



Fiscal Year 2010/2011

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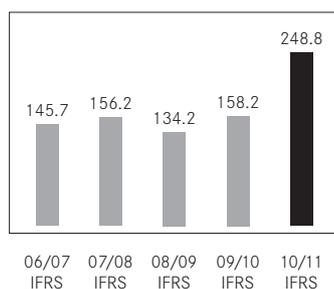
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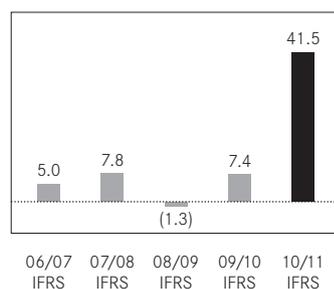
THE LEICA CAMERA GROUP AT A GLANCE

	2010/2011 IFRS	2009/2010 IFRS	2008/2009 IFRS	2007/2008 IFRS	2006/2007 IFRS
Sales (€ thousand)	248,760	158,239	134,150	156,238	145,660
Operating result (€ thousand)	41,510	7,359	(1,279)	7,752	4,976
Income/(loss) before tax (€ thousand)	38,488	4,821	(3,682)	6,182	2,870
Net income/(loss) (€ thousand)	36,305	3,178	(5,192)	3,042	503
Total assets (€ thousand)	154,076	124,113	111,818	103,109	108,883
Equity ratio (%)	42.84	23.49	21.52	20.78	18.11
Capital expenditure (€ thousand)	18,930	14,796	21,738	7,179	9,078
Amortisation/depreciation (€ thousand)	13,143	9,420	8,393	9,438	8,528
Cash flow (€ thousand)	42,245	19,578	997	21,358	(1,342)
Employees (number)	1,105	1,083	1,058	991	939
Personnel expenses (€ thousand)	54,052	49,147	43,892	40,916	37,889

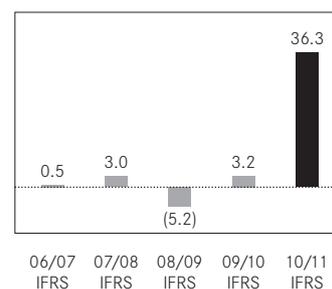
Sales
€ million



Operating result
€ million



Net income/(loss)
€ million



INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF MANAGEMENT

Dear shareholders of Leica Camera AG, dear Leica customers, dear Leica friends and enthusiasts

In fiscal year 2010/2011 things got much better for Leica Camera AG: sales more than doubled, the operating result (EBIT) nearly sextupled. Group net income even rose to 11.3 times the previous year's figure. An impressive result indeed. Based on a decisive contribution from our employees, who in the fiscal year again worked very hard. My sincere thanks go to all of them. The cameras and sport optics products they have developed, manufactured and marketed meet with the enthusiasm of our customers around the world. I would also like to thank our customers, who chose our products – either yet again or for the first time – and thus showed their trust in the Leica brand.

The economic conditions were more benign in fiscal 2010/2011 than they had been in the prior fiscal year – following the slump in the camera market in calendar year 2009, the number of units sold in calendar year 2010 slightly exceeded that of pre-crisis 2008: the Japanese market research institution IDC reported 141 million cameras sold (2009: 130 million). In addition to this positive framework, Leica Camera AG had favourable basic conditions for a very successful fiscal year: the introduction of both the Leica M9 and Leica X1 and the start of delivery for the Leica S2 in September 2009 all mark the start of an extremely successful development.

In fiscal 2010/2011 sales of Leica Camera AG increased from € 158.2 million (2009/2010) to € 248.8 million – growing 57.2 % as compared to the reporting period of the previous year. The operating result rose to € 41.5 million (previous year: € 7.4 million) and thus nearly sextupled. Group net income came to € 36.3 million (previous year: € 3.2 million). These figures confirm that the positive development of the third quarter has consolidated in the fourth. The improvement in both sales and operating result is based on our systematic focussing on new products and is also due to the further optimisation achieved in the processes at Leica Camera. In fiscal year 2010/2011 we launched Re-Engineering Operations, a project continuing the Leica+ restructuring programme that was successfully completed. By analysing all core processes we arrived at an implementation schedule for improvement measures which were (and are) implemented step by step. The process optimisation brought about was a decisive factor in achieving the growth in sales.

Primarily, however, the sales increase is the result of the great success of our new products. A prominent contribution to the development of sales came from the Leica M system, particularly from the Leica M9 and its pertinent lenses, and from the S system, especially developed for professional photography. The remaining amount of sales was accounted for by the new products introduced during the fiscal year.

In April 2010 the Leica V-Lux 20 was introduced to the market, a compact digital camera for the whole of the family. With its range of focus of 25 to 300 mm and its 14.5 megapixels sensor the camera produces fantastic pictures – which is reflected in the pleasant order inflow and very positive customer response it generated.

At the 2010 photokina Leica Camera presented a special edition of the Leica M9: Leica M9 »Titanium« made the hearts of Leica enthusiasts (and others) leap. The design was created by Volkswagen's chief designer, Walter de'Silva. The camera's interior makes it the world's smallest digital system camera, with a 24 x 36 mm full format sensor, while its exterior is that of a design icon, featuring highest-grade materials and sophisticated style, coupled with the practical user value of a shoulder holster or carrying handle. The edition was limited to 500 units – and was sold out within a short time.

Positive market response was also registered for the Leica V-Lux 2 super-zoom camera, presented at the 2010 photokina. The camera has a range of focus of 25 to 600 mm and the capacity to record videos in Full HD. It delivers pin-sharp pictures, from the most detailed macro shots to extensive wide-angle photos and super-tele pictures. Another camera first presented at the photokina in 2010 was Leica D-Lux 5: a compact, intuitively operated camera with a newly developed fast professional lens, Leica DC Vario-Summicron 1:2-3.3/5.1-19.2 mm ASPH. with a focal length of 24-90mm – a milestone in compact camera lenses. Our customers worldwide are also enthusiastic about manual adjustment options and extensive accessories. In addition, we introduced the first black design variant of the Leica X1, the new generation of Leica digital cameras »Made in Germany«, presented in September 2009, with an APS-C format picture sensor.

As regards lenses Leica Camera had new things to offer in the fiscal year: distribution of the first wide-angle lens in the S system, Leica Summarit-S 1:2.5/35 mm ASPH. started in May 2010. The portrait lens Leica APO-Macro-Summarit-S 1:2.5/120 mm was marketed in September as a further addition to the S system. In May 2010, there was a new, optimised version of the popular 35mm wide-angle lens for the M system, Leica Summilux-M 35 mm f/1.4 ASPH.

