These are the moments we work for.

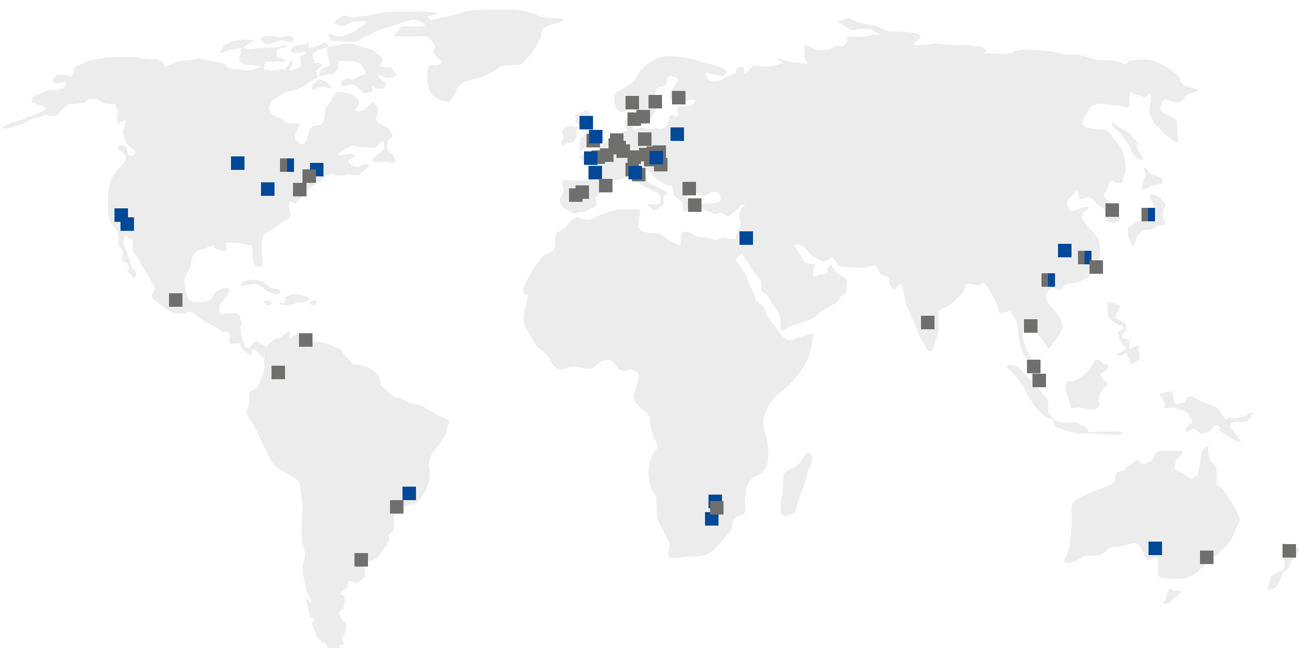
2010/11 Annual Report
Carl Zeiss Group

We make it visible.

The Carl Zeiss Group

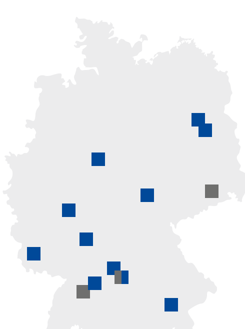
Sites

Carl Zeiss has around 30 production sites and more than 50 sales and service sites around the world. The company has representatives in more than 30 countries and is headquartered in Oberkochen, Germany. Overall, about 24,000 people work for Carl Zeiss around the globe.



Germany

- 11 production sites
- 3 sales and services sites



Europe (including Germany)

- 18 production sites in 6 countries
- 27 sales and service sites in 18 countries

Americas

- 7 production sites in 4 countries
- 8 sales and service sites in 7 countries

Asia / Australia

- 5 production sites in 3 countries
- 12 sales and service sites in 10 countries

Africa / Middle East

- 3 production sites in 2 countries
- 2 sales and service sites in 2 countries

The Carl Zeiss Group

Organizational structure

30 September 2011

Carl Zeiss Group

Corporate and service functions and production units

Business groups and strategic business units

Semiconductor Manufacturing Technology	Industrial Metrology	Microscopy	Medical Technology	Vision Care	Consumer Optics/ Optronics
Lithography Optics	Industrial Metrology	BioSciences	Ophthalmic Systems	Vision Care	Camera Lenses
Laser Optics		Materials	Microsurgery		Sports Optics
Semiconductor Metrology Systems			Surgical Ophthalmology		Planetariums
					Optronics

Sales and service companies

Financial highlights
(IFRSs)

	2010/11		2009/10		2008/09	
	EUR m	%	EUR m	%	EUR m	%
Revenue	**4,237**	**100**	2,981	100	2,101	100
» Germany	534	13	348	12	364	17
» Other countries	3,703	87	2,633	88	1,737	83
EBIT	**607**	**14**	423	14	−67	−3
Profit/loss for the year	**386**	**9**	208	7	−161	−8
» Income taxes	183	4	116	4	−1	–
» Earnings before taxes (EBT)	**569**	**13**	324	11	−162	−8
» Amortization, depreciation and impairment of non-current assets net of reversals of impairment losses	184	4	175	6	140	7
» Changes in pension provisions and other non-current provisions [1]	−31	–	−22	−1	19	1
» Adjustment of material non-cash and extraordinary cash-effective income and expenses	−54	−1	29	1	79	4
Cash flows before income taxes [2]	**668**	**16**	506	17	76	4
Cash flows from operating activities	**519**		476		102	
Cash flows from investing activities	**−174**		−116		−139	
Cash flows from financing activities	**−767**		−103		154	
Total assets	**4,438**	**100**	3,774	100	3,447	100
Property, plant and equipment	**751**	**17**	496	13	537	16
» Capital expenditures	164		53		80	
» Depreciation	122		96		95	
Inventories	**948**	**21**	727	19	770	22
Equity	**1,221**	**28**	1,258	33	1,004	29
Net liquidity [3]	**397**		884		478	
Employees as of 30 September	**24,192**		12,971		12,872	
» Germany	10,081		8,292		8,307	
» Other countries	14,111		4,679		4,565	

[1] Adjusted for the amounts allocated to the CTA in Germany and to plan assets outside Germany

[2] Calculated with reference to the recommendation of DVFA–Society of Investment Professionals in Germany/Schmalenbach-Gesellschaft

[3] Cash and cash equivalents plus securities and fixed-term deposits less loans payable

The Carl Zeiss Group
Business Groups

Semiconductor Manufacturing Technology
More than half of all microchips around the world are made with optics from Carl Zeiss. Carl Zeiss is the market leader in lithography optics – the basic technology required for microchip production. Carl Zeiss plays a key role in making microchips increasingly smaller, powerful and affordable.

Industrial Metrology
Measuring solutions from Carl Zeiss are used to make various components – from micro and macro parts, up to large ship engines and wind turbines – more robust, safer and more energy efficient. Industrial measuring technology from Carl Zeiss ensures maximum standards of quality wherever high precision is a must.

Microscopy
Carl Zeiss develops and distributes innovative microscope systems for biomedical research and materials inspection. They enable researchers to observe even the tiniest structures and processes in living organisms, and thus gain key insights and the new knowledge.

Medical Technology
Medical systems from Carl Zeiss are used in ophthalmology, neurosurgery, and ear, nose and throat surgery. Office-based doctors also put their trust in the know-how of Carl Zeiss. Diagnostic and therapy systems help healthcare professionals achieve better treatment outcomes.

Vision Care
Carl Zeiss stands for optimal visual comfort: the company develops and manufactures innovative eyeglass lenses and systems for vision testing. Carl Zeiss is the world number two in the eyeglass lens market.

Consumer Optics / Optronics
Carl Zeiss brings the night sky to planetariums and breathtakingly crisp images to the silver screen. Binoculars and spotting scopes visualize the fascinating details of nature while optoelectronic solutions from Carl Zeiss ensure greater safety and security.

Table of Contents

01 These are the moments we work for.

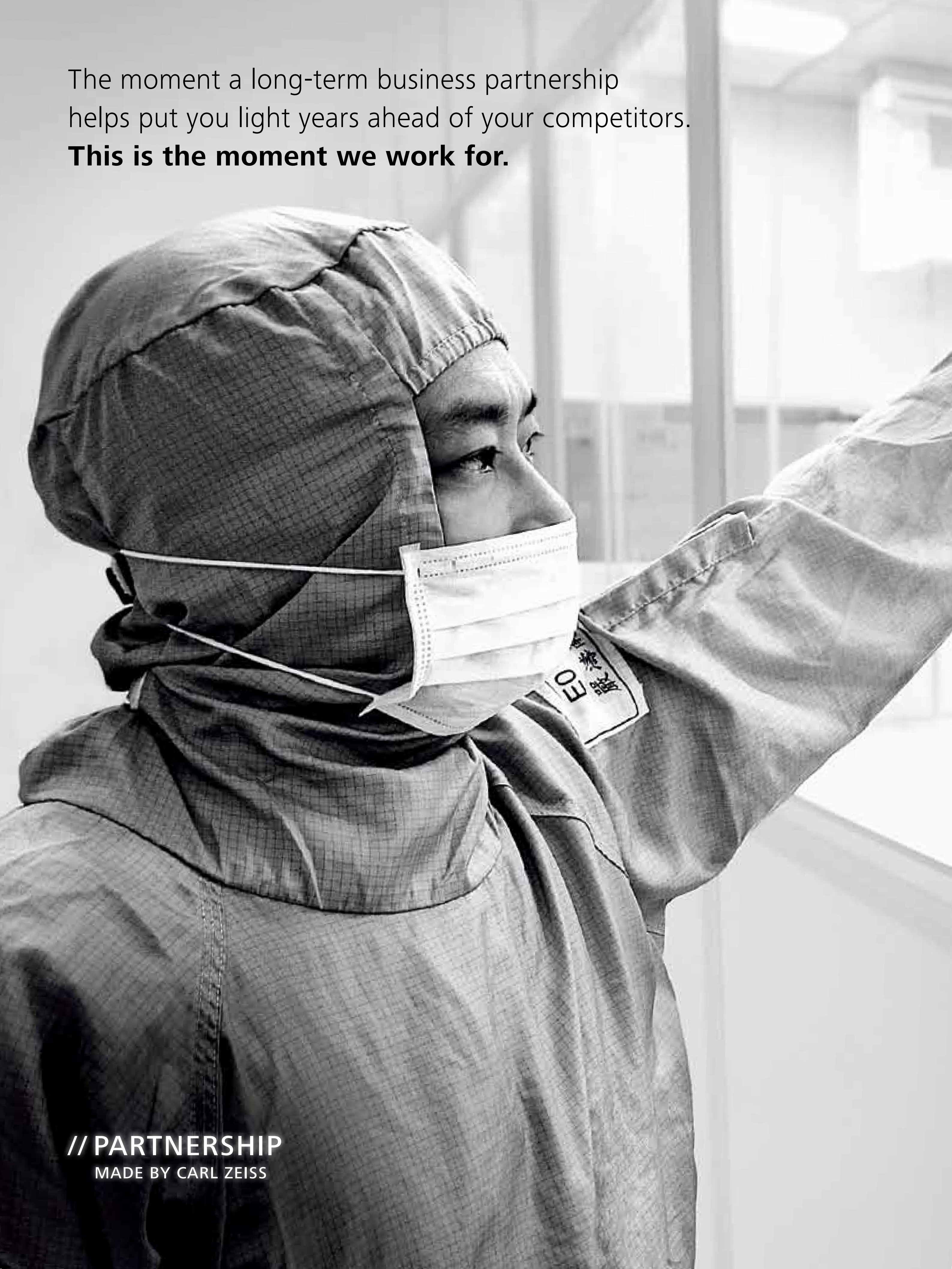
02 Foreword

03 Business Groups

04 From the Group

05 Group management report

06 Consolidated financial statements


The moment a long-term business partnership
helps put you light years ahead of your competitors.
This is the moment we work for.
// PARTNERSHIP
MADE BY CARL ZEISS

»We view Carl Zeiss as a partner in our quest for success. From generation to generation, we expect Carl Zeiss to be part of our technology solution.«

What advances are TSMC chips achieving in specific industries?
Dr. Anthony Yen: TSMC provides semiconductor chip technology for three sectors: the computing industry, the communications industry and the consumer industry. The chips we manufacture help add more functionality to well-known global brands for tablet PCs, smartphones and other hand-held devices. TSMC makes it possible for chip designers to use our chips to pack more functionality into their products. We work very closely with them to make that possible. For example, quite a few leading-edge chip makers are customers of our advanced 28 nm process offering – Altera Corporation, Qualcomm and AMD just to name a few.

Can you describe the moment when TSMC put the 193 nanometer technology into high production?
— 193 nm lithography technology was adopted by TSMC in the early 2000s. We started with the first-generation ASML PAS 5500/900 scanner, enabled by the ZEISS Starlith 900 lens. Of course, as we put this technology into high-volume manufacturing, we had to tackle various issues associated with such a deep-ultraviolet wavelength that we hadn't experienced before. Here, too, we were able to work closely with Carl Zeiss to overcome this challenge.

You mentioned that Carl Zeiss is a partner, not just a vendor. What do you mean by that?
— Carl Zeiss is a German company, and the Germans are serious people regarding technology. Carl Zeiss is not focused on short-term profit. The company is committed to standing side by side with us to develop our semiconductor ecosystem.

We view Carl Zeiss not just as a vendor, but as a partner in our quest for success. From generation to generation, we expect them to be part of our technology solution. For example, Carl Zeiss became an important supplier to the photomask industry with their e-beam mask repair tool introduction several years ago. TSMC was an early adopter of this repair tool technology, which was key in helping us develop advanced mask repair technology. So we don't really work with Carl Zeiss in a vendor-customer relationship. They are our upstream partner.

Our extensive collaboration with Carl Zeiss allows us to focus on manufacturing – our core expertise, while Carl Zeiss focuses on designing and engineering optical equipment, and our design customers come up with innovative designs. All of us collaborate together to serve end customers – the companies who are putting smartphones and tablets on the market to benefit communities around the world.

TSMC and Carl Zeiss are currently collaborating on the development of extreme ultraviolet lithography (EUV), an important new technology. How is that going?
— EUV is by far the most complex technology that I have worked with. We work with Carl Zeiss directly on the photomask side: Carl Zeiss supplies us with the critical mask-making equipment we need to provide this leading-edge technology.

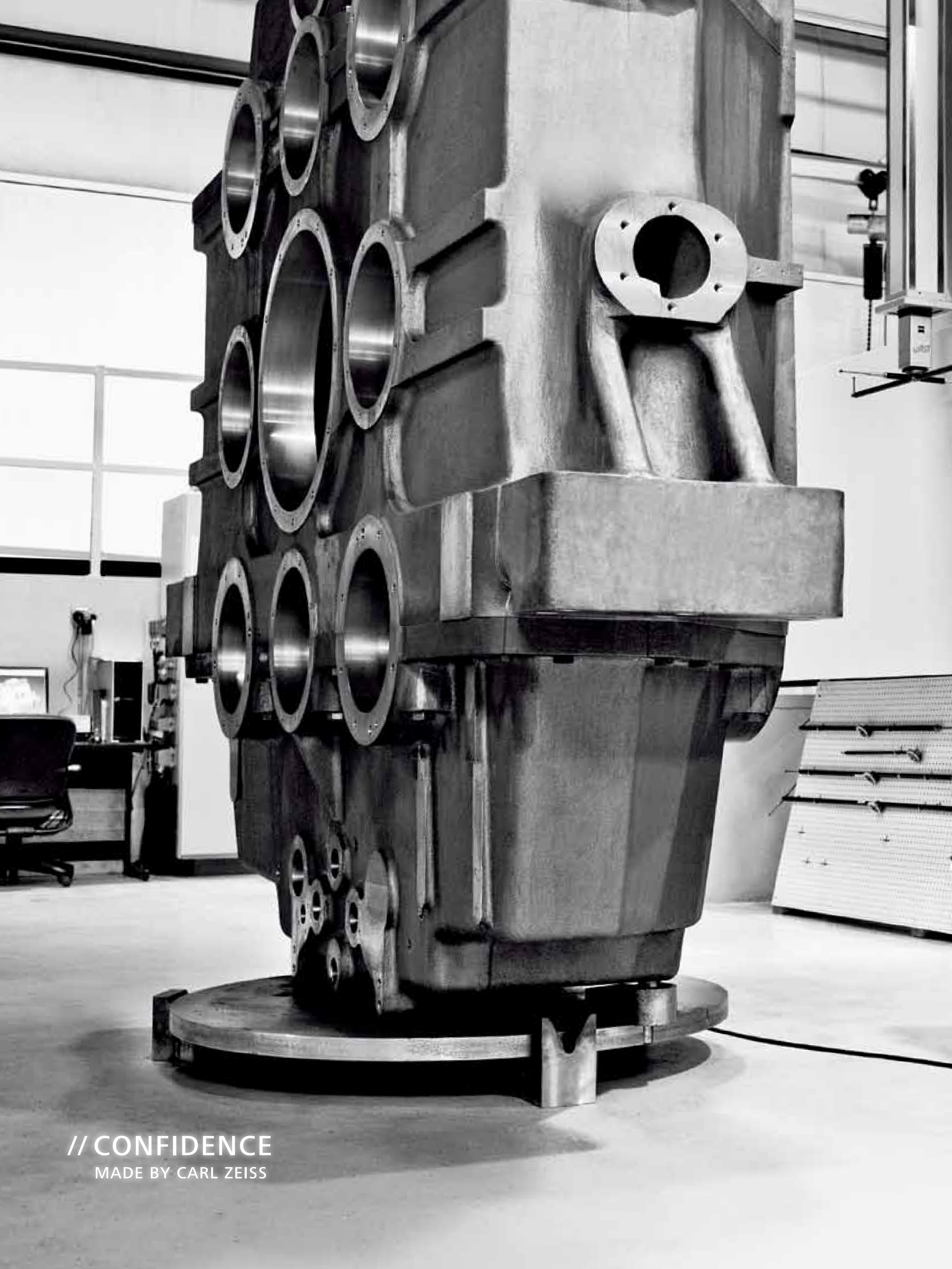
One of the major technical challenges for EUV is the light source. At the moment, we're not able to generate enough EUV light – or EUV photons – to move this technology into manufacturing processes. Obviously, this issue is critical. We need to increase EUV power by a significant amount to get this technology

ready for large-scale manufacturing. This is why ZEISS`s diverse technology portfolio is so important. Carl Zeiss is already doing excellent work in supplying the optics side of this technology and is also providing technology and collaborative efforts at several other points along the supply chain. To make EUV technology a true success, I am convinced more ZEISS technology will need to go into future exposure systems – making Carl Zeiss a crucial partner in the quest for the success of EUV.

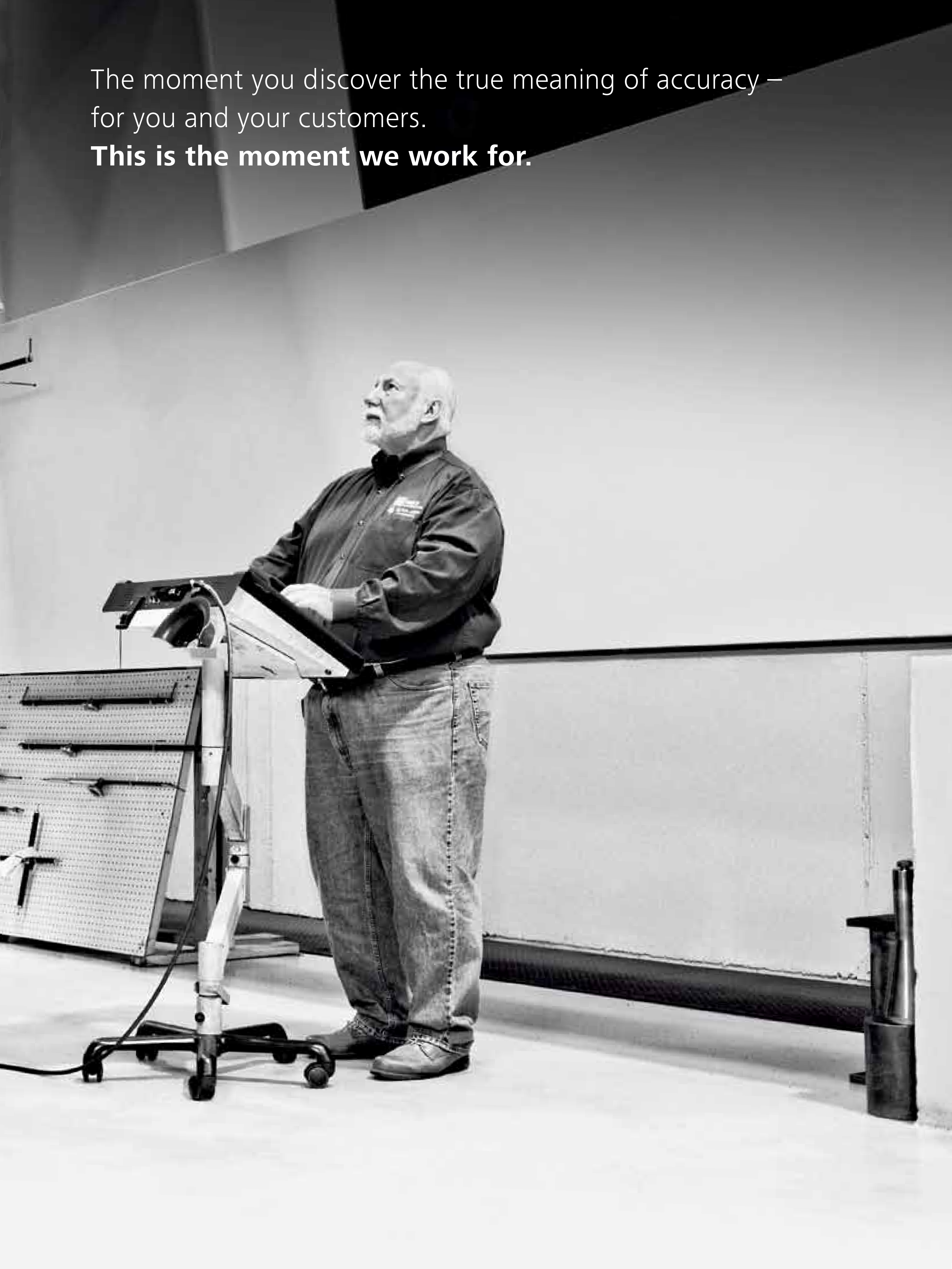
Have there been any particularly noteworthy experiences in your collaboration with Carl Zeiss that stand out over the years?

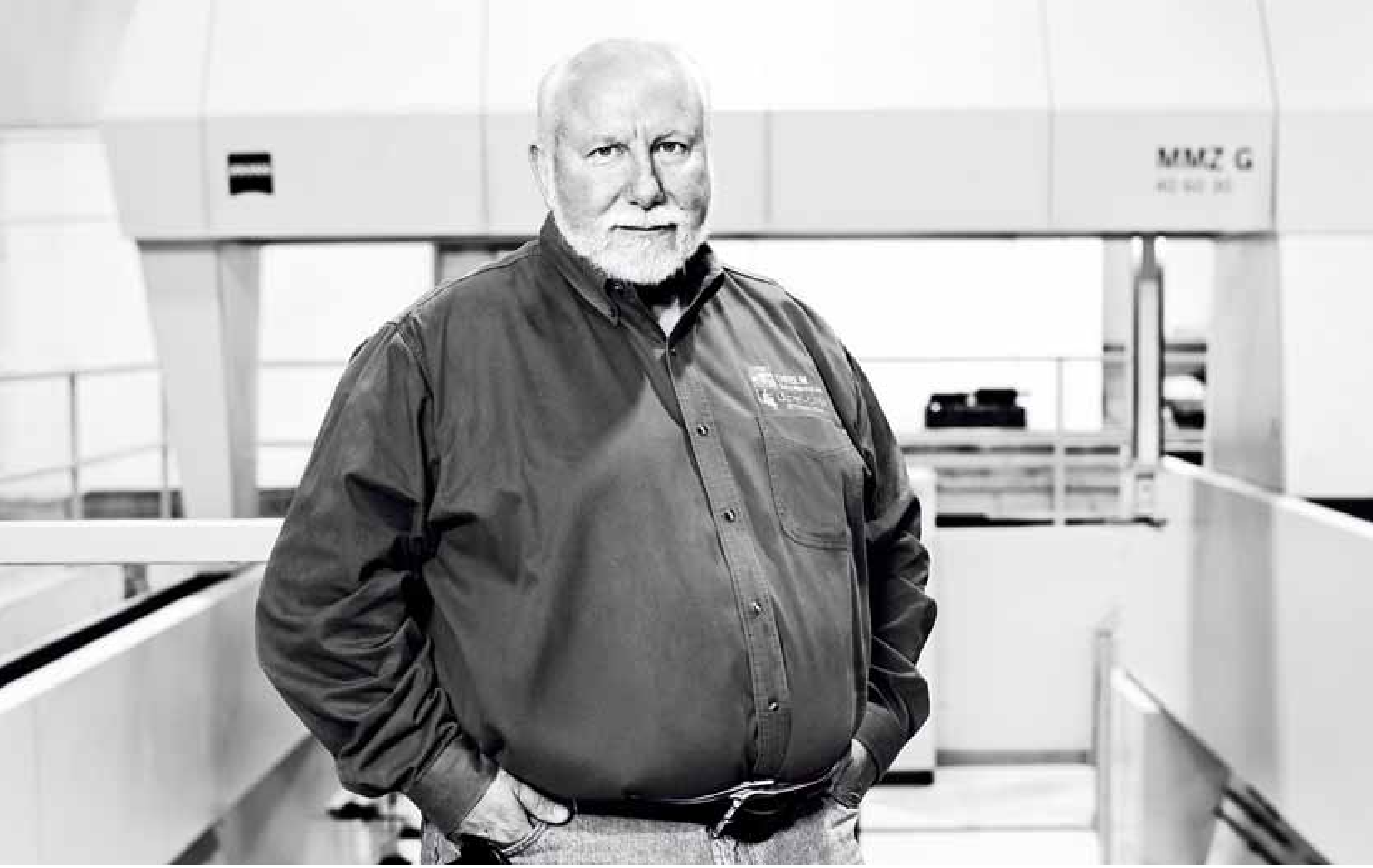
— Yes, there are, and collaboration is at the top of the list. I've been working with Carl Zeiss on the mask side for the past five years. One of the real highlights was the company's decision to establish a technology center here in Taiwan at our request. Carl Zeiss added a location in Hsinchu, just a few kilometers down the road from TSMC. Over the years, we had been buying more key equipment and more ZEISS mask-making equipment, and we needed more efficient support. Carl Zeiss responded quickly. It didn't take them long to agree to establish a local presence here. It was a powerful demonstration of the Carl Zeiss partnership and commitment to our success.

***Dr. Anthony Yen** is a director at Taiwan Semiconductor Manufacturing Company (TSMC), a leading manufacturer of semiconductor chips. Through his close partnership with Carl Zeiss, he adopts and implements leading-edge technology to stay one step ahead of his industry's short innovation curve.*


// CONFIDENCE
MADE BY CARL ZEISS

The moment you discover the true meaning of accuracy –
for you and your customers.
This is the moment we work for.





Mike Medwid is the president, owner and operator of Three-M Tool and Machine, a U.S.-based production and precision machining company. With ZEISS equipment, his successful midsized firm has quickly built a competitive edge – and diversified its business model – in the wind energy industry.

Was there a particular moment in your company's 40-year history that prompted you to begin using ZEISS equipment?

Mike Medwid: We started out in 1975 with 25 employees. We grew quickly and were able to win direct orders from major automobile manufacturers. So almost from the very beginning, our customers expected us to provide certified products – whether these were precision tooling fixtures, gages, axels, or gearboxes. We had to meet very high quality specifications and fulfill exacting customer requirements. To do this, we decided early on to use ZEISS equipment.

In our industry, it's common knowledge that Carl Zeiss is a quality milestone for coordinate measuring machines, or CMMs, and other equipment. So we didn't have to waste a lot of time looking at other equipment on the market. We went with Carl Zeiss based on the company's strong reputation.

You've often said that Three-M's first moments with Carl Zeiss equipment showed your company the true meaning of accuracy. How?

— Our first moment of truth involved measuring a part assembly for a major car company. It had to be absolutely perfect. So we measured and inspected it repeatedly from several different angles. Carl Zeiss returned the same, exact dimensions every time. With other measurement systems, that's not always the case. In fact, some systems will return two completely different measurements for the same part from the same position. That just doesn't happen with ZEISS

»With Carl Zeiss, we can measure everything we do with confidence.«

equipment. You always get the same exact results. That made us confident that ZEISS was checking accurately. It was the moment when Carl Zeiss showed us the true meaning of accuracy.

Does this greater accuracy have an impact on your operations?
— It sure does. We have much greater visibility into how we deliver against specific tolerances. So now we can meet our customers' requirements with even greater levels of confidence. Our entire shop benefits from greater quality.

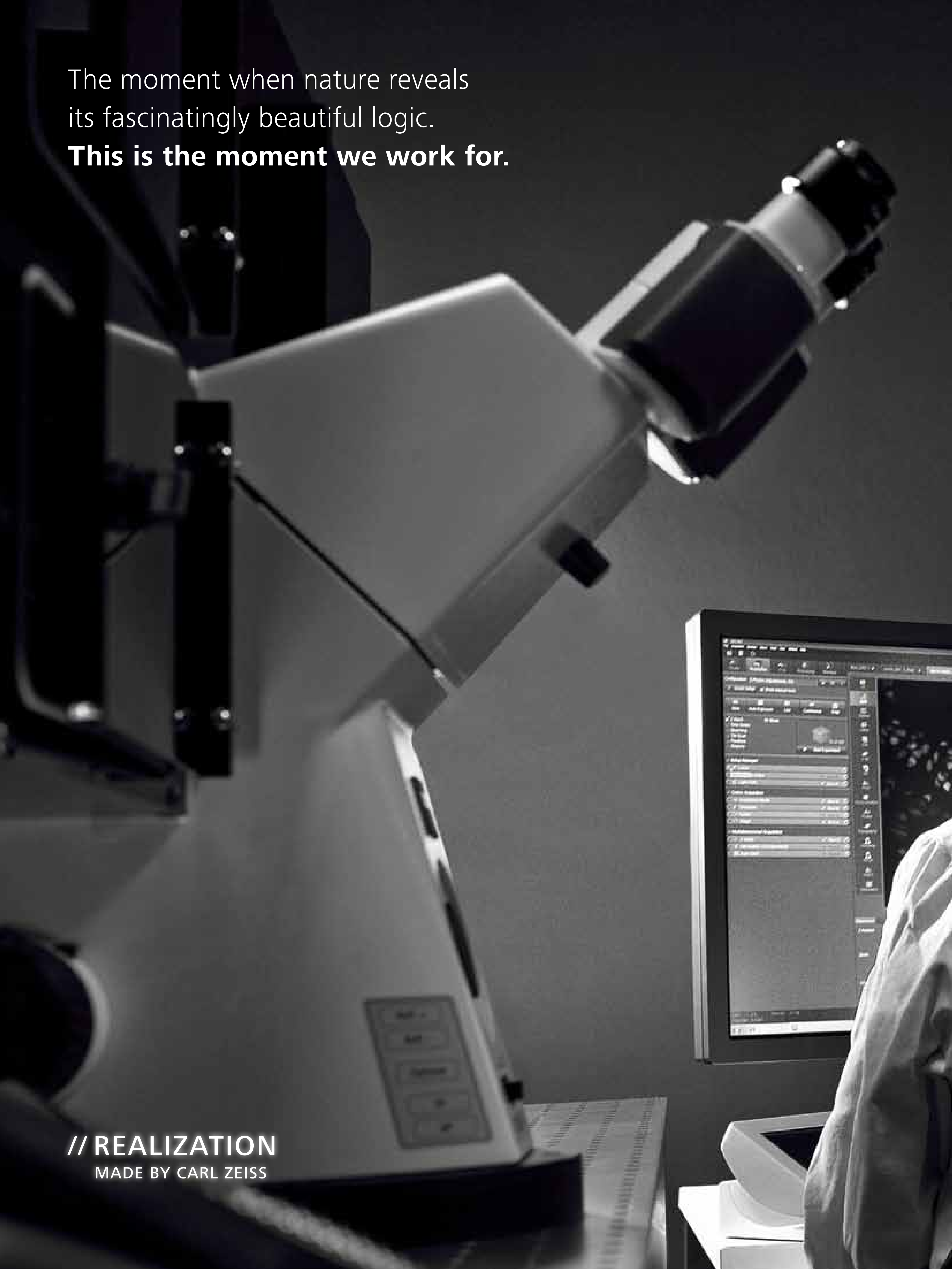
This has allowed us to open our doors up to highly desirable contracts and win new business in existing business segments – like punches and dies for major axel parts. But Carl Zeiss has also helped us expand into new industries. Because we know that with Carl Zeiss, we can measure everything we do with confidence.

Which new growth areas has Carl Zeiss helped you pursue?
— One of our new key areas is the wind energy industry. In fact, our goal is to be the very best supplier of machine prototype castings for wind turbine gearboxes. Thanks to Carl Zeiss, we're achieving that goal.

Let me give you an example. One of our newest wind energy customers recently constructed a plant exclusively to build windmill gearboxes. They began searching for a sourcing partner to produce gearbox housing prototypes and sent two people to evaluate our company. While they were out on our plant floor, they happened to spot our ZEISS CMMs. From that point on, it was a "done deal". They immediately called their boss and said they'd just found their new supplier. A representative from another top wind energy company in the U.S. also recently visited us after reviewing 25 different shops. He said that Three-M was head and shoulders above the rest.

Do you think your company's Carl Zeiss capabilities help differentiate Three-M in the minds of your customers?
— Yes. It's because our ZEISS equipment gives us a competitive advantage in both speed and accuracy. Take the example of windmill gearboxes: With Carl Zeiss, we can measure 16 gearboxes in the time we used to be able to do three. And using ZEISS equipment makes us one of only a handful of firms in the USA that can do what we do. That cuts down on our number of competitors. This is one of the reasons our company doesn't have a sales force. We get our work on repeat business. And when potential customers go to our website and see our inspection capabilities with our new Carl Zeiss equipment, they call on us.

