

**3 Month Report 2010/2011**

Q1



CARL ZEISS MEDITEC

## 3 Months 2010/2011 at a glance

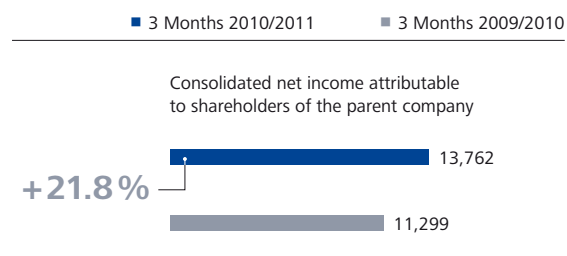
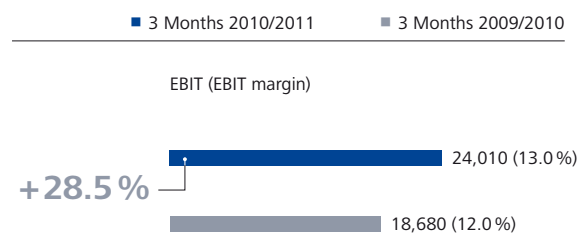
### Highlights

- Very successful start to new financial year
- Good growth in Microsurgery SBU and Ophthalmic Systems SBU
- Gross margin further improved
- Revenue forecast for financial year 2010/2011: € 720–750 million

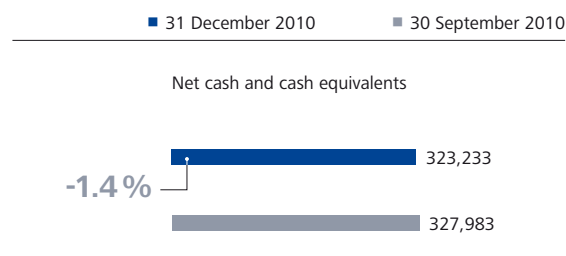
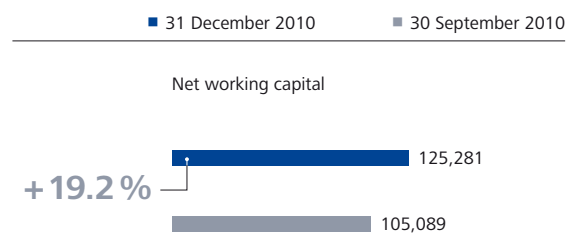
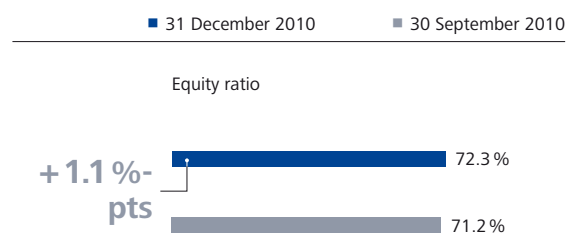
### Business development

(Unless specified otherwise, figures in € '000)

#### Revenue and net income



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



# Content

## ▶ TO OUR SHAREHOLDERS

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This Report does not constitute an offer to sell or solicitation of an offer to purchase any securities of Carl Zeiss Meditec Aktiengesellschaft in the United States of America or in any other jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Readers of this Report are requested to inform themselves about how to observe any such restrictions.

Ladies and Gentlemen,  
Dear Shareholders,

For the fourth quarter in a row, Carl Zeiss Meditec's revenue has shown growth year-on-year. We have therefore made a very successful start to the new financial year 2010/2011: our consolidated revenue in the first three months of 2010/2011 totaled € 185.2 million, corresponding to an increase of 18.6% compared with the same period of the previous year. We benefited here from positive currency effects. Adjusted for currency translation and portfolio effects, revenue increased by 12.3% year-on-year in the first quarter of 2010/11. All regions showed revenue growth in the first quarter, led by the Asia/Pacific region and the Americas. The EMEA region also contributed to growth. It should, however, be noted that the EMEA region was weaker in the comparative period of the previous year. Nevertheless, this highlights once again the advantage our Group has from having a diversified portfolio and global orientation.

Our earnings also further improved in the first three months. EBIT increased in the first quarter of 2010/2011, from € 18.7 million in the previous year to € 24.0 million. The EBIT margin was 13.0%, compared with 12.0% the previous year. Consolidated net income attributable to shareholders of the parent company also increased, rising to € 13.8 million in the first three months of 2010/2011, compared with € 11.3 million the previous year. Earnings per share of the parent thus improved in the first quarter of 2010/2011, from € 0.14 to € 0.17.

Regionally, this can be presented as follows: the emerging markets in Asia are growing further and thus driving our growth in this region. There is a continued growth in demand in the U.S., the largest market for medical technology. This market shows currency-adjusted growth of over 6% compared with the previous year. We are also seeing growth in Europe again, although it must be considered that the same quarter of the previous year was very weak. Feelings of uncertainty continue to persist in this region.

Our RACE 2010 program has enabled us, in the space of two years, to create the basis for a successful future for our Company. We plan to persist along this beaten track with our new company programme, MEGA 2015 (Meditec Excellence and Growth Agenda). This aims to continue the development 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. In the course of MEGA we shall also simplify our legal structures in Germany.

We feel very optimistic about the future. We anticipate growth opportunities in the fields of innovation, customer focus, as well as new markets. Innovation is our main growth driver. The ultimate goal of the innovation strategy is to improve the diagnosis and treatment of diseases. Our customers value our support and service in order to be able to satisfy the ever-growing demands for treatment quality and efficiency. Currently, our greatest market opportunities lie in the emerging markets, which we continue to systematically develop through our own expansions. Carl Zeiss Meditec recently opened its Application and Research Center, "CARIn" in India. We are therefore increasing our presence in growth markets like India and are investing more selectively in research and development projects.