At the same time demand for all cameras of Leica Camera AG exceeded the expectations of the Board of Management. Demand for the M system and its lenses, in particular, was so enormous that even the additional recruitment of 30 employees and extra shifts in manufacturing could not prevent delays in delivery. Although the optimisation measures taken have had appreciable effect, there still is need for improvement as concerns the processing of our orders, especially against the background of the continuing strong demand. We are working on a solution at full speed – but the quality of our products has top priority. Our cameras and sport optics products are not ready for delivery until quality is ensured.

Shortly before the start of fiscal year 2010/2011 Leica Sport optics product group at the IWA & OutdoorClassics 2010 presented the Leica CRF 1600 rangefinder, which not only measures distance but also air temperature and air pressure. Thus our customers are enabled to measure distance to the target – easily, quickly and, first of all, very precisely. At the 2010 photokina Leica Camera AG introduced the new binoculars line, Leica Silverline – high-precision optics and elegant, silver-black design. The formats offered in the complete Silverline product range include a monocular, two compact models and two full-size binoculars; the numbers of units continuously sold by the range exceed our expectations. At this year's IWA & OutdoorClassics 2011 Leica Camera's second line of rifle scopes was launched in the market, the Leica Magnus line. The outstanding light transmission and optical performance have convinced our customers – which is reflected in a tripling of the order intake on the previous year.

In the fiscal year Leica Camera AG has pressed ahead with the expansion of the global network of Leica Stores and Leica Boutiques. In the Leica Store at Solms, opened in April 2010 after a construction period of less than four weeks, Leica Camera's products are now also presented at the Company's headquarters – in an environment that ensures a spectacular experience of the Leica brand for employees and customers alike. The experience focusses on a high-class and emotional ambience that is on a par with the quality and emotionality of the products. In the period under review, to the existing Leica Stores in Tokyo, Berlin, Fürth, Paris, Moscow, London and Warsaw were added Leica Stores and Leica Boutiques in Lisbon, New York, São Paulo, Paris, Monaco, Bordeaux, Moscow, Hong Kong, Singapore, Beijing, Taipei, Macau and Shanghai, as well as in Düsseldorf and Graz. As at the end of the reporting period Leica Camera AG thus had a total of 18 Leica Stores and 19 Leica Boutiques. A wide range of projects is planned for the current fiscal year, aimed at keeping Leica Camera AG safely on its road to success.

The figures of fiscal 2010/2011 show: We have managed to turn the Company around, and, in the process, we have stayed on course – a course to growth and success. In the current fiscal year we face the task of consolidating this growth. The Board of Management, the executives and employees of Leica Camera work at maintaining the upward trend, even though in the current fiscal year the rates of increase are bound to be lower in comparison to the phenomenal growth experienced in fiscal 2010/2011.

Leica Camera will continue to advance the development, manufacture and marketing of products that enable its customers to enjoy the best picture. In this connection, quality has top priority, for only quality can ensure that our customers are satisfied with the products of Leica Camera AG. As the Chairman of the Board of Management I express, on behalf of the Board, our thanks to all customers, partners, employees and shareholders for their support in the fiscal year – looking forward, together with them, to more cameras and sport optics products »Made in Germany«.

Greetings from Solms



Alfred Schopf

GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR FROM APRIL 1, 2010 TO MARCH 31, 2011

1 DEVELOPMENT OF BUSINESS

Economic environment

Photo product group

Following the decline in worldwide camera sales in 2009 induced by the global economic and financial crisis, the photo market recovered in calendar year 2010 and has reached its pre-crisis level again. At 141 million cameras sold, which figure comprises both compact cameras and system cameras with and without mirror technology, the photo market in calendar year 2010 registered new overall growth of 7 %.

Comparatively strong market growth and high sales increases were registered for the Asian market and the emerging countries.

One of the reasons for this development is the strong interest of consumers in photography. Another is that market saturation is evidently very low in the emerging countries. Such a low degree of current market penetration constitutes a vast potential for these markets.

With 89 % of products sold worldwide, the compact camera market segment still accounts for the lion's share, although it experienced a 2 % decrease as compared to the previous year. By contrast digital system camera units sold further increased in the year under review, reaching 14 million.

For the first time, sales of mirrorless system cameras (CSC) were shown separately, registering a market share of 1 %. Significantly based on new products introduced by various manufacturers over the last twelve months this new segment has developed favourably.

With the S system, M system, X series and Lux compact cameras Leica Camera AG offers a comprehensive portfolio of digital products.

The Company's efforts to make manufacturing processes more efficient and to advance product development have proved effective in fiscal year 2010/2011.

Order intake for the S2 and M9 cameras, the corresponding lenses and the X1 camera was so much larger than expected that even extra shifts and additional employees in manufacturing could not prevent the extension of delivery times.

At the photokina trade fair in September 2010 the Company presented the limited special edition M9 »Titanium« – meeting with great success and excellent media response around the world. This exclusive camera was conceptualised in cooperation with car designer Walter de'Silva. An internationally renowned designer, de'Silva reinterpreted the characteristic features of the Leica rangefinder system, expressing them in a singular design vocabulary using solid titanium.

In the preceding year Leica Camera AG had already opened up a completely new market with the Leica X1. The X1 is the only compact camera worldwide to carry the »Made in Germany« label, its APS-C format sensor enabling impressive pictures in stupendous quality. At the photokina a black design variant of the X1 was added to the steel-grey model.

The market response to the professional camera system S2 also exceeded expectations. The lenses portfolio was further completed in fiscal 2010/2011, all adding up to a powerful and versatile system for professional photographers around the world.

In the spring of 2010 the lower price segment of the compact camera range was supplemented by the V-Lux 20, which also met with very favourable response. The V-Lux 2 and D-Lux 5 cameras introduced at the photokina have been able to seamlessly continue the success of their predecessors. In the price-driven compact camera market Leica compact cameras turn out to be markedly robust – in terms of quantity of sales as well as price.

Product risks

With its existing portfolio Leica offers its customers a consistent modern product range based on the well-known key competencies connected with the strong Leica brand. The risks in the photo and sport optics market, related to competition, technology and innovation, have been taken into account to the highest degree by the Board of Management in devising the Company's strategy. By drawing up a future-oriented product roadmap, by differentiating the Company from the mass market as a premium vendor and niche player and by pursuing a selective distribution strategy the Company counteracts these risks.

The Leica Store concept in particular was pushed forward insistently, with the result that, as per end of the fiscal year 2011/2012, 21 Leica Stores and 27 Leica Boutiques contribute to the coherent presentation as a premium brand, as well as to the selective distribution. In the fiscal year distribution and store expansion focussed on Asia, as also evidenced by the foundation of Company-owned sales subsidiaries in Korea (LCK) and in the Asia-Pacific region (LCAP).