Does your experience with Carl Zeiss give you the confidence to invest for the future?
— Definitely. Because Carl Zeiss helps us achieve greater quality, we've been able to look at wind energy. But we're also able to explore opportunities in off-road equipment and construction equipment. Quality is king. Because we consistently deliver high quality, our customers trust us. Carl Zeiss helps us give our customers not only what they're asking for, but also what they truly need. And when we make them successful, we're successful.


The moment when nature reveals
its fascinatingly beautiful logic.
This is the moment we work for.
// REALIZATION
MADE BY CARL ZEISS

»There are many fascinating moments in molecular genetics. Carl Zeiss helps our scientists capture them as they happen – day by day, second by second.«

How does Carl Zeiss help EMBL take its research further?

Dr. Christian Tischer: First, you have to understand that one important area of focus at EMBL is embryonic development – how a human develops, step by step, from an egg into a complex being. For instance, our scientists research into how molecular building blocks in the form of proteins or genetic messenger molecules – mRNAs as they're known in the scientific community – are transported within organisms. This process is crucial, for example, in building structures during embryo development – or what is known as *morphogenesis*. But as you might imagine, capturing the time sequences of these moments with living specimens is an extraordinary challenge. To observe genetic transportation processes within an organism, our scientists need excellent detection sensitivity and good optical section visualization. Otherwise, the out-of-focus light would cover up the signal they're trying to see. On top of that, these moments have to be captured at a very high image acquisition rate. Groundbreaking technologies from Carl Zeiss are ideal for conducting these types of challenging experiments.

How do you use Carl Zeiss technology to actually observe moving molecules within living specimens?

— With the Carl Zeiss LSM 780, for example, EMBL researchers can see more – and at a higher quality – than ever before. This is because the instrument's new detectors are able to capture much more light – something that was not possible until now. Under these conditions, it is now significantly easier to track the movement of structures inside living organisms and to create high-resolution, three-dimensional images. The results are very impressive. Our scientists can now produce videos that show almost the entire fish or drosophila embryo development. The Carl Zeiss LSM 780 also makes it possible to shoot high-resolution videos of a fairly long duration before the organisms die. This is crucial, because these embryos cannot live if exposed to too much light. Carl Zeiss was the first company to introduce these new detectors, and they continue to lead the market.

These images obviously have a tremendous scientific value. Do they also have personal meaning for EMBL scientists?

— The videos that EMBL scientists create with the Carl Zeiss LSM 780 are very exciting. You can see the development of living organisms – starting from just a few tiny molecules moving rapidly back and forth. These images are truly existential moments. When our researchers examine the growth of individual egg cells with real-time footage, they're able to observe the very origins of multicellular life.

Actually, developmental biology is full of incredible moments like these. And Carl Zeiss is helping our scientists watch them as they unfold – to see these organisms at increasingly deeper levels. These images show the very first moments of our existence as living beings. We begin as simple cells. Then we become more complex. We develop our head, arms and legs. And at each point during this process, our cells must develop according to their intended function. To create structures like a head or a limb, for example, signal molecules have to be transported to the right place – to special cells within the embryo. Researchers at EMBL are deeply interested in these

transport mechanisms – and in how they enable complex life forms to develop from molecules. Now they're getting a better understanding of how these processes actually occur with high-resolution 3D images. There are many fascinating moments in molecular genetics. Carl Zeiss helps our scientists capture them as they happen – day by day, second by second.

You're moving through highly complex environments at the molecular level. Do Carl Zeiss instruments give you the tools you need to navigate through them?

— Yes, one of the things that helps us navigate this world is the Carl Zeiss Efficient Navigation, or ZEN for short. It is the new Carl Zeiss user interface. It has simple, clean and interactive features that let our researchers change and adjust a large number of complex microscope settings.

And, of course, we also utilize automation functions. This makes it possible for the microscope to simultaneously record images of several different organisms over several hours. This relieves researchers from tedious, repetitive tasks and it allows them to concentrate on critical details.

***Dr. Christian Tischer** is a scientific Officer at the European Molecular Biology Laboratory (EMBL), Germany. He works in the organization's Advanced Light Microscopy Facility (ALMF) department. The ALMF works together with leading microscope manufacturers like Carl Zeiss to make state-of-the-art light microscopy systems available to researchers from EMBL as well as visitors from throughout Europe. In addition, the ALMF also provides user support for all light microscope applications.*


// CERTAINTY
MADE BY CARL ZEISS

The moment patients get the news that
their eyesight will be normal again.
This is the moment we work for.

__Professor Fang Lu__ is an associate professor of ophthalmology at West China Hospital in Western China. She uses ZEISS technology to improve and protect her patients' eyesight – and to empower a new generation of leading physicians.

Can you describe a memorable moment in which you helped restore a patient's eyesight?

Professor Fang Lu: Several moments come to mind, but one case stands out in particular. It was here that ZEISS OCT truly made a difference. A young lady with high myopia suddenly suffered from a central scotoma in one eye – a partial loss of vision or a blind spot. After a closer examination, we discovered a dense hemorrhage in the macular area. Unfortunately, conventional examination instruments and methods could not show us with any certainty what was under the blood. It could have been nothing. But it also could have been something very dangerous – like pathological new blood vessels that were causing the bleeding. With ZEISS OCT, we can really "see" the truth beneath the blood. No other examinations can help. Fortunately for this patient, ZEISS OCT showed us that there was nothing else but blood. With the evidence ZEISS OCT provided, I was able to tell the young woman with absolute confidence that she would have her vision back in two to three weeks. She did, in fact, recover very soon. Moments like this are rewarding and memorable for any physician.

Do you feel that ZEISS OCT technology is creating an impact on the ophthalmology community?

— Definitely. By providing more certainty, by enabling more precise communication. After all, a picture is worth a thousand words. Look at it this way: Two surgeons from different

»With ZEISS OCT, I can tell patients whether they're going to have normal eyesight again with certainty and within seconds. This is the reassurance that patients and their families deeply appreciate.«

countries can observe and describe hemorrhaging or changes in color in their own languages. But the actual image in their minds will always differ. ZEISS OCT has changed this. Now physicians from around the world can see the same image, use the same language. We can understand, for example, which layer of the retina has been affected. The images are uniting us. And by combining descriptive medical literature and OCT imaging, it will be easier to offer treatment guidelines to other practitioners – regardless of country or language.

How else does the Carl Zeiss OCT technology help you in your work?

— OCT has the ability to render the human eye in three dimensions. With previous technologies, we were only able to see two dimensions, the topography of the eye and the surface of the retina. With our ZEISS OCT instruments, we can see each level of the retina. This gives us more detailed pathology at the microscopic level. It also allows us to see past the visual "noise" caused by hemorrhage and see the tissue and structures beneath the haze – as we did with the patient I mentioned before. That is why ZEISS OCT is increasingly our first line of defense against all sorts of disease – from macular degeneration to rarer, hard-to-diagnose diseases. And because the technology is non-invasive, the patient is subjected to no risks during the exam.

What is it like to observe the human eye at the microscopic level?

— Pretty amazing. Let me tell you about a moment that I will never forget. I had just graduated from medical school and had started working at the hospital I'm working at now. Our hospital had purchased the Carl Zeiss OCT1, the first-generation OCT instrument. One day, I examined a patient with age-related macular degeneration. This kind of disease gives people an irregular elevation in the eye's core layer. It is almost as if a tree is growing out of the core layer and into the retina.

With the ZEISS OCT, I was able to take a picture of this growth. The image was amazing in and of itself. But the moment when I could actually observe this phenomenon in real time and in real images rather than just looking at a medical textbook illustration was truly fantastic.

What do you most appreciate about ZEISS OCT technology?

— The certainty it gives me. After the surgical procedure to repair a macular hole or remove an epiretinal membrane, for example, patients are understandably anxious to know if the surgery was a success. With ZEISS OCT, I can see whether or not the membrane is still there and whether or not the hole has been closed. This means that with ZEISS OCT, I can tell patients whether they're going to have normal eyesight again with certainty and within seconds. This is the kind of reassurance that patients and their families deeply appreciate.


ZEISS
ZEISS
// CLARITY
MADE BY CARL ZEISS

The moment you realize you’re living more –
because you’re seeing more.
This is the moment we work for.

»For us, it’s a very important moment when customers pick up their new pair of glasses with ZEISS lenses, put them on and say, ›It’s absolutely unbelievable. I can see so much better with these lenses!‹«

What makes a ZEISS Vision Store different from a conventional eyeglass store?

Reginaldo Ambrozio: It’s the approach. A ZEISS Vision Store educates customers about the total value of their lenses. Customers receive all of the information they need to find the very best eyeglass lenses that meet their needs. But the ZEISS store is also an architectural project. The leading-edge technology behind the ZEISS global brand is embodied in the design of this building. It’s a store with clean design, direct lighting, an exclusive customer service area and a lounge. So our customers can expect excellent service and quality the moment they walk through the door. And thanks to the ZEISS Experience concept, we can meet all of these expectations.

What led to the development of the ZEISS Vision Stores?

— Each ZEISS Vision Store operates from the same premise – in every country and across every customer segment. Carl Zeiss Vision realized that when people buy eyeglasses, they pay the least attention to the one thing that has the most impact on the quality of their vision: the lenses themselves. In a conventional store, the sales strategy is focused on the eyeglass frames. Customers typically need approximately 20 minutes to make a purchase decision: 18 minutes to choose their frames and only two minutes to pick the actual lenses. So Carl Zeiss Vision redesigned the entire decision-making environment to cast the emphasis where it most belongs – on the actual lenses themselves. In a ZEISS Vision Store, customers enjoy an educational process. They learn how important high-quality lenses are for their vision and overall quality of life. In the process, they begin to value their lenses as much as – if not more than – their frames.

How do customers react when they enter your store for the first time?

— The store concept and education model gives customers a learning experience that they have never had before. For the first time, they are actively involved in deciding which lenses they should buy, and not just which frames.

Everyone is impressed by the service and the interior design. And more than that: Since opening our first ZEISS Vision Store here in São Paulo, we’ve even noticed a significant shift in the attitude and awareness of our customers. Once we’ve fitted them with their new eyeglasses with ZEISS lenses, they immediately notice an improvement in their eyesight compared to their previous glasses. And because of the educational process they receive from our sales people, they also understand *why* the quality of their vision has improved so dramatically. That’s the moment when something “clicks”. It’s a special moment for them.

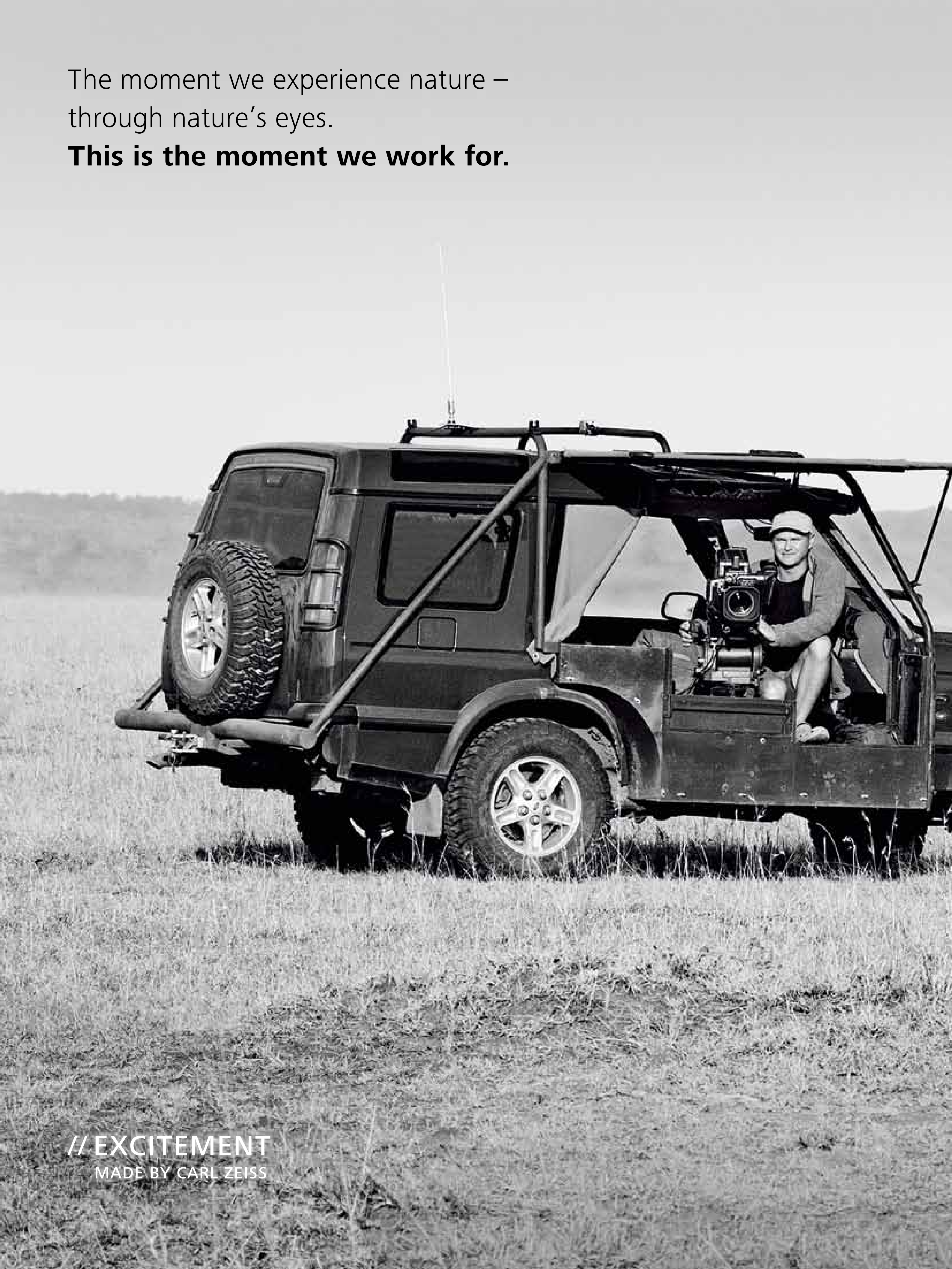
Our customers are impressed by the excellent quality of ZEISS lenses. And because of that, they join some of the few people who really know what eyeglass lenses are all about – and what they can achieve.

For us, it's a very important moment when customers pick up their new eyeglasses that have been created with ZEISS lenses. When they put them on, they consistently say, "It's absolutely unbelievable. I can see so much better with these lenses!"

In Brazil, Carl Zeiss Vision has a unique philosophy: "*Veja mais. Viva mais.*" What does "See more, live more." mean for you and your customers?

For me, it means that my customers can enjoy life more because ZEISS lenses enable them to see better. Interestingly enough, many of my customers live this philosophy without even knowing it. Thanks to their glasses with ZEISS lenses, they can see better. They not only notice an improvement in their daily lives, but they also see that high-quality lenses are very affordable.

Reginaldo Ambrozio *is the manager of the ZEISS Vision Store in São Paulo, Brazil, one of 400 ZEISS Vision Stores worldwide. He educates his customers on the importance of eyeglass lenses. And with ZEISS lenses, he helps them get maximum functionality and high-quality vision.*


The moment we experience nature –
through nature's eyes.
This is the moment we work for.
// EXCITEMENT
MADE BY CARL ZEISS

Simon King is an award-winning natural history film maker. Throughout his 30-year career, he has used ZEISS binoculars and DiaScopes to see some of nature's most beautiful, fascinating animals the way they should be seen – through the animals' eyes.

Your films and documentaries allow viewers to see nature through an animal's eyes. How do you achieve that?

Simon King: I bring viewers into the field with me. I help them live, breathe and smell the environments in which animals really live. When I watch animals on video, I am just observing. When I see them through a Carl Zeiss lens, it's the real deal. I'm having a first-hand experience.

Many of the animals I've observed I've actually known for many years. Animals have unique markings that help us identify them. Otters have markings on the necks. Lions have unique whisker spots on their noses. It's an incredible moment when you're looking through a set of binoculars or a DiaScope and catch sight of an old friend off in the distance.

That's one of the reasons that binoculars are such powerful tools. They can help me get to know an animal and make a personal connection. That way, I can recognize that person again – sometimes even years later.

You have experienced first-hand how a cheetah's eyesight is several times better than a human's.
Can binoculars help people see from a cheetah's perspective?

— Binoculars extend the range of what we're able to see, and they fill in detail over long distances. So yes, they bring us closer to the cheetah's experience. They reveal dramatic events and details that are invisible to the human eye. But actually,

»When I watch animals on video, I am just observing. When I see them through a Carl Zeiss lens, it's the real deal. I'm having a first-hand experience.«

we humans are all born with a fairly good sense of sight. I think that life in modern society has, in a way, dulled our senses. Binoculars also give us a way to liven up those senses – to become more aware of the environment and the world in which we live. By viewing details that we often overlook in our everyday lives, we can create moments in which we're more fully conscious. We can develop a deeper sense of perception. We can learn to truly see.

You have documented many memorable moments during your work in the Shetland Islands. How did binoculars support your work there?

— In a beautiful place like the Shetland Islands, binoculars are an essential part of my equipment. Using binoculars has become second nature to me. I'd feel naked without them.

Observing otters is a good example. Binoculars allow you to see so much detail that you'd otherwise miss. You're able to capture spectacular moments. You can watch the otters as they sunbathe on the rocks, or from a distance as they glide effortlessly through the water. These are moments that you cannot experience when you're physically too close to them. Otters have a very good sense of smell. A human scent will often drive them away. Binoculars help you enjoy special moments in their lives while keeping your distance.

Observing marine animals like orca whales is particularly challenging. How do you reveal those hard-to-get moments?

— Binoculars are indispensable for watching orca whales. These creatures move quickly and unpredictably, and it's fairly difficult to spot them in the open sea. So you have to be extremely patient, sometimes for several hours on end. And then the moment you've been waiting for unfolds on the horizon. Suddenly you get this dramatic view of the whale's dorsal fin coming out of the water. And then it disappears as fast as it came. It is a very rewarding moment.

Looking back on your many years of animal observation, what special insights have you gained?

— One of the most important things each of us can do is to observe important natural events without disturbing nature itself. Binoculars and DiaScopes allow us to achieve that. This is all the more important at a time when humans are encroaching upon nature and wildlife. We have to continue to reduce the unsustainable impact that our consumption is having on animal habitats and the environment as a whole.

By recognizing nature's richness, we can work even better to protect it. This is critical for a sustainable future. Animals have taught us an incredible amount of information about the world in which we live. They still have much to teach us. We just have to stop, look and listen. I've been using Carl Zeiss binoculars to do that for over 40 years. And they continue to reveal new information and deeper insights into animals, nature and the environment.

Foreword of the Executive Board

Ladies and Gentlemen,
Dear Friends of Carl Zeiss,

We are extraordinarily delighted that Carl Zeiss generated revenue of more than EUR 4b for the very first time in fiscal 2010/11. Earnings and equity are also at a high level.

The balance sheet reflects not only organic growth, but also the full consolidation of the business of eyeglass manufacturer Carl Zeiss Vision which has been part of the Carl Zeiss Group since the beginning of fiscal 2010/11. We have made good progress in the integration process during the reporting period.

Our special thanks for the success achieved in fiscal 2010/11 go to our workforce: our approx. 24,000 employees have performed at an outstanding level. We have ensured that they have benefited from the company's success.

As an enterprise belonging to the Carl Zeiss Foundation, we pursue our goal of achieving sustained growth with vision and farsightedness. To achieve this objective, we launched long-term investment projects during the reporting year. Carl Zeiss is expanding its research, distribution and production capacities. At the company's headquarters, for example, we are expanding the production and development facilities of the factory for semiconductor manufacturing technology to create the space required for a new, future-oriented technology – Extreme Ultra Violet (EUV) lithography. This will enable a new leap in technology in the microchip industry.

We are also investing in the expansion of our international sites: in India we opened a new Application and Research Center for the Medical Technology business group in the first half of the fiscal year. In China an Innovation Center for the Industrial Metrology, Medical Technology and Microscopy business groups commenced operations.

With the corporate-wide, intensive dialog with customers, managers and employees launched in 2011, we have laid the foundation for the future. Many ideas and suggestions have been incorporated in mid-term planning which the Executive Board discussed and adopted with the Carl Zeiss executive team. Through the implementation of this strategy program, the Carl Zeiss Agenda 2016, we will make the company more modern, global and dynamic in the years ahead and therefore create a solid basis for substantial long-term and sustained growth.

Government initiatives in various states and strong investments by industry that had been deferred during the global economic crisis continued to sustain the global economy in the fiscal year just ended. However, this effect is wearing off. We expect increasing volatility over the mid and long terms. Unfortunately, the downward trend in government spending and the situation on the financial markets give little cause for optimism.

Dr. Michael Kaschke
President and CEO

Medical Technology
Microscopy
Vision Care
Strategic Development
Corporate Communications
Corporate Human Resources
Asia/Pacific

Dr. Hermann Gerlinger
Member of the Executive Board

Semiconductor Manufacturing Technology
Industrial Metrology
Corporate Research and Technology
Integrated Management System
Corporate Security
Production
Global Supply Chain
Americas

Thomas Spitzenpfeil
Member of the Executive Board

Consumer Optics/Optronics
Corporate Finance/Controlling
Information Technology
Auditing/Risk Management
Legal and Patents
Customer Relationship Excellence
Financial Services
Financial Accounting Center
Business Services & Infrastructure
Europe and Africa

For Carl Zeiss, we do not expect that it will be possible to directly continue in fiscal 2011/12 the strong growth generated over the past two years. Nevertheless, we aim to achieve sustained growth going forward. As a portfolio company and thanks to our broad international footprint, we are well prepared for changing conditions on the markets. This allows us to look to the future with confidence.

Together with our partners, we and our workforce of around 24,000 employees at Carl Zeiss look forward to successfully finding further innovative solutions to the challenges of tomorrow. For Carl Zeiss and its customers, these are always very special moments. These are the moments we work for.

Oberkochen, December 2011

Dr. Michael Kaschke
President and CEO

Dr. Hermann Gerlinger
Member of the Executive Board

Thomas Spitzenpfeil
Member of the Executive Board

Report of the Supervisory Board

Ladies and Gentlemen,

In the just ended fiscal year 2010/11, the Supervisory Board performed the duties entrusted to it in accordance with the law and the articles of association with great diligence. We regularly monitored the Executive Board in the management of the company and provided advice and support on the strategic further development of the company and significant individual projects. The Supervisory Board was involved in all decisions of importance to the company. The Executive Board provided us both in writing and orally with regular, prompt and comprehensive information about corporate planning and development, the course of business, the risk situation and risk management. All important business transactions were discussed in plenary sessions. The Supervisory Board and its committees were also in regular contact with the Executive Board outside the meetings of the Supervisory Board and obtained information about the current business situation and important business transactions.

The subjects discussed and debated in the plenary sessions were very diverse. Our consultations focused above all on the development of the sales, revenue and employment situation in the Group and the business groups, as well as the financial position. We also deliberated extensively in all meetings on the integration of Carl Zeiss Vision into the Carl Zeiss Group as the Vision Care business group. At the meeting of May 2011, the Supervisory Board agreed to measures to accelerate its further integration. Since Carl Zeiss AG's liabilities to banks have been significantly increased by its takeover of Carl Zeiss Vision's liabilities, we decided on a refinancing concept for Carl Zeiss AG.

At the strategy meeting in July 2011, we discussed the development prospects of the Carl Zeiss Group and the six business groups with the Executive Board. We endorsed the Executive Board's strategic agenda up to 2016. At the same meeting, the Supervisory Board approved investment projects for the further development of Extreme Ultra Violet (EUV) lithography. These include the expansion of the Semiconductor Manufacturing Technology plant in Oberkochen and investments into new production technology. EUV technology will clearly and sustainably highlight Carl Zeiss's technology leadership.

The Members of the Supervisory Board elected by the employees visited Carl Zeiss' sites in China in the summer at the invitation of the company. They obtained information on site about the Group's initiatives in this dynamically developing country. The unanimous opinion of the Supervisory Board Members after this trip was that the Chinese market shows enormous potential for Carl Zeiss. The company therefore has major opportunities to continue its growth there and thereby secure jobs in Germany at the same time.

An additional topic addressed by the Supervisory Board in the reporting period was the status of executive development within the Carl Zeiss Group. Over the past years, an integrated executive development system has been successfully built up and expanded to safeguard our focus on growth and value creation on the human resources side.

In addition to the Mediation Committee stipulated in Section 27 Paragraph 3 of the German Co-determination Act (MitbestG), the Supervisory Board formed two further committees, the Chairman's Committee and the Audit Committee. The Supervisory Board was regularly provided with information on the activities of the committees.
The Mediation Committee as defined by Article 27 Paragraph 3 of the Co-determination Act did not convene during the reporting year.

Dr. Theo Spettmann
Chairman of the Supervisory Board

The Chairman's Committee, which essentially lays the groundwork for personnel decisions, met twice during that period. During the meetings the compensation of the Executive Board Members was discussed intensively and appropriate resolutions were proposed to the full Supervisory Board.

The Audit Committee met three times to discuss the key issues of the annual audit and to place the audit assignment with the auditor. This committee also reviewed the annual and consolidated financial statements of Carl Zeiss AG. Furthermore, the Audit Committee evaluated the efficacy of the risk management system and dealt with the topics of compliance and internal auditing within the Carl Zeiss Group.

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor appointed by the shareholders' meeting, audited the annual financial statements of Carl Zeiss AG and the consolidated financial statements of the Carl Zeiss Group, including the management reports, and issued an unqualified auditor's report in each case. The Supervisory Board Members received all papers and reports for the annual financial statements in good time. The auditor took part in the meeting of the Audit Committee on 12 December 2011 and in the meeting of the Supervisory Board on 19 January 2012 and reported on the material results of the audit.

After itself examining the documents, the Supervisory Board approved the auditor's results and endorsed the financial statements of Carl Zeiss AG and the consolidated financial statements of the Carl Zeiss Group prepared by the Executive Board at the meeting of 19 January 2012. The annual financial statements have therefore been adopted. The Executive Board's proposal for the use of the net income with the payment of a dividend of EUR 20m to the sole shareholder, the Carl Zeiss Foundation, was approved.

The then President and Chief Executive Officer Dr. Dieter Kurz left the company at the end of the first quarter of fiscal year 2010/11. He worked at Carl Zeiss for more than 30 years, including twelve as a Member of the Executive Board. His successor as President and Chief Executive Officer as of January 2011 is Dr. Michael Kaschke, who has been a Member of the Executive Board since 2000. This transition started with the end of fiscal year 2009/10, went smoothly and ensures the continuity of Carl Zeiss's successful strategy.

The Supervisory Board would like to thank all employees of the Carl Zeiss Group, employee representatives and the Executive Board for their performance and commitment in fiscal year 2010/11.

Oberkochen, January 2012
The Supervisory Board

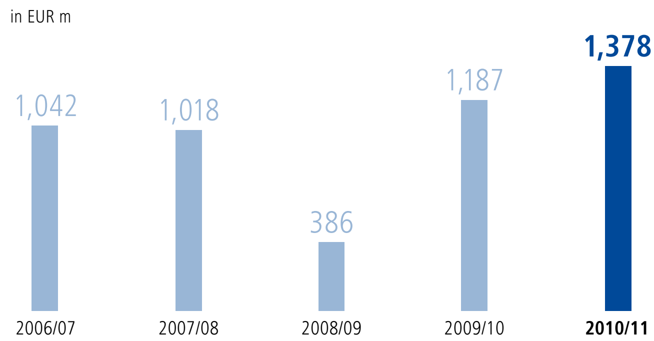
Dr. Theo Spettmann
Chairman

03 Business Groups

Business Group
Semiconductor Manufacturing Technology

In fiscal 2010/11 the Semiconductor Manufacturing Technology business group showed a very positive development and once again posted a very high level of revenue. The business group made very good progress in the ongoing development of the new technology called EUV lithography.

Revenue



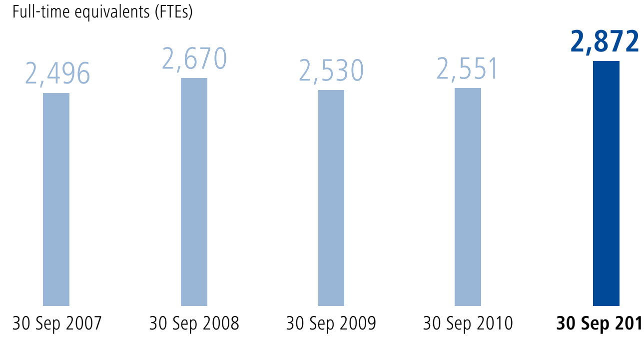
In fiscal 2010/11 the Semiconductor Manufacturing Technology business group recorded revenue totaling EUR 1.378b, clearly surpassing the figure reported in the prior year. This corresponded to an increase of EUR 191m (16 percent) (prior year: EUR 1.187b). As of the reporting date, 2,872 employees (full-time equivalents) were working for the business group around the globe (prior year: 2,551).

Major progress made in EUV lithography

In fiscal 2010/11 the Semiconductor Manufacturing Technology business group continued with the development of Extreme Ultra Violet (EUV) lithography. To date, Carl Zeiss has delivered a total of seven optical systems for pre-production tools to strategic partner ASML. The Dutch company is the leading manufacturer of optical lithography systems. Carl Zeiss is the sole supplier of lithography optics to ASML. Carl Zeiss and ASML are working together intensively on the first EUV lithography system for the volume production of microchips.

Employees

Full-time equivalents (FTEs)



Further increase in revenue in the lithography business

The Lithography Optics division clearly surpassed the revenue figure recorded in the prior year. The reporting year saw a continuation of the positive trend in business with the *Starlith 19xxi* system: this is the biggest selling product from Carl Zeiss. Overall, the division has produced several hundred of these systems which are used as immersion optics at 193 nanometers. There was also a high level of demand for Deep Ultra Violet (DUV) (248 nanometers) systems.

Further expansion of business with laser components

The strong demand on the semiconductor market had a positive impact on the Laser Optics division, resulting in an increase in sales. New products were well received by the market: sales success was achieved in the still young business with optical modules used for the production of flat panel monitors. The Laser Optics division is also working on the future-oriented subject of EUV: it succeeded in enhancing the EUV collector during the reporting year. This optimized, central component improves the performance of the light source for EUV lithography. Sales in the core business with lithography lasers and wafer inspection systems were increased both through existing products and through the market introduction of product innovations.

Strong demand for photomask repair systems

The business with systems for the manufacture, testing, repair and optimization of photomasks for semiconductor production continued to display a positive development. The Semiconductor Metrology Systems division posted a large number of incoming orders and a high level of revenue, and expanded its position as market leader. The demand for the *MeRiT® HR* mask repair system and the new *PROVE™* mask metrology system was particularly high.

The demand for photomask analysis capabilities in EUV lithography is increasing: in June 2011 four of the semiconductor manufacturers belonging to the SEMATECH consortium signed an agreement for the development of the first prototype of the *AIMS™ EUV* analysis system.

Integration of electron microscopy into Microscopy business group

A clear growth trend is evident in the Nano Technology Systems division, particularly in the German and Chinese markets. At the beginning of fiscal 2011/12 the business with electron and ion microscopes is being integrated into the Microscopy business group in order to leverage synergies. This makes Carl Zeiss the only one-stop supplier of these microscope technologies.

Outlook

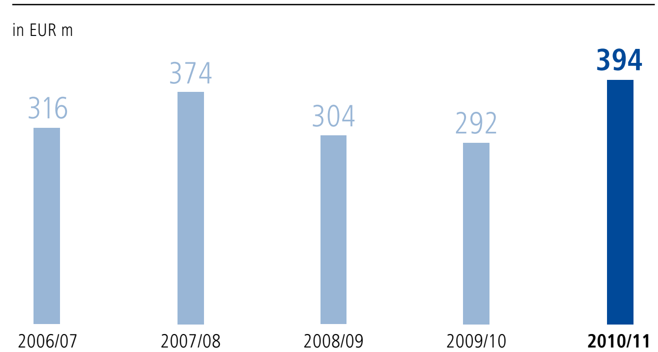
The business group recorded a downturn in demand toward the end of the fiscal year. Carl Zeiss is very familiar with the volatility of the semiconductor market from past experience and has positioned itself with the flexibility required to address this phenomenon. To further drive the development of EUV lithography, Carl Zeiss is investing in the expansion of the development and manufacturing facilities and in new production technologies – a further step in preparation for future market requirements.

Business Group
Industrial Metrology

The Industrial Metrology business group ended fiscal 2010/11 with revenue totaling EUR 394m. The business group generates around 30 percent of revenue with customer services, for which it operates an international network of service staff and measuring houses offering contract measurements.

The Industrial Metrology business group completed fiscal 2010/11 with an increase in revenue of 35 percent. Revenue totaled EUR 394m – EUR 102m more than the prior year (EUR 292m). At the end of the fiscal year on 30 September 2011, 1,996 employees (full-time equivalents) were working for the business group around the globe (prior year: 1,765).

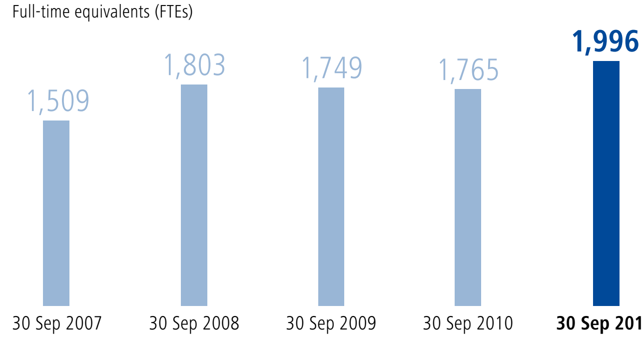
Revenue



The reporting period was the most successful year ever for Carl Zeiss Industrial Metrology. During the global economic crisis, the impact of which was clearly felt by the business group, a process of consolidation took place on the industrial metrology markets. During this phase the business group continued to invest in product developments and retained its employees. As a result, it was able to make rapid use of the growth opportunities offered again when demand started to increase.