We aim to maintain our sustainable growth in future, too, and increase our profitability further. This is our goal for the current financial year and beyond. Due to the very good revenue generated in the first quarter, we are heading for revenue of € 720–750 million for the current financial year 2010/2011. This forecast is based on the condition that the positive development will continue in all regions. Furthermore, we are expecting positive exchange rate effects. We continue to pursue our goal of further improving profitability compared with the previous year.

Carl Zeiss Meditec is in a good position. Our healthy financial structure, our broad and high-performant product portfolio and our globally balanced presence mean we are optimally equipped for the future.

Jena, February 2011

Yours sincerely,  
*Ludwin Monz*

Dr. Ludwin Monz  
President and Chief Executive Officer



# Management report for the consolidated interim financial statements

## Business development

### 1 Summary

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.

No major changes were made with respect to the Group's reporting entity or the structure of its financial statements in the first three months of 2010/2011.

### 2 Results of operations

#### 2.1 Presentation of results of operations

Table 1: Summary of key ratios in the consolidated income statement (figures in € '000)

|  | 3 Months<br>2009/2010 | 3 Months<br>2010/2011 | Change     |
|--|-----------------------|-----------------------|------------|
| Revenue  | 156,227               | 185,244               | +18.6 %    |
| <i>Gross margin</i>  | 50.7 %                | 53.0 %                | +2.3 %-pts |
| EBITDA   | 22,772                | 29,176                | +28.1 %    |
| <i>EBITDA margin</i>   | 14.6 %                | 15.8 %                | +1.2 %-pts |
| EBIT   | 18,680                | 24,010                | +28.5 %    |
| <i>EBIT margin</i>   | 12.0 %                | 13.0 %                | +1.0 %-pts |
| Earnings before income taxes   | 17,963                | 22,488                | +25.2 %    |
| <i>Tax rate</i>  | 30.1 %                | 35.1 %                | +5.0 %-pts |
| Consolidated net income attributable to shareholders of the parent company                               | 11,299                | 13,762                | +21.8 %    |
| Earnings per share, attributable to the shareholders of the parent company in the current financial year | € 0.14                | € 0.17                | +21.8 %    |

#### 2.2 Revenue

In the first quarter of 2010/2011, consolidated revenue amounted to € 185.2 million (previous year: € 156.2 million), corresponding to an increase of 18.6 %. Carl Zeiss Meditec benefited from the growth in demand worldwide, particularly in the fields of microsurgery and ophthalmic systems. Compared on a similar basis with the previous year, i.e. assuming constant exchange rates, growth would have been 12.3 %.

##### a) Consolidated revenue by strategic business unit

The "Ophthalmic Systems" strategic business unit generated the largest share of Carl Zeiss Meditec's revenue in the first three months of 2010/2011, with 47.6 % (previous year: 46.9 %). The revenue share of the "Microsurgery" SBU increased to 41.7 % (previous year: 40.6 %), while the "Surgical Ophthalmology" SBU contributed 10.7 % (previous year: 12.5 %) of consolidated revenue.

Figure 1: Share of strategic business units in consolidated revenue in the first three months of financial year 2010/2011, in percent

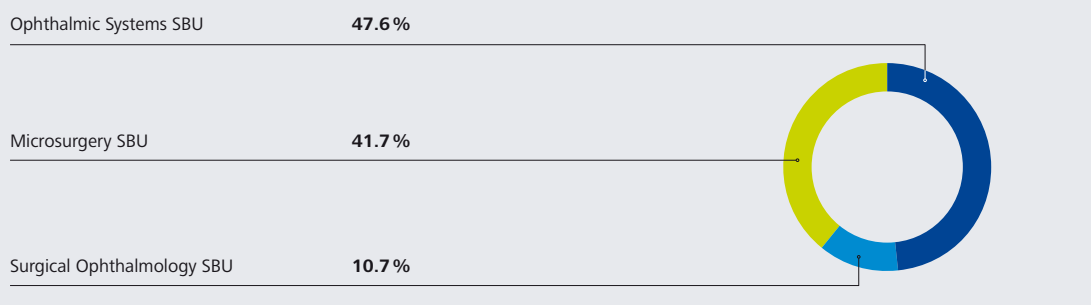


Figure 2: Consolidated revenue by strategic business unit (figures in € '000)

|                             | 3 Months 2010/2011 | 3 Months 2009/2010 |        |
|-----------------------------|--------------------|--------------------|--------|
| Surgical Ophthalmology SBU  | 19,731             | 19,532             | +1.0%  |
| Ophthalmic Systems SBU      | 88,200             | 73,206             | +20.5% |
| Microsurgery SBU            | 77,313             | 63,489             | +21.8% |
| <b>Consolidated revenue</b> | <b>185,244</b>     | <b>156,227</b>     |        |




Due to the encouraging development of revenue from the surgical microscopes OPMI® Pentero®, OPMI® VARIO and OPMI LUMERA® and the rise in demand for the intraoperative radiation therapy system, INTRABEAM®, the “Microsurgery” SBU achieved growth of 21.8%.

Revenue in the strategic business unit “Ophthalmic Systems” increased by 20.5% compared with the previous year. In addition to the diagnostic systems Cirrus™ HD-OCT, IOLMaster® and Humphrey® Field Analyzer (HFA II-i) were the main drivers of sales in this SBU. The femtosecond laser VisuMax® also made a solid contribution to revenue in this business unit.

Compared with the other two business units, the “Surgical Ophthalmology” SBU grew only slightly. This was attributable to isolated short-term occurrences of supply difficulties within the IT and logistics restructuring process. Adjusted for the portfolio adjustment arising from the sale of pharmaceutical business in the previous financial year, growth would have been 4.6%.




The following chart shows consolidated revenue by strategic business unit based on constant exchange rates.