The growth of the overall digital camera market expected for calendar year 2011 is subject to significant regional variation. To account for this fact the Leica Camera Group will continue its policy of setting and following regional priorities.

There is still considerable risk from the brevity of product life cycles in the digital compact camera sector. The key digital technologies and the timely market introduction of products are essential for the Company's corporate success and the long-term continuation of the Company as a going concern. Permanent improvement of internal processes and know-how, as well as the alliances with reliable technology partners in the field of digital compact and system cameras all constitute vital parts of the process. In addition, the strength of the »Leica« brand has a positive impact on the product life cycle.

The sport optics market harbours potential risks due to the increasing pressure on innovation in this field. The Company counteracts by developing innovative products (such as rifle scopes) incorporating digital technologies.

Marketing the licence rights and rights of use for the »Leica« brand and the related product names also represents a significant source of revenue. In this field, there is the risk of dependency on the respective contracting party.

In addition, thorough attention must be paid to the use rights under software licences and patents; these are regularly monitored.

Sport optics product group

In fiscal year 2009/2010, the Sport optics product group successfully continued to strengthen its orientation towards the specific main markets hunting and field observation.

The largest optics innovation by far was the presentation of the Magnus rifle scopes at the IWA & OutdoorClassics 2011 fair. The product's outstanding features – a very large zoom range combined with a wide field of view – caused record order inflow at the fair. The Magnus product line has significantly enhanced awareness of the Leica brand as a premium offeror in the hunting market. This was also evident after the IWA when, in the context of an overall stagnating hunting market, demand for all sport optics product lines strengthened. Among these product lines was the Rangemaster Leica CRF 1600, already introduced at the IWA & OutdoorClassics 2010, which was extremely well received by the market due to a wealth of additional functions such as the integrated ballistic computer (LAB®).

With their exceptional design and clear design vocabulary the Silverline binoculars, presented at the photokina 2010 in Cologne, are geared towards new »lifestyle« target groups. This line currently generates particularly high demand from the growing Asian markets.

The product line with the strongest sales in Leica sport optics is rangefinding. On the occasion of the Shot Show 2011 in Las Vegas the line was reasonably amended by adding the Rangemaster Leica CRF 1000. The new Rangemaster convinces consumers not only with its well-known optical qualities but also with an attractive price-performance ratio.

As from February 2011 Leica offers digiscoping adapters to the Televid series products for the current compact camera models (D-Lux 5/X1). Thus Leica remains the only offeror worldwide providing both high-end spectacles and cameras of the highest order.

Earnings position

In the year under review, the Group reports a net income in the amount of € 36.3 million (previous year: net income of € 3.2 million). On the basis of the sales increase of more than 57 % the operating result has improved to € 41.5 million, thus more than quintupling previous year's figure (€ 7.4 million). Personnel expenses increased by 10 % due to further staff intake. As a result of the significantly higher level of business, other operating expenses also rose, by € 6.0 million to € 44.6 million.

On the basis of this very good result Leica Camera AG will pay a dividend for the first time since 1997. The Company's Board of Management and Supervisory Board propose to use the profit retained by Leica Camera AG in fiscal year 2010/2011, amounting to € 5,302,517.86, as follows:

Payment of a dividend of € 0.30 per	
no-par value share qualifying for dividends	= € 4,949,526.60
Remaining amount carried forward to new account	= € 352,991.26

A multitude of key performance indicators is used Group-wide to manage Leica Camera Group. The key performance indicators collected on a Group-wide basis and used in managing mainly include the sales figures, the earnings figures, EBITDA, EBIT and EBT, the cash flows and the working capital, as well as the number of units of products sold by the Company's divisions, broken down by product line and region. Further important performance indicators are cost of materials, personnel expenses and research and development expenditure.

The earnings figures are: income/loss before tax (earnings before tax, EBT), income/loss before income tax and financial result (earnings before interest and tax, EBIT), and income/loss before income tax, financial result and amortisation/depreciation or write-downs on fixed assets (earnings before interest, tax, depreciation and amortisation, EBITDA).

	2010/2011	2009/2010
	€ million	€ million
Sales	248.8	158.2
Cost of materials	109.9	61.1
Personnel expenses	54.1	49.1
R&D expenditure	12.5	11.9
EBITDA	54.7	16.8
EBIT	41.5	7.4
EBT	38.5	4.8

Sales

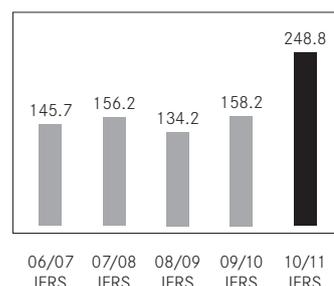
Leica Camera Group's total sales rose by € 90.5 million. This corresponds to a 57.2 % increase on the previous year, with sales driven most strongly by system cameras.

Sales abroad increased 56.7 % as compared to the previous year and now stand at € 219.0 million or 88 % of total sales.

At € 85.0 million or 34.1 % of total sales, the European market (excluding Germany) is the most important individual market for Leica Camera AG, followed by the Asian market, which accounts for € 82.2 million or 33 % of total sales.

Sales of system cameras rose by 62.4 % to € 114.9 million. Sales of compact cameras (including X1) increased by 114.2 % to € 84.7 million and sales in the Leica sport optics product group increased by 7.4 % to € 24.2 million.

Sales
€ million



Regional development

Germany

Sales in Germany rose by 61.1 % to € 29.8 million.

Europe (excluding Germany)

Sales in the rest of Europe rose by 60 % to € 85.0 million.

Asia and Australia

Sales in Asia and Australia increased by 59.7 % to € 82.2 million.

US, Canada and Mexico

Sales in the North American Free Trade Area increased by 47.3 % to € 51.1 million.

Others

Sales in the rest of the world increased by € 0.2 million to € 0.7 million.

Sales by regions	2010/2011	Change
	IFRS	on previous year
	€ thousand	%
Germany	29,794	61.09
Europe (excluding Germany)	85,008	60.00
Asia and Australia	82,160	59.70
US, Canada and Mexico	51,085	47.26
Others	713	49.79
	248,760	57.21

Sales by product lines	2010/2011	Change
	IFRS	on previous year
	€ thousand	%
System cameras	114,930	62.35
Compact cameras	84,675	114.23
Sport optics	24,215	7.43
Projectors	437	(30.08)
Spare parts and technical after-sales service	2,845	(13.13)
Licencing income	11,700	0.00
Other	9,958	1.79
	248,760	57.21

Other financial performance indicators

As a result of the increase in sales combined with the decrease in cost of materials, gross profit went up by € 49.0 million as compared to the previous year, to € 153.3 million.