Employees

Full-time equivalents (FTEs)



Growth in all regions

In rapidly developing economies – like China, for example – Industrial Metrology gained additional market share and reported a clear upturn in revenue. A very positive trend in business was also observed in Europe and North America. The generally favorable economic climate and the global upswing in the automotive sector and its supplier industries were the key drivers of growth.

Best service directly on site

With production sites in Shanghai, China, Minneapolis, USA, and Oberkochen, Germany, the Industrial Metrology business group is represented in important markets. In addition, the business group has an international network of service staff and measuring houses. Industrial Metrology generates approximately 30 percent of its revenue with customer services. In addition to traditional services such as machine maintenance, Carl Zeiss also offers contract measurements and programming.

DuraMax® defines new standard

With the *DuraMax®* coordinate measuring machine, Carl Zeiss has defined a new machine class: *DuraMax®* has firmly established scanning-based quality inspection in the entry level class. The compact measuring machine has been specially designed for use in a shop floor environment: this means that *DuraMax®* can be directly positioned in the production area and multiple workpieces measured in one run. This saves time and money because the workpieces no longer need to be transported, and a special, separate measuring lab is no longer required.

Quality management in real time

The amount of data produced as a result of increasing automation levels in production is constantly increasing. With *PiWEB®*, the Industrial Metrology business group offers a web-based quality data management system. The software system constantly checks the current measured data against the specified tolerances and therefore monitors and documents the entire production process. Leading car manufacturers use *PiWEB®* to monitor their production processes in real time.

Increased demand for large machines

The reporting period saw an increase in the demand for the large measuring systems used in the energy and aerospace industries. These systems are used, for example, to test the quality of large wind turbine components. In this way, Carl Zeiss is playing its part in increasing the efficiency of these systems.

Outlook

The long-term and global growth drivers for the company's industrial metrology business continue to apply. This includes the development in Brazil, Russia, India and China. The importance of quality inspection will continue to grow in these rapidly developing economies. This will result in further growth opportunities for the Industrial Metrology business group.

Business Group
Microscopy

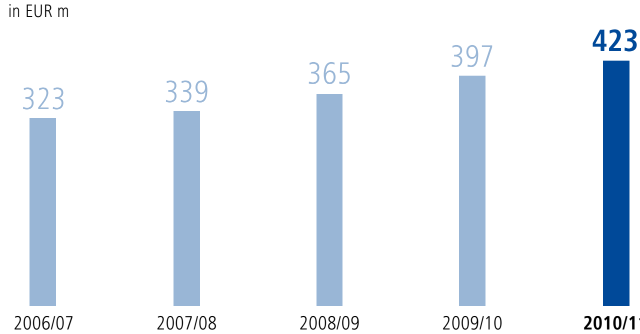
In fiscal 2010/11 the Microscopy business group generated revenue totaling EUR 423m. The business group achieved particularly strong growth in Asia and Latin America. Carl Zeiss Microscopy also reported a clear gain in market share in Europe. The business with microscope systems for materials research showed a particularly positive trend.

In the reporting period revenue in the Microscopy business group totaled EUR 423m. This corresponds to an increase of EUR 26m – or seven percent – over the prior year (EUR 397m). As of the reporting date, 1,864 employees (full-time equivalents) were working for the business group around the globe (prior year: 1,720).

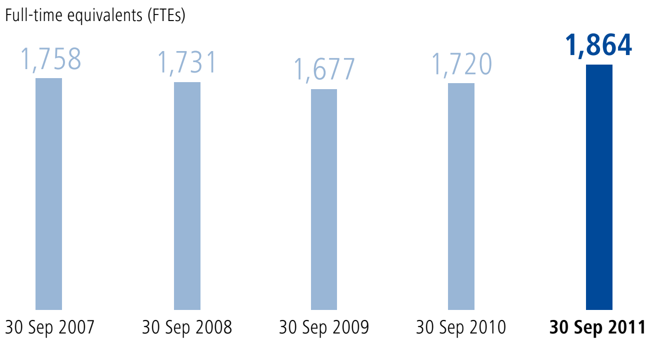
During the reporting period Carl Zeiss Microscopy won additional market share in almost all markets – both with microscopes for biomedical research and with systems for materials microscopy in industry. The business group achieved particularly strong growth in Latin America, Asia and Europe. A stable trend was observed in the North American market.

Revenue

in EUR m



Employees



Super-resolution well received by market

The *ELYRA®* super-resolution microscopes launched at the beginning of fiscal 2009/10 have been well received by customers. To meet the high level of demand, the business group set up a further production line for these microscopes during the reporting year.

These super-resolution systems open up a totally new dimension in basic biomedical research, allowing precise examination of biological processes down to the macromolecular level. *ELYRA®* microscope systems enable resolution of down to 20 nanometers compared to the 250 nanometers of traditional light microscopes.

Driver for materials microscopy: dwindling resources

In the field of materials microscopy Carl Zeiss benefited from the overall positive trend evident in the industrial sector and achieved further growth in fiscal 2010/11. The company is investing in the development of innovative products and solutions in this area on an ongoing basis.

A key driver for materials research is the global shortage of resources. Carl Zeiss microscope systems are used, for example, to conduct research into new materials for energy storage and to examine rock samples for raw material deposits.

Link now forged between light and electron microscopy

Correlative microscopy, the bridge between electron and light microscopy, showed a very positive development during the reporting period. Both electron and light microscopes are used, in particular, for quality inspection processes in industry, e. g. to determine the purity of steel or to enhance battery designs in order to increase their storage capacities. The *Shuttle & Find* hardware and software interface enables users to quickly, automatically and precisely relocate in a second system regions of interest in a specimen that have been marked in the other system. This makes it possible, for example, to combine image information obtained in light microscopy with electron-optical element analysis.

Correlative microscopy is also encountering a high level of interest in biomedical research. For applications in life sciences, Carl Zeiss offers an initial technology platform that is being enhanced in collaboration with selected scientists.

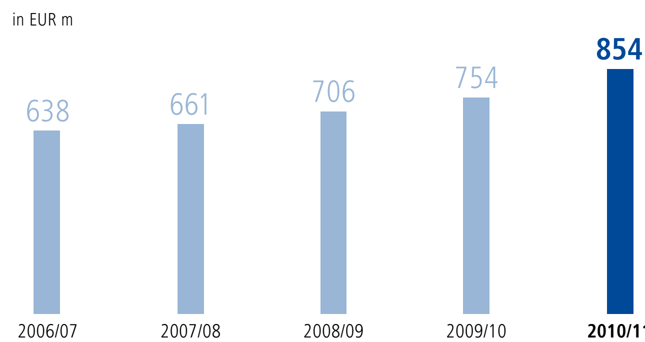
Outlook: one-stop provider for complete microscopy offering

The business with electron microscopes that formerly belonged to the Semiconductor Manufacturing Technology business group is becoming part of the Microscopy business group. The combined offering strengthens the company's market position: the fusion of the two units makes Carl Zeiss the only one-stop provider for electron and light microscopy. The sales and service areas of the two units are being combined at the beginning of fiscal 2011/12. Organizational and legal integration are due for finalization in the course of fiscal 2011/12.

Business Group
Medical Technology

The Medical Technology business group continued its positive development in the past fiscal year. Revenue increased to EUR 854m. The business group's activities are bundled under the umbrella of the TecDAX-listed company Carl Zeiss Meditec AG. Carl Zeiss AG holds a 65 percent interest in the company.

Revenue*



*The values deviate from the published figures of Carl Zeiss Meditec AG as a result of different consolidation models.

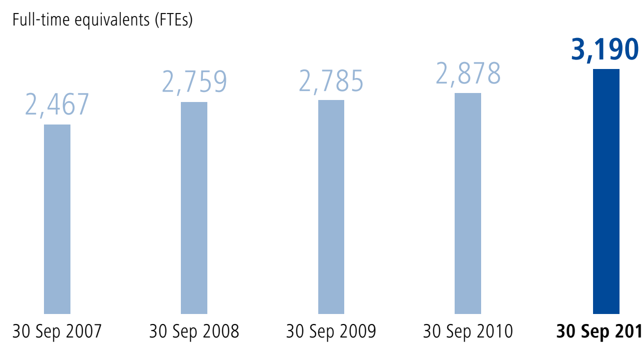
The Medical Technology business group concluded the fiscal year with revenue totaling EUR 854m (prior year: EUR 754m), an increase of 13 percent. Products from all strategic business units and all regions contributed to this improvement.

Passion for innovation – for better vision

In the field of ophthalmology, Carl Zeiss provides its customers with extensive solutions and systems for the diagnosis, management, treatment and aftercare of diseases of the eye. The product portfolio enables smooth and straightforward workflows, therefore maximizing treatment efficiency.

For small-incision cataract surgery, Carl Zeiss offers the broadest spectrum of lens implants in addition to the fluids and devices required for the surgery. The implants are supplied in cartridges that are easy to insert in the new *BLUEMIXS 180 injector*. This allows the

Employees*



*The values deviate from the published figures of Carl Zeiss Meditec AG as a result of different consolidation models.

lens to be quickly and safely implanted in the eye through a small, 1.8 millimeter incision during the procedure.

The business group has introduced the new *ReLEx® smile* technique for refractive surgery. While an excimer laser vaporizes tissue in the traditional LASIK method, femtosecond technology (*VisuMax®*) generates a small lenticle in the intact cornea and then removes it through a tiny incision measuring less than four millimeters. This enables doctors to work precisely and with a minimally invasive technique.

Pushing the boundaries of surgery
In the field of microsurgery Carl Zeiss offers not only surgical microscopes and visualization solutions for ENT and neurosurgery, but also future-oriented technologies for intraoperative radiotherapy.

The new *PENTERO® 900* surgical microscope for neurosurgery offers both an integrated, high-resolution video chain and the new *YELLOW 560™* fluorescence method that was formerly used for research purposes only. This permits surgeons to work more efficiently as the fluorescent mode now enables them to clearly see the structures marked with fluorescent dyes along with the surrounding tissue in its natural color.

The future of Medical Technology at a glance
Fundamental trends offer growth possibilities for the Medical Technology business group. The demographic trend is leading to an increasingly older global population and therefore to rising healthcare needs. In addition, patients are more willing to pay for additional medical services themselves. More and more people in the emerging markets are also gaining access to medical services: India and China already account for more than one third of the world's population. India alone has around 1.2 billion inhabitants, of whom only about 20 percent enjoy medical care. The county's economic development will lead to an increase in this figure. To utilize the opportunities that this offers, the business group is endeavoring to tailor its existing offering to the special requirements or to develop new products for these countries. In February 2011 Carl Zeiss opened the Center of Application & Research in India (CARIn). This facility will initially focus its activities on the development of ophthalmic instruments for the Asian growth markets. One example is the *VISALIS® 100*. Although this cataract treatment system was not developed in India, it specifically addresses the country's needs. It quickly became a resounding success.

With its customized, leading-edge products and efficient solutions, the business group is playing a major role in shaping progress in medical technology.

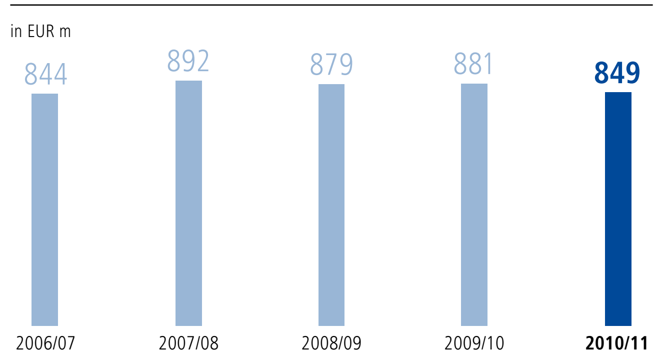
Business Group

Vision Care

The Vision Care business group, which was fully consolidated for the first time, ended fiscal 2010/11 with revenue totaling EUR 849m. By reorganizing the financing of the company Carl Zeiss Vision at the beginning of the year, Carl Zeiss laid the foundation for the full integration of the eyeglass lens business into the Carl Zeiss Group.

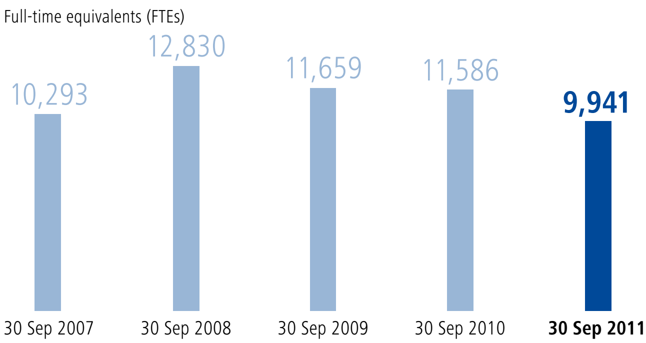
In fiscal 2010/11 the revenue generated by the Vision Care business group totaled EUR 849m. This corresponds to a decrease of four percent over the prior year (prior year: EUR 881m). This decline in revenue is primarily attributable to the sustained price pressure in the established European and North American markets and to changes in the scope of consolidation. The joint venture founded with the Indian GKB Hi-Tech Group in 2004 was dissolved and no longer consolidated during the reporting year. Carl Zeiss started manufacturing and distributing its products for the Indian market itself at the beginning of fiscal 2011/12. The Vision Care business group will take over around 30 manufacturing and distribution sites and about 300 employees from the former joint venture.

Revenue*



*Until 2009/10 Carl Zeiss Vision joint venture

Employees*



*Until 30 September 2010 Carl Zeiss Vision joint venture

In the reporting period 9,941 employees worked for the Carl Zeiss eyeglass sector around the globe (prior year: 11,586 employees).

Integration into Carl Zeiss Group makes good progress

Effective 1 October 2010, Carl Zeiss obtained the voting rights of the private equity company EQT – which had held a 50 percent interest in Carl Zeiss Vision until then – and therefore assumed 100 percent control of the world's second largest eyeglass lens provider.
From the start of fiscal 2010/11, Carl Zeiss Vision was integrated into the Carl Zeiss Group in the form of the Vision Care business group and – like the other subsidiaries – is legally and economically autonomous. During the reporting period the key milestones were achieved and the first synergies implemented in the integration process. In some countries, e. g. Japan and Australia, the local Carl Zeiss Vision distribution company was merged with the existing Carl Zeiss sales and service company.

Development of the international business

In fiscal 2010/11 the Vision Care business group showed a positive trend, particularly in rapidly developing economies like China and Latin America where, Carl Zeiss was able to win additional market share. A largely stable trend was observed in the markets of the industrialized countries.

New technology for fast, self-tinting lenses

During the reporting period Carl Zeiss introduced new, self-tinting lenses: thanks to new technology, the *PhotoFusion®* lenses react faster to changing light than self-tinting lenses previously available. This makes the constant switching between normal eyeglasses and sunglasses a thing of the past. A new technology based on patented photoactive molecules enables rapid reaction to whatever light situation the wearer encounters. When the molecules are exposed to UV radiation, they expand and darken the lenses. The stronger the UV radiation, the darker the lens becomes. The *PhotoFusion®* lenses have already been introduced in Europe and the USA and will also be marketed in Asia and Latin America in the future.

Global manufacturing network strengthened

In addition, the business group invested further in strengthening its global manufacturing network, of which the expansion of the production facilities in China and India is one example.

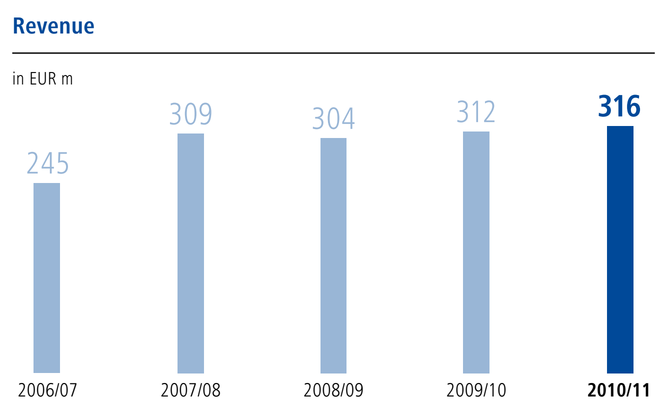
Outlook

For the ongoing development of the Vision Care business group, Carl Zeiss anticipates further growth in rapidly developing economies like India, China and Brazil. The business group will open up further growth opportunities through the ongoing expansion of the service offering and with new, innovative products introduced to mark the centennial of "ZEISS precision lenses" in 2012.

Business Group
Consumer Optics/Optronics

The Consumer Optics / Optronics business group includes the four strategic business units of Optronics, Camera Lenses, Sports Optics and Planetariums. In fiscal 2010/11 the business group generated revenue totaling EUR 316m.

The Optronics, Camera Lenses, Sports Optics and Planetariums strategic business units, which are combined in the Consumer Optics / Optronics business group, showed overall stable development in fiscal 2010/11. The business group achieved an increase in revenue of two percent over the previous year and recorded total revenue of EUR 316m (prior year: EUR 312m).

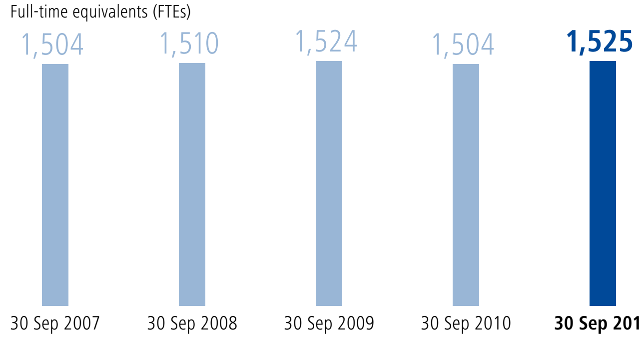


Stable business with Planetariums

The business with planetariums remained stable. With its combination of digital and analog projection systems, Carl Zeiss is well positioned on the market. During the reporting year the world's largest planetarium opened in the Japanese city of Nagoya. Carl Zeiss has installed a *UNIVERSARIUM* projector in

Employees

Full-time equivalents (FTEs)



the facility's 35 meter dome. Other planetariums equipped with ZEISS systems opened in China, Russia and India during the reporting year. In Germany the first planetarium to feature an LED projection system from Carl Zeiss was put into operation. The LED technology makes the projection of the stars brighter and more natural, while reducing energy consumption at the same time. Light-emitting diodes will be increasingly used in planetarium projectors in the future.

New Security business sector founded

The Optronics division founded the Security business sector during the reporting period. This expands the division's portfolio and takes into account the growing demand for optical security technologies. These security solutions include, for example, systems for border surveillance and for the protection of critical infrastructure.

The long-term trend toward increasing cuts in defense budgets in many states was discernible in the reporting period. The expansion of the security business and the emergence of new markets helped ensure that the volume of new business in the division remained stable.

Camera Lenses: increase in market share

The market for camera and cine lenses exhibited very favorable development during the reporting period. The Camera Lens division benefited from this trend and won additional market share all over the world – particularly in the USA and Europe. The business with interchangeable lenses for photography and movie-making was very positive. In the business with licensees such as Nokia, Sony or Logitech, the division clearly felt the impact of growing competition in the smart phone segment.

Trend creates new market

Small movie-makers, in particular, are being subjected to cost pressures. As a result, a shift in demand is evident in the market: while lenses for movie productions were often leased in the past, they are now frequently bought by the users themselves. This opens up new sales potential which the division utilized very successfully with the *Compact Prime CP.2* lens series.

Community receives award

The Camera Lens division continued to work on the expansion of its customer community. Through activities in social media channels, it has intensified its contact with customers and users. The division's social media strategy was honored with the German 2011 PR Report Award.

Technology leadership expanding

The Sports Optics division further expanded its market position in the entry level and mid-class segments. It gained additional market share in the USA, China and the Scandinavian countries in particular. The expansion of the successful *Duralyt* riflescopes in the upper middle class segment generated enormous customer interest during the reporting year. Sports Optics is working on constantly expanding its technology leadership in the market for binoculars, spotting scopes and hunting optics. One of the division's focal points of activity is the ongoing development of additional electronic functions – particularly in the premium segment.

04 From the Group

From the Group

Research and development with long-term perspective

Innovation has a long tradition at Carl Zeiss. The company has stood for innovation for more than 160 years. The research and development teams work intensively on constantly expanding the company's technology leadership. The ownership structure lays the foundation for ensuring that investments in innovations can be made with vision and a long-term perspective.

Carl Zeiss generates around half its revenue with products that are not older than three years. To further expand the company's technologically leading position in a wide variety of sectors, the Carl Zeiss Group constantly invests in research and development: in fiscal 2010/11 Carl Zeiss used eight percent of revenue – the equivalent of EUR 359m (prior year: EUR 291m) – for this purpose. Overall, around ten percent of employees work in the research and development areas of the Carl Zeiss Group.

Farsighted investments possible

The six Carl Zeiss business groups hold leading positions in their respective markets, where their technological lead is of decisive importance. The company's ownership structure provides the necessary scope for investment: the Carl Zeiss Foundation (Carl Zeiss Stiftung) is the sole owner of the company. This makes Carl Zeiss independent and provides the necessary latitude for the company to invest with vision and a long-term perspective.

Optical performance is key

This is well illustrated by the example of microchip miniaturization: one of the most technologically advanced and innovative areas of Carl Zeiss is lithography optics, the basic technology used for the production of microchips. The lithography process is a key aspect of microchip fabrication, where the performance of the optical system plays a decisive role. It has the task of delivering a 100 percent aberration-free, reduced image of the mask structure on the wafer.

The driver of the chip industry is Moore's law, which states that the number of transistors on a chip doubles roughly every two years. The law that Gordon Moore, co-founder of Intel, formulated back in 1965 has been valid for more than 40 years – not least because Carl Zeiss has played a crucial role in constantly reducing the size of the tiny transistors on the chips.

Developers push the boundaries of physics

The entire chip industry must make a massive technology leap for further progress to be made. The wavelength needed for chip exposure must be reduced by more than a factor of ten. In the future, short-wave radiation (Extreme Ultra Violet = EUV, 13.5 nanometers) will be used. This results in new demands on the optical systems, requiring developers at Carl Zeiss to constantly push the boundaries of physics.

The company has been working on EUV lithography for more than 15 years. It has invested, and will continue to invest nine figure sums in this future-oriented technology.

The future is innovation

Three major factors safeguard the future success of Carl Zeiss:

1. Highly qualified employees: innovative products can only be developed and produced with highly qualified and motivated staff. Carl Zeiss offers them many different training programs and ensures that its employees are offered an attractive work environment.

2. Networks and partnerships: the complexity of innovations will continue to rise in the future. In the field of research and development Carl Zeiss works closely with external partners in a close-knit, well-functioning network.

3. Courage and sustained investment: constant, above-average investments in R&D and infrastructure enable Carl Zeiss to leverage the dynamic of the markets. As a company owned by a foundation, Carl Zeiss is able to address investment projects with vision and a long-term perspective.

From the Group

Carl Zeiss: attractive employer

As a globally operating technology group, Carl Zeiss offers a large number of career possibilities. Many training offerings, flexible work models, extensive social benefits and challenging jobs in an international arena all enable Carl Zeiss to provide its employees with an attractive work environment.

Its employees are the basis of Carl Zeiss' success. The company has a global workforce of 24,192 people (prior year: 12,971). The number of employees increased considerably due to the integration of the eyeglass lens manufacturer Carl Zeiss Vision as the Vision Care business group. In the fiscal year 10,081 people worked for the company (prior year: 8,292) in Germany. Around 10 percent of the workforce is employed in research and development. Carl Zeiss conducts its own in-house, demand-based training. As of the reporting date, 431 apprentices or trainees were learning a technical or commercial occupation (prior year: 445).

Positioning as an attractive employer

The company is feeling the impact of the shortage of specialist staff caused by the demographic change. Although Carl Zeiss can currently cover its recruitment needs worldwide, the competition facing employers on the job market is increasing – particularly in rapidly developing economies like China, Brazil and India. To counter this development, the technology group takes part in recruiting fairs and fosters close partnerships and collaborations with selected universities around the world. During the reporting period the company also launched an initiative in Germany aimed at actively positioning Carl Zeiss as an attractive employer. An international rollout is planned for the future. The campaign is based on attributes that typify the company: emotional and intelligent, pioneering and pragmatic, and successful and responsible.

Carl Zeiss offers its employees many training possibilities, flexible work models, extensive social benefits and challenging jobs in an international environment.

Development programs for employees

With a broad spectrum of training possibilities, Carl Zeiss offers its employees ongoing targeted development of their potential. The company also advances its staff with special programs: university graduates start their careers at Carl Zeiss with the *Trainee Program*. The *Junior Leadership Program* prepares up-and-coming junior staff for management responsibilities. The *Management Development Program* is aimed at future executives. The *Global Mobility Program* intensifies international exchange and dialog in the company. In addition, Carl Zeiss offers a career model specially tailored to the needs of research and development areas: the *technical ladder*. Like the traditional management ladder, there are several career steps, but there are no management responsibilities. In this way, the experts can devote their attention to their specialist field. Around 500 employees have been appointed to the technical ladder so far. The career model will be extended to include other areas.

Working actively on the corporate culture

The initiative launched in 2008 aimed at firmly anchoring the corporate vision and core values in the company continued in the reporting year. In the first step, practically all employees of the Carl Zeiss Group took part in a two-day Team Summit and worked on the development of the corporate culture. The second phase started during the reporting year: teams of employees will work on further improving cross-interface collaboration in the Carl Zeiss Group.

Employees benefit from success

Carl Zeiss ensured that employees benefited from the company's success in fiscal 2010/11. The workforce in Germany received an annual bonus and profit-participating certificates. The company distributed a total of EUR 24m for this purpose. Employees in other countries also benefited from the company's success.

From the Group

Embracing responsibility

Carl Zeiss plays an active role in society: in the spirit of the constitution of the Carl Zeiss Foundation, Carl Zeiss supports science, education and social and cultural institutions at its sites. The subject of environmental protection is also firmly enshrined in the principles of the Carl Zeiss Group.

Carl Zeiss attaches great importance to the sparing use of resources and environmental protection. Energy efficiency is one of the focal points of the company's environmental activities.

In fiscal 2010/11 the Carl Zeiss Group announced several construction projects: during the planning of these new facilities Carl Zeiss is devoting special attention to the preservation of resources. Energy consumption in these buildings will fall below current energy saving regulations in Germany (EnEV 2009) by up to 25 percent. The energy systems of existing company facilities will also be renovated. In addition, Carl Zeiss is erecting two co-generation units at the Oberkochen site.

Environmental protection along the production chain

Carl Zeiss adheres to environmental requirements across the entire production chain: from the development and manufacture of products to their packaging and dispatch. All production sites in Germany – and a series of non-German subsidiaries – have been certified in accordance with ISO 14001.

Commitment to the fight against blindness

Carl Zeiss also accepts responsibility in society through its many different forms of social commitment. The company supports initiatives such as "VISION 2020: The Right to Sight." VISION 2020 is a global initiative of the World Health Organization (WHO) and the International Agency for the Prevention of Blindness (IAPB). The goal of the initiative is to eliminate preventable blindness. Carl Zeiss has been supporting this program since 2002.

Carl Zeiss Promotion Fund created

With society, for society and in the midst of society – this is the aspiration anchored in the Carl Zeiss Promotion Fund created to mark the 20th anniversary of the reunification of Carl Zeiss at the end of fiscal 2010/11. With the introduction of this fund, Carl Zeiss is expanding its regional commitment – initially in Jena, Oberkochen and Aalen. Additional locations will follow. The Promotion Fund will support regional projects in the areas of society, social issues, amateur sports, youth and culture. The amount of financial support will be specified annually, taking into consideration the company's results of operations.

Commitment to education and research

In addition to the Carl Zeiss Promotion Fund, the company will continue to promote education and science on a cross-regional basis. The Carl Zeiss Group supports initiatives that help inspire school students for technology and science: for example, it takes part in the "Girls' Day" campaign, is one of the companies sponsoring the annual "Jugend forscht" youth science fair and regularly organizes a "Children's Day of Microscopy."

Carl Zeiss also supports universities in different ways. During the reporting year the company clearly expanded its sponsorship of the Abbe School of Photonics (ASP) at the Friedrich Schiller University in Jena. Carl Zeiss provided a sum totaling EUR 500,000 to sponsor Masters students, a visiting professorship for optics and science programs for the period to 2014. The goal is to attract internationally leading scientists in the fields of optics and photonics as visiting researchers to Jena and to promote junior research groups and junior professorships. Carl Zeiss has been an active partner of the optics department at the Friedrich Schiller University and the Abbe School of Photonics in Jena since 2005.

From the Group

Corporate governance / Carl Zeiss Foundation

Acting lawfully and responsibly is one of the fundamental prerequisites for Carl Zeiss' success. Although Carl Zeiss AG is not a listed company, it is guided by the recommendations of the German Corporate Governance Code.

The internal regulations governing Carl Zeiss' corporate management – such as the Foundation's constitution and the rules of internal procedure for the Executive Board and Supervisory Board – coincide to a large extent with the Code's recommendations. The interaction of the Executive and Supervisory Boards, in particular, is aimed at safeguarding the company's continuity and sustainable value creation as specified by its standards.

We diverge from the Code on individual points due to the terms of the Foundation's constitution, which displace the optional provisions of the German Stock Corporations Act. Such terms include the exercise of shareholders' rights by the Shareholder Council, the rules on dividends and rights relating to control over shares.

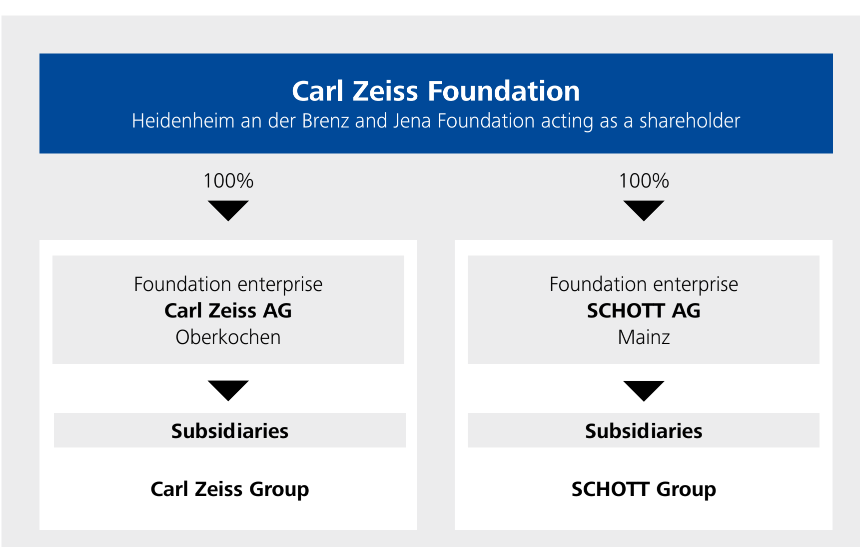
In order to avoid legal and reputation risks and to safeguard the company in these areas, Carl Zeiss set up a corporate compliance organization in fiscal year 2009/10. Members of the Carl Zeiss Group's Compliance Committee are the Chief Compliance Officer and the heads of Corporate Audit/Risk Management and Human Resources. The committee directs and monitors the implementation of compliance measures focused primarily on training, but also conducts investigative activities if required.

All Carl Zeiss employees are obligated to conduct themselves responsibly and comply with legal stipulations. A Code of Conduct applies which summarizes the principles of behavior. This Code of Conduct is available to the public on the company's website.

The Carl Zeiss Foundation (Carl Zeiss Stiftung) is the sole shareholder of Carl Zeiss AG. It gives the enterprise both independence and a long-term perspective. Created in 1889 by Ernst Abbe, the Foundation promotes science and research in the fields of natural and engineering sciences.

The success of Carl Zeiss AG is based on the long-term, sustained orientation of the company. This is supported by the stable ownership structure: the sole stockholder of Carl Zeiss AG is the Carl Zeiss Foundation. The foundation's constitution prohibits the sale of shares, e. g. through an initial public offering.

The shares in the company SCHOTT AG in Mainz also belong in their entirety to the Carl Zeiss Foundation. Both enterprises pay a dividend to the Foundation that depends on their respective equity ratio and net annual income. If the annual shareholders' meeting in the spring of 2012 passes a resolution on the dividend for fiscal year 2010/11 as proposed, Carl Zeiss will have made dividend payments totaling just under EUR 70m to the Foundation since 2005.



The Carl Zeiss Foundation uses these funds to promote scientific and mathematical studies in research and teaching. In line with the stipulations of the Foundation's constitution, the operating enterprises are committed to promoting the interests of the precision engineering industries within their own sphere of influence and that of their subsidiaries. They also support non-profit institutions and measures at their sites.

05 Group management report

Group management report

2010/11 was a very successful fiscal year for Carl Zeiss. The technology group continued on its sustained growth trajectory and improved its performance in practically all business groups and regions.

Business activity and corporate structure

Carl Zeiss is a globally operating international group of companies in the optical and opto-electronic industries with a long tradition. The foundation for the company was laid with a workshop for precision mechanics and optics in Jena (Thuringia) in 1846. Today, Carl Zeiss is headquartered in Oberkochen (Baden-Württemberg). The sole owner of the non-listed stock corporation Carl Zeiss AG is the Carl Zeiss Foundation (Carl Zeiss Stiftung).

Carl Zeiss has summarized the basic intentions of its actions and its purpose of being in a mission statement: "As the pioneer of science in optics, we continue to challenge the limits of our imagination. With our passion for excellence, we create value for our customers and inspire the world in new ways."

Carl Zeiss aspires to constantly drive forward the world of optics and other related fields and therefore play an active part in advancing leading-edge technology.