Figure 3: Consolidated revenue by strategic business unit based on constant exchange rates (figures in € '000)

|                             | ■ 3 Months 2010/2011      | ■ 3 Months 2009/2010   |        |
|-----------------------------|---------------------------|--|--------|
| Surgical Ophthalmology SBU  | <b>19,731</b><br>19,594   |   | +0.7%  |
| Ophthalmic Systems SBU      | <b>88,200</b><br>78,306   |  | +12.6% |
| Microsurgery SBU            | <b>77,313</b><br>67,064   |  | +15.3% |
| <b>Consolidated revenue</b> | <b>185,244</b><br>164,964 |  |        |

## b) Consolidated revenue by region

Figure 4: Consolidated revenue by region (figures in € '000)

|                             | ■ 3 Months 2010/2011      | ■ 3 Months 2009/2010  |        |
|-----------------------------|---------------------------|---|--------|
| Asia/Pacific region         | <b>53,257</b><br>40,390   |  | +31.9% |
| Americas                    | <b>68,527</b><br>57,417   |  | +19.3% |
| EMEA                        | <b>63,460</b><br>58,420   |  | +8.6%  |
| <b>Consolidated revenue</b> | <b>185,244</b><br>156,227 |   |        |

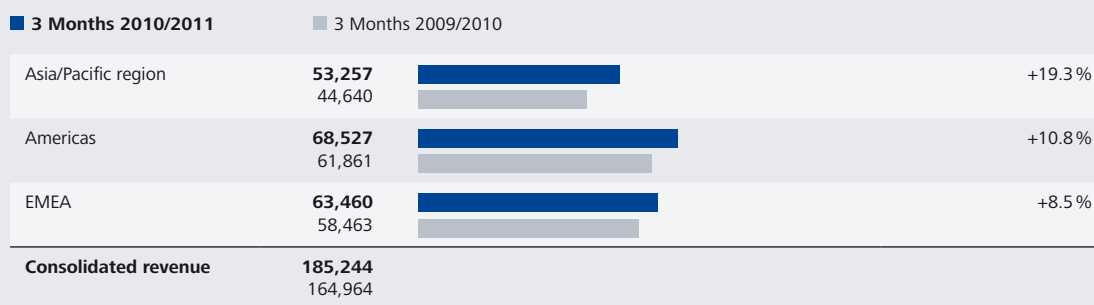
At 31.9%, Carl Zeiss Meditec's growth was greatest in the "Asia/Pacific region" ("APAC"). Revenue here increased in the first three months of 2010/2011, from € 40.4 million in the same period of the previous year to € 53.3 million. The primary sales drivers were the surgical microscopes OPMI® Pentero® and OPMI LUMERA®, as well as the diagnostic systems Humphrey® Field Analyzer (HFA II-) and Cirrus™ HD-OCT. The femtosecond laser VisuMax® also made a solid contribution to revenue in this region.

The strongest contributor to sales in the first quarter of 2010/2011 was the "Americas" region. Revenue here increased by 19.3% year-on-year to € 68.5 million (previous year: € 57.4 million). The primary sales drivers were the diagnostic systems Cirrus™ HD-OCT, IOLMaster®, the Humphrey® Field Analyzer (HFA II-) and the surgical microscopes OPMI® Pentero® and OPMI LUMERA®.

Carl Zeiss Meditec also recorded encouraging growth in the region “Europe, Middle East and Africa” (“EMEA”). Revenue here rose to a total of € 63.5 million (previous year: € 58.4 million), which corresponds to year-on-year growth of 8.6 %. Besides the Cirrus™ HD-OCT, Humphrey® Field Analyzer (HFA II-i) and the IOLMaster®, the majority of this growth was achieved by the IOL product line AT LISA®, and the surgical microscopes OPMI® Pentero®, OPMI LUMERA® and OPMI® VARIO.

The following figure shows consolidated revenue by region in the reporting period based on constant exchange rates.

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



### 2.3 Gross profit

Gross profit amounted to € 98.2 million in the first three months of 2010/2011 (previous year: € 79.2 million). The gross margin simultaneously increased by 2.3 percentage points to 53.0%. This is mainly attributable to production costs and volume effects.

### 2.4 Functional costs

Functional costs increased in absolute terms compared with the same quarter of the previous year, from € 60.6 million to € 74.5 million. The increase of 22.9 % is mostly due to the increased volume of production and sales.

- **Selling and marketing expenses:** selling and marketing expenses increased in the first three months of financial year 2010/2011 from € 36.8 million to € 44.9 million. This was mainly attributable to increases in provisions and freight costs according to overall revenue and investments in the further expansion of the services structures.
- **General and administrative expenses:** expenditure in this area amounted to € 10.2 million in the reporting period (previous year: € 7.7 million), corresponding to 5.5 % of revenue (previous year: 5.0 %).
- **Research and development costs:** as a technology-focused enterprise, Carl Zeiss Meditec continued to drive forward and further expand its research and development activities in the first three months of the new financial year. In the first quarter of 2010/2011, we spent € 19.3 million (previous year: € 16.2 million), thus increasing the share of research and development from 10.3 % in the same quarter of the previous year to 10.4 %.

## 2.5 Development of earnings

The good performance of Carl Zeiss Meditec is also reflected in the development of its earnings. **EBITDA** amounted to € 29.2 million in the reporting period (previous year: € 22.8 million). The **EBITDA margin** amounted to 15.8%, which was 1.2 percentage points higher than in the first quarter of the previous year. **EBIT** grew by 28.5% to € 24.0 million (previous year: € 18.7 million) and thus to a greater extent than Carl Zeiss Meditec's consolidated revenue. Accordingly, the **EBIT margin** increased compared with the first quarter of 2009/2010, from 12.0% to 13.0%.

As a result of higher interest income compared with the same quarter of the previous year, **interest income/ interest expenses (net)** amounted to € -0.4 million (previous year: -0.9 € million).

The **tax rate** in the reporting period was 35.1% (previous year: 30.1%). This is attributable in particular to the increased share of earnings generated by the Americas region compared with the previous year's period.

**Consolidated net income** attributable to shareholders of the parent company increased in the quarter under review to € 13.8 million (previous year: € 11.3 million). **The share of net income attributable to non-controlling interests** was lower than in the same period of the previous year, at € 0.8 million (previous year: € 1.3 million). Accordingly, basic<sup>1</sup> **earnings per share** amounted to € 0.17 in the first three months of 2010/2011 (previous year: € 0.14).