Because of staff intake and severance payments, personnel expenses rose by € 5.0 million to € 54.1 million.

The operating result improved by € 34.1 million to € 41.5 million on the previous year due to the increase in sales and the successfully completed cost optimisation.

The interest result increased slightly, by € 0.5 million to € -3.0 million (previous year: € -2.5 million).

Assets and financial position

The key performance indicators used by the Leica Camera Group to evaluate and monitor the assets and financial position are short-term liquidity, the development of equity and short-term liabilities, as well as the development of inventories and trade receivables. The changes in these key performance indicators are analysed in the monthly statements of condition prepared during the fiscal year and are integrated into the short and medium-term planning and the corresponding decision-making processes.

	2010/2011	2009/2010
	€ million	€ million
Inventories	48.2	33.5
Financial assets	9.9	1.0
Liquid funds	37.3	26.8
Equity	66.0	29.2
Liabilities to banks	2.7	5.4
Capital expenditure	18.9	14.8

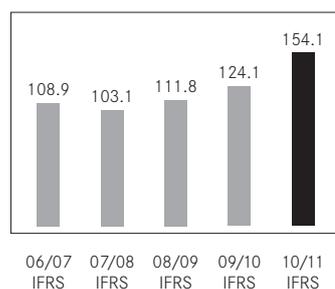
In the year under review, the Group's total assets have increased by 24.2 % from € 124.1 million to € 154.1 million.

Tangible assets decreased slightly, from € 21.1 million to € 20.2 million. Intangible assets also decreased, from € 11.8 million to € 9.4 million, due to the fact that development expenses were capitalised to a lesser extent than in the previous year.

Inventories increased by € 14.7 million to € 48.2 million as a result of the increased overall volume and delivery bottlenecks at fiscal year end; however, inventories increased less strongly than sales.

In spite of the higher sales, trade receivables decreased by € 10.2 million to € 12.9 million due to excellent management of receivables and an increase in the amount of the foreign receivable purchased by GE Capital Bank AG. Correspondingly, the ratio of receivables to sales fell from 14.6 % to 5.2 %.

Total assets
€ million



On the basis of the very favourable development of cash flows the Company made investments in financial assets in an amount of € 9.0 million.

As a result of the positive sales development liquid funds increased from € 26.8 million to € 37.3 million.

On May 16, 2006, the Company entered into agreements with GE Capital Bank AG (formerly Heller Bank AG), Mainz, concerning the provision of finance in an amount of approximately € 9,500 thousand (based on sale of accounts receivable and on collateralised borrowing). The funds were used for repayment of liabilities to the pool of lending banks. In fiscal year 2006/2007, these agreements were extended to include financing of inventories, as well as additional special financing. Therefore, Leica Camera AG had at its disposal a total financing volume of € 16,000 thousand; of this amount, € 9,000 thousand relate to liabilities from factoring, € 5,430 thousand to financing of inventories, € 570 thousand to contingent liabilities and € 1,000 thousand to special financing. Pursuant to an agreement with GE Capital dated March 30, 2009, the total financing volume was reduced to € 13,000 thousand as from June 1, 2009; of this amount, € 10,000 thousand relate to liabilities from factoring and € 3,000 thousand to special financing. Currently, the financing commitment extended by GE Capital Bank AG is firm until May 2011. Leica Camera AG did not extend the agreement with GE Capital Bank AG beyond May 31, 2011.

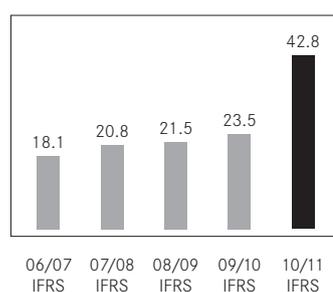
Provisions for pensions decreased by € 0.4 million to € 13.3 million due to the change of the discount rate to 5.6 % (previous year: 5.3 %).

Other long and medium-term liabilities decreased to € 0.7 million (previous year: € 12.7 million) as a result of the repayment (€ 10.0 million) of the loan extended by Panasonic and the reclassification due to the short-term maturity of the residual amount (€ 10.0 million).

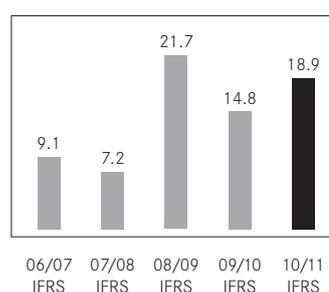
Short-term provisions increased by € 1.2 million, from € 5.8 million to € 7.0 million.

Trade payables decreased slightly, from € 15.8 million to € 15.0 million.

Equity ratio
%



Capital expenditure
€ million



2 OTHER KEY NON-FINANCIAL PERFORMANCE INDICATORS

Short-term liabilities to affiliated companies decreased from € 2.1 million to € 1.9 million.

Other short-term liabilities increased by € 15.3 million to € 27.4 million, mainly as a result of the abovementioned reclassification of the residual amount of the Panasonic loan.

In addition to the quantitative financial performance indicators used in managing the Leica Camera Group, the various organisational units of the Company also collect non-financial qualitative indicators, such as information and market data; the latter include data provided by GfK and CIPA. Market data are used to assess business operations and to support strategic orientation. They enable the comparison of the current business position with the medium to long-term strategic goals.

Decisive factors in the development of the Company are its capability to develop and distribute a range of products that fit customers' requirements, its existing customer base, its selective distribution system (the Leica Store concept in particular), as well as its domestic and foreign employees, whose dedication, capabilities and long-standing experience contribute to the strategic reorientation of the Company and are instrumental in opening up market opportunities.

Carried by the success of the first phase of strategy implementation, the Board of Management has resolved in the current fiscal year to launch a project by the name of REO (Re-Engineering Operations), aimed at optimising the Company's business processes and at further strengthening its strategic orientation.

The REO programme includes the following key themes:

- Stable, scalable production
- Strategy implementation
- Goal-oriented leadership
- Customer-oriented teams
- Efficient, scalable business processes

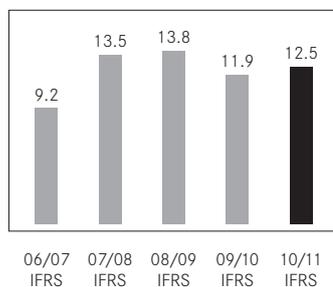
The general agreement, dated June 25, 2009, entered into with ACM Projektentwicklung GmbH on the remission of debt with a debtor warrant in the amount of € 8,000 thousand, of which a partial amount of € 5,000 thousand had been renewed in the previous fiscal year, has been renewed in the complete amount of € 3,000 thousand in the current fiscal year.

