main

Table 2: Event calendar 2010/2011

Date	Financial year 2010/2011
18 – 20 February 2011	ESCRS Winter Meeting (European Society of Cataract & Refractive Surgery) (Ophthalmology) Istanbul, Turkey
16 – 19 March 2011	PBC (St. Gallen Breast Cancer Conference) St. Gallen, Switzerland
25 – 29 March 2011	ASCRS (American Society of Cataract and Refractive Surgery) (Ophthalmology) San Diego, USA
9 – 13 April 2011	AANS (American Association of Neurological Surgeons) (Neurosurgery) Denver, USA
26 – 29 May 2011	Euretina (Ophthalmology) London, Great Britain
17 – 21 September 2011	ESCRS Summer Meeting (European Society of Cataract & Refractive Surgery) (Ophthalmology) Vienna, Austria
1 – 4 October 2011	EVRS (Ophthalmology) Valletta, Malta
22 – 25 October 2011	AAO (American Academy of Ophthalmology) (Ophthalmology) Orlando, USA

Contact

Carl Zeiss Meditec AG

Investor Relations
Patrick Kofler

Phone: +49 36 41 22 01 06
Fax: +49 36 41 22 01 17
investors@meditec.zeiss.com

Corporate Communications
Eva Sesselmann

Phone: +49 36 41 22 03 31
Fax: +49 36 41 22 01 12
press@meditec.zeiss.com

Concept and editing by:
Patrick Kofler, Christian Kümpel

Visual concept and design by:
Publicis KommunikationsAgentur GmbH,
Erlangen, Germany
www.publicis.de

Translation services by:
Herold Fachübersetzungen,
Bad Vilbel, Germany,
www.heroldservice.de

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Carl Zeiss Meditec AG
Goeschwitzer Strasse 51–52
07745 Jena
Germany

Phone: +49 36 41 22 01 15
Fax: +49 36 41 22 01 17
investors@meditec.zeiss.com
www.meditec.zeiss.com/ir