## 3 Financial position

### 3.1 Statement of cash flows

The Carl Zeiss Meditec Group's statement of cash flow shows the origin and utilization of the cash flows during a financial quarter. A distinction is made between cash flows from operating activities and cash flows from investing and financing activities. The statement of cash flows merely records the changes in individual items in the income statement and the statement of financial position that occurred after the respective date of first-time consolidation. In contrast, the consolidated statement of financial position presents the figures as they stood at the end of the reporting period 31 December 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 statement of financial position.

Figure 6: Summary of key ratios in the consolidated statement of cash flows (figures in € '000)

|                                     | ■ 3 Months 2010/2011 | ■ 3 Months 2009/2010 |
|-------------------------------------|----------------------|----------------------|
| Cash flow from operating activities | -2,223<br>7,732      |                      |
| Cash flow from investing activities | -4,603<br>-2,052     |                      |
| Cash flow from financing activities | 9,378<br>-2,841      |                      |
| Change in cash and cash equivalents | 4,759<br>2,833       |                      |

<sup>1</sup> Attributable to shareholders of the parent company

Cash flow from operating activities led to a cash outflow of € -2.2 million in the first quarter of financial year 2010/2011 (previous year: € 7.7 million). This development is primarily attributable to the growth in trade receivables due to the strong sales volume in December. A stockpiling of inventories, due to the increase in demand, also led to an outflow of cash.

The negative cash flow from investing activities in the reporting period stood at € -4.6 million (previous year: € -2.1 million). This is attributable in particular to payments into the CTA (Contractual Trust Arrangement), due to an increase in the interest rate.

Cash flow from financing activities amounted to € 9.4 million in the reporting period (previous year: € -2.8 million). The previous year's figure included the repayment in full of the LDT loan.

### 3.2 Key ratios relating to financial position

Table 2: Key ratios relating to financial position (figures in € '000)

| Key ratio                 | Definition   | 30 September 2010 | 31 December 2010 | Change  |
|---------------------------|--|-------------------|------------------|---------|
| Cash and cash equivalents | Cash-in-hand and bank balances   | 313,516           | 318,275          | +1.5 %  |
| Net cash                  | Cash-in-hand and bank balances<br>+ treasury receivables from Group treasury of Carl Zeiss AG<br>./. treasury payables to Group treasury of Carl Zeiss AG  | 327,983           | 323,233          | -1.4 %  |
| Net working capital       | Current assets<br>./. cash and cash equivalents<br>./. treasury receivables from Group treasury of Carl Zeiss AG<br>./. current liabilities excl. treasury payables to Group treasury of Carl Zeiss AG | 105,089           | 125,281          | +19.2 % |
| Working capital           | Current assets<br>./. current liabilities  | 433,072           | 448,514          | +3.6 %  |

Table 3: Key ratios relating to financial position

| Key ratio           | Definition   | 3 Months 2009/2010 | 3 Months 2010/2011 | Change     |
|---------------------|--|--------------------|--------------------|------------|
| Cash flow per share | Cash flow from operating activities<br>Weighted average number of shares outstanding | € 0.1              | € -0.03            | -128.8 %   |
| Capex ratio         | Investment in property, plant and equipment<br>Consolidated revenue                  | 0.8 %              | 0.6 %              | -0.2 %-pts |

## 4 Net assets

### 4.1 Presentation of net assets

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

Figure 7: Structure of the consolidated statement of financial position (figures in € '000)

| <b>Assets</b>                         | 30 September 2010 | 31 December 2010 |
|---------------------------------------|-------------------|------------------|
| Goodwill                              | 113,068           | <b>113,323</b>   |
| Noncurrent assets*                    | 120,752           | <b>122,424</b>   |
| Cash and cash equivalents             | 313,516           | <b>318,275</b>   |
| Current assets**                      | 293,867           | <b>300,756</b>   |
| <b>Consolidated total assets</b>      | <b>841,203</b>    | <b>854,778</b>   |
| <hr/>                                 |                   |                  |
| <b>Liabilities and equity</b>         | 30 September 2010 | 31 December 2010 |
| Equity                                | 598,982           | <b>618,281</b>   |
| Noncurrent liabilities                | 67,910            | <b>65,980</b>    |
| Current liabilities                   | 174,311           | <b>170,517</b>   |
| <b>Consolidated total liabilities</b> | <b>841,203</b>    | <b>854,778</b>   |

\* excluding goodwill  
 \*\* excluding cash and cash equivalents

## ASSETS

### Goodwill

As of 31 December 2010, the goodwill of Carl Zeiss Meditec AG amounted to € 113.3 million and was thus on a par with goodwill as at 30 September 2010 (€ 113.1 million).

### Inventories

Inventories increased by 6.1 % in the first three months of financial year 2010/2011, to € 126.5 million (30 September 2010: € 119.2 million). This increase is mainly characterized by the increase in stocks, in order to meet the increased demand for Carl Zeiss Meditec's products.

### Trade receivables, incl. receivables from related parties

This item in the statement of financial position increased from € 130.2 million to € 138.1 million, and is attributable particularly to the encouraging development of revenue in the first quarter of financial year 2010/2011.

### Cash and cash equivalents

Cash and cash equivalents increased by a slight 1.5 % at the end of the first quarter, from € 313.5 million to € 318.3 million. A small portion of the cash and cash equivalents that the Carl Zeiss Meditec Group does not directly require for its business operations are lodged with the Group treasury of Carl Zeiss AG at normal market conditions. This item in the statement of financial position amounted to € 15.7 million (30 September 2010: € 24.7 million).

## LIABILITIES AND EQUITY

### Equity

The equity shown in Carl Zeiss Meditec's consolidated statement of financial position as of 31 December 2010 increased to € 618.3 million as a result of the positive development of earnings at the start of financial year 2010/2011 (30 September 2010: € 599.0 million).