As a result of the successful launch of new products and the opening of numerous new Leica Stores, Leica Camera Group registered higher order inflow throughout the fiscal year; this led to a very high order backlog at the end of the fiscal year. In spite of a slight improvement of operational performance the Company was unable to further reduce the order backlog.

Research and development

At € 12.5 million, research and development expenditure has increased only marginally on the previous year (€ 11.9 million). To secure Leica Camera Group's competitive power on the main markets, innovations in products as well as in production processes are essential. The Company's research and development activities aim at the creation and further development of both products and production processes, as well as at technology transfers. In the fiscal year under review and the previous year, the focus of research and development was on the digitalisation of the product range, on the development of new lenses and on updating the existing product portfolio in the sport optics range, particularly as concerns rifle scopes.

R&D expenditure
€ million



Capacity utilisation

Throughout fiscal year 2010/2011 production capacity was very well utilised. In the second half of the fiscal year substantial increases in productivity were achieved. In the assembly of the M9 and X1 cameras there were bottlenecks in parts following the high order inflow. Capacity was also well utilised in optics manufacture and lense assembly. Capacity in sport optics assembly was well utilised, due to, inter alia, production of rifle scopes.

Technical alliances

The cooperation agreements with the well-known international company, Panasonic Corporation, Osaka, Japan have been ratified in fiscal 2006/2007 and continue in force without change. The agreements embrace digital video cameras and digital cameras. Both partners add their respective know-how and create real synergies in manufacturing cutting edge digital products.

The Company has entered into further alliances with various technology companies for the development of new products.

Corporate communications

In the reporting period the marketing and communications division chiefly focussed on planning and realising strong supporting measures for the traditional Leica M system and the professional Leica S system, as well as the market introductions of new products. The centre stage was taken by the international photokina trade fair in Cologne in September 2010, where the Company presented, in addition to its flagship products Leica M9 and Leica S system, new products such as the Leica D-Lux 5, V-Lux 2, a new, black design variant of the Leica X1, the limited special series, Leica M9 »Titanium«, as well as the binoculars line, Leica Silverline. The fair had daily coverage to be viewed worldwide via the Web.

To achieve consistent brand communications the Company continues to pursue an integrated approach to product communications. Derived from the core values of the brand, the individual products undergo precise positioning both in relation to one another and to the competitive environment. Based on the positioning and tuned to the relevant target group, each product is placed in the appropriate communicative context, which in turn consistently determines global product communication in all channels.

Regularly informing all target groups, such as customers, interested parties, sales partners, dealers and the general and special press, on Leica Camera AG's new products and offers is an important aspect of communications and a continuing process permanently followed. As a sales support there are brochures on every product, providing comprehensive information, as well as cultivation of the brand's premium-quality image. Additionally, advertisements and point-of-sale materials, as well as films of the campaigns are also available.

Moreover, Leica Camera AG has systematically expanded its Web activities. The Company makes available comprehensive product and corporate information at the Leica Corporate Web site and meanwhile is also successfully present on the Facebook social network (approximately 100,000 fans) and the Twitter microblogging service (approximately 20,000 followers). Similar developments are to be seen on the YouTube and Vimeo moving-image platforms.

An important supplementary component is *Leica Fotografie International*. This independent magazine of established expertise and renown presents fascinating prime examples of Leica photography, gives in-depth explanation of the technical background and hints for applications for Leica photographers.

In addition to the cultivation of contacts with the special press, the Company in the period under review has strengthened press relations with the general media and the daily press in order to increasingly communicate the positive development of the Company.

3 EQUITY OF LEICA CAMERA AG

Since the capital increase effected in February and March 2009 the subscribed capital of the Company has been composed of 16,498,422 (previous year: 16,498,422) no-par value bearer shares of € 1.00 each.

Each share grants one vote.

There are no voting right or stock transfer restrictions. The Board of Management has no knowledge of any pertinent agreements between shareholding parties.

There are no special rights of individual shareholders. All shares grant the same rights.

There are no agreements on indirect control of voting rights by employees. All employees of Leica Camera AG who are also shareholders of the Company exercise their membership rights in conformity with general regulations and, as a basic principle, on their own behalf.

The General Meeting of May 31, 2005 resolved to increase the share capital contingently by up to € 170,000 (Contingent Capital I). Furthermore, the General Meeting of November 23, 2005 resolved to further increase the share capital contingently by up to € 2,872,750 (Contingent Capital III).

By resolution of the General Meeting of November 27, 2009, the Board of Management is authorised to increase, with the consent of the Supervisory Board, once or several times the share capital by up to € 8,249,200 until November 27, 2014 by issuing new no-par value bearer shares against contribution in cash and/or in kind; in the capital increase the subscription right of the shareholders can be excluded (Authorised Capital).

The Company's Board of Management and Supervisory Board propose to use the profit retained by Leica Camera AG in fiscal year 2010/2011, amounting to € 5,302,517.86, as follows:

Payment of a dividend of € 0.30 per no-par value share qualifying for dividends	= € 4,949,526.60
Remaining amount carried forward to new account	= € 352,991.26

Amendments to the Articles of Association

According to section 179 of the *Aktiengesetz* (AktG – German Stock Corporation Act) amendments to the Company's Articles of Association are made by resolution of the General Meeting with a majority of at least three quarters of the share capital represented at the time the resolution is passed.

The Supervisory Board has the power to resolve changes to the Articles of Association that affect only their wording. In addition, the Supervisory Board is authorised to adjust section 4 of the Articles of Association (share capital) to the utilisation of authorised capital in a complete or partial increase of the share capital after such increase has been effected.

4 RISK MANAGEMENT OF LEICA CAMERA GROUP

Risk report

Leica Camera Group, an internationally operating group, permanently faces opportunities and risks that can have positive and negative impacts on corporate success. Least risks become existence-threatening corporate dangers, a modern risk management system must be employed to identify risks early on, as well as analyse, assess, monitor and document them. In this way precautionary and safety measures can be adopted.

The Board of Management of Leica Camera AG is responsible for the risk management. In this connection, essential factors are the corporate strategy and the business situation of the Company's product groups, Photo and Sport optics.

As a consequence at Leica Camera Group the risk management is consistently integrated into the business, planning and control processes, as well as into the information and communications systems.

The existing opportunities and risks can be classified into different risk categories, such as risks from management and organisation, financial risks, performance-related risks or external risks. In annually convened planning circles risks are identified, analysed and assessed and by a transparent reporting system they are continually monitored on a monthly basis. The quality of the individual risk is assessed in terms of probability of occurrence and potential damage and is entered into a risk portfolio. In this way on a Group-wide basis new risks are recorded and analysed, and the development of existing risks is tracked. The Board of Management is informed on any risk-related development in a timely manner and on an ongoing basis. If necessary, risk avoidance or risk reduction measures are adopted to counteract increases of negative variables. In addition, in case considerable risks are identified which are fundamental or could become existence-threatening the Supervisory Board is informed immediately.