Organizational structure

The Carl Zeiss Group is organized into six business groups with a total of 14 strategic business units. The business groups, which operate as autonomous units in their own right, produce and distribute optical systems such as lithography systems, industrial measuring technology, microscopes, surgical microscopes, ophthalmic diagnostic and therapy systems, eyeglass lenses, planetarium technology, optronic products, cine and camera lenses, binoculars, riflescopes and spotting scopes.

Manufacturing sites are located in Europe, America and Asia. In addition, Carl Zeiss has more than 50 sales and service companies around the globe.

Carl Zeiss AG manages the Group in its role as a strategic holding company. Its primary function is the ongoing development of the business activities and of the corporate portfolio. It also provides the corporate management and service functions.

As of the reporting date (30 September 2011), Carl Zeiss had a total of 24,192 employees worldwide.

Corporate management

Carl Zeiss pursues a long-term and sustained growth strategy. The Carl Zeiss Group is therefore managed by means of a performance indicator system aimed at achieving the optimal balance between growth, profitability, financial flexibility and other performance indicators such as, for example, employee satisfaction and process quality. This has made a key contribution to the successful development of the company in recent years.

General economic framework

The reporting period was characterized by a generally favorable economic trend worldwide. While moderate growth was observed in the industrial nations, the rapidly developing economies in Asia reported above-average growth rates. Particularly strong growth was evident in China, India, Russia and Latin America.

The euro crisis, the increasing debt load of many states and the revolutions in North Africa and the Middle East all left their mark on the political arena and the global economy in the reporting year.

Business trend

Virtually all markets relevant to Carl Zeiss grew in fiscal 2010/11. The Carl Zeiss business groups showed particularly strong growth in the dynamic markets of China, India and Brazil compared to the prior year. The economic crisis in fiscal 2008/09 led to an investment backlog for many customers, from which Carl Zeiss benefited to a disproportionate extent. However, a considerable slowdown was evident again in the global economic environment toward the end of the fiscal year, not least due to the debt crisis – this development was reflected in the volume of incoming business received by individual divisions.

Investments with a long-term perspective

Carl Zeiss continued to invest heavily in the expansion of its international organization in the reporting year. The Group focused the buildup of its personnel capacities and infrastructures primarily on China and India. The successful business development in the markets endorsed the course pursued by the company.

In summer 2011 the company announced its intention to continue investing in the expansion of its German sites. In the Group's Oberkochen headquarters a new block of buildings will be erected for the part of the Medical Technology business group based at this site. In addition, the factory for Semiconductor Manufacturing Technology will be expanded.
This will entail the building of new production facilities for EUV lithography in particular. These measures are part of a long-term investment package: in the upcoming years Carl Zeiss will invest around EUR 500m in the expansion and modernization of its sites in Germany.

Innovation and research centers worldwide

Carl Zeiss further expanded its global footprint during the reporting year. One example: a new Innovation and Research Center was opened in India in the first half of the year. Its research and development work will be focused on medical devices. From 1 October 2011 a further Innovation and Development Center for the Medical Technology, Microscopy and Industrial Metrology business groups opened in China. The ZEISS Microscopy Lab was also opened in Munich at the beginning of fiscal 2011/12. In this center users experience a broad spectrum of Carl Zeiss microscope systems.

Changes to the portfolio

Carl Zeiss expanded its portfolio during the reporting year. The biggest change was the integration of the eyeglass lens business into the Carl Zeiss Group. On the basis of an option agreement and a voting rights agreement, the stockholder EQT exercises its voting rights in Carl Zeiss Vision Holding GmbH according to Carl Zeiss AG's instructions effective 1 October 2010. Through the voting rights agreement Carl Zeiss AG obtained control of the Carl Zeiss Vision Group, with the result that the Carl Zeiss Vision Group has been included in the consolidated financial statements of the Carl Zeiss Group by way of full consolidation since 1 October 2010. In prior years, the Carl Zeiss Vision Group had been accounted for using the equity method in the consolidated financial statements.

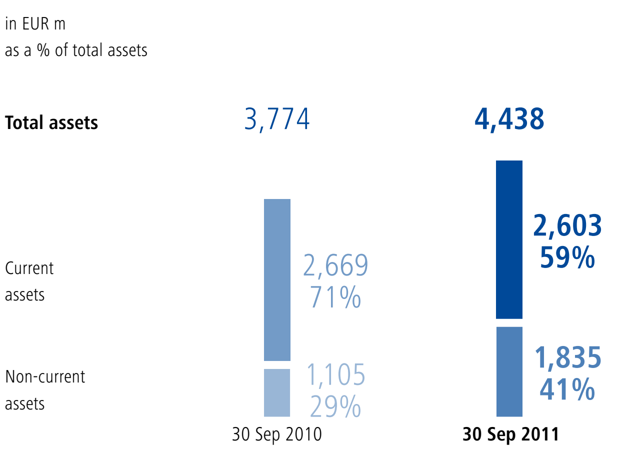
Net assets, financial position and results of operations

In the reporting period, the Group's net assets, financial position and results of operations reflected the effect of the Carl Zeiss Vision Group being consolidated in full for the first time. The figures for the reporting period are therefore only comparable to those of the prior year to a limited extent.

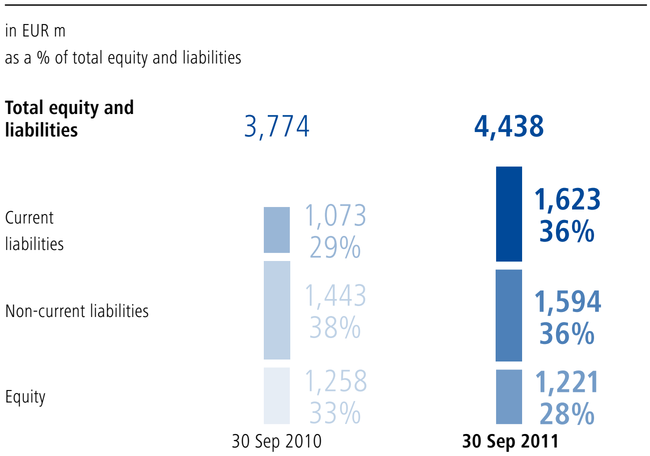
Net assets

The full consolidation of the Carl Zeiss Vision Group had a significant impact on the net assets in the reporting period. Total assets increased by EUR 664m to EUR 4,438m in the reporting period.

Structure of the statement of financial position – assets



Structure of the statement of financial position – equity and liabilities



Intangible assets

Intangible assets contain goodwill of EUR 467m (prior year: EUR 134m). The impairment tests performed in the reporting period did not give rise to the need to recognize impairment losses on goodwill. The EUR 443m increase in intangible assets was primarily attributable to the full consolidation of the Carl Zeiss Vision Group as of 1 October 2010. The intangible assets measured in the course of the purchase price allocation in accordance with IFRS 3 totaled EUR 440m as of the reporting date. An amount of EUR 332m thereof was allocable to goodwill, EUR 43m to capitalized development costs and EUR 65m to other intangible assets such as customer relationships or brand rights.

Property, plant and equipment

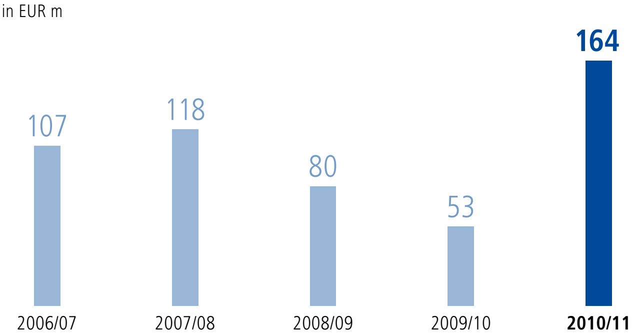
The EUR 255m rise in property, plant and equipment resulted above all from the change in the basis of consolidation with respect to the Carl Zeiss Vision Group. This led to additions of around EUR 214m, relating mostly to buildings as well as technical equipment and machinery.

In fiscal 2010/11, the company made capital expenditure totaling EUR 164m (prior year: EUR 53m). Depreciation of property, plant and equipment amounted to EUR 122m (prior year: EUR 96m).

The Carl Zeiss Group invested above all in state-of-the-art production facilities. In addition, investment was made in the infrastructure at the company's sites.

Capital expenditure on property, plant and equipment

in EUR m



Other non-current assets

Other non-current assets amounted to EUR 169m (prior year: EUR 185m). The EUR 16m decrease is mainly due to the smaller securities portfolio compared to the prior year.

Working capital

Full consolidation of the Carl Zeiss Vision Group accounted for EUR 39m of the overall rise in working capital.

Inventories came to EUR 948m as of the end of the reporting period (prior year: EUR 727m). At EUR 768m, trade receivables were higher than the prior-year figure of EUR 596m. Reasons for the change in inventories and trade receivables include the considerable rise in business volume and the full consolidation of the Carl Zeiss Vision Group.

Other current assets were at the same level as in the prior year at EUR 340m; an amount of EUR 233m thereof related to fixed-term deposits with a term of more than 90 days. Trade payables amounted to EUR 251m as of the reporting date (prior year: EUR 128m). The increase is attributable to the higher business volume and the changes in the basis of consolidation.

Current provisions were up EUR 9m compared to the prior year to EUR 298m and essentially comprise provisions for income taxes and provisions for personnel-related and sales-related obligations. The increase of EUR 222m in other current non-financial liabilities to EUR 787m was above all due to higher advances received compared to the prior year and the first-time consolidation of the Carl Zeiss Vision Group.

Sound equity ratio of 28 percent

The equity ratio fell by 5 percentage points to 28 percent in the reporting period (prior year: 33 percent). The main reason was the significantly higher level of total assets as a result of full consolidation of the Carl Zeiss Vision Group. The deficit balance from full consolidation reported under non-controlling interests of EUR 372m also reduced the equity ratio. By contrast, the consolidated profit/loss for fiscal 2010/11 had a positive effect of EUR 386m. Other reserves increased by EUR 7m to EUR 16m, mostly as a result of currency translation. The subsidiary Carl Zeiss Meditec AG paid a dividend of EUR 45m in the reporting period. The share of EUR 16m attributable to non-controlling interests reduced equity accordingly.

Pension obligations

The Carl Zeiss Group restructured its financing of pension obligations back in fiscal 2005/06. The company's pension obligations remain unchanged.

The company transferred capital to cover most of the pension obligations toward current employees in Germany to a dedicated trust under a contractual trust arrangement (CTA). This way, the funds for operations are clearly separated from the pension obligations. This has increased the transparency and international comparability of the Group's financial reporting. The legally independent trust invests the assets transferred to it on the basis of an appropriate long-term investment strategy. The Carl Zeiss Vision Group has not been part of this financing concept to date. A further transfer was made in the reporting period, increasing the CTA assets that are separated from operating funds to approximately EUR 435m (prior year: EUR 388m). In addition, the higher IFRS interest rate of 5.2 percent (prior year: 4.7 percent) had a positive effect on the funded status as of the reporting date, raising it to around 80 percent.

The Group also has pension obligations toward employees at foreign subsidiaries. Provisions for pensions are reported at an amount of EUR 920m (prior year: EUR 830m) in the consolidated statement of financial position. This is equivalent to 21 percent (prior year: 22 percent) of total assets. The rise in provisions for pensions is due exclusively to the change in the basis of consolidation compared to the prior year.

Financial liabilities

Financial liabilities amounted to EUR 572m (prior year: EUR 479m). This increase is associated with the rise of EUR 865m in liabilities to banks as a result of the full consolidation of the Carl Zeiss Vision Group as of 1 October, of which EUR 703m was repaid in the reporting period.

Employees benefit from success

In view of the successful fiscal year 2010/11, Carl Zeiss AG decided to issue profit participation certificates with a total (nominal) volume of EUR 3.4m to employees in Germany. The non-transferable certificates entitle the employees to an annual return, depending on the performance of the company. The yield is based on the company's return on sales and is paid out annually. The profit participation certificates have a term of five years and are repaid at the end of that term. The profit participation certificates were issued in November 2011.

In addition, employees in Germany received a special bonus of EUR 2,000 gross for the fiscal year 2010/11, paid in October 2011 after the end of the reporting period. Employees in other countries have likewise shared in the company's success.

Financial position

Sound liquidity base despite repayment of liabilities

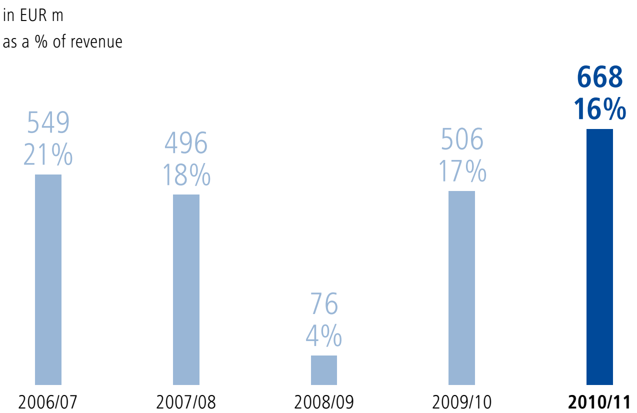
The financial position was dominated by repayment of the Carl Zeiss Vision Group's financial liabilities in the reporting period. Accordingly, this resulted in an outflow of gross liquidity compared to the prior period.

The cash flows before income taxes[1] came to EUR 668m in the reporting period (prior year: EUR 506m). This is equivalent to 16 percent (prior year: 17 percent) of revenue.

The cash paid for capital expenditures, acquisitions of shares and financing pension obligations via the CTA was covered in full in the reporting period by the cash inflows from operating activities.

[1] Calculated with reference to the recommendation of DVFA–Society of Investment Professionals in Germany / Schmalenbach-Gesellschaft

Cash flows before income taxes



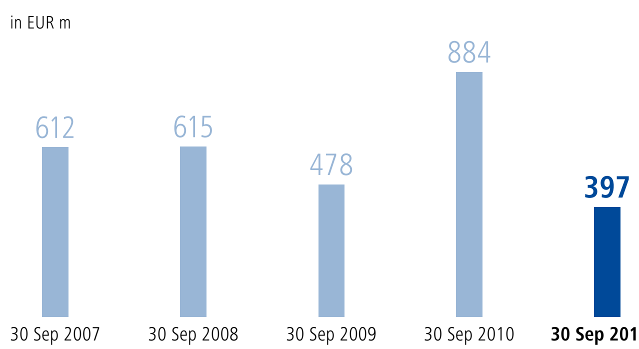
The EUR 43m increase in the cash flows from operating activities to EUR 519m (prior year: EUR 476m) was largely determined by the profit for the year. Another positive factor was the rise in advances received, recognized within liabilities, and the decrease in receivables from investments within other assets. Inventories, on the other hand, recorded an increase.

The cash flows from investing activities came to minus EUR 174m in the reporting period (prior year: minus EUR 116m). A key factor here were the extensive capital expenditures at the company's locations, which were up EUR 125m in relation to the prior year. In addition the amounts allocated to the CTA and other plan assets outside Germany were EUR 27m higher than in the prior year. In contrast, the net cash inflow from the sale of financial assets was EUR 108m up on the prior year.

The cash flows from financing activities amounted to minus EUR 767m (prior year: minus EUR 103m). This was mostly due to the repayment of an amount of EUR 703m of the Carl Zeiss Vision Group's external financing.

Cash and cash equivalents[2] came to EUR 847m as of the end of the reporting period (prior year: EUR 1,285m). Net liquidity[3] amounted to EUR 397m (prior year: EUR 884m). Adjusted for the effect from the full consolidation of the Carl Zeiss Vision Group, net liquidity would have improved by EUR 326m in the reporting period.

Net liquidity



The Carl Zeiss Group has a wide range of instruments at its disposal for raising external financing to fund its business operations. These include above all a promissory note loan and a revolving credit facility that was concluded in the fiscal year.

Results of operations

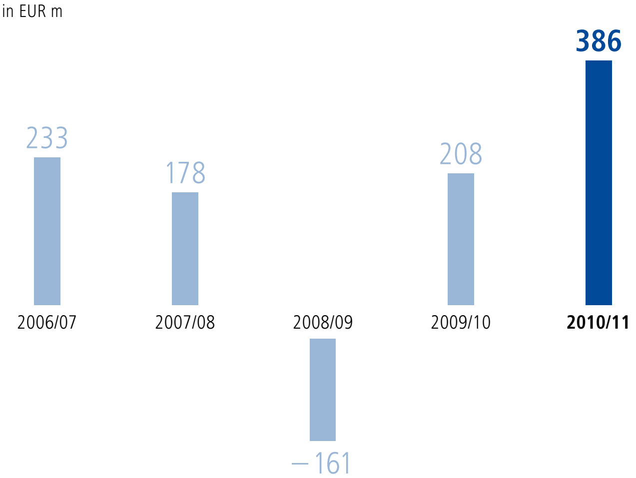
The Carl Zeiss Group based its financial reporting for the fiscal year 2010/11 on the cost of sales method for the first time, bringing it into line with standard international practice. This has increased the transparency and international comparability of the Group's financial reporting. The prior-year figures were converted to the cost of sales method accordingly.

[2] Cash and cash equivalents plus securities and fixed-term deposits
[3] Cash and cash equivalents less loans payable

The results of operations reflected the effect of the Carl Zeiss Vision Group being consolidated in full for the first time in the reporting period. The prior-year figures are therefore only comparable to those of the reporting period to a limited extent. The Carl Zeiss Group generated a consolidated profit of EUR 386m in the fiscal year 2011/10 (prior year: EUR 208m).

Profit / loss for the period

in EUR m

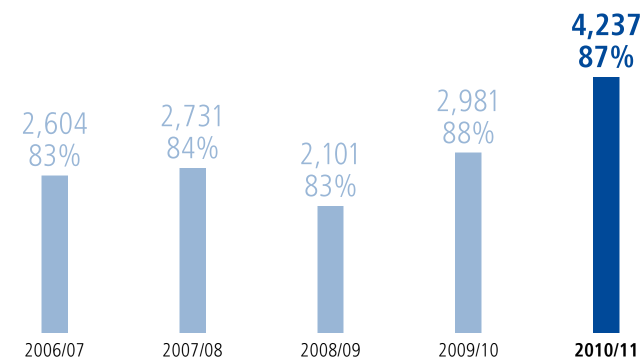


Strong revenue growth in all regions

The Carl Zeiss Group's revenue increased by 42 percent to EUR 4,237m in the reporting period (prior year: EUR 2,981m), above all on account of the full consolidation of the Vision Care business group. A further factor was the strong rise in demand in the Semiconductor Manufacturing Technology business group. The Medical Technology, Microscopy and Industrial Metrology business groups also recorded good revenue growth compared to the prior year.

Revenue

in EUR m
international share as a %



Foreign business accounted for 87 percent (prior year: 88 percent) of revenue. Revenue in Asia saw an increase in the reporting period of EUR 150m (up 30 percent) on the prior year to EUR 646m. An amount of EUR 66m thereof is attributable to the Vision Care business group. In the Americas, revenue grew from EUR 606m to EUR 1,050m (up 73 percent), with a share of EUR 259m attributable to the Vision Care business group.

Revenue by region	2010/11 EUR m	Change since prior year
Germany	534	+ 54%
Europe (without Germany)	1,887	+ 29%
Americas	1,050	+ 73%
Asia	646	+ 30%
Other regions	120	+ 65%
	4,237	+ 42%

Revenue by business group	2010/11 EUR m	Change since prior year
Semiconductor Manufacturing Technology	1,378	+ 16%
Industrial Metrology	394	+ 35%
Microscopy	423	+ 7%
Medical Technology	854	+ 13%
Vision Care	849	− 4%
Consumer Optics / Optronics	316	+ 2%
Other	23	+ 2%

	2010/11	2009/10	2008/09	2007/08	2006/07
	EUR m	EUR m	EUR m	EUR m	EUR m
EBITDA	795	598	73	477	540
» EBITDA margin	19%	20%	3%	17%	21%
EBIT	607	423	−67	343	394
» EBIT margin	14%	14%	−3%	13%	15%
» Profit/loss for the period	386	208	−161	178	233

The positive revenue development also reflected the higher level of incoming orders of EUR 4,243m. The Industrial Metrology and Medical Technology business groups recorded double-digit growth rates in incoming orders in the fiscal year 2010/11. The Semiconductor Manufacturing Technology and Microscopy business groups were able to keep incoming orders at the high level of the prior year. Adjusted for the Carl Zeiss Vision Group, incoming orders increased overall by 4 percent on the prior year.

Cost of sales amounted to EUR 2,229m (prior year: EUR 1,595m), leading to gross profit of EUR 2,008m (prior year: EUR 1,386m). The rise in cost of sales is essentially due to full consolidation of the Carl Zeiss Vision Group. Gross profit improved on account of the higher gross margin of 47 percent (prior year: 46 percent) and the increase in business volume.

At EUR 733m, selling expenses were up EUR 261m in comparison to the prior year. Taking into account non-recurring effects from the purchase price allocation for the Carl Zeiss Vision Group, selling expenses increased at the same rate as revenue.

Research and development expenses totaled EUR 359m in the reporting period (prior year: EUR 291m) and are evidence of the high level of research and development activity within the Carl Zeiss Group.

General administrative expenses rose from EUR 182m to EUR 317m in the reporting period. The main reason for this rise is the first-time inclusion of the Carl Zeiss Vision Group in the basis of consolidation.

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) amounted to EUR 795m in the reporting period (prior year: EUR 598m).

EBIT (Earnings before Interest and Taxes) reached EUR 607m in the Carl Zeiss Group, i. e., EUR 184m above the prior-year figure (prior year: EUR 423m). The EBIT margin came to 14 percent (prior year: 14 percent).

The financial result totaled minus EUR 38m (prior year: minus EUR 99m). At EUR 27m, interest income matched the prior-year level. Interest expenses reduced the financial result more heavily than in the prior year, by EUR 30m, on account of the increase in loans payable.

Effective 6 October 2010, an agreement was reached between Carl Zeiss AG and the syndicate of banks on refinancing the Carl Zeiss Vision Group. The banks waived receivables of EUR 54m in this context, which had a positive impact on the other financial result. The financial result had been reduced in the prior year by around EUR 21m from accounting for Carl Zeiss Vision using the equity method.

The tax expense for the fiscal year 2010/11 totaled EUR 183m (prior year: EUR 116m) as a result of significantly higher earnings before taxes of EUR 569m (prior year: EUR 324m). The consolidated profit/loss for the period thus comes to EUR 386m (prior year: EUR 208m). This translates into a drop in the tax rate from 36 to 32 percent.

The results of operations in the fiscal year were shaped by continuing demand in many markets and the resulting economic development. The once again extremely positive development of business in the reporting year enabled the Carl Zeiss Group to reinforce its net assets and financial position and thereby create a sound basis for the future.

Corporate added value at record level

In terms of value added generated, which is measured using the EVA® (Economic Value Added) indicator, Carl Zeiss reached EUR 275m in the fiscal year 2010/11 – the highest level since this measure was introduced at the company (prior year: EUR 214m). The EVA® indicator is also used as an internal measure of the company's performance and is calculated as the net operating profit after taxes less cost of capital. The interest rate used to determine costs of capital ranges between 8 and 12 percent within the Carl Zeiss Group.

Goals and principles of financial management

The Carl Zeiss Group's global financial management system incorporates all subsidiaries and is coordinated centrally at group level by Carl Zeiss Financial Services GmbH.

The financial management is aligned to the operational and strategic orientation of the Carl Zeiss Group. The primary aim is to obtain the funds needed for operations, ensure the financial headroom for further business expansion and minimize financial risks.

Currency risks that are not covered through production and procurement in the individual countries and foreign currencies are hedged using financial instruments. Investments are made exclusively in securities with solid investment grade ratings.

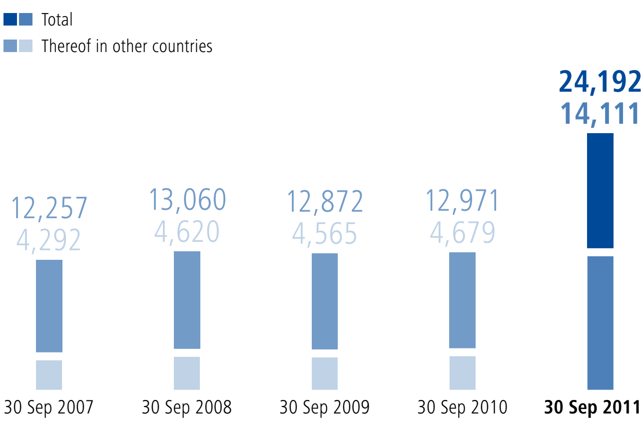
Corporate topics

Employees

The key to success at Carl Zeiss is committed, motivated and qualified employees and a corporate culture characterized by performance, responsibility and openness. Carl Zeiss invests in the training of its employees on an ongoing basis and offers different programs aimed at providing the employees with interesting development possibilities.

As of the reporting date the Carl Zeiss Group employed 24,192 people, including 14,111 outside Germany (prior year: 12,971, of whom 4,679 were based outside Germany). The main reason for the considerable increase in headcount over the prior year was the full consolidation of the Carl Zeiss Vision Group. In addition, the company created 1,200 new jobs around the globe during the reporting year. This figure includes 250 positions in Germany that the company filled with persons who had worked on a temporary basis for Carl Zeiss beforehand. As of the reporting date, Carl Zeiss had 431 apprentices and trainees at the German sites (prior year: 445).

Employees



Health and safety management

Carl Zeiss attaches great importance to health and safety. A special focus of attention here is the measures initiated to prevent accidents at the workplace and work-related illnesses. In addition, Carl Zeiss supports its employees in their endeavors to remain fit and healthy, e. g., by providing subsidies and benefits for selected sport and health promotion offerings.

Environmental protection in the company

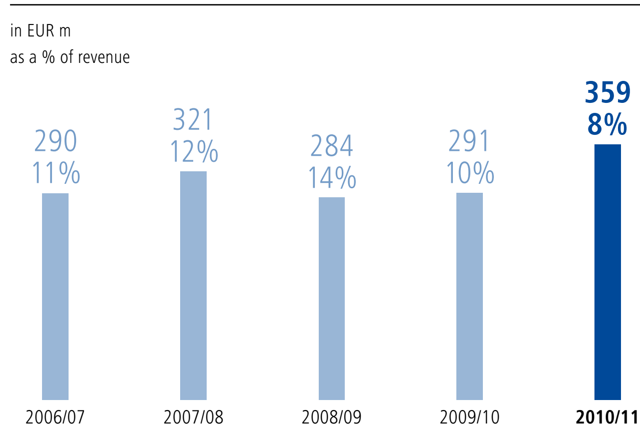
Carl Zeiss attaches great importance to the sparing use of resources and to environmental protection. These subjects are firmly enshrined in the corporate principles of the company. Carl Zeiss adheres to and meets environmental requirements across the entire production chain: from the development and manufacture to the packaging and dispatch of its products. All German manufacturing sites and a number of foreign subsidiaries are certified to international environmental management standard ISO 14001. The Carl Zeiss Group has also defined similar environmental protection requirements for its suppliers.

Energy efficiency is one of the focal points of the company's environmental activities. Carl Zeiss announced several new construction projects during the reporting period. In the planning of these new facilities the company is attaching major importance to the preservation of resources: through optimization measures, energy consumption will fall below the requirements of the current energy saving regulations in Germany (EnEV 2009) by up to 25 percent. Furthermore, Carl Zeiss is also investing in enhancing the energy efficiency of existing facilities and will erect two cogeneration units at the Oberkochen site. As in the prior year, Carl Zeiss invested a total of EUR 8m in environmental protection measures.

Research and development

Carl Zeiss generates around half its revenue with products that are less than three years old. The research and development activities of Carl Zeiss include not only the ongoing enhancement of existing solutions but also, and in particular, the creation of new, innovative products. To develop and utilize the new, pioneering technologies, the company maintains a global network of research partners, including renowned universities and institutes.

Research and development expenses



Overall, around 10 percent of employees work in the various research and development areas of the Carl Zeiss Group. With the exception of a central, overarching research department, research and development teams in the six business groups each work on their individual future-oriented R&D projects.

As of the reporting date, Carl Zeiss held a total of 4,599 patents and patent applications. In fiscal 2010/11 the company applied for 326 new patents (prior year: 294).

Risk and opportunity analysis

As a global player, Carl Zeiss is faced with a large number of risks and opportunities. Both factors can have a sustained impact on business success. The assessment of opportunities and risks is part of the budget and strategy process. Risks are recorded via a corporate-wide risk management system to ensure that they can be explicitly managed.

Centrally controlled risk management

Risk management at Carl Zeiss is coordinated from the corporate center and consolidated at Group level. Operational and strategic risks are understood to mean possible negative deviations from expectations as well as opportunity risks that result from non-perceived opportunities. Countermeasures are defined for all major risks. Their implementation is constantly monitored. The management of the individual business units is responsible for the early detection, evaluation and communication of the risks and for steering the countermeasures. The business groups have appointed risk management coordinators who ensure both the adherence to the stipulations of the Executive Board on the basis of the directives governing the corporate risk management system and the implementation of a uniform reporting procedure.

The Executive Board regularly evaluates the risks, the countermeasures and their effectiveness, and the appropriateness of the risk management system. The effectiveness of risk control is monitored by the Executive Board and by the Audit Committee of the Supervisory Board.

Description of the internal control system

The internal control system (ICS) of Carl Zeiss is based on the COSO II model. It maps processes, associated process risks and control mechanisms that minimize these risks. The risks are listed in the risk catalog of the risk management system. Carl Zeiss therefore has an integrated enterprise risk management system that does more than merely identify financial risks. The systematic, organizational and technical measures as well as the control mechanisms of the ICS for key processes make core risks transparent and identify control mechanisms for risk reduction. The management of the Carl Zeiss Group, including the consolidated subsidiaries, is responsible for the setup, application and ongoing development of the ICS.

The Audit Committee of Carl Zeiss AG monitors the accounting process and the effectiveness of the ICS in accordance with the requirements of the German Stock Corporations Act (AktG) as amended by the German Accounting Law Modernization Act (BilMoG). In this context, the accounting process was presented, explained and hence secured to an even greater extent using the stipulations of the German Commercial Code (HGB) in accordance with Secs. 238-329 HGB in conjunction with Sec. 315a HGB. Corporate Auditing regularly informs the Audit Committee about the effectiveness and efficiency of the controls.

General risks

External factors may influence the development of the company. These include, for example, another downturn in the global economy, changes to the political situation worldwide, burgeoning national debt in various countries, tight government budgets, the volatility of currencies, rising inflation accompanied by low growth, increasing prices for raw materials, local unrest or major natural disasters. During the fiscal year the tsunami and nuclear disaster in Japan and their impact on the global economy and global supply chains demonstrated the effectiveness of the risk management system in place at Carl Zeiss: possible consequences of natural disasters on the supply chain and possible countermeasures were already contained in the risk assessment. This ensured the rapid implementation of the appropriate measures.

Procurement risks

The procurement risks confronting Carl Zeiss include the shortage of and increase in the prices of production commodities and energy. The company systematically observes the relevant markets and their development in order to counter them at an early stage or use any emerging opportunities. Carl Zeiss addresses market trends and price increases through volume consolidation in the procurement process.

Through long-term partnerships with suppliers and other measures contributing to a stable supply chain, Carl Zeiss minimizes risks that may result from individual suppliers.

Carl Zeiss is reliant on the availability of its IT infrastructure. To minimize the risks inherent in the failure of IT systems and to prevent data loss, theft or manipulation, the company has installed protective systems that are enhanced and updated to the current state of the art on an ongoing basis. To counter the increasing risk involved in the use of the Internet, a new corporate function bundling IT security activities was founded in 2011.

Responsibility for the IT strategy and the relevant directives and their monitoring lies with Corporate IT. The company's IT systems in this context are largely operated by external partners. The switch to a new IT service provider which began in fiscal 2009/10 is being rolled out in several stages. The changeover is subject to extensive project management, but is leading to operating and performance risks during the transitional phase. In this context risk minimization measures are being initiated in the area of applications support and development. In addition, the IT infrastructure and IT processes are being standardized and optimized on a step-by-step basis.

Financial and liquidity risks

Carl Zeiss' funds include considerable cash reserves. In addition to the opportunity risk resulting from falling interest rates and increased inflation, the cash reserves also offer opportunities: for example, the company's financial stability makes it easier to secure lines of credit on attractive terms. In the fourth quarter of fiscal 2010/11 Carl Zeiss concluded a five-year revolving credit facility with a volume of EUR 400m, thus securing financial flexibility and planning certainty for the next five years. This allows Carl Zeiss to seize growth opportunities offered to it and to invest in the further expansion of business.

Carl Zeiss pursues a conservative, value-preserving investment strategy. This is designed for maturity matching to ensure that the company can react flexibly at any time. In order to limit counterparty risks, Carl Zeiss works solely with banks holding first-class credit ratings. The creditworthiness of the banking partners is closely monitored.

Investments are made exclusively in securities with solid investment grade ratings. To minimize default risks, Carl Zeiss ensures that the investments are broadly diversified. Carl Zeiss Financial Services GmbH controls risks resulting from changes in exchange rates, interest rates or the value of assets on the financial markets and hedges them in line with the defined risk strategies. All financial activities of the Carl Zeiss Group are controlled centrally. Any decisions made in this context are based on corporate directives.

Likewise, risks in the context of pension obligations are resulting in the group entities from the higher life expectancy of the beneficiaries, from the general interest rates and from the obligation to regularly adjust the amount of the pensions paid.

Trends in the capital markets influence the development of the CTA's assets. The current volatility of the financial markets hampers a long-term and value-enhancing investment strategy. The Management Board of the trust "Carl Zeiss Pensions-Treuhand e. V." defines the respective investment strategy and monitors the assets.

Investment risks
During the reporting year Carl Zeiss announced that around EUR 500m would be invested in the expansion of the company's sites in Germany. In addition, investments are also planned outside Germany. This will include new buildings and new production facilities. To minimize the risks of investment errors, the sustainability of investments is subjected to intense scrutiny before approval. Risks concerning compliance with budget and deadlines in the implementation of these investment projects are minimized by the appropriate project organization.