### Trade payables

Due in particular to the payment of outstanding liabilities from the fourth quarter of 2009/2010, the item "Trade payables" in the statement of financial position decreased by 24.9 %, from € 28.7 million (30 September 2010) to € 21.5 million.

## 4.2 Key ratios relating to net assets

Table 4: Key ratios relating to net assets

| Key ratio                       | Definition  | 30 September<br>2010 | 31 December<br>2010 | Change     |
|---------------------------------|---|----------------------|---------------------|------------|
| Equity ratio                    | $\frac{\text{Shareholders' equity}}{\text{Total assets}}$   | 71.2 %               | 72.3 %              | +1.1 %-pts |
| Rate of inventory turnover      | $\frac{\text{Cost of goods sold (annualized)}}{\text{Average inventories}}$   | 2.9                  | 2.8                 | -3.4 %     |
| Days of sales outstanding (DSO) | $\frac{\text{Trade receivables including receivables from related parties}}{\text{Consolidated revenue}} \times 360 \text{ days}$ | 71.2 days            | 68.7 days           | -3.5 %     |

## 5 Orders on hand

It is our general opinion that the trend among customers of placing orders at short notice will continue, particularly in the area of systems and equipment for ophthalmology. The Carl Zeiss Meditec Group's current level of orders on hand make us optimistic for the future. As of 31 December 2010, orders on hand totaled € 80.2 million (previous year: € 65.2 million).

## 6 Events of particular significance

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

## 7 Employees

As of 31 December 2010, the Group had a workforce of 2,209 worldwide (31 December 2009: 2,160).

## 8 Research & development

The Carl Zeiss Meditec Group once again further expanded its research and development activities in the first quarter of financial year 2010/2011, and invested a total of € 19.3 million (previous year: € 16.2 million) in research and development. The R&D ratio increased accordingly, amounting to 10.4 % (previous year: 10.3 %).

As of 31 December 2010, there were 354 research and development employees Group-wide (previous year: 366). This corresponds to a share of 16.0 % (previous year: 16.9 %) of the Carl Zeiss Meditec Group's entire workforce.

Research and development at Carl Zeiss Meditec focuses mainly on:

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

## 9 Outlook

The Management Board feels very optimistic with regard to the Company’s long-term growth. This is due, in particular, to demographic trends, for example the further growth of the global population and the increasing ageing of the population in large parts of the world. This is especially significant for ophthalmology, as the prevalence of 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. Finally, the rapid economic upswing in emerging nations will also continue to feed market growth.

Following the very good start to the new financial year, we are optimistic for financial year 2010/2011. Based on our current state of knowledge, our target for consolidated revenue lies between € 720 million and € 750 million for financial year 2010/2011. However, this forecast depends significantly on further development in the various regions and on the development of exchange rates.

Our RACE 2010 program has enabled us, in the space of two years, to create the basis for a successful future for our Company. We plan to persist along this beaten track with our new company program, MEGA 2015 (Meditec Excellence and Growth Agenda). Our goal continues to be the development of excellence in innovation, customer focus, new markets, employees and processes. Our objectives remain the same as in the previous program, RACE 2010, however, the activities will be adjusted to the Company’s current situation. The program also includes a particular new focus on growth. MEGA will also simplify our legal structures in Germany.

Our EBIT profitability has already increased and we plan to increase this further to 15 % by 2015, without foregoing major investments that can help us to sustainably secure our Company. Our aim for financial year 2010/2011 is to further increase EBIT profitability.

## Directors' holdings and directors' dealings

### 1 Directors' holdings – shareholdings of members of the executive bodies of Carl Zeiss Meditec AG

Table 5: Directors' holdings – number of Carl Zeiss Meditec shares held by members of the Company's executive bodies

|                          |        | Number of Carl Zeiss Meditec shares<br>(31 December 2010) |
|--------------------------|--------|---|
| <b>Management Board</b>  |        |   |
| Dr. Ludwin Monz          | Shares | 1,000   |
| Ulrich Krauss            | Shares | 1,650   |
| Dr. Christian Müller     | Shares | 2,000   |
| <b>Supervisory Board</b> |        |   |
| 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   |
| <b>Company</b>           |        |   |
| Carl Zeiss Meditec AG    | Shares | –   |

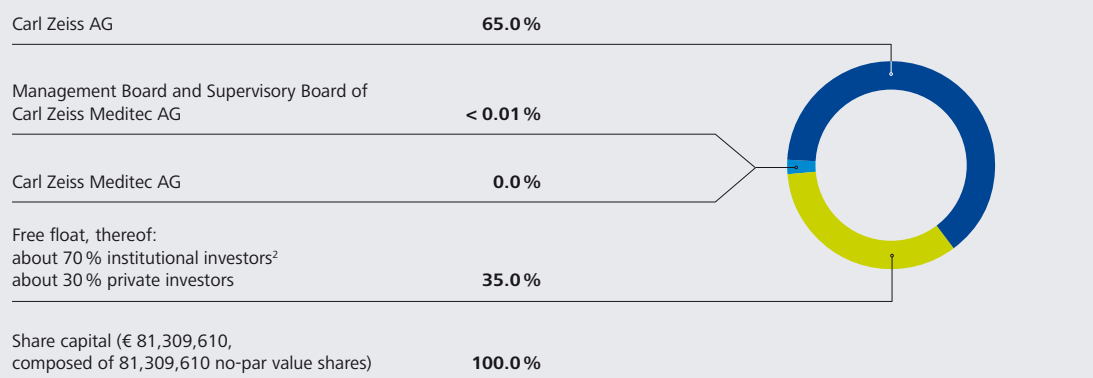
### 2 Directors' dealings – notifiable securities transactions by members of the executive bodies of Carl Zeiss Meditec AG in the first three months of 2010/2011

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

The details of 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](http://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*).