Within the scope of their audit of the Group financial statements the auditors have assessed the risk management system of Leica Camera Group in accordance with section 317 (4) of the *Handelsgesetzbuch* (HGB – German Commercial Code). The system is fit to identify risks that constitute a threat to the Company's existence at an early stage.

Risk profile

Leica Camera Group has identified the following risk categories as essential for its development in the past, as well as for its future development:

Business environment risks

For Leica Camera Group the current situation in Japan constitutes a risk. The earthquake of March 11, 2011 and the ensuing nuclear catastrophe have resulted in the continuing dangers of loss of Japanese suppliers and of decreasing demand from the Japanese retail market. The Board of Management has implemented appropriate countermeasures; in fiscal 2011/2012 there have been no significant negative effects so far.

In the international market for digital photo cameras Leica Camera Group takes up the challenge of strong competitors while simultaneously mastering the challenges posed by shortening product life cycles and declining proceeds.

For calendar year 2011 analysts expect a stable development of the overall digital camera market. The compact camera sector will be affected by longer-term stagnation due to market saturation.

The sport optics market still harbours potential risks due to the acceleration of product life cycles and the high expectations in respect of innovations.

Product risks

With the brand modernised by numerous market introductions according to the corporate strategy, Leica was able to meet the dealers' requirements, which lead to a high pressure on innovation, without forfeiting key competencies and exclusivity. A premium vendor and niche player, Leica prevents risks by product roadmaps that safeguard the future and by selective distribution such as the distribution based on the Leica Store concept.

As continuously shortening product lives prevail on the markets for digital compact as well as system cameras, these markets have to be served by timely market introductions and key technologies. To ensure the continuation of the Company as a going concern and the corporate success in the face of a dynamic market, the Company pursues a policy of permanent improvement of internal processes and know-how, as well as of entering into alliances with reliable technology partners.

In sport optics the weight of purchasers' expectations also rises. Innovative developments based on digital technology prevent a market slump. Moreover, in this field the Company has opened up the rifle scopes market as a growth market.

Marketing the licence rights and rights of use for the »Leica« brand and the related product names also represents a significant source of revenue. In this field, there is the risk of dependency on the respective contracting party, as well as the risk of image damage in case of a failure to ensure product quality.

In addition, thorough attention must be paid to the use rights under software licences and patents; these are regularly monitored.

Leica Camera Group faces the challenge to cope with record-high order intake. The Board of Management plans to increase capacity significantly. The planned relocation of the Company to a new building at Wetzlar in the spring of 2013 will involve a marked improvement of process operations. The enormous order backlog is due on the one hand to the market introduction, as early as September 2009, of the S2, M9 and X1 cameras and, in April 2010, of the V-Lux 20, and on the other hand to the presentation, at the photokina in September 2010, of the new D-Lux 5 and V-Lux 2 digital camera models. The successful turnaround in the previous fiscal year has put Leica on a positive track to growth, which the Company seeks to consolidate. Intermittently, such growth brought Leica historical highs in order backlog, but it also led to substantial delays in delivery.

With more than 30 employees newly recruited in manufacturing and the expansion of production capacity, Leica is working at full speed to achieve improvements in delivery periods and reduce the high order backlog – while retaining the outstanding quality of its products.

The Company counteracts the risk of delays in delivery connected with high order inflow by implementing optimisation measures in the supply chain. In this respect, the Board of Management has taken preventive actions, with the main focus remaining on securing the Company's competitive power.

Further risk comes from the flattening economic outlook for the US, which is an important sales market for Leica Camera AG, accounting for around 20 % of its sales. The continuous risk of exchange rate fluctuations in both the US Dollar and the Japanese Yen has to be monitored permanently. In this connection, the Company has to meet the uncompromisingly high Leica quality standards as concerns the quality of complex bought-in parts, especially against the background of rising demand and growing sales.

In the estimation of the Board of Management the risks related to the crises in Greece, Portugal, Italy and Spain will not have any material effect on Leica Camera AG since these markets do not rate among the Company's major sales markets.

Financial risks

The growth and expansion of business envisaged for the next few years necessitate prefinancing, which has to be taken into account in liquidity planning.

The financing of Leica Camera Group is secured at any time – on the one hand by short and medium-term liquidity planning, and on the other by the funds at hand, as well as the lines of credit and the cash flows from sales. Additionally, the Board of Management constantly considers further financing opportunities. The Company strives for optimal use of refinancing possibilities.

Half of the loan extended by Panasonic Corporation, Osaka, Japan, initially amounting to a total of € 20 million, maturing on September 30, 2011 has already been repaid in the last fiscal year. The remaining € 10 million will be repaid according to plan by the third quarter from current cash flows.

An international company always has to deal with currency risks from day to day business – so has Leica Camera Group. All payment flows not processed in the accounting currency of the Group are subject to currency risks. In this respect the Company is dependent on the Japanese Yen, the US Dollar, the British Pound and the Swiss Franc. To hedge against currency risk the Company uses financial instruments, especially currency forwards and currency swaps, and also natural hedging.

At Leica, default risk is hedged by active management of receivables, which operates by an effective dunning process and strict credit limits.

In accordance with German tax law, any loss carryforwards existing as at the balance sheet date may be subject to change or complete or partial elimination, for instance, in the case of varying tax assessments or changes in ownership.

Personnel risks

Leica Camera counteracts the risk that qualified employees and executives may leave the Company – which would constitute a loss of experience and expertise – by offering a system of variable compensation, supplementary vocational training and an attractive work environment. Currently, the Company is hiring highly qualified personnel from the precision mechanics and optics industry.

Other risks

Sales risks and profit risks may arise in case new products cannot be introduced in the market on time or the production of well-established products is behind schedule. This may be detrimental to the image of the brand or even lead to the loss of customers. In the field of digital photography in particular, the Company is dependent on strategic alliances, licences and important suppliers. If important suppliers should experience difficulties or bottlenecks in delivery or deliver defective products, this would lead to considerable difficulties in production and delivery at Leica Camera AG. To counteract the aforementioned risk the Company intensifies and secures its relations with strategic suppliers by cooperating with them on development projects. Moreover, internal capacity bottlenecks and internal process difficulties may lead to delays in the developmental process and production flow which may entail delivery bottlenecks or belated market introductions. By thorough capacity planning, strict adherence to the defined process of product development, continuous improvement of processes, as well as permanent upgrading of employees' qualifications the Company undertakes to counteract this risk.