Personnel risks
The demographic trend is exacerbating the general shortage of skilled and management staff. As a renowned technology group, the company is currently able to meet its requirements for skilled and management staff. In some areas, however, the company is noticing a reduction in the number of job applicants. Carl Zeiss takes this development and its consequences very seriously. To be able to develop and produce high technology without limitations in the future, the company is implementing targeted measures aimed at training and attracting skilled employees and keeping them in the company over the long term – also in the international arena.

Legal risks
There is currently no pending litigation that could pose any risk to the continued existence of any area of the company or to the Carl Zeiss Group. The company appealed a penalty notice totaling over EUR 29m issued to Carl Zeiss Vision GmbH by Germany's Federal Cartel Office in fiscal 2009/10. The litigation is continuing.

A key factor for the economic success of Carl Zeiss is the company's intellectual property. Carl Zeiss safeguards this technological and competitive edge through a comprehensive industrial property rights strategy. The company also systematically checks whether the rights of a third party could be violated. If necessary, Carl Zeiss acquires appropriate licenses and rights.

Development of the corporate portfolio
Carl Zeiss is a group of companies with a balanced, highly diversified business portfolio that is optimized on an ongoing basis. Merger and acquisition activities also belong to the portfolio strategy. Acquisitions, investments and strategic alliances entail not only business opportunities, but also risks. Carl Zeiss checks these risks and minimizes them through an established merger & acquisition process. The focal point of this procedure is due diligence testing, in which every transaction is systematically assessed for its value and synergy potential. Carl Zeiss conducts a systematic evaluation of businesses to be acquired, also taking into account the resulting synergies and integration costs. An appropriate buying price is determined on this basis and by using a disciplined acquisition process. The integration of acquired companies is conducted in structured post merger projects.

Goodwill of EUR 467m from acquisitions is shown in the consolidated statement of financial position of the Carl Zeiss Group and is subjected to regular impairment tests. Carl Zeiss cannot rule out the possibility that impairments for individual or all acquired companies may prove to be necessary due to changes in the economic conditions or to amendments to the business model.

On 1 October 2010 Carl Zeiss acquired the voting rights of the private equity company EQT, which will continue to have a 48 percent interest in the Carl Zeiss Vision Group, and therefore control of the Carl Zeiss Vision Group, the world's second largest eyeglass lens provider. The full consolidation of the Carl Zeiss Vision Group and its integration as an independent business group into the corporate structure of the Carl Zeiss Group pose challenges that are managed in a detailed integration process directly controlled by the Executive Board.

Risks and opportunities for the business groups

As a supplier of the semiconductor industry, Carl Zeiss is exposed to the volatility of this sector. With a very flexible setup, the company adapts to the cycles in such a way that business risks are minimized and opportunities resulting from unexpectedly strong upturns in the industry are simultaneously leveraged.

A major part of the revenue generated by the Semiconductor Manufacturing Technology business group is dependent on one large customer and on the joint market success of both partners. Here, Carl Zeiss focuses on close partnership with the customer – also in the development area. This ensures that the relationship is stabilized and further expanded over the long term. To reduce the risk of a rapid, unforeseeable technology shift in microchip production, Carl Zeiss constantly invests in new developments and product enhancements, allowing it to consolidate and expand its position as a technology leader.

The Industrial Metrology business group is heavily dependent on the cyclical trends in the capital goods industry – particularly in the automotive sector and its supplier industry. Opportunities for Industrial Metrology are emerging in sectors such as the plastics industry or in the field of alternative power generation. Carl Zeiss expands its product, solution and service offering on an ongoing basis in order to leverage these opportunities and open up new customer segments.

Many customers of the Microscopy business group – particularly in the BioScience business unit – are financed or promoted by the public sector. The increasing debt of many states and the resulting fiscal consolidation measures may lead to changes in education and research budgets in the future, therefore impacting on the Microscopy business of Carl Zeiss.

New challenges are posed by increasing digitization and networking in the field of microscopy. Carl Zeiss is taking this trend into account with innovative software solutions.

Health policy decisions may lead to certain medical treatments not being reimbursed at all or only in part, resulting in a decline in customers' willingness to invest in new therapy instruments and systems. Further risks result from delays in product approval and certification that may result in postponements in the launch of new products. All medical devices and system solutions entail the risk of patient injury due to incorrect functioning or operation of the product, therefore incurring substantial legal defense costs. Growth opportunities will result for the Medical Technology business group from the demographic trend in the industrialized countries, the economic development in the rapidly developing economies and from the increasing demands to be met by the medical devices used to diagnose and treat age-related diseases.

Risks for the Vision Care business group result in particular from the competitive scenario in the eyeglass market: a large provider is dominant in many markets and regions. In addition, eyeglass lens prices are continuing to fall due to the increasing trend to produce prescription lenses in low-wage countries. Technology shifts may change the progressive lens market and value chains in the future. The integration into the Carl Zeiss Group will make it possible to leverage cross-divisional competencies: the link between Medical Technology and Vision Care will open up new opportunities to this business group. While traditional markets are showing a stable development, growth opportunities for the Vision Care business group are emerging in the rapidly developing economies of Brazil, India and China.

The Consumer Optics/Optronics business group encompasses the Camera Lenses, Sports Optics, Optronics and Planetariums divisions. Challenges and opportunities for the Camera Lenses division will result from digitization in the movie industry and the resulting shift in market requirements. The strong competitive and price pressure involves risks for the Sports Optics division. Despite this situation, the expansion of the product portfolio during the fiscal year and the strengthening of the sales and marketing team open up good opportunities for winning additional market share in this hotly contested market. The Optronics division is dependent on public sector budgets. Increasing budget restrictions may impact on its business. Opportunities for the Optronics division will result from the expansion of the business with security products and from the opening up of new sales markets.

Overall risk situation

As a result of the described measures, no individual risks are discernible that, on the basis of the information available to the company at the time this group management report was compiled, could significantly jeopardize the net assets, financial position and results of operations of the Carl Zeiss Group in the near future.

Outlook and goals

Global economic expectations

Uncertain market developments and the unpredictability of the global economic situation are anticipated for fiscal 2011/12. Uncertainties result in particular from the euro crisis and from the debt crisis in many states. Additionally, many government stimulus packages are currently drawing to a close, possibly leading to a slower growth in certain markets.

Market forecasts and development of the business groups

For the Semiconductor Manufacturing Technology business group, Carl Zeiss expects a clear slowdown in business activity. A massive price erosion has taken place for microchips due to increased production capacities and an only minor increase in demand. Therefore, the company assumes that the investments of the microchip fabs will be more modest in the upcoming reporting period.

The development of the Industrial Metrology business group in fiscal 2011/2012 is heavily dependent on the economic development of the industrial sector. The Carl Zeiss Group assumes that the favorable development in the service business will continue. For the systems business, further growth is expected in the rapidly developing economies.

Carl Zeiss anticipates that government budgets for education and research will be reduced in many countries, therefore impacting on the BioScience business of the Microscopy business group. For materials microscopy, Carl Zeiss still sees major market potential: microscope systems are used to conduct research into new materials offering increased energy efficiency.

For the upcoming years, Carl Zeiss expects a stable development in the Medical Technology business group. The basic drivers of growth in the medical technology sector will remain intact. These include the constant rise in the global population and the growing proportion of elderly people requiring increased health care. Another contributory factor will be the constant increase in demand from the emerging markets. This is contrasted by the cost reductions being implemented in public health care that could lead to a greater reluctance to invest on the part of customers.

For the Vision Care business group, Carl Zeiss expects growth in the Chinese, Indian and Brazilian markets in particular.

For the Camera Lenses, Optronics, Sports Optics and Planetariums business units combined in the Consumer Optics/Optronics business group, the company expects a slight downward trend overall.

Expectations for the development of the Carl Zeiss Group

If the current expectations on the global economy are confirmed, Carl Zeiss assumes that the growth recorded during the reporting year will not continue at the same pace in fiscal 2011/12. At the end of fiscal 2010/11, Carl Zeiss already noticed a slight downturn in semiconductor business that will initially persist in fiscal 2011/12. However, a stable development is apparent for other areas.

Overall, a slightly reduced level of revenue totaling around EUR 4b is forecast for fiscal 2011/12. After the record result in 2010/11, a reduction in EBIT is expected. In the mid and long terms the Carl Zeiss Group expects that the importance of the Asian and Latin American markets will grow considerably. In addition, Carl Zeiss anticipates that the volatility and dynamic of the markets will remain and that economic cycles will become shorter. With its strategic, international positioning, innovative strength, flexibility and balanced portfolio, Carl Zeiss is rising to these challenges. The net assets and financial position will continue to improve in the upcoming years in line with the earning power of the Carl Zeiss Group.

Subsequent events

Carl Zeiss Meditec AG dividend

The Management Board of Carl Zeiss Meditec AG propose the payment of a dividend of EUR 24m (EUR 0.30 per share). The share of around 35 percent attributable to non-controlling interests of Carl Zeiss Meditec AG will reduce the Carl Zeiss Group's equity accordingly. The corresponding resolution has yet to be adopted by the Annual General Meeting for the fiscal year 2011/12.

06 Consolidated financial statements

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

	Note	2010/11	2009/10
		EUR k	EUR k
Revenue	7	**4,237,094**	**2,980,891**
Cost of sales		2,229,094	1,595,298
Gross profit		**2,008,000**	**1,385,593**
» Sales and marketing expenses		733,480	471,778
» General administrative expenses		317,109	181,886
» Research and development expenses		358,812	291,454
» Other income	8	16,494	26,727
» Other expenses	9	7,816	44,258
Earnings before interest and taxes (EBIT)		**607,277**	**422,944**
» Share of profit/loss from investments accounted for using the equity method		−6	−21,490
» Interest income	10	27,441	29,913
» Interest expenses	10	142,754	112,810
» Other financial result	10	77,021	5,505
Financial result		**−38,298**	**−98,882**
Earnings before taxes (EBT)		**568,979**	**324,062**
» Income taxes	11	182,797	115,614
Consolidated profit/loss		**386,182**	**208,448**
» thereof profit/loss attributable to non-controlling interests		29,886	22,477
» thereof profit/loss attributable to the stockholder of the parent company		356,296	185,971

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

	Note	2010/11	2009/10
		EUR k	EUR k
Consolidated profit/loss		**386,182**	**208,448**
Exchange differences on translation of foreign subsidiaries		15,466	43,950
Gains/losses from available-for-sale financial assets		−266	2,569
Gains/losses from cash flow hedges		−11,045	−1,012
Gains/losses from investments accounted for using the equity method		555	8,590
Deferred income tax		3,552	−273
Other comprehensive income	22	**8,262**	**53,824**
Total comprehensive income		**394,444**	**262,272**
» thereof profit/loss attributable to non-controlling interests		30,772	27,198
» thereof profit/loss attributable to the stockholder of the parent company		363,672	235,074

Consolidated statement of financial position
as of 30 September 2011

Assets	Note	30 Sep 11	30 Sep 10
		EUR k	EUR k
Non-current assets			
» Intangible assets	12	680,594	237,067
» Property, plant and equipment	13	750,699	495,592
» Investments accounted for using the equity method	14	0	68
» Other non-current financial assets	15	162,652	166,458
		1,593,945	**899,185**
» Deferred taxes	11	234,496	187,118
» Other non-current non-financial assets		6,530	18,976
		1,834,971	**1,105,279**
Current assets			
» Inventories	16	948,125	726,654
» Trade receivables	17	768,366	596,354
» Other current financial assets	18	269,953	291,920
» Tax refund claims		43,044	20,544
» Other current non-financial assets	19	69,599	47,611
» Securities	20	41,037	152,719
» Cash and cash equivalents	21	462,894	832,917
		2,603,018	**2,668,719**
		4,437,989	**3,773,998**

Equity and liabilities	Note	30 Sep 11	30 Sep 10
		EUR k	EUR k
Equity	22		
» Issued capital		120,000	120,000
» Capital reserves		52,770	52,770
» Equity earned by the Group		1,209,129	893,431
» Other reserves		16,411	9,035
» Non-controlling interests		−176,902	182,525
		1,221,408	**1,257,761**
Non-current liabilities			
» Provisions for pensions and similar obligations	23	919,815	830,404
» Other non-current provisions	24	225,878	123,424
» Non-current financial liabilities	25	320,951	407,500
» Other non-current non-financial liabilities	27	51,760	45,589
		1,518,404	**1,406,917**
» Deferred taxes	11	75,131	36,207
		1,593,535	**1,443,124**
Current liabilities			
» Current provisions	24	297,794	289,498
» Current financial liabilities	25	251,213	71,810*
» Trade payables	26	251,444	128,061
» Current income tax payables		35,364	19,000
» Other current non-financial liabilities	27	787,231	564,744*
		1,623,046	**1,073,113**
		4,437,989	**3,773,998**

*For transparency reasons, the liabilities to affiliates and investments of EUR 33,569k were reclassified to financial liabilities in the prior year.

FINANCIALS

Consolidated statement of changes in equity

for fiscal year 2010/11 [1)]

				Other reserves						
	Issued capital	Capital reserves	Equity earned by the Group	from currency translation	from available-for-sale financial assets	from cash flow hedges	from investments accounted for using the equity method	**Equity**	**Non-controlling interests**	**Consolidated equity**
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
1 October 2009	**120,000**	**52,770**	**705,897**	**−35,982**	**5,059**	**–**	**−9,145**	**838,599**	**165,049**	**1,003,648**
Total comprehensive income	–	–	185,971	39,230	1,980	−697	8,590	235,074	27,198	262,272
Dividends	–	–	–	–	–	–	–	–	−5,681	−5,681
Change in the basis of consolidation	–	–	–	–	–	–	–	–	–	–
Other changes	–	–	1,563	–	–	–	–	1,563	−4,041	−2,478
30 September 2010	**120,000**	**52,770**	**893,431**	**3,248**	**7,039**	**−697**	**−555**	**1,075,236**	**182,525**	**1,257,761**
Total comprehensive income	–	–	356,296	14,546	−112	−7,613	555	363,672	30,773	394,445
Dividends	–	–	−18,597	–	–	–	–	−18,597	−16,253	−34,850
Change in the basis of consolidation	–	–	–	–	–	–	–	–	−372,460	−372,460
Other changes	–	–	−22,001	–	–	–	–	−22,001	−1,488	−23,487
30 September 2011	**120,000**	**52,770**	**1,209,130**	**17,794**	**6,927**	**−8,310**	**–**	**1,398,311**	**−176,903**	**1,221,408**

[1)] For more information on the changes in equity, please refer to note 22 of the notes to the consolidated financial statements.

Consolidated statement of cash flows
for the period from 1 October 2010 to 30 September 2011

	Note	2010/11	2009/10
		EUR k	EUR k
Profit/loss for the period		386,182	208,448
Amortization, depreciation and impairment net of amounts recognized subsequently/reversals of impairment losses	12, 13	184,291	174,577
Share of profit/loss from investments accounted for using the equity method		6	21,490
Other material non-cash income and expenses (net)		−42,901	37,310
Increase (prior year: decrease) in provisions for pensions and similar obligations	23	11,745	−6,144
Decrease (prior year: increase) in other provisions	24	−32,479	49,487
Loss from the disposal of investments accounted for using the equity method		−13	−978
Loss (prior year: gain) from the disposal of intangible assets and property, plant and equipment (net)	12, 13	−780	1,209
Gain (prior year: loss) from the disposal of current securities (net)		134	−10
Increase (prior year: decrease) in inventories	16	−129,085	51,054
Increase in trade receivables	17	−9,986	−149,242
Changes in deferred taxes	11	2,293	−20,346
Changes in other assets		63,938	−21,789
Increase in trade payables	26	26,816	24,109
Increase in current accruals		8,589	111,381
Changes in other liabilities		50,500	−4,456
Cash flows from operating activities		**519,250**	**476,100**
Proceeds from the disposal of property, plant and equipment and intangible assets	12, 13	4,537	8,937
Purchases of property, plant and equipment and intangible assets	12, 13	−198,258	−73,219
Proceeds from the disposal of financial assets		49	1,611
Net cash inflow (prior year: net cash outflow) from financial assets including fixed-term investments and securities maturing in >90 days		69,137	−39,491
Net cash outflow for the acquisition (prior year: net cash inflow from the disposal) of shares in affiliates		−6,892	1,463
Amounts allocated to the contractual trust arrangement and other plan assets outside Germany	23	−42,524	−15,694
Cash flows from investing activities		**−173,951**	**−116,393**
Dividend paid to Carl Zeiss Stiftung	22	−18,597	–
Payments to non-controlling interests		−16,253	−5,681
Proceeds from (financial) loans		12,345	2,466
Repayments of (financial) loans and bonds		−744,705	−99,789
Cash flows from financing activities		**−767,210**	**−103,004**
Changes in cash and cash equivalents		**−421,911**	**256,703**
Changes in cash and cash equivalents from exchange rate movements and changes in the basis of consolidation		51,889	−4,523
Cash and cash equivalents as of 1 October		832,916	580,736
Cash and cash equivalents as of 30 September		**462,894**	**832,916**

Additional information on the statement of cash flows	2010/11	2009/10
	EUR k	EUR k
Payments of		
» Income tax [1]	204,270	147,637
» Interest [1]	16,259	36,148
» Dividends [2]	34,850	5,681

Additional information on the statement of cash flows	2010/11	2009/10
	EUR k	EUR k
Proceeds from		
» Income tax [1]	26,995	5,095
» Interest [1]	20,968	16,005
» Dividends [2]	7,662	2,161

[1] Included in cash flows from operating activities [2] Included in cash flows from financing activities

FINANCIALS

Notes to the consolidated financial statements
for fiscal year 2010/11

BASIS OF PRESENTATION

1 General principles

Carl Zeiss AG is a non-listed stock corporation incorporated under German law, headquartered at Carl-Zeiss-Strasse 22, 73447 Oberkochen, Germany. It has global operations in the Medical and Research Solutions, Industrial Solutions and Lifestyle Products segments. The Carl Zeiss Foundation (Carl Zeiss Stiftung), Heidenheim an der Brenz and Jena, is the sole stockholder of Carl Zeiss AG.

Carl Zeiss AG exercises the option afforded by Sec. 315a (3) German Commercial Code (HGB) which, based on the member state option set out in the EU Regulation dated 19 July 2002, also allows companies not geared to the capital market to prepare their consolidated financial statements in accordance with International Financial Reporting Standards with exempting effect.

The accompanying consolidated financial statements of Carl Zeiss AG, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB. All pronouncements of the International Accounting Standards Board (IASB) whose adoption is mandatory have been considered.

The IASB and the IFRS IC issued the following standards, interpretations and amendments to existing standards in the reporting period. These new pronouncements are not early adopted in the consolidated financial statements of Carl Zeiss AG.

Date of issue	Standard/Interpretation	Amendment/new standard or interpretation	Effective date	Endorsed by the EU
7 October 2010	Amendment to IFRS 7 "Financial Instruments: Disclosures"	Extended disclosure requirements relating to the transfer of financial assets	Periods beginning on or after 1 July 2011	No
28 October 2010	Revised IFRS 9 "Financial Instruments"	Addition of rules governing accounting for financial liabilities	Periods beginning on or after 1 January 2013	No
20 December 2010	Amendment to IAS 12 "Income Taxes"	Practical solution for issues relating to the recovery of carrying amounts of assets through use or sale	Periods beginning on or after 1 January 2012	No
20 December 2010	Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Guidance on how to present financial statements in accordance with IFRSs if the functional currency is subject to severe hyperinflation and terminology changes	Periods beginning on or after 1 July 2011	No
12 May 2011	IFRS 10 "Consolidated Financial Statements"	Accounting rules governing the presentation of consolidated financial statements and explanations regarding the control principle	Periods beginning on or after 1 January 2013	No
12 May 2011	IFRS 11 "Joint Arrangements"	Addition of rules governing joint arrangements and related accounting issues	Periods beginning on or after 1 January 2013	No
12 May 2011	IFRS 12 "Disclosure of Interests in Other Entities"	Extended disclosure requirements relating to interests in other entities	Periods beginning on or after 1 January 2013	No
12 May 2011	IFRS 13 "Fair Value Measurement"	Guidance on measuring fair value and disclosures relating to measurement at fair value	Periods beginning on or after 1 January 2013	No
12 May 2011	IAS 27 "Separate Financial Statements"	Guidance on accounting for investments in subsidiaries, associates and joint ventures in separate financial statements	Periods beginning on or after 1 January 2013	No
12 May 2011	IAS 28 "Investments in Associates and Joint Ventures"	Guidance on accounting for associates and rules on using the equity method	Periods beginning on or after 1 January 2013	No
16 June 2011	Amendment to IAS 1 "Presentation of Financial Statements"	Presentation of items of other comprehensive income	Periods beginning on or after 1 July 2012	No
16 June 2011	Amendment to IAS 19 "Employee Benefits"	Extended disclosure requirements for defined benefit plans	Periods beginning on or after 1 January 2013	No

The amendments and new standards and interpretations described are not expected to have any significant impact on the Carl Zeiss Group's net assets, financial position or results of operations.

The consolidated financial statements are presented in euros. Unless otherwise specified, all amounts are stated in thousands of euros (EUR k).

In order to improve the clarity and transparency, individual items have been combined in the consolidated statement of financial position and the consolidated income statement and disclosed separately in these notes. The consolidated income statement has been prepared in accordance with the cost of sales method for the first time. Comparative figures have been determined for the prior year.

The consolidated financial statements and group management report prepared as of 30 September 2011 were authorized for issue to the Supervisory Board by the Executive Board on 30 November 2011.

The preparation of the list of shareholdings of the Group, the consolidated financial statements and the group management report as well as the report of the Supervisory Board are published in the Electronic German Federal Gazette (elektronischer Bundesanzeiger).

2 Basis of consolidation

Subsidiaries and associates are included in the consolidated financial statements. Subsidiaries are entities that are controlled directly or indirectly and are consolidated in full. Associates are entities over which Carl Zeiss AG exercises significant influence and that are neither subsidiaries nor joint ventures. Associates and joint ventures are accounted for in the consolidated financial statements using the equity method.

The consolidated financial statements include 30 (prior year: 29) German entities (including Carl Zeiss AG) and 123 (prior year: 62) entities in other countries over which Carl Zeiss AG exercises common control or holds the majority of voting rights, either directly or indirectly. The entities are included in the consolidated financial statements from the date on which the possibility of control is obtained.

One German investment, which had been accounted for using the equity method, was liquidated in the fiscal year. As of the reporting date, there are no more investments accounted for using the equity method.

The basis of consolidation changed as follows in the reporting period:

	Germany	Other countries	**Total**
30 September 2010	29	62	**91**
Additions in the reporting period	7	65	**72**
Disposals in the reporting period	6	4	**10**
30 September 2011	**30**	**123**	**153**

The following entities were removed from the basis of consolidation in the reporting period:

» Acri.Tec GmbH, Hennigsdorf (merged into Carl Zeiss Meditec AG, Jena, as of 1 October 2010)
» Carl Zeiss Medical Software GmbH, Munich (merged into Carl Zeiss Meditec AG, Jena, as of 1 October 2010)
» Carl Zeiss Meditec Systems GmbH, Jena (merged into Carl Zeiss Meditec AG, Jena, as of 1 October 2010)
» Carl Zeiss Surgical GmbH, Oberkochen (merged into Carl Zeiss Meditec AG, Jena, as of 1 October 2010)

FINANCIALS

» Pixer Technology GmbH & Co. KG, Oberkochen (merger by accrual into Carl Zeiss SMS GmbH, Jena, as of 1 October 2010)
» IOLTECHNOLOGIE-PRODUCTION S. A. R. L., La Rochelle (merged into Carl Zeiss Meditec S. A. S., La Rochelle, as of 30 November 2010)
» Quality Lab Participacoes S. A., Sao Paulo (merged into Lab Par Participacoes S. A., Rio de Janeiro, as of 29 July 2011)
» Lab Par Participacoes S. A., Rio de Janeiro (merged into Carl Zeiss Vision Brasil Industria Optical Ltda., Petropolis, as of 30 August 2011)
» American Optical do Brasil Ltda., Petropolis (merged into Carl Zeiss Vision Brasil Industria Optical Ltda., Petropolis, as of 30 August 2011)
» Carl Zeiss Vision Beteiligungsgesellschaft mbH, Aalen (merged into Carl Zeiss Vision International GmbH, Aalen, as of 1 October 2010)

The disposals from the basis of consolidation in the reporting period presented above did not have any significant impact on the net assets, financial position and results of operations of the Carl Zeiss Group.

The additions to the basis of consolidation and their impact on the net assets, financial position and results of operations of the Carl Zeiss Group are described below in note 3 "Business combinations".

3 Business combinations

The following entities were included in the consolidated financial statements for the first time:
» A total of 70 entities in connection with the acquisition of Carl Zeiss Vision Holding GmbH, Aalen (as of 1 October 2010)
» Carl Zeiss OIM GmbH, Wangen (as of 30 September 2011)

The entities included in consolidation and shareholdings are all given in the list of shareholdings in accordance with Sec. 313 (2) HGB.

Carl Zeiss Vision is a market leader in ophthalmic products. Based on the notarized option agreement dated 28 June 2010 and a voting rights agreement dated 1 October 2010 the stockholder EQT exercises its voting rights in Carl Zeiss Vision Holding GmbH according to Carl Zeiss AG's instructions effective 1 October 2010. As a result, EQT's voting rights are attributed to Carl Zeiss AG from an accounting perspective. Carl Zeiss AG thus obtained control over the Carl Zeiss Vision Group as of 1 October 2010 and the latter consequently has to be included in the consolidated financial statements of the Carl Zeiss Group by way of full consolidation as of that date. As of the reporting date, the shareholding was unchanged compared to the prior year at 48%.

The transaction has reinforced Carl Zeiss' involvement in the Lifestyle Products market. Especially where consumers are concerned, the worldwide presence is expected to further strengthen the ZEISS brand.

Due to the transactions described above, no consideration was transferred as of 1 October 2010. The option agreement contains both a put option for the stockholder and a call option for Carl Zeiss. The purchase price derived from these options is divided into a fixed and a variable purchase price component. A purchase price liability with a present value of EUR 22m was recognized in this context as of 1 October 2010.

Acquired receivables mainly included trade receivables with a gross value of approximately EUR 195m and a fair value of around EUR 180m.

The purchase price allocation in accordance with IFRS 3 was completed in fiscal 2010/11. Around EUR 140m was allocated to intangible assets that are subject to amortization and about EUR 332m was allocated to goodwill. In addition, approximately EUR 214m was allocated to property, plant and equipment a nd around EUR 402m to other assets. In addition, non-current provisions and liabilities amounting to EUR 981m and current liabilities and provisions totaling EUR 461m were recognized. Non-controlling interests were recognized at minus EUR 372m.

The interests previously held in Carl Zeiss Vision had been written off in full in the prior year when accounting for the investment using the equity method. Carl Zeiss Vision contributed EUR 849m to consolidated revenue. The Vision Care business group accounted for EBITDA of EUR 39m.

The first-time consolidation of OIM did not have any significant impact on the net assets, financial position and results of operations of the Carl Zeiss Group.

4 Consolidation principles

The consolidated financial statements are based on the financial statements of the subsidiaries included in the Group as of 30 September 2011, which have been prepared according to uniform accounting policies.

The acquisition method pursuant to IFRS 3 *Business Combinations* is used for acquisition accounting of subsidiaries. In the course of initial measurement, all identifiable assets and liabilities are measured at their acquisition-date fair values. Consequently, non-controlling interests are carried at the amount of their proportionate share in the fair values of assets and liabilities. The cost of the interests acquired is offset against the Group's proportionate share in the subsidiary's net assets measured at fair value. Any acquisition-related costs incurred are expensed. Any excess of cost over the Group's interest in the net fair value remaining after offsetting is recognized as goodwill under intangible assets. Any excess of the Group's interest in the net fair value over cost is recognized in profit or loss. For business combinations prior to 14 May 2002 the option set forth in IFRS 1.15 was exercised by including the previous GAAP accounting for these business combinations in the consolidated financial statements in accordance with IFRSs. Transactions under common control are accounted for by rolling forward the carrying amount.

The profit or loss of the subsidiaries acquired in the reporting period is included in the consolidated income statement based on their group affiliation, i. e., from the date on which the Group obtains control.

Subsidiaries are deconsolidated on the date on which Carl Zeiss AG loses control over the entity.

The shares in net assets that are attributable to non-controlling interests are reported under non-controlling interests within consolidated equity.

FINANCIALS

Joint ventures as defined by IAS 31 *Interests in Joint Ventures* are accounted for using the equity method in accordance with the alternative allowed in IAS 31.38.

When using the equity method in accordance with IAS 28 *Investments in Associates*, the shares are initially recognized at cost in the statement of financial position and subsequently measured at amortized cost to reflect changes in the Group's share of the equity (net assets) after the acquisition date and impairment losses.
Intercompany receivables and liabilities between consolidated entities are netted.
Any exchange differences are recognized within other reserves from currency translation.

Intercompany profits from intercompany transactions are eliminated.

The income tax implications are considered in the course of consolidation by recognizing deferred taxes.

Internal revenue and other intercompany income are offset against the corresponding expenses in the consolidated income statement.

5 Currency translation

The consolidated financial statements are prepared in euros, which is both the functional currency and the presentation currency of the Group. In the separate financial statements, foreign currency receivables and liabilities are valued at the exchange rate prevailing on the date of the transaction. Exchange differences are taken into account by revaluation at the average closing rate, with exchange rate gains and losses being reported in the consolidated income statement under financial result.

Financial statements denominated in foreign currency of the subsidiaries included in the consolidation are translated into euros on the basis of the functional currency concept pursuant to IAS 21 *The Effects of Changes in Foreign Exchange Rates*.
All assets and liabilities are translated using average closing rates, whereas equity is translated at historical rates.
The income and expense items from the income statement are translated using annual average exchange rates.
Any exchange differences arising are recognized in equity within other reserves from currency translation.

The following key exchange rates for the consolidated financial statements as of 30 September 2011 and 2010 were used for currency translation:

		Closing rate		Average rate	
	EUR 1 =	30 Sep 11	30 Sep 10	2010/11	2009/10
United Kingdom	GBP	0.8658	0.8579	0.8686	0.8696
Japan	JPY	103.7250	113.7450	113.0160	121.5941
USA	USD	1.3500	1.3651	1.3952	1.3568

6 Accounting policies

The financial statements of the entities included in the consolidated financial statements have been prepared in accordance with the Group's accounting policies. Adjustments are made as necessary where the local GAAP financial statements of individual entities diverge from these policies.
The income statement has been prepared in accordance with the cost of sales method for the first time. Comparative figures have been determined for the prior year. The other accounting policies used were the same as in the prior year. Where the reporting date of subsidiaries is different from the reporting date for the consolidated financial statements, interim financial statements are used.

Use of estimates

The preparation of financial statements in accordance with IFRSs requires management to make estimates that affect the measurement of assets and liabilities, the nature and scope of contingencies, the details reported of purchase commitments as of the reporting date and the reported amounts of income and expenses during the reporting period. The assumptions and estimates primarily relate to the determination of uniform useful lives and measurement parameters for impairment testing, in particular regarding goodwill. In addition, estimates are required when assessing the recoverability of inventories and receivables, recognizing and measuring provisions and assessing the recoverability of future tax relief. Actual results may differ from these estimates. Changes are recognized in profit or loss as and when better information is available. Any specific measurement risks are commented on together with the corresponding item of the statement of financial position.

Intangible assets

In accordance with IAS 38 *Intangible Assets*, acquired and internally generated intangible assets are recognized only if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably.
These assets are initially measured at cost. Intangible assets with finite useful lives are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses. Amortization is charged over the useful life using the straight-line method.
Intangible assets with indefinite useful lives as well as goodwill are not amortized and are therefore recognized at cost less any impairment losses.

Development costs are capitalized if all of the criteria in IAS 38.57 have been satisfied. These include, for example, demonstrating the technical feasibility of completing the intangible asset so that it will be available for use or sale. Other criteria relate to the intention to complete the intangible asset and the ability to use or sell it. In addition, it must generate future economic benefits for the company.

The entities of the Carl Zeiss Group perform development work at the limit of the possible and set new technological standards. That is why only a small portion of development costs are capitalized in the Carl Zeiss Group, as the criteria for recognition as part of the cost of an intangible asset are not all satisfied until a relatively late stage.

The costs directly attributable to development, including appropriate development-related overheads, are recognized as part of the cost of an asset. Amortization of capitalized development costs begins when the asset is available for use and is charged using the straight-line method over the expected product life cycle or based on unit numbers defined in business plans. Research costs and development costs that cannot be capitalized are expensed in the period in which they are incurred.

Amortization is based on the following ranges of useful lives:

	Useful life
Patents, industrial rights, licenses, software	2 to 20 years
Development costs	2 to 10 years
Other intangible assets	2 to 15 years

Property, plant and equipment

Property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses in accordance with IAS 16 *Property, Plant and Equipment*. The cost of self-constructed assets includes direct costs and a portion of materials and production overheads. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Depreciation is charged on a straight-line basis over the asset's useful life.

Depreciation based on the following ranges of useful lives:

	Useful life
Buildings and structures	2 to 50 years
Technical equipment and machinery	2 to 21 years
Other equipment, furniture and fixtures	2 to 23 years

Impairment of intangible assets and property, plant and equipment

IAS 36 *Impairment of Assets* requires assessing at the end of each reporting period whether there is any indication that the assets reported in the statement of financial position may be impaired. If any indication exists, or when annual impairment testing is required, e. g., as is the case for intangible assets with indefinite useful lives and goodwill, the Group carries out impairment testing. This involves estimating the recoverable amount of the asset or cash-generating unit (*CGU*) in order to determine any need to record an impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use – determined for the individual asset or cash-generating unit in each case.