## Shareholder structure

Figure 8: Shareholder structure of Carl Zeiss Meditec AG (as of 31 December 2010)



<sup>2</sup> Source: LionShares and own research

## Consolidated income statement (IFRS) for the period from 1 October 2010 to 31 December 2010

| (Figures in € '000)   | Financial year 2010/2011<br>1 October 2010 –<br>31 Dezember 2010 | Financial year 2009/2010<br>1 October 2009 –<br>31 Dezember 2009 |
|---|--|--|
| <b>Revenue</b>  | <b>185,244</b>   | <b>156,227</b>   |
| Cost of goods sold  | (87,060)   | (77,005)   |
| <b>Gross profit</b>   | <b>98,184</b>  | <b>79,222</b>  |
| Selling and marketing expenses  | (44,954)   | (36,750)   |
| General and administrative expenses   | (10,243)   | (7,747)  |
| Research and development expenses   | (19,271)   | (16,157)   |
| Other income  | 294  | 160  |
| Other expense   | –  | (48)   |
| <i>Earnings before interests, income taxes,<br/>depreciation and amortization</i>   | <i>29,176</i>  | <i>22,772</i>  |
| <i>Depreciation and amortization</i>  | <i>5,166</i>   | <i>4,092</i>   |
| <b>Earnings before interests and income taxes</b>   | <b>24,010</b>  | <b>18,680</b>  |
| Results from investments accounted for using the equity method  | (5)  | (8)  |
| Interest income   | 814  | 325  |
| Interest expense  | (1,258)  | (1,266)  |
| Foreign currency gains/(losses), net  | (1,699)  | (308)  |
| Other financial result  | 626  | 540  |
| <b>Earnings before income taxes</b>   | <b>22,488</b>  | <b>17,963</b>  |
| Income tax expense  | (7,899)  | (5,401)  |
| <b>Net income</b>   | <b>14,589</b>  | <b>12,562</b>  |
| Attributable to:  |  |  |
| Shareholders of the parent company  | 13,762   | 11,299   |
| Non-controlling interest  | 827  | 1,263  |
| <b>Profit/(loss) per share, attributable to the shareholders of the parent company in the current financial year (€):</b> |  |  |
| – Basic/diluted   | <b>0.17</b>  | <b>0.14</b>  |

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

## Consolidated statement of comprehensive income (IFRS) for the period from 1 October 2010 to 31 December 2010

| (Figures in € '000)   | Financial year 2010/2011<br>1 October 2010 –<br>31 Dezember 2010 | Financial year 2009/2010<br>1 October 2009 –<br>31 Dezember 2009 |
|---|--|--|
| <b>Net income</b>   | <b>14,589</b>  | <b>12,562</b>  |
| Fair value measurement of available-for-sale financial assets |  |  |
| Recognized directly in equity                                 | 29   | (17)   |
| Foreign currency translation                                  | 4,681  | 1,714  |
| <b>Other comprehensive income</b>                             | <b>4,710</b>   | <b>1,697</b>   |
| <b>Comprehensive income</b>                                   | <b>19,299</b>  | <b>14,259</b>  |
| Attributable to:  |  |  |
| Shareholders of the parent company                            | 17,296   | 13,243   |
| Non-controlling interest                                      | 2,003  | 1,016  |

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

## Consolidated statement of financial position (IFRS) for the year ended 31 December 2010

| (Figures in € '000)                               | 31 Dezember 2010 | 30 September 2010 |
|---|------------------|-------------------|
| <b>ASSETS</b>                                     |                  |                   |
| Goodwill  | 113,323          | 113,068           |
| Intangible assets                                 | 31,042           | 33,942            |
| Property, plant and equipment                     | 38,721           | 39,906            |
| Investments accounted for using the equity method | 13               | 68                |
| Investments                                       | 364              | 364               |
| Deferred tax assets                               | 47,754           | 41,568            |
| Noncurrent trade receivables                      | 3,285            | 3,673             |
| Other noncurrent assets                           | 1,245            | 1,231             |
| <b>Total noncurrent assets</b>                    | <b>235,747</b>   | <b>233,820</b>    |
| Inventories                                       | 126,459          | 119,216           |
| Trade receivables                                 | 97,659           | 98,113            |
| Accounts receivable from related parties          | 40,439           | 32,069            |
| Treasury receivables                              | 15,721           | 24,727            |
| Tax refund claims                                 | 7,814            | 8,751             |
| Other current financial assets                    | 1,816            | 2,329             |
| Other current non-financial assets                | 10,728           | 8,571             |
| Securities  | 120              | 91                |
| Cash and cash equivalents                         | 318,275          | 313,516           |
| <b>Total current assets</b>                       | <b>619,031</b>   | <b>607,383</b>    |
| <b>Total assets</b>                               | <b>854,778</b>   | <b>841,203</b>    |

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

| (Figures in € '000)                                 | 31 Dezember 2010 | 30 September 2010 |
|---|------------------|-------------------|
| <b>LIABILITIES AND EQUITY</b>                       |                  |                   |
| Share capital                                       | 81,310           | 81,310            |
| Capital reserve                                     | 313,863          | 313,863           |
| Retained earnings                                   | 205,408          | 191,646           |
| Gains and losses recognised directly in equity      | (11,002)         | (14,536)          |
| Equity before non-controlling interest              | 589,579          | 572,283           |
| Non-controlling interest                            | 28,702           | 26,699            |
| <b>Total equity</b>                                 | <b>618,281</b>   | <b>598,982</b>    |
| Provisions for pensions and similar commitments     | 12,024           | 14,093            |
| Other noncurrent provisions                         | 14,899           | 15,001            |
| Noncurrent financial liabilities                    | 8,937            | 9,069             |
| Noncurrent leasing liabilities                      | 16,653           | 16,681            |
| Other noncurrent liabilities                        | 6,838            | 6,536             |
| Deferred tax liabilities                            | 6,629            | 6,530             |
| <b>Total noncurrent liabilities</b>                 | <b>65,980</b>    | <b>67,910</b>     |
| Current provisions                                  | 37,237           | 36,306            |
| Current accrued liabilities                         | 44,438           | 46,936            |
| Current financial liabilities                       | 4,287            | 3,385             |
| Current portion of noncurrent financial liabilities | 357              | 288               |
| Current portion of noncurrent leasing liabilities   | 1,548            | 1,513             |
| Trade payables                                      | 21,537           | 28,685            |
| Current income tax liabilities                      | 9,904            | 12,377            |
| Accounts payable to related parties                 | 8,286            | 10,899            |
| Treasury payables                                   | 10,763           | 10,260            |
| Other current liabilities                           | 32,160           | 23,662            |
| <b>Total current liabilities</b>                    | <b>170,517</b>   | <b>174,311</b>    |
| <b>Total liabilities</b>                            | <b>854,778</b>   | <b>841,203</b>    |