5 ACCOUNTING-RELATED RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

Generally, the risk management system and the internal control system also encompass the accounting-related processes, as well as all risks and controls in respect of the accounting. This refers to all parts of the risk management system and the internal control system that may have significant effects on the annual financial statements of Leica Camera AG and on the Group financial statements.

The risk management system in respect of the accounting processes has the objective to identify and measure risks that may impede the conformity of the annual financial statements of Leica Camera AG and of the Group financial statements with the applicable provisions. Identified risks have to be measured and evaluated with respect to their effect on annual and Group financial statements of Leica Camera AG. The internal control system has the objective to establish controls and thereby obtain reasonable assurance that risks can be identified and corrections carried out, in order that the Group financial statements are in keeping with the relevant provisions.

Both the risk management system and the internal control system encompass Leica Camera AG and all subsidiaries relevant for the Group financial statements and pertain to all processes relevant for the preparation of the financial statements. The controls relevant for the accounting are specifically directed towards the risk of a material misstatement in the annual and Group financial statements of Leica Camera AG. In evaluating the materiality of any misstatement the criteria are the probability of occurrence, as well as the effect on sales, EBIT and total assets.

Another objective of the risk management system is the identification of threats to the existence of the individual subsidiaries and of the Group.

Major elements of risk management and control in accounting are the assignment of responsibility and control in the preparation of the financial statements, Group-wide requirements based on guidelines for financial reporting and preparation of financial statements, as well as suitably regulated access to the EDP systems.

The principle of dual control and the segregation of duties are major principles of control also in the accounting process.

The Supervisory Board is regularly informed on any material risk identified and on the efficiency of the risk management system and the accounting-related internal control system.

Corporate governance

Leica Camera AG has undertaken to follow the code of best practice issued by the Government Commission of the German Corporate Governance Code, unless the corresponding Declaration of Compliance specifies otherwise. The Declaration on Corporate Governance according to section 289 a of the HGB including the corresponding Declaration of Compliance according to section 161 of the AktG are available at the Web site of Leica Camera AG under Investor Relations, Corporate Governance (www.corporate.leica-camera.com/investor_relations/corporate_governance/).

6 REPORT ON EXPECTED DEVELOPMENTS

Economic environment / business prospects

Fiscal year 2010/2011 was characterised by an economic recovery in the cameras and sport optics sectors. Against this background the product segments of Leica Camera AG have developed very favourably. For the current fiscal year 2011/2012, Leica Camera Group expects the economic environment to continue its recovery in the short to medium-term, with the sustained demand from the Asian markets, in particular, as a defining factor. Photo-industrie-Verband (the German photo industry association) expects a continuation of the recovery of the camera market and for the medium-term forecasts an increase of cameras sold to 150 million units in calendar year 2015.

Development of business in the operating divisions

Leica Camera Group has closed fiscal 2010/2011 with a very good result. The Company has undertaken the necessary restructuring and has systematically expanded and completed its portfolio. The current starting position will open up further growth opportunities for all product groups. In fiscal 2011/2012 the Company will press ahead with the integrated optimisation of its business processes, on the basis of its Re-Engineering Operations (REO) programme. In addition, the development of innovative products will be advanced.

As concerns the Photo product group, the Company sees opportunities for further growth especially in the M system, the S system for the professional camera market and in the X system. In the field of compact cameras Leica Camera in fiscal 2011/2012 will enlarge the portfolio by adding various newly presented products and will expand existing system solutions. Following its successful market introduction, the Leica S system will be amended by the addition of further system components. In this connection, the delivery of additional lenses already presented has main importance.

For the Sport optics product group fiscal 2011/2012 is a year of continuing sustainable expansion. Major growth impulses were created by the presentation of the new generation of rifle scopes at the industry's most important fair in February.

Considering the accelerating change of the general framework of the global economy a well-founded results forecast for fiscal year 2011/2012 and the subsequent year is not possible to a full extent. For fiscal 2011/2012 the Board of Management expects EBIT to exceed € 20 million and sales to grow by 3 % to 5 %. For fiscal 2012/2013 similar results are expected.

The Board of Management is currently conducting negotiations with ACM Projektentwicklung GmbH, Salzburg on the construction of an administration and production building for Leica Camera AG at Wetzlar. The relocation is scheduled for the spring of 2013.

At the same time, negotiations are conducted with SIG GmbH, Wetzlar on the prolongation of the lease contract. The Board of Management expects these negotiations to be successfully concluded within the next few weeks.

Corporate strategy

In fiscal year 2010/2011 Leica Camera AG has worked on the systematic implementation of its corporate strategy. According to such strategy, the Company after its successful reorientation now enters a phase of sustainable targeted growth. On the basis of a customer-oriented growth strategy Leica Camera Group will be led into a successful future characterised by sustained positive earnings in the medium and longer term.

The groundwork for this course was laid in the fiscal year with the product innovations and the restructuring. A revised and binding roadmap for new products in the Photo and Sport optics product groups ensures that Leica Camera AG's innovative customer solutions are continuously present in the market.

Moreover, a central feature of the corporate strategy for Leica is securing and communicating the brand's claim to premium quality. In this respect, the introduction of the M9 is leading the way: Leica Camera Group has successfully established the world's smallest system camera with a full format sensor in the market. Building on this success the Company further strengthens its core competencies in optics and mechatronics. In particular, the design of compact high-performance optic components, as well as the ability in assembling and testing Leica products of the highest quality will be increased.

Another major feature of the strategy is the continuation of structure and process optimisation. All central business processes will be geared towards the customers – to permanently satisfy the high demands on quality and to be able to react more flexibly to the market.

A main focus in branding is the systematic implementation of the premium position of the Leica brand. The quality of distribution is strengthened by the opening of further Leica Stores. In addition, the claim to premium status is also expressed in the positioning of products in the medium and upper price segments, and is supported by a harmonisation of prices.

From a geographical perspective Leica Camera Group will focus on its core markets, among them Asia in particular, and in these markets will open up new market segments and customer groups.

Declaration on Corporate Governance

The Company has published the Declaration on Corporate Governance in accordance with section 289a of the HGB on the Company's Web site.

Opportunities and risks

In addition to the circumstances relevant to the future development of the Company already described in the risk profile, the Company is dependent on the general state of the economy, which is subject to uncertainties.

Nevertheless the Company is optimistic – guided by the affirmative experience gained in fiscals 2009/2010 and 2010/2011 – that it will be able to minimise these risks by consistently adhering to the course embarked on.

7 REPORT ON
POST-BALANCE SHEET
DATE EVENTS

No significant events have become apparent after the end of the fiscal year.