In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax risk-adjusted discount rate based on the discounted cash flow method. This risk-adjusted discount rate ranges between 7.7% and 10.1% in the Carl Zeiss Group, depending on the CGU. On a pre-tax basis, the risk-adjusted discount rate would range between 8.1% and 10.5%. The interest rates are calculated using the weighted average cost of capital (WACC) method. The detailed planning period for future cash flows covers five fiscal years. For the following fiscal years, the cash flows of the fifth detailed planning year are rolled forward without applying a growth factor.

An impairment exists when the carrying amount of the asset or cash-generating unit exceeds the higher of its fair value less costs to sell and its value in use. Such impairment loss is recognized in the income statement immediately. With the exception of goodwill, impairment losses recognized in prior years are reversed if the reasons for recognizing the impairment no longer exist. The reversal is limited to ensure that the carrying amount is not exceeded that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. The reversal of impairment losses recognized on goodwill is not permissible.

Government grants

In accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, government grants are only recorded if it is reasonably certain that the conditions attached to the grants will be fulfilled and the grants actually awarded. Investment grants are generally deferred and amortized through profit or loss over the useful lives of the related assets. Grants related to income are offset against the corresponding expenses in the period in which the expenses are incurred.

Leases

A lease is classified as a finance lease if all risks and rewards incidental to ownership are transferred to the lessee. All other leases are classified as operating leases.

Leased assets classified as finance leases in accordance with IAS 17 *Leases* and thus constituting purchases of assets with long-term financing for economic purposes are recognized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability is recorded as a lease liability in the statement of financial position. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments for finance leases are apportioned between finance charges and reduction of the lease liability. Finance charges are recognized in the interest result in the income statement.

Operating lease payments are recognized immediately as an expense in earnings before interest and taxes in the income statement.

Assets leased under operating leases in which entities of the Carl Zeiss Group are the lessor are presented in non-current assets. Most of the operating leases relate to lease agreements for buildings.

Where entities in the Carl Zeiss Group are the lessors under finance leases, receivables are initially recognized at an amount equal to the net investment.

Sale-and-leaseback agreements are presented using the same principles.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are reported in the consolidated statement of financial position as of the date on which the Group becomes party to the contract. Regular way purchases and sales of financial assets are generally recognized on the settlement date.

Under IAS 39 *Financial Instruments: Recognition and Measurement*, financial instruments are subdivided into the following categories:

» Financial assets and liabilities at fair value through profit or loss and financial assets and liabilities held for trading
» Available-for-sale financial assets
» Held-to-maturity investments
» Loans and receivables
» Financial liabilities carried at amortized cost

The classification depends on the nature and purpose of the financial instrument and is designated upon recognition.

Fair value generally corresponds to the market or quoted value. If no active market exists, fair value is calculated using generally accepted valuation techniques (for example by discounting estimated future cash flows using the market interest rate or option pricing models).

Amortized cost corresponds to the cost of the financial liabilities adjusted for repayments, impairment and the amortization of any discounts or premiums.

The Carl Zeiss Group does not apply the fair value option pursuant to IAS 39.

The financial assets held for trading exclusively relate to derivative financial instruments, which the Carl Zeiss Group uses mainly for interest and currency hedging purposes. They are measured at fair value and changes in market value are recognized through profit or loss unless hedge accounting is applied.

Investments as well as securities and stock and pension fund shares are generally allocated to the category of available-for-sale financial assets and recognized at fair value accordingly.
If there is no active market for investments and it is not practicable to determine a reliable market value, they are measured at amortized cost. If there is any indication that fair value is lower, they are measured at fair value. Unrealized gains and losses are recognized in a separate item within equity, taking deferred taxes into account. Upon disposal or in the event of an anticipated prolonged decline in market value below cost, such gains and losses are recognized in profit or loss. Increases in the market value of equity instruments are always recognized directly in equity even if they were previously written down through profit or loss.

Held-to-maturity investments, loans and receivables, and current and non-current liabilities are measured at amortized cost. These are mainly loans, trade receivables, and current and non-current other financial assets and liabilities. Non-interest-bearing loans and loans bearing off-market interest rates are recognized at present value and increased due to the passage of time over their term to maturity.

Hedge accounting
Hedge accounting is applied to hedging instruments and hedged items when the relevant criteria are satisfied. The countereffects of changes in the fair values of hedging instruments and the associated hedged item are realized through profit or loss at the same time. The criteria for hedge accounting include:

A hedge is considered to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk; the effectiveness of the hedge can be reliably measured; and at the inception of the hedge there is formal designation and documentation of the hedging relationship as well as the Carl Zeiss Group's risk management objectives and strategies for entering into the hedge. In addition, it is documented at the inception of the hedge whether the derivatives used for hedging purposes are expected to be highly effective in offsetting changes in fair value or cash flows of the hedged item that are attributable to the hedged risk. This assessment is renewed thereafter on a quarterly basis, along with a retrospective assessment of whether the hedge actually was highly effective.
In the Carl Zeiss Group, hedge accounting is applied for hedging relationships designed to hedge exposure from changes in cash flows arising from fluctuation in interest or exchange rates. To the extent that they relate to the effective portion of a hedge, changes in the fair value of a hedging instrument are recognized under other reserves from cash flow hedges, a separate item within equity, net of the related deferred taxes. The ineffective portion of the hedge is recognized immediately in profit or loss. The cumulative amounts recognized in equity are reclassified to profit or loss in the period in which the hedged item affects profit or loss.

Inventories

Materials and supplies as well as merchandise are measured at costs of purchase, which are generally determined using the average cost method. Work in progress and finished goods are measured at costs of conversion. In addition to direct materials as well as direct labor, costs of conversion include an appropriate portion of materials and production overheads as well as production-related depreciation and production-related administrative expenses.

Write-downs are recorded on inventories when the costs of purchase or costs of conversion exceed the estimated net realizable value. All inventory, selling and income risks are taken into adequate consideration this way. If the reasons for a write-down no longer apply, it is reversed up to the lower of cost or estimated net realizable value.

Receivables and other assets

Receivables and other assets are accounted for at nominal value or amortized cost. Identifiable risks of default are accounted for by means of specific allowances. Any uncollectible receivables or other assets are derecognized.

Long-term construction contracts

Long-term construction contracts are recognized in accordance with the percentage-of-completion (*PoC*) method. Under this method, revenue and costs of sales incurred are recognized according to the stage of completion as of the reporting date, based on the contracts concluded with the customers, as soon as the outcome of the construction contract can be estimated reliably. The percentage of completion is determined based on the contract costs incurred by the reporting date as a share of total contract costs (*cost-to-cost method*). After deducting advances received, the revenue calculated using the PoC method is presented under trade receivables in the statement of financial position.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Any anticipated losses are expensed immediately in full.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and cash at banks as well as all investments with an original term of less than three months.

Provisions for pensions and other post-employment benefits
The entities of the Carl Zeiss Group have various pension plans. In addition, some foreign subsidiaries have agreed to provide post-employment medical care benefits under certain circumstances.
Payments for defined contribution obligations as well as contributions to statutory pension funds are recognized as an expense for the period.

Obligations from the defined benefit obligations are calculated according to IAS 19 *Employee Benefits* using the projected unit credit method allowing for expected future adjustments to salaries and pensions.
The provisions for pensions and similar obligations at German group entities are determined based on actuarial principles and using the 2005 G mortality tables from Prof. Dr. Klaus Heubeck. The provisions for pensions and similar obligations at entities outside Germany are determined using the relevant local basis for calculation and local parameters.
Differences between the actuarial projected benefit obligation – after deducting plan assets – and the provision mainly result from actuarial gains or losses related to changes in the rates of employee turnover and deviations between the actual salary development and the assumptions used for calculation purposes.

In line with the option allowed by IAS 19, Carl Zeiss uses the corridor method to account for these actuarial gains and losses, i. e., those actuarial gains and losses that exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at the end of the prior reporting period are recognized over the expected average remaining years of service of the beneficiaries.

Service cost is disclosed in earnings before interest and taxes, while the interest portion of additions to the provision and the return on plan assets are recorded in the financial result.

Deferred compensation
The Group offers employees with unlimited employment contracts the option of using untaxed compensation to make provision for old age. Depending on the terms of their contract, the employees may convert up to three monthly salaries. The amounts converted are paid into an employer's pension liability insurance policy and the associated benefits are pledged to the employees. The term to maturity of the receivables from the employer's pension liability insurance matches the term of the obligations to employees. If the future benefits under the employer's pension liability insurance are higher than the benefit obligation to the employee, the employee receives the higher amount.
The amount is dependent on the age of the employees at the time of conversion of their compensation and the employees' decision on whether to have the deferred compensation paid out as a one-off payment or as a pension. In addition to the conversion of compensation, the deferred compensation system may include invalidity and surviving dependant's benefits, depending on the model chosen.

Other provisions
In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, present obligations to third parties arising from past events are disclosed within other provisions if it is probable that an outflow of resources will be required and can be measured reliably. The provisions are recognized at full cost.

Where the effect of the time value of money is material and the remaining term of the obligation can be determined reliably, non-current provisions are recognized at the amount needed to settle the obligation, discounted to the reporting date. In such cases, the increase in the provision due to the passage of time is recognized as an interest expense.

The provisions for obligations under the German phased retirement scheme, long-service awards and death benefits are determined and measured on the basis of actuarial reports or similar parameters.

Restructuring provisions
Restructuring provisions are recognized when an entity has made the decision to restructure and has a detailed formal plan for the restructuring, stating the parts of a business or locations concerned, the approximate number of employees affected and when the plan will be implemented, and it has been announced to those affected or their representatives before the reporting date. The amount of the provision covers all direct expenditures arising from the restructuring which are necessarily entailed by the restructuring and not associated with the ongoing or future activities of the entity.

Warranty provisions
Warranty obligations may be legal, contractual or non-contractual. Provisions are recognized for expenses expected to be incurred under guarantee or warranty obligations. Warranty claims are expected especially when the warranty period has not yet expired, when warranty expenses were incurred in the past or when there is specific indication of pending warranty cases. The warranty risk is derived either from individual estimates or past experience and is provided for accordingly.

Provisions for litigation risks
Provisions are recognized for risks arising from litigation in which entities of the Carl Zeiss Group are the defendants. They are measured at the amount that the company would have to pay in the event of a negative outcome of the litigation and if it is more likely than not that the outcome will be negative. This amount includes the amounts payable by the company, such as damages and compensation payments as well as anticipated legal costs. In litigation where the company is the claimant, only the legal costs are provided for.

Deferred taxes
Deferred taxes are recognized using the liability method according to IAS 12 *Income Taxes*.
Deferred tax assets and liabilities are recognized on all temporary differences between the IFRS carrying amounts and the tax accounts of consolidated entities and on consolidation measures.
Further, deferred tax assets for future economic benefits from unused tax losses and unused tax credits are taken into account if it is probable that they will be used.

The carrying amount of deferred tax assets is reviewed at every reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilized. A previously unrecognized deferred tax asset is reassessed and recognized to the extent that it has become probable that future economic benefits will be recovered.

No deferred tax liabilities are recognized for taxable temporary differences related to investments in subsidiaries if the timing of the reversal of the temporary differences can be controlled and it is not probable that the temporary differences will reverse in the foreseeable future.

Deferred taxes relating to items recognized in other comprehensive income are recognized in other comprehensive income and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a group entity has a legally enforceable right to offset current tax assets and current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity. Consequently, deferred tax assets and liabilities are netted within consolidated tax groups.

Liabilities

Liabilities are carried at amortized cost using the effective interest method.

Revenue recognition and other income

The company recognizes revenue from the sale of goods based on the corresponding contract as soon as all parts of the product have been delivered, risks of ownership have been transferred, the sales price is fixed or can be determined, there are no significant obligations to customers and collection of the receivables is considered probable. Revenue is presented net of cash discounts, price reductions, customer bonuses and rebates. If the sale comprises services or maintenance agreements, this portion of the revenue is deferred and released to income in accordance with the stage of completion or pro rata temporis over the contractual period.
If rights of return are agreed when products are sold, revenue is not recognized unless corresponding values based on past experience are available. The expected volume of returns is estimated and recognized as reducing revenue based on past experience.

Interest income is recognized pro rata temporis using the effective interest method. Dividends are recognized when the legal right to receive the payment is established. If royalties are paid for multiperiod agreements, revenue is generally recognized on a straight-line basis.

Expense recognition

Expenses are generally recognized when it is probable that there will be an outflow of economic benefits from the entity.
Unless they can be capitalized as part of the cost of the asset, research and development costs are expensed as incurred.
Subsidies for research and development are deducted from the expenses when they become receivable for research and development projects that have been performed and the associated expenditure.
The company is liable to its customers for flawless functioning of the products sold during the contractual warranty period.
The corresponding warranty provisions are recognized by debiting other operating expenses when revenue is recognized.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

7 Revenue

Revenue contains the amounts charged to customers for goods and services. Sales deductions such as rebates and discounts are deducted from revenue.
Revenue was generated from products, technical and other services for biomedical research and medical systems, system solutions for the semiconductor, automotive and mechanical engineering industries, planetariums and high-end consumer articles such as eyeglass lenses, camera lenses and binoculars.

Revenue by region breaks down as follows:

	2010/11		2009/10	
	EUR k	%	EUR k	%
Germany	533,758	13	347,592	12
Europe (without Germany)	1,887,630	45	1,458,568	49
Americas	1,050,184	25	606,354	20
Asia	645,743	15	495,834	17
Other regions	119,779	2	72,543	2
	4,237,094	**100**	**2,980,891**	**100**

One of the reasons for the increase in revenue is the inclusion of Carl Zeiss Vision for the first time.

8 Other income

Other income breaks down as follows:

	2010/11	2009/10
	EUR k	EUR k
Rental income	6,120	5,672
Commissions received	2,517	3,445
Gains on the disposal of non-current assets	1,529	920
Royalties	1,183	7,520
Sale of scrap	539	123
Reversal of provisions	504	8,976
Sundry other income	4,102	71
	16,494	**26,727**

Of the amount reported for the reversal of provisions in prior years, EUR 4,612k relates to repayments from an entity acquired in the fiscal year 2007/08.

The royalties reported in the prior year are attributable to the brand licensing business with the Carl Zeiss Vision Group.

9 Other expenses

Other expenses break down as follows:

	2010/11	2009/10
	EUR k	EUR k
Rental expenses	5,444	4,697
Losses on the disposal of non-current assets	2,309	2,130
Impairment of goodwill	–	37,222
Sundry other expenses	63	209
	7,816	**44,258**

10 Financial result

Interest result

	2010/11	2009/10
	EUR k	EUR k
Other interest and similar income	**27,441**	**29,913**
» thereof from affiliates	198	215
Interest and similar expenses	**142,754**	**112,810**
» thereof to affiliates	800	670
» thereof interest expense for pensions	74,458	70,178
	−115,313	**−82,897**

The interest expense for pensions must be considered together with the expected return on plan assets as described below and disclosed under other financial result. The net balance of these two items of EUR 45,633k (prior year: EUR 44,088k) is the Carl Zeiss Group's net financing cost for pensions.

Other financial result

	2010/11	2009/10
	EUR k	EUR k
Income from investments	2,238	1,070
Income from profit transfer	494	372
Expenses for loss absorption	5,857	2,772
Investment result	**−3,125**	**−1,330**
Income/expenses from exchange differences	3,731	−4,897
Income/expenses from changes in market value	−4,657	−13,227
Expected return on plan assets (pensions)	28,825	26,090
Reversal of impairment losses on financial assets	–	821
Gain/loss on the disposal of securities	134	10
Sundry other financial result	52,113	−1,962
Other financial result	**77,021**	**5,505**

Income from investments includes income from affiliates of EUR 1,647k (prior year: EUR 0k).

The changes in income and expenses from exchange differences and in income and expenses from changes in market value are due to exchange rate fluctuations in the reporting period.

The sundry other financial result contains income from a receivables waiver by banks of EUR 54,140k.

11 Income taxes

Income taxes include domestic and foreign income taxes, the reversal of tax provisions, tax reimbursements and deferred taxes.

Income taxes break down as follows:

	2010/11	2009/10
	EUR k	EUR k
Current tax expenses less tax reimbursements and reversal of tax provisions	169,814	143,170
Deferred tax expense (prior year: income)	12,983	−27,556
» thereof from temporary differences	−3,183	−41,824
» thereof from changes in tax rates	527	459
» thereof from unused tax losses including write-downs	15,639	13,809
Income taxes	**182,797**	**115,614**

Deferred taxes are determined on the basis of the tax rates that apply or are expected to apply based on the tax laws that have been enacted or substantively enacted in the individual countries at the time of realization. In Germany, a corporate income tax rate of 15.0% currently applies. Taking into account the solidarity surcharge and the different trade tax levy rates, the rates range from 27.7% to 30.5% (prior year: 27.7% to 33.0%). The tax rates form the basis for the calculation of current taxes.

The nominal tax rates applicable outside Germany in the reporting period ranged between 10.0% (prior year: 11.0%) and 42.1% (prior year: 42.1%).

As in the prior year, the applicable tax rate used for the tax reconciliation statement is a group tax rate of 31.1%.

The income tax expense does not contain any income and expenses resulting from changes in accounting policies pursuant to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The total amount of deferred tax assets and liabilities as of 30 September is allocated to the following items of the statement of financial position:

	30 Sep 11 Assets	30 Sep 11 Liabilities	30 Sep 10 Assets	30 Sep 10 Liabilities
	EUR k	EUR k	EUR k	EUR k
Intangible assets	1,879	48,317	2,506	20,631
Property, plant and equipment	7,659	46,145	5,244	63,210
Other non-current assets	14,358	17,338	10,554	8,469
Inventories	38,947	5,992	33,993	2,916
Receivables and other current assets	6,569	13,129	4,229	17,543
Non-current liabilities	160,367	2,681	145,857	2,390
Current liabilities	89,255	10,228	72,114	7,161
Retained earnings	–	1,494	–	2,560
Unused tax losses	16,151	–	15,773	–
Total deferred taxes	**335,185**	**145,324**	**290,270**	**124,880**
Reduction	30,496	–	14,479	–
Offsetting	70,193	70,193	88,673	88,673
Deferred taxes, net	**234,496**	**75,131**	**187,118**	**36,207**

As of the reporting date, the Carl Zeiss Group has unused tax losses that are available for offsetting against future profit. Deferred tax assets of EUR 16,151k (prior year: EUR 15,773k) were recognized on unused tax losses as of the reporting date.

Apart from Germany, the following countries also recognized deferred tax assets on unused tax losses: Belgium, France, Austria, Spain, the US and Japan (prior year: France, Austria, Spain, the US, Japan and Australia).

The unused tax losses for which no deferred taxes were recognized amount to EUR 598,440k (prior year: EUR 23,934k). Most of these are available for offsetting for more than five years or do not expire at all. As of the reporting date these unused tax losses were classified as not likely to be usable. The increase is primarily due to changes in the basis of consolidation.

Consolidation measures gave rise to deferred tax assets of EUR 40,780k (prior year EUR 19,749k) and deferred tax liabilities of EUR 56,148k (prior year: EUR 17,279k).

The reconciliation of the expected income tax expense – based on earnings before taxes at an unchanged group tax rate of 31.1% for the reporting period of EUR 176,952k (prior year: EUR 100,783k) to the current tax expense reported in the consolidated income statement – is as follows:

	2010/11	2009/10
	EUR k	EUR k
Earnings before taxes (EBT)	568,979	324,062
Expected income tax expense (= 31.1% x EBT; prior year: = 31.1% x EBT)	**176,952**	**100,783**
Differences from diverging tax rates	−12,723	−3,238
Effect of changes in tax rates	527	459
Effect from share of profit/loss of investments accounted for using the equity method	−24	6,683
Effect of non-deductible expenses	2,663	12,727
Effect of tax-free income	−616	−4,638
Effects relating to other periods	19,269	−2,099
Other	−3,251	4,937
Current income tax expense	**182,797**	**115,614**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

12 Intangible assets

The goodwill amounting to EUR 467,045k (prior year: EUR 134,290k) is tested for impairment annually at the level of the cash-generating units.
The cash flows referred to in the impairment test are determined on the basis of detailed plans with a planning horizon of five years. For the following fiscal years, the cash flows of the last detailed planning year are rolled forward without a growth factor. The discount rates are based on an after-tax cost of capital (WACC) of between 7.7% and 10.1% (between 8.1% and 10.5% before tax) depending on the cash-generating unit. The cost of capital is a material parameter in impairment testing.
A change in WACC would have a direct impact on value in use.

Goodwill is allocated to the cash-generating units on the basis of the internal management structure of the Carl Zeiss Group. The latter is made up of business groups, which in turn are divided into strategic business units. The strategic business units correspond to the cash-generating units.

Carrying amounts of the goodwill were allocated to the respective cash-generating units as follows:

Cash-generating unit	30 Sep 11	30 Sep 10
	EUR k	EUR k
Vision Care	332,416	–
Surgical Ophthalmology	54,472	54,518
Process Control Solutions	38,605	38,325
Ophthalmology Systems	23,129	23,024
BioSciences	9,499	9,499
Industrial Metrology Services	8,924	8,924

The change in the Vision Care cash-generating unit is attributable to the inclusion of the Carl Zeiss Vision Group for the first time as of 1 October 2010. The changes in the other cash-generating units result from foreign currency translation in accordance with IAS 21.47.

Apart from the legally protected trademarks with a carrying amount of EUR 889k (prior year: EUR 879k), which were recognized in the course of the purchase price allocation of LDT Inc., the Group does not report any other intangible assets with indefinite useful lives. Until better information becomes available, the asset is expected to be used permanently and its useful life was therefore defined as indefinite. The asset is allocated to the Ophthalmology Systems cash-generating unit.

In the reporting period, a total of EUR 359m (prior year: EUR 291m) was spent on research and development.
An amount of EUR 10,741k (prior year: EUR 6,161k) thereof was capitalized as own development work in accordance with IAS 38.

	Patents, industrial rights, licenses, software	Goodwill	Develop-ment costs	Other intangible assets	**Total**
	EUR k	EUR k	EUR k	EUR k	EUR k
Cost					
1 October 2009	**200,317**	**171,913**	**57,384**	**38,058**	**467,672**
Change in the basis of consolidation	–	–	–	–	–
Additions	9,809	–	6,161	592	16,562
Disposals	1,120	1,854	24	227	3,225
Reclassifications	6,288	−138	−117	−6,033	–
Exchange differences	4,393	4,617	86	1,401	10,497
30 September 2010	**219,687**	**174,538**	**63,490**	**33,791**	**491,506**
Amortization/impairment					
1 October 2009	**115,200**	**2,911**	**41,255**	**14,554**	**173,920**
Change in the basis of consolidation	–	–	–	–	–
Additions	31,012	37,663	6,743	3,911	79,329
Disposals	522	441	6	123	1,092
Reversal of impairment losses	–	–	26	–	26
Reclassifications	–	–	–	–	–
Exchange differences	1,653	115	37	503	2,308
30 September 2010	**147,343**	**40,248**	**48,003**	**18,845**	**254,439**
Carrying amounts as of 30 September 2010	**72,344**	**134,290**	**15,487**	**14,946**	**237,067**
Cost					
1 October 2010	**219,687**	**174,538**	**63,490**	**33,791**	**491,506**
Change in the basis of consolidation	54,355	374,833	58,266	59,362	546,816
Additions	10,174	462	10,741	12,654	34,031
Disposals	323	–	221	1,444	1,988
Reclassifications	1,251	–	–	−1,187	64
Exchange differences	473	1,076	43	223	1,815
30 September 2011	**285,617**	**550,909**	**132,319**	**103,399**	**1,072,244**
Amortization/impairment					
1 October 2010	**147,343**	**40,248**	**48,003**	**18,845**	**254,439**
Change in the basis of consolidation	24,884	42,879	561	6,086	74,410
Additions	32,452	–	14,095	18,771	65,318
Disposals	267	–	36	1,757	2,060
Reversal of impairment losses	14	–	1,385	–	1,399
Reclassifications	642	–	–	−651	−9
Exchange differences	379	737	27	−192	951
30 September 2011	**205,419**	**83,864**	**61,265**	**41,102**	**391,650**
Carrying amounts as of 30 September 2011	**80,198**	**467,045**	**71,054**	**62,297**	**680,594**

The impairment losses and reversal of impairment losses recognized on intangible assets had the following effect on the income statement:

	30 Sep 11		30 Sep 10
	Impairment losses	Reversal of impairment losses	Impairment losses
	EUR k	EUR k	EUR k
Cost of sales	–	–	1,174
Sales and marketing expenses	7,750	–	1,707
General administrative expenses	–	–	–
Research and development expenses	31	1,399	2,273
Other expenses	–	–	–
Other income	–	–	37,221
Total	**7,781**	**1,399**	**42,375**

The impairment losses in the reporting period mostly pertain to other intangible assets.

13 Property, plant and equipment

	Land and buildings including buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Assets under construc-tion	**Total**
	EUR k	EUR k	EUR k	EUR k	EUR k
Cost					
1 October 2009	**439,371**	**455,323**	**617,582**	**21,212**	**1,533,488**
Change in the basis of consolidation	–	–	–	–	–
Additions	1,975	15,769	25,269	13,643	56,656
Disposals	5,602	13,919	15,501	1,491	36,513
Reclassifications	2,284	1,148	8,856	−12,288	–
Exchange differences	5,052	1,060	4,892	65	11,069
30 September 2010	**443,080**	**459,381**	**641,098**	**21,141**	**1,564,700**
Depreciation / impairment					
1 October 2009	**175,131**	**333,487**	**487,678**	**–**	**996,296**
Change in the basis of consolidation	–	–	–	–	–
Additions	11,676	28,668	55,401	–	95,745
Disposals	4,326	11,370	12,804	–	28,500
Reversal of impairment losses	–	24	447	–	471
Reclassifications	793	−881	88	–	–
Exchange differences	2,413	500	3,125	–	6,038
30 September 2010	**185,687**	**350,380**	**533,041**	**–**	**1,069,108**
Carrying amounts as of 30 September 2010	**257,393**	**109,001**	**108,057**	**21,141**	**495,592**
Cost					
1 October 2010	**443,080**	**459,381**	**641,098**	**21,141**	**1,564,700**
Change in the basis of consolidation	73,492	222,381	66,090	−1,522	360,441
Additions	13,321	42,040	50,429	58,437	164,227
Disposals	3,361	36,373	25,383	1,407	66,524
Reclassifications	−18,692	17,168	15,982	−14,522	−64
Exchange differences	2,290	1,862	97	199	4,448
30 September 2011	**510,130**	**706,459**	**748,313**	**62,326**	**2,027,228**
Depreciation / impairment					
1 October 2010	**185,687**	**350,380**	**533,041**	**–**	**1,069,108**
Change in the basis of consolidation	19,262	78,417	48,652	–	146,331
Additions	15,023	53,797	53,542	–	122,362
Disposals	2,454	35,218	23,463	–	61,135
Reversal of impairment losses	–	260	1,730	–	1,990
Reclassifications	−2,075	−2,290	4,374	–	9
Exchange differences	1,096	829	−81	–	1,844
30 September 2011	**216,539**	**445,655**	**614,335**	**–**	**1,276,529**
Carrying amounts as of 30 September 2011	**293,591**	**260,804**	**133,978**	**62,326**	**750,699**

The impairment losses and reversal of impairment losses recognized on property, plant and equipment had the following effect on the income statement:

	30 Sep 11		30 Sep 10	
	Impairment losses	Reversal of impairment losses	Impairment losses	Reversal of impairment losses
	EUR k	EUR k	EUR k	EUR k
Cost of sales	105	1,940	8,668	7
Sales and marketing expenses	40	–	–	–
General administrative expenses	48	–	227	–
Research and development expenses	–	50	–	–
Other expenses	–	–	–	–
Other income	–	–	–	–
Total	**193**	**1,990**	**8,895**	**7**

The reversal of impairment losses mainly relates to other equipment, furniture and fixtures. Property, plant and equipment with a net carrying amount of EUR 198k (prior year: EUR 4,436k) are subject to restrictions on disposal or serves as collateral for liabilities. Contractual purchase commitments for property, plant and equipment total EUR 31,003k as of the reporting date (prior year: EUR 17,073k).

14 Investments accounted for using the equity method

Until the liquidation of Advanced Research Institute GmbH, Hennigsdorf, in the reporting period, the shares held in the entity were accounted for using the equity method pursuant to the allowed alternative treatment in accordance with IAS 31.38 on the basis of its separate financial statements.
Carl Zeiss Vision Holding GmbH, Aalen, was consolidated for the first time in the reporting period.

		30 Sep 11	30 Sep 10
	Country	Interest	Interest
		%	%
Carl Zeiss Vision Holding GmbH	Germany	–	48
Advanced Research Institute GmbH	Germany	–	49

Prior to liquidation of the entity, the share in the loss of Advanced Research Institute GmbH, Hennigsdorf, attributable to the Carl Zeiss Group is reported in the consolidated income statement under the share of profit/loss of investments accounted for using the equity method.

Aggregated financial information on the investments accounted for using the equity method (basis 100%; 30 September):

	2010/11	2009/10
	EUR m	EUR m
Assets	–	1,281
Liabilities	–	1,501
Equity	–	−220
Revenue	–	881
EBIT	–	−48
Profit/loss for the period	–	−134

15 Other non-current financial assets

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Shares in affiliates	9,506	8,523
Loans to affiliates	2,722	2,159
Other loans	4,436	475
Investments	8,217	11,505
Securities	109,271	119,630
Derivatives	1,029	711
Sundry other non-current financial assets	27,471	23,455
	162,652	**166,458**

The EUR 983k increase in shares in affiliates is mainly attributable to capital increases at non-consolidated subsidiaries.

This rise in other loans is almost exclusively due to the vendor loan granted to finance a production machine.

The smaller securities portfolio of EUR 109,271k (prior year: EUR 119,630k) is a result of the sale of securities.

The other non-current financial assets mostly consist of the assets of foreign entities in connection with financing benefit obligations and rent deposit accounts with remaining terms of more than one year.

The decrease in other non-current non-financial assets is essentially attributable to netting the cash surrender values of the employer's pension liability insurance for deferred compensation with the corresponding obligation for the first time.

16 Inventories

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Materials and supplies	248,297	181,196
Work in progress	360,130	300,334
Finished goods and merchandise	329,649	239,961
Advances	10,049	5,163
Inventories	**948,125**	**726,654**

The carrying amounts contain write-downs of EUR 171,111k (prior year: EUR 156,119k). Of the total, an amount of EUR 456,028k (prior year: EUR 355,917k) was recognized at net realizable value below the cost.

The write-downs recorded on inventories, which were recognized under cost of sales in the consolidated income statement, amounted to EUR 39,116k in the reporting period (prior year: EUR 33,265k). Write-downs of EUR 13,596k (prior year: EUR 7,364k) were reversed through profit or loss.

Cost of materials amounted to EUR 1,344m in the reporting period (prior year: EUR 953m).

17 Trade receivables

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Trade receivables (gross)	**796,913**	**612,914**
Portfolio-based allowances	29,451	15,681
Allowances for exchange differences	904	−879
Trade receivables (net)	**768,366**	**596,354**
» thereof due in more than one year	8,929	6,578

As of 30 September 2011, trade receivables include receivables of EUR 6,066k from construction contracts billed according to the percentage-of-completion method (prior year: EUR 4,551k). Advances received for these contracts of EUR 0k (prior year: EUR 576k) have already been taken into account. Revenue of EUR 2,745k (prior year: EUR 13,687k) was recognized from construction contracts in the reporting period. The aggregate revenue from current projects as of the reporting date totals EUR 6,043k (prior year: EUR 22,949k). As of 30 September the retentions by customers for construction contracts amounted to EUR 0k (prior year: EUR 2,341k).

The specific allowances and portfolio-based allowances on trade receivables developed as follows:

	2010/11	2009/10
	EUR k	EUR k
1 October	**15,681**	**17,300**
Change in the basis of consolidation	14,434	–
Utilization	−5,033	−4,532
Reversal	−3,532	−2,438
Additions, including reclassifications	8,505	4,759
Exchange rate effects	−604	592
30 September	**29,451**	**15,681**

The following table provides information on the credit risk contained in trade receivables:

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Trade receivables (net)	**768,366**	**596,354**
thereof neither impaired nor past due as of the reporting date	545,428	389,940
thereof not impaired as of reporting date but past due by the following time periods:		
» up to 30 days	83,463	87,996
» 31 to 90 days	39,615	24,282
» 91 to 180 days	22,634	9,800
» 181 to 360 days	7,429	4,858
» 361 days and more	8,297	2,550

For further information on financial risks and types of risk, please refer to note 31 “Financial instruments and risk management.”

18 Other current financial assets

	30 Sep 11		30 Sep 10	
		thereof due in more than one year		thereof due in more than one year
	EUR k	EUR k	EUR k	EUR k
Receivables from affiliates	17,894	651	17,434	59
Receivables from investments	1,925	–	75,086	–
Derivatives	4,666	–	10,381	–
Sundry other current financial assets	245,468	–	189,019	–
	269,953	**651**	**291,920**	**59**

The receivables from affiliates result from cash management and trade with entities that are not included in the consolidated financial statements of Carl Zeiss AG.

The decrease in receivables from investments was caused by the inclusion of the Carl Zeiss Vision Group in the basis of consolidation.

Other current financial assets primarily include time deposits with a term of more than 90 days. The increase in the reporting period is principally due to the investment of short-term liquidity surpluses.

The table below shows information on the credit risks relating to receivables from affiliates and receivables from investments.

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Receivables from affiliates	17,894	17,434
Receivables from investments	1,925	75,086
	19,819	**92,520**
thereof neither impaired nor past due as of the reporting date	12,437	17,234
thereof not impaired as of reporting date but past due by the following time periods:		
» up to 30 days	4,332	6,972
» 31 to 90 days	1,051	2,842
» 91 to 180 days	656	4,490
» 181 to 360 days	466	8,309
» 361 days and more	867	52,854

Allowances of EUR 0k (prior year: EUR 7,899k) were recognized on receivables from investments in the reporting period.

For further information on financial risks and types of risk, please refer to note 31 “Financial instruments and risk management.”