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

# Consolidated statement of cash flows (IFRS) for the period from 1 October 2010 to 31 December 2010

| (Figures in € '000)   | Financial year 2010/2011<br>1 October 2010 –<br>31 Dezember 2010 | Financial year 2009/2010<br>1 October 2009 –<br>31 Dezember 2009 |
|---|--|--|
| <b>Cash flows from operating activities:</b>  |  |  |
| <b>Net income</b>   | <b>14,589</b>  | <b>12,562</b>  |
| Adjustments to reconcile net income to net cash provided by/(used in) operating activities: |  |  |
| Income tax expenses   | 7,899  | 5,401  |
| Interest income/expenses  | 444  | 941  |
| Results from investments accounted for using the equity method                              | 5  | 8  |
| Depreciation and amortization   | 5,166  | 4,092  |
| Gains/losses on disposal of fixed assets/financial assets                                   | 278  | 6  |
| Interest received   | 806  | 365  |
| Interest paid   | (566)  | (962)  |
| Income tax reimbursement  | 2,541  | 160  |
| Income taxes paid   | (15,915)   | (10,678)   |
| Changes in working capital:   |  |  |
| Trade receivables   | (5,718)  | (2,672)  |
| Inventories   | (5,539)  | 1,546  |
| Other assets  | (1,628)  | 188  |
| Trade payables  | (10,607)   | (5,294)  |
| Provisions and financial liabilities  | (2,283)  | 56   |
| Other liabilities   | 8,305  | 2,013  |
| Total adjustments   | (16,812)   | (4,830)  |
| <b>Net cash provided by/(used in) operating activities</b>                                  | <b>(2,223)</b>   | <b>7,732</b>   |
| <b>Cash flows from investing activities:</b>  |  |  |
| Investment in property, plant and equipment   | (907)  | (1,071)  |
| Investment in intangible assets   | (26)   | (10)   |
| Investment in plan assets pension fund  | (3,882)  | (988)  |
| Proceeds from fixed assets  | 163  | 17   |
| Reduction of the share capital of investments accounted for using the equity method         | 49   | –  |
| <b>Net cash used in investing activities</b>  | <b>(4,603)</b>   | <b>(2,052)</b>   |
| <b>Cash flows from financing activities:</b>  |  |  |
| Repayments of short-term debt   | 34   | –  |
| Repayments of noncurrent financial liabilities  | (70)   | (133)  |
| Repayments from noncurrent loans from related parties                                       | –  | (8,648)  |
| (Increase)/decrease in treasury receivables   | 9,230  | 7,141  |
| Increase/(decrease) in treasury payables  | 503  | (944)  |
| Change of leasing liabilities   | (319)  | (257)  |
| <b>Net cash provided by/(used in) financing activities</b>                                  | <b>9,378</b>   | <b>(2,841)</b>   |
| Effect of exchange rate fluctuation on cash and cash equivalents                            | 2,207  | (6)  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                 | <b>4,759</b>   | <b>2,833</b>   |
| Cash and cash equivalents, beginning of reporting period                                    | 313,516  | 199,995  |
| <b>Cash and cash equivalents, end of reporting period</b>                                   | <b>318,275</b>   | <b>202,828</b>   |

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

## Consolidated statement of changes in equity (IFRS)

| (Figures in € '000)  | 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   |
|--|---------------|-----------------|-------------------|-----------------------------------|--|--|--------------------------|----------------|
| <b>As of 1 October 2009</b>  | <b>81,310</b> | <b>313,863</b>  | <b>151,397</b>    | <b>(25,568)</b>                   | <b>(156)</b>                                     | <b>520,846</b>                         | <b>18,926</b>            | <b>539,772</b> |
| Fair value measurement of available-for-sale financial assets            | –             | –               | –                 | –                                 | (12)   | (12)                                   | –                        | (12)           |
| Foreign currency translation   | –             | –               | –                 | 11,199                            | –  | 11,199                                 | 3,082                    | 14,281         |
| Changes in equity from investments accounted for using the equity method | –             | –               | –                 | –                                 | 1  | 1                                      | –                        | 1              |
| <b>Changes in value recognized directly in equity</b>                    | <b>–</b>      | <b>–</b>        | <b>–</b>          | <b>11,199</b>                     | <b>(11)</b>                                      | <b>11,188</b>                          | <b>3,082</b>             | <b>14,270</b>  |
| Net income   | –             | –               | 54,889            | –                                 | –  | 54,889                                 | 4,747                    | 59,636         |
| <b>Sum of comprehensive income for the period</b>                        | <b>–</b>      | <b>–</b>        | <b>54,889</b>     | <b>11,199</b>                     | <b>(11)</b>                                      | <b>66,077</b>                          | <b>7,829</b>             | <b>73,906</b>  |
| Dividend payments  | –             | –               | (14,636)          | –                                 | –  | (14,636)                               | –                        | (14,636)       |
| Acquisition of non-controlling interests                                 | –             | –               | (4)               | –                                 | –  | (4)                                    | (56)                     | (60)           |
| <b>As of 30 September 2010</b>   | <b>81,310</b> | <b>313,863</b>  | <b>191,646</b>    | <b>(14,369)</b>                   | <b>(167)</b>                                     | <b>572,283</b>                         | <b>26,699</b>            | <b>598,982</b> |
| Fair value measurement of available-for-sale financial assets            | –             | –               | –                 | –                                 | 29   | 29                                     | –                        | 29             |
| Foreign currency translation   | –             | –               | –                 | 3,505                             | –  | 3,505                                  | 1,176                    | 4,681          |
| <b>Changes in value recognized directly in equity</b>                    | <b>–</b>      | <b>–</b>        | <b>–</b>          | <b>3,505</b>                      | <b>29</b>  | <b>3,534</b>                           | <b>1,176</b>             | <b>4,710</b>   |
| Net income   | –             | –               | 13,762            | –                                 | –  | 13,762                                 | 827                      | 14,589         |
| <b>Sum of comprehensive income for the period</b>                        | <b>–</b>      | <b>–</b>        | <b>13,762</b>     | <b>3,505</b>                      | <b>29</b>  | <b>17,296</b>                          | <b>2,003</b>             | <b>19,299</b>  |
| <b>As of 31 December 2010</b>  | <b>81,310</b> | <b>313,863</b>  | <b>205,408</b>    | <b>(10,864)</b>                   | <b>(138)</b>                                     | <b>589,579</b>                         | <b>28,702</b>            | <b>618,281</b> |

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

# Notes to the consolidated interim financial statements

## 1 General information

### Accounting under International Financial Reporting Standards (IFRSs)

Carl Zeiss Meditec AG prepared its consolidated financial statements as of 30 September 2010 in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, as applicable in the EU as of that date. Accordingly, this interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

### Accounting and valuation principles

The accounting and valuation principles applied for the interim financial statements as of 31 December 2010 correspond to those applied for the consolidated financial statements for financial year 2009/2010 with the exceptions described below. A detailed description of these methods was published in the notes to the consolidated financial statements as of 30 September 2010.

### Recent pronouncements on accounting principles

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

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

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

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

The IASB and IFRIC also issued the following standards, interpretations and revisions of existing standards after the end of the reporting period of the consolidated financial statements 2009/2010; however, application of these is not yet mandatory for Carl Zeiss Meditec. The Company did not opt to apply these standards ahead of time:

| Date of issue    | Standard/Interpretation   | Amendment/New statutory regulation  | Date of first mandatory application                  | Adopted by the EU |
|------------------|---|---|--|-------------------|
| 28 October 2010  | Amendment IFRS 9 “Financial Instruments”  | Additional requirements for the accounting of financial liabilities   | Financial years beginning on or after 1 January 2013 | no                |
| 20 December 2010 | Amendment IFRS 12 “Income Taxes”  | Practical solution for problem of recognition at carrying amount through utilization or disposal  | Financial years beginning on or after 1 January 2012 | no                |
| 20 December 2010 | Amendment IFRS 1 “First-time Adoption of International Financial Reporting Standards” | Guidelines for the presentation of IFRS-compliant financial statements where functional currency is subject to severe hyperinflation, and restatement | Financial years beginning on or after 1 July 2011    | no                |

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

## 2 Notes to the consolidated income statement

### Operating segments

The Group has three operating segments, which are simultaneously the Group’s strategic business units (SBUs). The SBUs “Ophthalmic Systems” and “Surgical Ophthalmology” comprise Carl Zeiss Meditec’s activities in the ophthalmic market. SBU “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 (the former SBU Neuro/ENT surgery). This SBU encompasses ophthalmic surgery,

surgical visualization solutions and activities in the area of intraoperative radiation therapy. Internal management reports are evaluated by the CEO at least every quarter for each of the strategic business units.

The operating segments for the reporting period are as follows:

| (in € '000)  | Ophthalmic Systems    |                       | Surgical Ophthalmology |                       | Microsurgery          |                       | Total                 |                       |
|--|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 3 Months<br>2010/2011 | 3 Months<br>2009/2010 | 3 Months<br>2010/2011  | 3 Months<br>2009/2010 | 3 Months<br>2010/2011 | 3 Months<br>2009/2010 | 3 Months<br>2010/2011 | 3 Months<br>2009/2010 |
| External revenue   | 88,200                | 73,206                | 19,731                 | 19,532                | 77,313                | 63,489                | 185,244               | 156,227               |
| EBIT   | 10,591                | 7,081                 | 1,958                  | 2,026                 | 11,461                | 9,573                 | 24,010                | 18,680                |
| Reconciliation of segments' comprehensive income to the Group's period-end result: |                       |                       |                        |                       |                       |                       |                       |                       |
| <b>Comprehensive income of the segments</b>  |                       |                       |                        |                       |                       |                       | <b>24,010</b>         | <b>18,680</b>         |
| <b>Consolidated earnings before interest and taxes (EBIT)</b>                      |                       |                       |                        |                       |                       |                       | <b>24,010</b>         | <b>18,680</b>         |
| Financial result   |                       |                       |                        |                       |                       |                       | (1,522)               | (717)                 |
| <b>Consolidated earnings before income taxes</b>                                   |                       |                       |                        |                       |                       |                       | <b>22,488</b>         | <b>17,963</b>         |
| Income tax expense   |                       |                       |                        |                       |                       |                       | (7,899)               | (5,401)               |
| <b>Consolidated net income</b>   |                       |                       |                        |                       |                       |                       | <b>14,589</b>         | <b>12,562</b>         |

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

The segment assets have not changed materially compared with the disclosures in the notes to the last consolidated annual financial statements. Nor is this the subject of internal management reports.

### Related party disclosures

Revenue amounting to € 27,784 thousand (previous year: € 34,775 thousand) resulted from relations with related parties during the reporting period 2010/2011. The term "related parties" refers here to Carl Zeiss AG and its subsidiaries.

### 3 Events after the end of the interim reporting period

There were no events of particular significance after the end of the reporting period, 31 December 2010.

# Important financial dates and contacts

## 1 Financial calendar

| Date            | Financial year 2009/2010                |
|-----------------|---|
| 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 |

## 2 Contact

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