19 Other current non-financial assets

Other current non-financial assets mainly comprise tax reimbursement claims from taxes other than income taxes and prepaid expenses.

20 Securities

Other securities essentially relate to commercial papers that are due within one year or are intended to be sold within a year.

21 Cash and cash equivalents

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Cash	380,150	716,889
Securities due in less than 90 days of their acquisition date	82,744	116,028
	462,894	**832,917**

Cash is composed of checks, cash on hand and cash at banks. The effective interest rate for cash at banks due in less than 90 days is mainly between 0.30% and 1.40% (prior year: 0.20% and 1.00%).

22 Equity

The **issued capital** of Carl Zeiss AG totaling EUR 120,000k is unchanged compared to the prior year and is divided into 120,000,000 shares at nominal value, all of which are held by the Carl Zeiss Foundation (Carl Zeiss Stiftung). A dividend of EUR 18,597k was distributed in the reporting period (prior year: EUR 0k). The dividend per share amounted to EUR 0.15 (prior year: EUR 0).

The **capital reserves** are unchanged at EUR 52,770k.

Equity earned by the Group comprises the legal reserve of Carl Zeiss AG, reported at EUR 5,950k, retained profits of the subsidiaries included in the consolidated financial statements, any excess of the acquirer’s interest over cost arising from acquisition accounting, the reserves from first-time adoption of IFRSs and the cumulative exchange differences as of 1 October 2004, which were reclassified as of the date of transition to IFRSs in accordance with the option set forth in IFRS 1.22. In addition, this item includes goodwill from acquisition accounting for subsidiaries consolidated in prior years.

Other reserves, including the attributable non-controlling interests, of EUR 16,364k (prior year: EUR 8,102k) developed as follows:

	Currency translation	Available-for-sale financial assets	Cash flow hedges	Investments accounted for using the equity method	Total
	EUR k	EUR k	EUR k	EUR k	EUR k
1 October 2009	−41,679	5,102	–	−9,145	−45,722
Recognized in equity	43,950	2,569	−1,012	858	46,365
Reclassified to the income statement	–	–	–	7,732	7,732
Deferred income tax	–	−588	315	–	−273
30 September 2010	**2,271**	**7,083**	**−697**	**−555**	**8,102**
1 October 2010	2,271	7,083	−697	-555	8,102
Recognized in equity	15,466	−266	−11,045	–	4,155
Reclassified to the income statement	–	–	–	555	555
Deferred income tax	–	120	3,432	–	3,552
30 September 2011	**17,737**	**6,937**	**−8,310**	**–**	**16,364**

Non-controlling interests comprise the interests held by third parties in the equity of subsidiaries in Germany and other countries.

The development of consolidated equity is shown in the statement of changes in equity. The presentation is based on the requirements of IAS 1 *Presentation of Financial Statements*.

23 Provisions for pensions

The provisions for pensions include current and future pension obligations of Carl Zeiss AG and various subsidiaries. In addition, this item comprises the provisions of the US entities for medical care benefit obligations.

The Carl Zeiss Group has both defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the obligation of the entity concerned is limited to the payment of the agreed amounts.
The expenses for defined contribution plans amounted to EUR 54,393k in the reporting period (prior year: EUR 47,436k).

With defined benefit plans, the entity's obligation consists of fulfilling the commitments made to current and former employees and their surviving dependants. Such obligations exist both at group entities in Germany and other countries. In the Carl Zeiss Group, defined benefit plans are partly financed via provisions and partly funded via external funds.

A contractual trust arrangement (CTA) was introduced in the fiscal year 2005/06, under which assets are transferred to a trust association such that they can be used only to settle the benefit obligations. These assets satisfy the criteria set forth in IAS 19.7 for plan assets and are therefore offset against the benefit obligations in these consolidated financial statements. Where the assets exceed the underlying, secured claims, the excess is reported under non-current financial assets.

Actuarial assumptions are essential for all defined benefit plans. Besides life expectancy, which in Germany is determined based on the 2005 G mortality tables from Prof. Dr. Klaus Heubeck, the following assumptions were made for the purposes of the actuarial calculations:

	Germany		Other countries	
	2010/11	2009/10	2010/11	2009/10
	%	%	%	%
Interest rate	5.2	4.7	1.0 – 7.75	1.0 – 6.25
Future salary increases	3.0	3.0	2.0 – 5.0	2.0 – 4.0
Future pension increases	2.0	2.0	0.7 – 5.0	1.0 – 5.0
Future medical cost increases	–	–	3.5	3.5 – 8.4
Expected return on plan assets	4.5	4.5	3.65 – 7.5	3.7 – 7.5

The expected return on plan assets is derived from the portfolio structure of plan assets together with the available market returns on comparable investments. Owing to the volatile financial markets, we adjusted our estimate of the market interest rate used in determining the defined benefit obligation (DBO) in the reporting period in accordance with IAS 19. As the corridor method as defined in IAS 19 is applied for actuarial gains/losses, the reduced interest rate and increased DBO resulting from this change in estimate did not have any effect on the benefit liability.

The funded status in accordance with IAS 19 of the defined benefit plans is as follows:

	Germany		Other countries	
	30 Sep 11	30 Sep 10	30 Sep 11	30 Sep 10
	EUR k	EUR k	EUR k	EUR k
Present value of unfunded obligations	785,526	743,713	28,888	18,555
Present value of benefit obligations from plans that are wholly or partly funded	543,858	545,228	250,580	175,319
Total present value of the defined benefit obligations	**1,329,384**	**1,288,941**	**279,468**	**193,874**
Plan assets at fair value	435,175	387,937	165,039	112,273
Net benefit obligation	**894,209**	**901,004**	**114,429**	**81,601**
Unrecognized past service cost	–	–	– 110	–
Unrecognized actuarial gains / losses	– 59,746	– 116,556	– 28,967	– 35,645
	834,463	**784,448**	**85,352**	**45,956**

The amounts recognized in the consolidated income statement are as follows:

	Germany		Other countries	
	2010/11	2009/10	2010/11	2009/10
	EUR k	EUR k	EUR k	EUR k
Current service cost	34,526	20,800	5,160	3,528
Interest cost	62,193	61,510	12,265	8,668
Expected return on plan assets	– 19,033	– 19,121	– 9,792	– 6,969
Past service cost	889	–	– 110	– 1,214
Reduction of actuarial gains / losses	3,271	– 536	4,314	3,078
Income / expense from plan amendments	–	–	– 516	–
Other	– 494	–	– 163	278
Net benefit cost of the fiscal year	**81,352**	**62,653**	**11,158**	**7,369**

FINANCIALS

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

	Germany		Other countries	
	2010/11	2009/10	2010/11	2009/10
	EUR k	EUR k	EUR k	EUR k
Defined benefit obligation (DBO) as of 1 October	1,288,941	1,074,974	193,874	155,108
Exchange differences	–	–	2,782	10,928
Change in the basis of consolidation	87,332	–	77,948	–
Current service cost	34,526	20,800	5,160	3,528
Interest cost	62,193	61,510	12,265	8,668
Benefits paid	−68,447	−63,314	−10,173	−6,549
Actuarial gains/losses	−77,222	194,971	−1,854	23,385
Past service cost	766	–	−18	–
Employee contributions	1,295	–	–	–
Income/expense from plan amendments	–	–	−516	−1,194
Defined benefit obligation (DBO) as of 30 September	**1,329,384**	**1,288,941**	**279,468**	**193,874**

Plan assets developed as follows:

	Germany		Other countries	
	2010/11	2009/10	2010/11	2009/10
	EUR k	EUR k	EUR k	EUR k
Plan assets as of 1 October	387,937	370,208	112,273	93,457
Exchange differences	–	–	392	6,368
Change in the basis of consolidation	1,393	–	46,404	–
Expected return on plan assets	19,033	19,121	9,792	6,969
Actuarial gains/losses	−23,805	−10,579	−7,898	6,465
Employer contributions	36,513	11,449	6,011	4,245
Employee contributions	1,295	–	452	364
Benefits paid	−6,292	−3,626	−9,063	−5,595
Effect of changes in components that cannot be netted	−146	1,364	6,676	–
Other	19,247	–	–	–
Plan assets as of 30 September	**435,175**	**387,937**	**165,039**	**112,273**

The other changes in plan assets are essentially attributable to netting the cash surrender values of the employer's pension liability insurance for deferred compensation with the corresponding obligation for the first time.

In addition, there are assets amounting to EUR 19,027k (prior year: EUR 16,692k) that can be used only to settle the benefit obligations and exceed the underlying, secured pension claims or cannot be classified as plan assets as defined by IAS 19 *Employee Benefits*. This amount is therefore reported under non-current financial assets instead of as plan assets. The portion that is attributable to employer contributions made in the reporting period is shown under purchases of financial assets instead of under "Amounts allocated to the contractual trust arrangement and other plan assets outside Germany" in the statement of cash flows.

Employer contributions to plan assets for the fiscal year 2011/12 are expected to amount to EUR 6,822k (prior year: EUR 37,909k).

The portfolio of plan assets consists of the following components:

	Germany		Other countries	
	30 Sep 11	**30 Sep 10**	**30 Sep 11**	**30 Sep 10**
	EUR k	EUR k	EUR k	EUR k
Stocks	89,938	69,399	69,414	46,074
Fixed-interest securities	206,153	224,339	68,355	50,522
Real estate	–	–	7,949	3,734
Cash	40,040	33,598	9,289	4,368
Other	99,044	60,601	10,032	7,575
	435,175	**387,937**	**165,039**	**112,273**

Experience adjustments developed as follows:

	30 Sep 11	**30 Sep 10**	**30 Sep 09**	**30 Sep 08**	**30 Sep 07**
	EUR k	EUR k	EUR k	EUR k	EUR k
Present value of the defined benefit obligation	1,608,852	1,482,815	1,230,082	1,127,076	1,234,331
Fair value of plan assets	600,214	500,210	463,665	427,021	464,838
Plan deficit	**−1,008,638**	**−982,605**	**−766,417**	**−700,055**	**−769,493**
Experience adjustments of plan liabilities as of the reporting date	−79,076	218,356	93,508	−126,495	−133,044
Experience adjustments of plan assets as of the reporting date	−31,703	−4,114	−879	−68,233	6,574

Changes in the assumed medical cost increase relating exclusively to the US subsidiaries would have the following effect:

	Increase by 1 percentage point	**Decrease by 1 percentage point**
	EUR k	EUR k
The aggregate of the current service cost and interest cost components of net periodic post-employment medical costs	669	−515
Accumulated post-employment benefit obligation for medical costs	8,071	−6,303

24 Other provisions

	30 Sep 11	thereof due within one year	30 Sep 10	thereof due within one year
	EUR k	EUR k	EUR k	EUR k
Provisions for income taxes	24,795	24,795	51,589	51,589
Provisions for personnel-related obligations	158,070	68,710	136,641	60,254
Provisions for sales-related obligations	143,339	143,339	142,610	142,610
Sundry other provisions	197,468	60,950	82,082	35,045
	523,672	**297,794**	**412,922**	**289,498**

The provisions for income taxes comprise amounts for taxes that have not yet been finally assessed.

Provisions for personnel-related obligations mainly relate to phased retirement obligations, long-service awards and early retirement arrangements, the timing and/or amount of which cannot yet be precisely determined. Provisions for sales-related obligations principally relate to warranty obligations, services still to be rendered and onerous contracts. Sundry other provisions include provisions for environmental risks, legal costs, restructuring and an anti-trust proceedings. The increase is mostly attributable to the inclusion of the Carl Zeiss Vision Group.

	1 Oct 10	Change in the basis of consolidation	Utilization	Reversal	Additions, including reclassifica-tions	Unwinding of the discount and effects from changes in the discount factor	Exchange differences	30 Sep 11
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Provisions for income taxes	51,589	–	31,911	14,079	19,140	–	56	24,795
Provisions for personnel-related obligations	136,641	14,185	78,468	1,938	86,312	1,075	263	158,070
Provisions for sales-related obligations	142,610	27,422	56,047	35,455	65,192	191	−574	143,339
Sundry other provisions	82,082	102,663	38,964	28,800	76,173	4,774	−460	197,468
	412,922	**144,270**	**205,390**	**80,272**	**246,817**	**6,040**	**−715**	**523,672**

25 Financial liabilities

	30 Sep 11			30 Sep 10		
		thereof due within one year	thereof due in more than five years		thereof due within one year	thereof due in more than five years
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Liabilities to banks	382,968	182,226	86,617	334,125	18,813	2,011
Lease liabilities	23,613	4,865	8,563	23,213	3,006	9,733
Other financial liabilities*	165,583	64,122	–	121,972	49,991	–
» thereof profit participation capital	9,114	1,849	–	7,651	1,854	–
» thereof liabilities to affiliates	39,247	39,247	–	30,111	30,111	–
	572,164	**251,213**	**95,180**	**479,310***	**71,810***	**11,744**

*For transparency reasons, the liabilities to affiliates and investments of EUR 33,569k were reclassified to financial liabilities in the prior year.

Liabilities to affiliates include liabilities from cash management due to entities that are not included in the consolidated financial statements of Carl Zeiss AG.

Profit participation capital

The profit participation rights comprise participation certificates of the 2006-D, 2007-D, 2008-D and 2010-D series, each with a term of five years and a nominal volume totaling EUR 9.1m. A resolution was adopted in the fiscal year to issue participation certificates (2011-D series) with a total nominal value of EUR 3.4m.

In accordance with the terms and conditions of the participation certificates, they are subject to graded interest rates (0% to 20%) depending on the Carl Zeiss Group's return on sales.

In the reporting period the 2005-D series participation certificates amounting to EUR 1,702k were repaid to the holders in full.

The terms and conditions of the participation certificates provide for termination rights for either party only in very limited exceptions.

Promissory note loans

By agreement dated 16 June 2005, Carl Zeiss AG issued a promissory note loan of EUR 170m maturing on 25 June 2012. Interest is payable at a fixed annual rate of 3.625%.

Two further promissory note loans totaling EUR 160m were placed by agreements dated 4 May 2009, one amounting to EUR 128.5m and fixed interest bearing and the other totaling EUR 31.5m and subject to floating interest rates. An interest rate hedge has been concluded for the latter. Both loans will fall due for repayment at nominal value on 12 May 2014.

An amount of EUR 270m of these promissory note loans is included in liabilities to banks as in the prior year. A further amount EUR 60m is included in other financial liabilities as in the prior year because the lenders of these amounts are insurance companies or financial services providers.

Liabilities to banks

The rise in liabilities to banks is primarily due to the financing of the Carl Zeiss Vision Group.

The finance lease liabilities are detailed in note 32 “Leases.”

For more information on the contractually agreed undiscounted cash outflows from the non-derivative financial liabilities and derivative financial instruments, please refer to note 31 “Financial instruments and risk management.”

26 Trade payables

An amount of EUR 107k of the trade payables (prior year: EUR 183k) is due in more than one year. The item contains obligations arising from construction contracts of EUR 1,231k as of the reporting date (prior year: EUR 2,089k).

For more information on the contractually agreed undiscounted cash outflows from the non-derivative financial liabilities, please refer to note 31 “Financial instruments and risk management.”

27 Other non-financial liabilities

	30 Sep 11		30 Sep 10	
		thereof due within one year		thereof due within one year
	EUR k	EUR k	EUR k	EUR k
Accruals for personnel-related obligations	159,099	159,099	113,903	113,903
Accruals for sales-related obligations	238,027	238,027	211,680	211,680
Other accruals	36,396	36,396	6,148	6,148
Advances received on account of orders	255,475	235,202	163,183	148,440
Tax liabilities (other than income taxes)	29,859	29,859	12,414	12,414
Withheld wage tax	10,866	10,866	9,346	9,346
Liabilities relating to social security	9,375	9,375	10,217	10,217
Deferred income	86,130	55,007	72,009	41,449
Sundry other non-financial liabilities	13,764	13,400	11,433	11,147
	838,991	**787,231**	**610,333***	**564,744***

* For transparency reasons, the liabilities to affiliates and investments of EUR 33,569k were reclassified to financial liabilities in the prior year.

The accruals for sales-related obligations mainly relate to outstanding invoices and bonus and commission payments.

For more information on the contractually agreed undiscounted cash outflows from the non-derivative financial liabilities, please refer to note 31 "Financial instruments and risk management."

OTHER NOTES

28 Notes to the statement of cash flows

The consolidated statement of cash flows shows how the cash of the Carl Zeiss Group changed in the course of the fiscal year as a result of cash received and paid. In accordance with IAS 7 *Statement of Cash Flows* a distinction is made between cash flows from operating activities, investing activities and financing activities.

The cash and cash equivalents reported in the statement of cash flows comprise the cash and cash equivalents disclosed in the statement of financial position.

The cash flows from investing activities and financing activities are determined on the basis of payments made or received. The cash flows from operating activities, on the other hand, are derived indirectly from the consolidated profit or loss for the year. When performing the indirect calculation, changes in items of the statement of financial position considered in connection with operating activities are adjusted for effects from currency translation and changes in the basis of consolidation. Non-cash effects are likewise eliminated. Changes in the items of the statement of financial position concerned can therefore not be reconciled with the figures based on the published consolidated statement of financial position.

Of the cash and cash equivalents, EUR 11,646k (prior year: EUR 265k) is subject to restrictions on disposal or transfer.

29 Contingent liabilities and assets

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Liabilities from guarantees	4,093	1,748
Other contingent liabilities	1,135	1,111
Contingent assets	–	294

The other contingent liabilities were not recognized as provisions because the probability of claims being made is considered remote.

30 Average headcount for the year

	2010/11	2009/10
	Number	Number
Germany	9,483	8,083
Europe (without Germany)	3,676	1,483
Americas	6,378	1,569
Asia	2,878	1,093
Other regions	968	411
	23,383	**12,639**
Trainees	431	429
	23,814	**13,068**

The headcount stated above comprises the employees of entities included in the consolidated financial statements. Part-time employees and temporary employees are included proportionately.
Of the total increase in headcount, 10,065 employees are attributable to changes in the basis of consolidation.

Personnel expenses amounted to EUR 1,340m in the reporting period (prior year: EUR 974m).

31 Financial instruments and risk management

Depending on the nature and extent of the respective transaction, measures to minimize credit risk must be taken for all transactions relating to the non-derivative financial instruments. These include obtaining collateral, credit ratings and references or track records of prior business relations, particularly payment behavior. Impairment losses are recognized for any credit risks associated with the financial assets.

Carrying amounts by measurement category

The table below presents the carrying amounts by measurement category:

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Loans and receivables	1,068,282	903,981
Assets at fair value through profit or loss	5,695	11,092
Available-for-sale financial assets	168,031	292,377
Financial instruments other than those defined by IAS 39	462,894	832,917
Financial assets	**1,704,902**	**2,040,367**
Financial liabilities at amortized cost	778,724	572,253
Liabilities at fair value through profit or loss	21,271	11,904
Financial instruments other than those defined by IAS 39	23,613	23,213
Financial liabilities	**823,608**	**607,370**

Carrying amounts and fair values

The table below presents the carrying amounts and fair values of the financial instruments carried *at amortized cost*.

	30 Sep 11		30 Sep 10	
	Carrying amount	Fair value	Carrying amount	Fair value
	EUR k	EUR k	EUR k	EUR k
Financial assets				
Available-for-sale financial assets				
» Shares in affiliates	9,506	9,506	8,523	8,523
» Investments	6,733	6,733	6,245	6,245
Loans and receivables				
» Trade receivables	768,366	768,366	596,354	596,354
» Receivables from affiliates	17,894	17,894	17,434	17,434
» Receivables from investments	1,925	1,925	75,086	75,086
» Loans to affiliates and other loans	9,543	9,543	2,634	2,634
» Other non-current financial assets	27,470	27,470	23,455	23,660
» Other current financial assets	243,083	243,083	189,019	189,019
Cash and cash equivalents*	462,894	462,894	832,917	832,917
Total	**1,547,414**	**1,547,414**	**1,751,667**	**1,751,872**
Financial liabilities				
Financial liabilities at amortized cost				
» Liabilities to banks	382,968	386,124	334,125	344,505
» Trade payables	251,444	251,444	128,061	128,061
» Other financial liabilities	144,312	144,731	110,067	113,207
Finance lease liabilities*	23,613	23,613	23,213	23,213
Total	**802,337**	**805,912**	**595,466**	**608,986**

*Financial instruments other than those defined by IAS 39

Cash and cash equivalents as well as trade receivables mostly fall due within the short term. Consequently, their carrying amounts as of the reporting date approximate their fair value.

Trade payables generally have short terms to maturity; their carrying amounts therefore approximate fair value.

The fair values of the liabilities to banks and other financial liabilities are calculated as the present value of the payments associated with the liabilities, based on the applicable term structure of interest rates.

Shares in affiliates and investments whose fair value cannot be determined reliably are measured at amortized cost.

Fair value measurement considerations

Financial instruments are measured at fair value based on a three-level fair value hierarchy:

» Financial instruments measured by reference to quoted prices in active markets (level 1)

» Financial instruments measured using valuation techniques by reference to inputs that are observable either directly (as prices) or indirectly (derived from prices) (level 2)

» Financial instruments measured using valuation techniques by reference to inputs that are not based on observable market data (level 3)

The following table shows the carrying amounts and how they are allocated to the three levels of the fair value hierarchy that applies for the fair value measurement of financial instruments:

30 September 2011	Level 1	Level 2	Level 3	Total
	EUR k	EUR k	EUR k	EUR k
Financial assets				
Available-for-sale financial assets				
» Investments	1,484	–	3,940	5,424
» Securities	150,308	–	–	150,308
Assets at fair value through profit or loss				
» Other financial assets				
» Derivatives	–	5,695	–	5,695
Total	**151,792**	**5,695**	**3,940**	**161,427**
Financial liabilities				
Liabilities at fair value through profit or loss				
» Other financial liabilities				
» Derivatives	–	21,271	–	21,271
Total	**–**	**21,271**	**–**	**21,271**

30 September 2010	Level 1	Level 2	Level 3	Total
	EUR k	EUR k	EUR k	EUR k
Financial assets				
Available-for-sale financial assets				
» Investments	–	–	5,260	5,260
» Securities	272,349	–	–	272,349
Assets at fair value through profit or loss				
» Other financial assets				
» Derivatives	–	11,092	–	11,092
Total	**272,349**	**11,092**	**5,260**	**288,701**
Financial liabilities				
Liabilities at fair value through profit or loss				
» Other financial liabilities				
» Derivatives	–	11,904	–	11,904
Total	**–**	**11,904**	**–**	**11,904**

The development of financial instruments allocated to level 3 of the fair value hierarchy is presented in the table below:

	Investments	
	2010/11	2009/10
	EUR k	EUR k
1 October	**5,260**	**5,714**
Additions	18	241
Changes in fair value recognized in profit or loss	–	–
Changes in fair value recognized in equity	1,479	1,072
Disposals	2,876	2,197
Exchange rate effects	59	430
30 September	**3,940**	**5,260**
Fair value changes recognized in profit or loss for the financial instruments as of the reporting date	–	–

Income and expenses recognized in profit or loss from instruments allocated to level 3 are included in other financial result.

Net gains and losses by measurement category

The effects of financial instruments recognized in the income statement are presented on a net basis in the table below by category as defined in IAS 39 *Financial Instruments: Recognition and Measurement*:

Net gain or loss	2010/11			
		thereof		
		from interest	from subsequent measure-ment	from disposals
	EUR k	EUR k	EUR k	EUR k
Loans and receivables	6,859	10,668	−3,809	–
Available-for-sale financial assets	2,572	5,399	−2,961	134
Financial assets and liabilities at fair value through profit or loss	5,355	–	−10,388	15,743
Financial liabilities measured at amortized cost	−1,609	−39,901	38,292	–

Net gain or loss	2009/10			
		thereof		
		from interest	from subsequent measure-ment	from disposals
	EUR k	EUR k	EUR k	EUR k
Loans and receivables	14,429	21,162	−6,733	–
Available-for-sale financial assets	5,341	5,341	–	–
Financial assets and liabilities at fair value through profit or loss	−19,669	–	−13,227	-6,442
Financial liabilities measured at amortized cost	−24,374	−19,015	−5,359	–

The equity effects arising from marking available-for-sale financial instruments to market are presented separately in the statement of changes in equity.

Hedge accounting

To hedge the interest rate risk associated with the floating-rate portion of loans, interest rate swaps have been concluded for five-year terms to match the loans' term to maturity. These interest rate swaps were designated as cash flow hedges in compliance with the requirements for hedge accounting. A promissory note loan issued in fiscal 2008/09 and a loan that is scheduled to be drawn in the coming fiscal year were designated the hedged items. The ineffective portion of the hedge is recognized in the interest result. When the underlying transaction occurs, any amounts recognized directly in equity are reclassified to the interest result.

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Nominal values	181,500	31,500
Fair values	−7,936	−1,052
Effective portion	−6,879	−1,012
Ineffective portion	−5	–

To hedge the currency exposure from forecast revenue in the project business of USD 101m, the Group has entered into forward exchange contracts with matching remaining terms to maturity of between one and 36 months. These forward exchange contracts were designated as cash flow hedges in compliance with the requirements for hedge accounting.

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Fair values	−4,168	–
Effective portion	−4,166	–
Ineffective portion	−2	–

The ineffective portion of the currency hedges is included in the income and expenses from changes in market value. When the forecast revenue is realized, any amounts recognized directly in equity are reclassified to revenue.

Capital management

The primary objective of the Carl Zeiss Group's capital management is to secure the Group's ability to continue as a going concern. The aim in particular is to have sufficient financial scope, taking into account an optimized structure in the statement of financial position, to realize the targeted growth. Growth potential arises from acquisitions and strategic alliances as well as from constant investment in innovative power. Capital management is monitored on an ongoing basis using various financial indicators, including first and foremost the EVA® (economic value added).

General information about financial risks and risk management

The operations of the Carl Zeiss Group are exposed to market price risks due to changes in exchange rates and interest rates. Furthermore the Group is exposed to credit and liquidity risks resulting primarily from trade receivables and in connection with market price risks. Business policy aims to minimize these risks by means of hedging. All hedging transactions are implemented at corporate level.

Internal regulations and guidelines establish a mandatory framework and define the responsibilities relating to investment and hedging transactions. Hedges are entered into solely via banks with high credit ratings given by leading agencies. For risk management and monitoring purposes value-at-risk analyses, supplemented by scenario, sensitivity and stress test analyses, are used to quantify market risks arising from currency exposure. The maximum acceptable market risk was limited by the Group's Executive Board on the basis of risk potential, which is monitored on an ongoing basis. In addition, to manage these risks in detail from an operating perspective, a hedging rate is set for all relevant currencies within the range approved by the Executive Board. Limits have also been defined to mitigate risks in terms of counterparties and types of business. Contracts are only entered into with renowned banks with international operations.

All business is transacted in compliance with the principle of strict separation of duties between front office (trading), middle office (financial risk management, financial controlling) and back office (settlement, documentation).

Credit risk

Credit risk stems from an adverse development in the economic conditions of the company's lenders or counterparties. On the one hand, this gives rise to the risk of default, in full or in part, on contractually agreed payments or performance and, on the other, to credit-risk-related impairment of financial instruments. The maximum credit risk position of the Carl Zeiss Group as of the end of the reporting period is equivalent to the carrying amount of the financial instruments disclosed as financial assets.

Cash and cash equivalents

The cash and cash equivalents reported in the statement of cash flows are the same as those reported in the statement of financial position. The Carl Zeiss Group is exposed to credit risk from the investment of cash should the banks not be able to meet their obligations. The financial credit risks are diversified by investing at different banks, defining limits per asset class, issuer and bank and applying high rating standards to business partners.

Trade receivables

Trade receivables result almost exclusively from the business groups' sales activities in various markets as well as industry and customer segments.

This risk is mitigated by the group entities setting credit limits for their customers and monitoring compliance on an ongoing basis. In addition, a large proportion of trade receivables is secured through a range of different means, including country-specific options. The most frequent form is the retention of title.

The risk inherent in trade receivables is also accounted for by allowances. Receivables that are past due and impaired are described in note 17 "Trade receivables."

Derivative financial instruments

The Carl Zeiss Group uses derivative financial instruments exclusively to hedge interest and currency risks. For this purpose, it enters into interest rate swaps and standard currency options and forward exchange contracts. These cover the underlying goods and services transactions of group entities and non-derivative financial transactions (hedged transactions).

The currency hedges serve above all to hedge recognized receivables and liabilities, transactions in the currencies of major industrialized countries and the currency exposure derived from a continuously updated, rolling 12-month plan.

The market values are derived from the amounts at which the derivative financial instruments concerned are traded or quoted at the reporting date, without taking into account any offsetting effects from the hedged transactions. Where market values are not available, they are determined using generally accepted valuation techniques (e. g., the present value method or option pricing models).

Interest rate hedges serve to hedge the interest rate risk arising from the floating-rate portions of certain loans.

The risk of default is limited by choosing counterparties with excellent credit ratings given by external rating agencies. Concentration risks are limited and managed by entering into hedging transactions with various banks.

Other receivables and assets

The Carl Zeiss Group is only exposed to credit risk from other receivables and assets to a minor extent.

Liquidity risk

The liquidity risk of the Carl Zeiss Group represents the risk that Carl Zeiss AG or a subsidiary may not be able to meet its financial obligations (e. g., to repay financial liabilities or make interest payments).

The Carl Zeiss Group generates liquidity primarily from operations. Where necessary or where it makes sense for strategic reasons, external sources of finance are also drawn on. Furthermore, Carl Zeiss Meditec AG has the additional possibility of raising funds via the capital market.

Liquidity is ensured by means of ongoing, groupwide liquidity monitoring and budgeting and a diversified investment policy that takes into account the terms to maturity and is implemented by Carl Zeiss Financial Services GmbH on a groupwide scale. A revolving credit facility was arranged for this purpose in the fiscal year 2010/11.

For further details on the Carl Zeiss Group's financial liabilities, please refer to note 25 "Financial liabilities."

The table below shows the contractually agreed undiscounted cash outflows for non-derivative financial liabilities and for derivative financial instruments with a negative market value.

		Undiscounted cash flows					
	Carrying amount 30 Sep 11	up to 30 days	31 to 90 days	91 to 180 days	181 to 365 days	more than 365 days	**Total 30 Sep 11**
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Liabilities to banks	382,968	7,502	49	829	181,246	213,795	403,421
Lease liabilities	23,613	577	1,031	1,518	2,982	23,460	29,568
Trade payables	251,444	131,922	100,610	14,593	4,219	379	251,723
Other financial liabilities	165,583	13,741	1,921	5,444	14,618	148,585	184,309
» thereof derivative financial instruments with a negative market value	21,271	1,572	647	2,095	4,587	12,370	21,271
» thereof profit participation capital	9,114	–	–	3,159	–	7,265	10,424
» thereof liabilities to investments	431	309	122	–	–	–	431
» thereof liabilities to affiliates	39,247	11,448	1,130	–	1,100	33,458	47,136

		Undiscounted cash flows					
	Carrying amount 30 Sep 10	up to 30 days	31 to 90 days	91 to 180 days	181 to 365 days	more than 365 days	**Total 30 Sep 10**
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Liabilities to banks	334,125	2,135	3,630	3,415	21,035	335,482	365,697
Lease liabilities	23,213	361	721	1,086	2,195	26,379	30,742
Trade payables	128,061	79,664	46,144	1,567	509	183	128,067
Other financial liabilities	121,972	21,443	2,200	6,224	5,335	100,622	135,824
» thereof derivative financial instruments with a negative market value	11,904	5,946	1,680	1,701	1,508	1,069	11,904
» thereof profit participation capital	7,651	–	–	–	1,854	5,797	7,651
» thereof liabilities to investments	3,458	3,169	289	–	–	–	3,458
» thereof liabilities to affiliates	30,111	11,797	26	4,523	–	15,552	31,898

The available liquidity as well as the revolving credit facility give the Carl Zeiss Group adequate flexibility to cover the Group’s refinancing needs. The Carl Zeiss Group is not subject to any concentration of liquidity risk thanks to the diverse nature of its financing sources and its cash and cash equivalents.

Financial market risk

Due to its global operations, the Carl Zeiss Group is exposed to market price risks arising from changes in exchange rates and interest rates.

As part of its risk management policy, the Carl Zeiss Group refers to value-at-risk analyses. These analyses are used to regularly assess the risk position from changes in exchange rates and interest rates by calculating the maximum loss for a certain confidence level and retention period. Value at risk is determined on the basis of historical data and taking into account correlation between the transactions analyzed. The value at risk determined then shows the maximum loss that will not be exceeded over a period of ten days with a probability of 95% (historical simulation).

Exchange rate risk

On account of its global orientation, the Carl Zeiss Group is exposed to risks from exchange rate fluctuations in its operations and the financial results and cash flows reported. These are mainly in relation to the US dollar, the Japanese yen and the pound sterling.

The exchange rate risk arises primarily in operations whenever revenue is generated in a currency other than the currency in which the associated costs are incurred. In order to reduce the effect of exchange rate fluctuations on operations, foreign exchange risks are mostly hedged using standard currency options and forward exchange contracts concluded with banks with excellent credit ratings.

The risk position for all of the foreign currency transactions entered into in the course of operations is calculated using a currency-specific cash flow analysis and planning. Value-at-risk analyses, supplemented by scenario, sensitivity and stress test analyses, are used for risk monitoring purposes. These risk analyses and the outcome of the hedge are determined monthly and reported to the Group's Executive Board.

For internal management purposes, the risk of exchange rate fluctuations is monitored based on value at risk calculated for positions in currencies other than the functional currency. In the past fiscal year, value at risk increased compared to the prior year, to EUR 4.2m as of 30 September 2011 (prior year: EUR 2.9m).

Interest rate risk

Interest rate risk generally arises from any fluctuations in the value of financial instruments as a result of changes in market interest rates.

The Carl Zeiss Group has various interest-sensitive assets and liabilities, partly to meet the liquidity requirements of everyday operations, and therefore has interest rate exposure from its asset and liability management. In the main, this is attributable to short-term investments.

The Carl Zeiss Group's interest rate risk is analyzed and managed centrally by Carl Zeiss Financial Services GmbH. The Carl Zeiss Group has the following cash flow and fair value risks based on its floating-rate and fixed-rate instruments in this context.

Cash flow risk: Assuming a change of +/−100 base points, the floating-rate instruments held by the Carl Zeiss Group would have had an effect of +/−EUR 6.8m on profit or loss (prior year: +/−EUR 11.6m).

Fair value risk: Assuming a change of +/−100 base points, the fixed-rate instruments held by the Carl Zeiss Group as available-for-sale financial instruments would have had an effect of +/−EUR 10.8m on equity (prior year: +/−EUR 3.1m).

Other price risks

The Carl Zeiss Group is not exposed to material other price risks that qualify as financial market risks.

32 Leases

Operating leases – the Group as the lessee

The Group has leased office space and office equipment. The contracts have terms of between one and five years and some contain renewal and purchase options as well as price adjustment clauses.

Other expenses from rental, lease and similar agreements for the reporting period break down as follows:

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Minimum lease payments	35,770	31,128
Contingent rent	1,407	2,934
Sublease payments	187	1,742
	37,364	**35,804**

By maturity band, future minimum rent and lease payments under non-cancellable operating leases amount to:

	30 Sep 11	30 Sep 10
Term to maturity	EUR k	EUR k
Less than 1 year	25,829	22,351
Between 1 and 5 years	43,081	28,646
More than 5 years	9,202	3,317

Operating leases – the Group as the lessor

The Group has entered into lease agreements for office space with future minimum lease payments receivable from non-cancellable operating leases with the following terms:

	30 Sep 11	30 Sep 10
Term to maturity	EUR k	EUR k
Less than 1 year	6,248	6,035
Between 1 and 5 years	1,070	2,200
More than 5 years	47	15

Income from contingent rent, lease and similar payments amounted to EUR 6k in the reporting period (prior year: EUR 63k).

Finance leases – the Group as the lessee

The Carl Zeiss Group has entered into finance leases for various fixed assets, including buildings in other countries as well as technical equipment and machinery or software.

The carrying amounts of these fixed assets contain the following amounts from finance leases under which the Carl Zeiss Group is the lessee:

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Land and buildings	8,633	119,952
Technical equipment and machinery	2,256	10,298
Other equipment, furniture and fixtures	534	793
Software	–	7

The decrease in land and buildings from finance leases is attributable to the acquisition of a production facility in Germany that had previously been leased, with a carrying amount of EUR 114,835k.

On 28 September 1999, the company sold and leased back land, buildings and leasehold improvements in Dublin, USA. The sale-and-leaseback transaction qualifies as a finance lease under IAS 17 *Leases*. The lease has a term of 20 years. The lessee has the right to extend the term twice by five years at a time at the end of the original term of the lease in 2019. In addition, the lease comprises a clause increasing the lease payments by 13% every five years. The land, buildings and leasehold improvements with a carrying amount of EUR 6,264k (prior year: EUR 6,767k) continue to be carried and depreciated by the lessee.

Technical equipment and machinery as well as other equipment, furniture and fixtures include assets of EUR 2,236k (prior year: EUR 2,664k) and EUR 0k (prior year: EUR 198k) from sale-and-leaseback transactions.

Finance lease liabilities are due as follows:

				30 Sep 11
		thereof due within one year	thereof due in one to five years	thereof due in more than five years
	EUR k	EUR k	EUR k	EUR k
Future minimum lease payments	29,785	6,218	13,863	9,704
Interest portion / future finance costs	6,179	1,353	3,685	1,141
Present value of future minimum lease payments	**23,606**	**4,865**	**10,178**	**8,563**

				30 Sep 10
		thereof due within one year	thereof due in one to five years	thereof due in more than five years
	EUR k	EUR k	EUR k	EUR k
Future minimum lease payments	30,893	4,513	14,817	11,563
Interest portion / future finance costs	7,680	1,507	4,343	1,830
Present value of future minimum lease payments	**23,213**	**3,006**	**10,474**	**9,733**

Some of the finance leases for technical equipment and machinery and of the sale-and-leaseback transactions allow the lease term to be extended or the assets to be purchased at the end of the term.

Future minimum lease payments under non-cancellable subleases amount to EUR 1,284k (prior year: EUR 2,090k).

Finance leases – the Group as the lessor

Technical equipment is leased out under finance lease agreements. The finance lease receivables total EUR 3,574k as of the reporting date (prior year: EUR 2,592k).

			30 Sep 11			30 Sep 10
	Gross investment	Unearned finance income	Present value	Gross investment	Unearned finance income	Present value
Term to maturity	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Less than 1 year	1,729	189	1,540	761	183	578
Between 1 and 5 years	2,214	180	2,034	2,278	264	2,014
More than 5 years	–	–	–	–	–	–

33 Government grants

The government grants received in the reporting period amounted to EUR 16,183k (prior year: EUR 5,369k); an amount of EUR 15,031k (prior year: EUR 5,006k) thereof was granted for research and development.

34 Related party disclosures

Related parties (entities) include the Carl Zeiss Foundation (Carl Zeiss Stiftung), Heidenheim an der Brenz and Jena, the foundation company SCHOTT AG, Mainz, and non-consolidated subsidiaries. All transactions with these entities are settled at arm's length conditions. The same applies to relationships with associates and joint ventures. The resulting effects on the consolidated financial statements are immaterial.

The Carl Zeiss Foundation has granted Carl Zeiss AG several loans at arm's length conditions totaling EUR 27,700k and with remaining terms to maturity of up to three years.

These loans are reported under liabilities to affiliates in the consolidated statement of financial position.

There are no relationships with key persons with significant influence.

35 German Corporate Governance Code

The Management Board and Supervisory Board of the listed company Carl Zeiss Meditec AG, Jena, included in the consolidated financial statements have issued a declaration in accordance with Sec. 161 German Stock Corporations Act (AktG) on the recommendations issued by the government commission on the German Corporate Governance Code and made it available to stockholders on the company's website (www.meditec.zeiss.de).

36 Auditor's fees

The Supervisory Board of Carl Zeiss AG engaged KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, to audit the consolidated financial statements. The audit fees disclosed relate to the group auditor KPMG AG, Germany.
The audit fees disclosed for the prior year related to the group auditor, including the KPMG entities associated with it in Germany and other countries via KPMG Europe LLP. An amount of EUR 1,489k thereof is attributable to KPMG AG.

	30 Sep 11	30 Sep 10
	EUR k	EUR k
Audit services	1,567	1,497
Other attestation services	17	16
Tax advisory services	–	76
Other services	222	194

37 Subsequent events

Carl Zeiss Meditec AG dividend

The Management Board and Supervisory Board of Carl Zeiss Meditec AG have proposed a dividend payment of EUR 24.4m (EUR 0.30 per share). The share of around 35% attributable to non-controlling interests of Carl Zeiss Meditec AG will reduce the Carl Zeiss Group's equity accordingly. The corresponding resolution has yet to be adopted by the Annual General Meeting for the fiscal year 2011/12.

38 Remuneration of the Executive Board and the Supervisory Board

The short-term benefits paid to members of the Executive Board amounted to EUR 5,941k in the fiscal year 2010/11 (prior year: EUR 6,708k). Expenses for post-employment benefits came to EUR 889k (prior year: EUR 0k).

The members of the Supervisory Board received compensation of EUR 563k for their services in the reporting period (prior year: EUR 546k).

As of the reporting date there are benefit obligations to former members of the Executive Board or their surviving dependants totaling EUR 28,188k (prior year: EUR 20,657k). They received post-employment benefits amounting to EUR 1,787k in the reporting period (prior year: EUR 1,403k).

The members of the Executive Board and the Supervisory Board are listed on the following pages.

Notes to the consolidated financial statements
Executive Board and Supervisory Board of Carl Zeiss AG

Executive Board of Carl Zeiss AG

Dr. sc. nat. Michael Kaschke
Oberkochen
President & Chief Executive Officer and Labor Director
Member of the Executive Board responsible for Medical Technology, Microscopy, Vision Care, Strategic Corporate Development, Corporate Communications, Corporate Human Resources and for the Asia/Pacific Region

Dr. rer. nat. Hermann Gerlinger
Aalen
Member of the Executive Board responsible for Semiconductor Manufacturing Technology, Industrial Metrology, Corporate Research and Technology, Integrated Management System, Corporate Security, Production, Global Supply Chain, and for the Americas Region, as well as Chief Executive Officer of Carl Zeiss SMT GmbH

Thomas Spitzenpfeil
Aalen
Member of the Executive Board responsible for Consumer Optics/Optronics, Corporate Finance/Controlling, Information Technology, Internal Audit/Risk Management, Legal and Patents, Customer Relationship Excellence, Financial Services, Financial Accounting Center, Business Services & Infrastructure, as well as the Europe and Africa Regions

Dr. rer. nat. Dieter Kurz (until 31 December 2010)
Aalen
President & Chief Executive Officer and Labor Director
Member of the Executive Board responsible for Industrial Metrology, Consumer Optics/Optronics, Strategic Corporate Development, Corporate Research and Technology, Corporate Communications, Corporate Human Resources, and for the Americas and Europe Regions

Supervisory Board of Carl Zeiss AG

Dr. Theo Spettmann
Ludwigshafen
Chairman
Former Chairman of the Management Board of Südzucker AG, Mannheim/Ochsenfurt;
Chairman of the Shareholder Council of the Carl Zeiss Foundation (Carl Zeiss Stiftung), Heidenheim an der Brenz and Jena

Jürgen Dömel [1)]
Jena
Deputy Chairman
Chairman of the Group Employee Representative Council of Carl Zeiss AG, Oberkochen

Hariolf Abele [1)]
Aalen
Software developer at Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen

Hellmuth Aeugle [1)]
Königsbronn
Senior Vice President, Business Services and Infrastructure, Carl Zeiss AG, Oberkochen

PD Dr. Martin Allespach [1)]
Weinheim
Secretary for Key Issues and Social Policy on the Board of Directors of IG Metall, Frankfurt am Main

Dr. Michael Claus [1)]
Aalen
First Deputy Chairman of the Group Employee Representative Council of Carl Zeiss AG, Oberkochen

Prof. Dr. Dres. h. c. Adolf G. Coenenberg
Stadtbergen
Former Chair of Auditing and Controlling, Faculty of Business Administration, University of Augsburg

Reinhard Dickehuth [1)]
Friedland
Chairman of the Employee Representative Council at the Göttingen site of Carl Zeiss MicroImaging GmbH, Jena

[1)] Employee representative

Dr. Klaus Dieterich
Stuttgart
President of Corporate Research and Development,
Robert Bosch GmbH, Stuttgart

Roland Hamm [1)]
Aalen
First Authorized Representative of IG Metall union,
Administration Office, Aalen

Dr.-Ing. Mathias Kammüller
Gerlingen
Executive Vice President, TRUMPF GmbH + Co. KG, Ditzingen

Hermann-Josef Lamberti
Königstein im Taunus
Member of the Board of Managing Directors, Deutsche Bank AG,
Frankfurt am Main

Dr. Michael Rogowski
Heidenheim an der Brenz
Chairman of the Shareholders' Committee of Hanns-Voith-Stiftung,
Heidenheim an der Brenz

Karl-Heinz Schuster [1)]
Königsbronn
Member of the Employee Representative Council exempted from
normal duties, Carl Zeiss SMT GmbH, Oberkochen

Prof. Dr. Dr. h. c. Günter Stock
Berlin
President of the Berlin-Brandenburg Academy of Sciences and
Humanities, Berlin

Prof. Dr. Klaus-Dieter Vöhringer
Baden-Baden
Former Member of the Board of Managing Directors,
DaimlerChrysler AG, Stuttgart

[1)] Employee representative

Committees of the Supervisory Board of Carl Zeiss AG

Chairman's Committee
Dr. Theo Spettmann (Chairman)
Jürgen Dömel
Roland Hamm
Dr. Michael Rogowski

Audit Committee
Prof. Dr. Dres. h. c. Adolf G. Coenenberg (Chairman)
Hellmuth Aeugle
Dr. Michael Claus
Dr. Theo Spettmann

Mediation Committee
Dr. Theo Spettmann (Chairman)
Reinhard Dickehuth
Jürgen Dömel
Hermann-Josef Lamberti

Oberkochen, 30 November 2011

The Executive Board of Carl Zeiss AG

Dr. Michael Kaschke | Dr. Hermann Gerlinger | Thomas Spitzenpfeil

Notes to the consolidated financial statements

List of shareholdings of the Group

in accordance with Sec. 315a (1) in conjunction with Sec. 313 (2) German Commercial Code (HGB)

30 September 2011

Country	City	Name of entity		Share in capital acc. to Sec. 285 Sentence 1 No 11 HGB	Beneficial interest
				%	%
1. Fully consolidated subsidiaries					
Germany	Essingen	Carl Zeiss 3D Automation GmbH		51.1	51.1
Germany	Ostfildern	Carl Zeiss 3D Metrology Services GmbH Stuttgart		92.0	92.0
Germany	Oberkochen	Carl Zeiss Beteiligungs-GmbH	[1]	100.0	100.0
Germany	Oberkochen	Carl Zeiss Financial Services GmbH	[2]	100.0	100.0
Germany	Oberkochen	Carl Zeiss Industrielle Messtechnik GmbH	[1]	100.0	100.0
Germany	Jena	Carl Zeiss Jena GmbH	[1]	100.0	100.0
Germany	Jena	Carl Zeiss Jena Grundstücks GmbH & Co. KG		100.0	100.0
Germany	Oberkochen	Carl Zeiss Laser Optics GmbH	[1]	100.0	100.0
Germany	Jena	Carl Zeiss Meditec AG		65.1	65.1
Germany	Jena	Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH		100.0	65.1
Germany	Oberkochen	Carl Zeiss Meditec Vertriebsgesellschaft mbH		100.0	65.1
Germany	Jena	Carl Zeiss MicroImaging GmbH	[1]	100.0	100.0
Germany	Oberkochen	Carl Zeiss NTS GmbH	[1]	100.0	100.0
Germany	Oberkochen	Carl Zeiss Oberkochen Grundstücks GmbH & Co. KG		100.0	100.0
Germany	Wangen	Carl Zeiss OIM GmbH	[1]	100.0	100.0
Germany	Oberkochen	Carl Zeiss Optronics GmbH	[1]	100.0	100.0
Germany	Schönkirchen	Carl Zeiss Schönkirchen GmbH	[1]	100.0	100.0
Germany	Jena	Carl Zeiss SMS GmbH	[1]	100.0	100.0
Germany	Oberkochen	Carl Zeiss SMT GmbH	[1]	100.0	100.0
Germany	Wetzlar	Carl Zeiss Sports Optics GmbH	[1]	100.0	100.0
Germany	Aalen	Carl Zeiss Vision GmbH	[1]	100.0	48.4 [3]
Germany	Aalen	Carl Zeiss Vision Grundstücks GmbH & Co. KG		100.0	48.4 [3]
Germany	Aalen	Carl Zeiss Vision Holding GmbH	[1]	48.0 [3]	48.4 [3]
Germany	Aalen	Carl Zeiss Vision International GmbH		100.0	48.4 [3]
Germany	Aalen	Carl Zeiss Vision Investment GmbH	[1]	100.0	48.4 [3]
Germany	Wetzlar	Hensoldt Grundstücks GmbH & Co. KG		100.0	100.0
Germany	Tholey	Junker & Partner GmbH		75.1	75.1
Germany	Aalen	Marwitz & Hauser GmbH	[1]	100.0	100.0
Germany	Kiel	Opton Feintechnik Kiel GmbH	[1]	100.0	100.0
Argentina	Buenos Aires	Carl Zeiss Vision Argentina S.A		100.0	48.4 [3]
Australia	North Ryde	Carl Zeiss Pty. Ltd.		100.0	100.0
Australia	Lonsdale	Carl Zeiss Vision Australia Group Pty. Ltd.		100.0	48.4 [3]
Australia	Lonsdale	Carl Zeiss Vision Australia Holdings Ltd.		100.0	48.4 [3]
Australia	Lonsdale	Carl Zeiss Vision Australia Pty. Ltd.		100.0	48.4 [3]
Australia	Lonsdale	Sola Optical Partners (Limited Partnership)		100.0	48.4 [3]
Belgium	Zaventem	Carl Zeiss N.V.-S.A.		100.0	100.0
Belgium	Zaventem	Carl Zeiss Services N.V.-S.A.		100.0	100.0
Belgium	Zaventem	Carl Zeiss Vision Belgium N.V.		100.0	48.4 [3]
Brazil	Sao Paulo	Carl Zeiss do Brasil Ltda.		100.0	100.0
Brazil	Petrópolis	Carl Zeiss Vision Brazil Industria Optica Ltda.		100.0	48.4 [3]
Brazil	Petrópolis	MeisterHaus Laboratorio Optico Ltda.		100.0	48.4 [3]

Country	City	Name of entity	Capital share acc. to Sec. 285 Sentence 1 No 11 HGB	Beneficial interest
			%	%
Brazil	Sao Paulo	Quality Lab Laboratorio e Comercio de Produtos Optics Ltda.	100.0	48.4 [3)]
Brazil	Manaus	SAMO - Sociedade Amazonense de Óculos Ltda.	100.0	48.4 [3)]
British Virgin Islands	Road Town, Tortola	Carl Zeiss Vision China (BVI) Ltd.	100.0	48.4 [3)]
China	Kowloon	Carl Zeiss Far East Co. Ltd.	100.0	100.0
China	Shanghai	Carl Zeiss IMT (Shanghai) Co., Ltd.	100.0	100.0
China	Shanghai	Carl Zeiss Shanghai Co., Ltd.	100.0	100.0
China	Suzhou-City	Carl Zeiss Suzhou Co., Ltd.	100.0	100.0
China	Guangdong	Carl Zeiss Vision (China) Ltd.	100.0	48.4 [3)]
China	Guangzhou	Carl Zeiss Vision Guangzhou Ltd.	100.0	48.4 [3)]
China	Hongkong Shatin, N.T.	Carl Zeiss Vision Sunlens Asia Pacific Ltd.	100.0	48.4 [3)]
China	Guangzhou	Carl Zeiss Vision Sunlens China Ltd.	100.0	48.4 [3)]
China	Guangdong	Carl Zeiss Vision Technical Services (Guangzhou) Ltd.	100.0	48.4 [3)]
China	Guangzhou	Carl Zeiss Vision Technologies (Guangzhou) Ltd.	100.0	48.4 [3)]
Denmark	Birkerød	Carl Zeiss Vision Danmark A/S	100.0	48.4 [3)]
Finland	Tuusula	Carl Zeiss Oy	100.0	100.0
France	La Rochelle	Atlantic S.A.S.	100.0	65.1
France	Le Pecq	Carl Zeiss Meditec France S.A.S.	100.0	65.1
France	La Rochelle	Carl Zeiss Meditec S.A.S.	100.0	65.1
France	Nanterre	Carl Zeiss NTS S.A.S.	100.0	100.0
France	Le Pecq	Carl Zeiss S.A.S.	100.0	100.0
France	Fougères	Carl Zeiss Vision France Holding S.A.S.	100.0	48.4 [3)]
France	Fougères	Carl Zeiss Vision France S.A.S.	100.0	48.4 [3)]
France	Aubergenvilee	Carl Zeiss Vision Grand Vision Lab S.A.S.	100.0	48.4 [3)]
France	Paris	France Chirurgie Instrumentation (F.C.I.) S.A.S.	100.0	65.1
France	St. Louis	Optiswiss France SARL	100.0	48.4 [3)]
France	Le Pecq	P.S.M.C. S.à.r.l.	100.0	100.0
France	Sablé sur Sarthe	Saphir 3D S.à.r.l.	76.0	76.0
France	Fougères	Sola Industrie Optique S.A.S.	100.0	48.4 [3)]
United Kingdom	Birmingham	American Optical UK Ltd.	100.0	48.4 [3)]
United Kingdom	Welwyn Garden City	Carl Zeiss Ltd.	100.0	100.0
United Kingdom	Cambridge	Carl Zeiss NTS Ltd.	100.0	100.0
United Kingdom	Birmingham	Carl Zeiss Vision UK Limited	100.0	48.4 [3)]
United Kingdom	Livingston	HYALTECH Ltd.	100.0	65.1
United Kingdom	Birmingham	SILS Limited	100.0	48.4 [3)]
India	Ulsoor, Bangalore	Carl Zeiss India (Bangalore) Private Ltd., Bangalore	100.0	100.0
India	Mumbai	Sola Optical Lens Marketing Pvt. Ltd.	100.0	48.4 [3)]

Country	City	Name of entity	Capital share acc. to Sec. 285 Sentence 1 No 11 HGB	Beneficial interest
			%	%
1. Fully consolidated subsidiaries				
Ireland	Wexford	Carl Zeiss Vision Ireland Ltd.	100.0	48.4 [3)]
Ireland	Wexford	Sola Holdings Ireland Limited	100.0	48.4 [3)]
Ireland	Wexford	Sola Ophthalmic Products Limited	100.0	48.4 [3)]
Ireland	Wexford	Sola RDC Limited	100.0	48.4 [3)]
Israel	Karmiel	Carl Zeiss SMS Ltd.	100.0	100.0
Italy	Novara	Carl Zeiss Quality Services S.r.l.	100.0	100.0
Italy	Arese (Milan)	Carl Zeiss S.p.A.	100.0	100.0
Italy	Varese	Carl Zeiss Vision Italia S.p.A.	100.0	48.4 [3)]
Japan	Tokyo	Carl Zeiss Co., Ltd.	100.0	100.0
Japan	Tokyo	Carl Zeiss IMT Co., Ltd.	100.0	100.0
Japan	Tokyo	Carl Zeiss Meditec Co., Ltd.	100.0	82.2
Japan	Tokyo	Carl Zeiss MicroImaging Co., Ltd.	100.0	100.0
Japan	Tokyo	Carl Zeiss Vision Japan K.K.	100.0	48.4 [3)]
Japan	Rinku Izumisano	Carl Zeiss Vision Rinku K.K. Ltd.	100.0	48.4 [3)]
Canada	Toronto	Carl Zeiss Canada Ltd.	100.0	100.0
Canada	Toronto	Carl Zeiss Vision Canada Inc.	100.0	48.4 [3)]
Columbia	Bogotá	Carl Zeiss Vision Colombia Ltda.	100.0	48.4 [3)]
Korea, South	Seoul	Carl Zeiss Co., Ltd.	100.0	100.0
Korea, South	Seoul	Carl Zeiss Vision Korea Co. Ltd.	100.0	48.4 [3)]
Luxembourg	Luxembourg	Carl Zeiss Vision Luxembourg S.A.R.L.	100.0	48.4 [3)]
Malaysia	Kuala Lumpur	Carl Zeiss Sdn. Bhd.	100.0	100.0
Malaysia	Ampang (Taman Cahaya)	Carl Zeiss Vision (Malaysia) Sdn. Bhd.	100.0	48.4 [3)]
Mauritius	Quatre Bornes	FCI SUD Ltd.	100.0	65.1
Mexico	México D.F.	Carl Zeiss de México S.A. de C.V.	100.0	100.0
Mexico	Tijuana	Carl Zeiss Vision Manufactura de Mexico S. de R.L. de C.V.	100.0	48.4 [3)]
Mexico	Naucalpan	Carl Zeiss Vision Mexico S. de R.L. de C.V.	100.0	48.4 [3)]
New Zealand	Auckland	Carl Zeiss (N.Z.) Ltd.	100.0	100.0
New Zealand	New Lynn	Carl Zeiss Vision New Zealand Limited	100.0	48.4 [3)]
Netherlands	Sliedrecht	Carl Zeiss B.V.	100.0	100.0
Netherlands	Sliedrecht	Carl Zeiss Vision Netherlands B.V.	100.0	48.4 [3)]
Norway	Oslo	Carl Zeiss AS	100.0	100.0
Norway	Oslo	Carl Zeiss Vision Norway AS	100.0	48.4 [3)]
Austria	Vienna	Carl Zeiss GmbH	100.0	100.0
Austria	Graz	Carl Zeiss Industrielle Messtechnik Austria GmbH	100.0	100.0
Poland	Poznan	Carl Zeiss Sp. z o.o.	100.0	100.0
Portugal	Setúbal	Carl Zeiss Vision Portugal S.A.	100.0	48.4 [3)]
Sweden	Stockholm	Carl Zeiss AB	100.0	100.0
Sweden	Malmö	Carl Zeiss Vision Sweden AB	100.0	48.4 [3)]
Switzerland	Feldbach	Carl Zeiss AG	100.0	100.0
Switzerland	Feldbach	Carl Zeiss Vision Swiss AG	100.0	48.4 [3)]
Switzerland	Basle	Optiswiss AG	100.0	48.4 [3)]

Country	City	Name of entity	Capital share acc. to Sec. 285 Sentence 1 No 11 HGB	Beneficial interest
			%	%
Singapore	Singapore	Carl Zeiss India Pte. Ltd.,	100.0	100.0
Singapore	Singapore	Carl Zeiss NTS Pte. Ltd.	100.0	100.0
Singapore	Singapore	Carl Zeiss Pte. Ltd.	100.0	100.0
Singapore	Singapore	Carl Zeiss Vision Singapore Pte. Ltd.	100.0	48.4 [3)]
Spain	Tres Cantos	Carl Zeiss IMT Iberia S.L.U.	100.0	100.0
Spain	Tres Cantos	Carl Zeiss Meditec Iberia SA	100.0	65.1
Spain	Sant Just Desvern – Barcelona	Carl Zeiss MicroImaging S.L.	100.0	100.0
Spain	Madrid	Carl Zeiss Vision España, S.L.	100.0	48.4 [3)]
South Africa	Randburg	ANASPEC (Pty.) Ltd.	100.0	100.0
South Africa	Irene (Centurion)	Carl Zeiss Optronics (Pty.) Ltd.	70.0	70.0
South Africa	Randburg	Carl Zeiss (Pty.) Ltd.	100.0	100.0
South Africa	Gauteng	Carl Zeiss Vision South Africa Ltd.	100.0	48.4 [3)]
Taiwan	Taipei	Sola Optical Taiwan Ltd.	100.0	48.4 [3)]
Thailand	Bangkok	Carl Zeiss Co. Ltd.	49.0 [3)]	49.0 [3)]
Czech Republic	Prague	Carl Zeiss spol. s.r.o.	100.0	100.0
Hungary	Mátészalka	Carl Zeiss Sport Optikai Hungaria Kft.	100.0	100.0
Hungary	Mátészalka	Carl Zeiss Vision Hungary Optikai Kft.	100.0	48.4 [3)]
USA	San Diego	1132782 Ontario Inc.	100.0	48.4 [3)]
USA	Peabody	ALIS Corporation	100.0	100.0
USA	San Diego	American Optical IP Corporation	100.0	48.4 [3)]
USA	San Diego	American Optical Lens Company Ltd.	100.0	48.4 [3)]
USA	Thornwood	Carl Zeiss Inc.	100.0	100.0
USA	Minneapolis	Carl Zeiss Industrial Metrology, LLC	100.0	100.0
USA	Dublin	Carl Zeiss Meditec Inc.	100.0	65.1
USA	Thornwood	Carl Zeiss MicroImaging, LLC	100.0	100.0
USA	Peabody	Carl Zeiss NTS, LLC	100.0	100.0
USA	Chester	Carl Zeiss Sports Optics, LLC	100.0	100.0
USA	San Diego	Carl Zeiss Vision Holdings Ltd.	100.0	48.4 [3)]
USA	San Diego	Carl Zeiss Vision Holdings Mexico LLC	100.0	48.4 [3)]
USA	San Diego	Carl Zeiss Vision Inc.	100.0	48.4 [3)]
USA	Pembroke	FCI Ophthalmics Inc	100.0	65.1
USA	Clearwater	Perfect Vision LLC	51.0	24.7 [3)]
USA	San Diego	Sola Optical Holdings Aus. Ltd.	100.0	48.4 [3)]
Venezuela	San Diego	Carl Zeiss Vision Venezuela Industria Optica C.A.	100.0	48.4 [3)]

FINANCIALS

Country	City	Name of entity	Capital share acc. to Sec. 285 Sentence 1 No 11 HGB	Beneficial interest
			%	%
2. Non-consolidated subsidiaries				
Germany	Cologne	Carl Zeiss 3D Metrology Services GmbH Köln	80.0	80.0
Germany	Eching	Carl Zeiss 3D Metrology Services GmbH München	100.0	100.0
Germany	Peine	Carl Zeiss 3D Metrology Services GmbH Peine	80.0	80.0
Germany	Oberkochen	Carl Zeiss Achte Vorratsgesellschaft mbH	100.0	100.0
Germany	Oberkochen	Carl Zeiss Dritte Vorratsgesellschaft mbH	100.0	100.0
Germany	Aalen	Carl Zeiss EyeTec GmbH	100.0	100.0
Germany	Oberkochen	Carl Zeiss Grundstücks-Verwaltungs GmbH	100.0	100.0
Germany	Dresden	Carl Zeiss Innovationszentrum für Messtechnik GmbH Dresden	51.0	51.0
Germany	Oberkochen	Carl Zeiss Neunte Vorratsgesellschaft mbH	100.0	100.0
Germany	Oberkochen	Carl Zeiss Sechste Vorratsgesellschaft mbH	100.0	100.0
Germany	Oberkochen	Carl Zeiss Siebte Vorratsgesellschaft mbH	100.0	100.0
Germany	Oberkochen	Carl Zeiss Venture Beteiligungsgesellschaft mbH	100.0	100.0
Germany	Aalen	Carl Zeiss Vision Erste Vorratsgesellschaft mbH	100.0	48.4 [3)]
Germany	Oberkochen	Carl Zeiss Vision Management Equity Participation Verwaltungs GmbH	100.0	100.0
Germany	Wangen	Dr. Wolf & Beck GmbH	100.0	100.0
Germany	Oberkochen	Gusto Gourmet GmbH	100.0	100.0
Germany	Essingen	Holometric Technologies Forschungs- und Entwicklungs-GmbH	100.0	100.0
Germany	Cologne	RAM RETROFIT AND MORE GmbH	100.0	100.0
Argentina	Buenos Aires	Carl Zeiss Argentina S.A.	100.0	100.0
Brazil	Sao Paulo	Anschuetz do Brasil Ltda.	100.0	100.0
Brazil	Petrópolis	Carl Zeiss Vision Brasil Industria e Comercio Ltda.	100.0	48.4 [3)]
China	Changchun City	Carl Zeiss Fixture Systems (Changchun) Co., Ltd.	51.0	51.0
United Kingdom	Bicester	Imaging Associates Ltd.	100.0	100.0
United Kingdom	Birmingham	Sero Ltd.	100.0	48.4 [3)]
United Kingdom	Birmingham	UKO International Limited	100.0	48.4 [3)]
United Kingdom	Birmingham	UKO International (Overseas Holdings) Limited	100.0	48.4 [3)]
Croatia	Zagreb	Carl Zeiss d.o.o.	100.0	100.0
Romania	Bucharest	Carl Zeiss Instruments s.r.l.	100.0	100.0
Sweden	Stockholm	Carl Zeiss Geo AB	100.0	100.0
Zimbabwe	Harare	Carl Zeiss (Pvt.) Ltd., (Zimbabwe)	100.0	100.0
Slovenia	Ljubljana	Carl Zeiss d.o.o.	100.0	100.0
Taiwan	Hsinchu City	Carl Zeiss NTS Pte. Ltd.	100.0	100.0
Thailand	Bangkok	Carl Zeiss NTS Co. Ltd.	100.0	49.0
Turkey	Istanbul	Carl Zeiss Ölçüm Cihazlari Ticaret Limited Sirketi	80.0	80.0
Hungary	Budapest	Carl Zeiss Technika Kft.	100.0	100.0
USA	Wake Forest	Carl Zeiss Optronics USA, Inc.	100.0	100.0
Belarus	Minsk	Zeiss-BelOMO OOO	60.0	60.0

Country	City	Name of entity	Capital share acc. to Sec. 285 Sentence 1 No 11 HGB	Beneficial interest
			%	%
3. Associates not accounted for using the equity method				
Germany	Oberkochen	Carl Zeiss Vision MEP Beteiligungs GmbH	50.0	50.0
Germany	Ulm	Deutsche Elektronik Gesellschaft für Algerien mbH, Ulm	33.3	33.3
Germany	Jena	JENAER BILDUNGSZENTRUM gGmbH SCHOTT CARL ZEISS JENOPTIK	33.3	33.3
Germany	Jena	MAZeT GmbH	22.5	22.5
Germany	Eggenstein-Leopoldshafen	Nanoscribe GmbH	39.9	39.9
Germany	Mainz	SCHOTT-ZEISS ASSEKURANZKONTOR GmbH	50.0	50.0
Germany	Meiningen	µ-GPS Optics GmbH	30.1	30.1
Japan	Fukui	Carl Zeiss Ono Co., Ltd.	50.0	50.0

[1] In accordance with Sec. 264 (3) HGB or Sec. 264b HGB, these entities are exempted from the duty to prepare, audit and publish their financial statements.
[2] In accordance with Sec. 264 (3) HGB, these entities are exempted from the duty to publish their financial statements.
[3] Majority of the voting rights

Auditor’s report

We have audited the consolidated financial statements prepared by the Carl Zeiss AG, Oberkochen, comprising the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from 1 October 2010 to 30 September 2011. 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 [Handelsgesetzbuch “German Commercial Code”] 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 and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of 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 Abs. 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.

Stuttgart, 30 November 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

von Hohnhorst
Wirtschaftsprüfer

Stratmann
Wirtschaftsprüfer

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Should the mentioned or other factors occur or if the assumptions on which the future-related information is based prove to be incorrect, the actual results may differ from the expectations described in the Annual Report. Carl Zeiss will not correct or update the future-related information in order to adapt it to current developments and events occurring after the reporting date.

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The annual report can be found on the Internet at www.zeiss.de/annualreport. The English text is a translation of the German original. If the texts differ, the German report takes precedence.

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