Appointment and revocation of members of the Board of Management and basic principles of the compensation of members of the Board of Management and the Supervisory Board

In accordance with section 84 et seq. of the AktG members of the Board of Management are appointed and removed by the Supervisory Board.

Members of the Board of Management receive contractually fixed remuneration. In some cases performance-related remuneration is granted.

The Company has not entered into indemnification contracts taking effect in case of a tender offer with either members of the Board of Management or employees.

Members of the Supervisory Board receive a fixed compensation defined by the Articles of Association for their activities and a reimbursement for their expenses.

Rudolf Spiller resigned from the Board of Management effective at the end of the day on August 18, 2010.

Effective August 19, 2010, Alfred Schopf resigned from the Supervisory Board and was appointed member and Chairman of the Board of Management.

On October 6, 2010, Dr. Frank Holzer was appointed member of the Supervisory Board. Effective February 19, 2011, Dieter Maier has resigned from the Supervisory Board.

The members of the Board of Management run the Company jointly, each of them being authorised to represent the Company singly.

Organisation and processes

Having established the functional corporate organisation in the previous year, the Company in fiscal 2010/2011 focussed on the optimisation of processes.

The Re-Engineering Operations (REO) programme arranged by the Board of Management resulted in tangible process improvements especially in the supply chain and production divisions, and also at all other stages of the value-added chain. In particular, the processes of product development, marketing and sales, as well as performance were optimised with a view to the clear focus on customers.

The systems existing in the Leica Camera Group are regularly analysed. This includes the uniform utilisation of the EDP system SAP. In the year under review the Company has amended its systems landscape by addition of a system for optimisation of customer management and customer loyalty; this CRM system will strengthen customer orientation. In order to further optimise its processes in the current fiscal year the Company will introduce a workflow-based creditor management system with optical archiving.

Other

Employees

The average number of employees – excluding trainees – in the Leica Camera Group increased from 1,082 in the previous year to 1,105 in the year under review. On average over the fiscal year 2010/2011, 55.9 % were employed in production and 44.1 % in research and development, sales and administration.

As of the balance sheet date of March 31, the number of employees in the Group increased year on year by 4.2 %, from 1,088 to 1,134.

The Board of Management would like to thank all of the Company's employees for their work and for their unrelenting commitment.

Shareholder structure

ACM Projektentwicklung GmbH, Salzburg, holds 97.56 % of the voting rights of Leica Camera AG. This corresponds to 16,096,478 votes.

Statement in accordance with section 312 of the AktG

In the report on relationships with associated companies, the Board of Management has made the following closing statement:

»We state that Leica Camera AG received fair and adequate compensation in each and every legal transaction conducted with an associated company, under the circumstances known to us at the time that any such legal transaction was conducted. No measures subject to reporting requirements were taken or omitted at the instigation or in the interest of the controlling undertaking.«

Responsibility statement

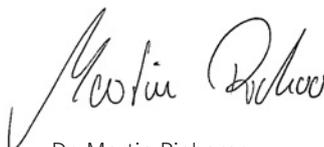
To the best of our knowledge we hereby attest that the Group financial statements, in compliance with the accounting principles to be applied in the group, give a true and fair view of the financial and earnings position of the Group, and that the Group management report presents the development of business, including the business results and the situation of the Group, in such a way that it produces a true and fair view of the actual situation and specifies the opportunities and risks associated with the expected development of the Group.

Solms, June 30, 2011

The Board of Management



Alfred Schopf



Dr. Martin Picherer



Andreas Lobejäger

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LEICA CAMERA GROUP, SOLMS
GROUP FINANCIAL STATEMENTS AS AT MARCH 31, 2011

LEICA CAMERA GROUP, SOLMS GROUP BALANCE SHEET

Assets	March 31, 2011	March 31, 2010	March 31, 2009
	€ thousand	€ thousand	€ thousand
Non-current assets			
Intangible assets			
Purchased concessions, industrial rights and similar rights and assets and licences in such rights and assets	4,432	2,138	2,563
Goodwill	428	428	428
Proprietary developments	4,480	8,505	1,284
Payments on account and proprietary developments under construction	38	705	3,291
	9,378	11,776	7,566
Tangible assets			
Land, land rights and buildings including buildings on third-party land	3,065	3,364	4,139
Technical equipment and machinery	4,662	4,402	5,265
Other equipment, operating and office equipment	7,117	7,926	5,757
Payments on account and assets under construction	5,377	5,450	5,496
	20,221	21,142	20,657
Financial assets			
Investments	-	-	-
Other loans	9,855	791	1,419
	9,855	791	1,419
Deferred tax assets	9,192	3,579	4,869
	48,646	37,288	34,511
Current assets			
Inventories			
Raw materials, consumables and supplies	18,890	16,279	12,097
Work-in-process	7,365	5,681	5,138
Finished goods and merchandise	21,612	11,316	15,856
Payments on account	286	193	359
	48,153	33,469	33,450
Trade receivables	12,903	23,137	17,297
Receivables from affiliated companies	2	108	138
Receivables from companies in which participating interests are held	32	-	-
Other assets	7,060	3,343	2,290
Liquid funds	37,280	26,768	23,192
	57,277	53,356	42,970
	105,430	86,825	77,307
	154,076	124,113	111,818

Equity and liabilities	March 31, 2011	March 31, 2010	March 31, 2009
	€ thousand	€ thousand	€ thousand
Equity			
Subscribed capital	16,498	16,498	16,498
Capital reserves	19,820	19,820	19,271
Revenue reserves	(8,225)	(11,142)	(5,865)
Currency translation	(552)	(716)	(2,082)
Net retained profits / accumulated loss of the Group	35,502	2,917	(5,277)
Non-controlling interests	2,964	1,776	1,515
	66,007	29,153	24,060
Liabilities			
Long and medium-term liabilities			
Provisions for pensions	13,253	13,723	13,044
Other long and medium-term provisions	4,729	4,673	2,025
Convertible bonds	13,323	12,740	12,829
Liabilities to affiliated companies	-	1,414	3,094
Other long and medium-term liabilities	736	20,231	20,332
Deferred taxes	456	441	1,807
	32,497	53,222	53,131
Short-term liabilities			
Short-term provisions	7,034	5,801	6,491
Liabilities to banks	2,699	5,392	7,420
Payments received	948	-	-
Trade payables	15,047	15,825	7,744
Liabilities to affiliated companies	1,903	2,145	1,356
Other short-term liabilities	27,369	12,078	11,224
Prepaid income	572	497	392
	55,572	41,738	34,627
	154,076	124,113	111,818

LEICA CAMERA GROUP, SOLMS

GROUP INCOME STATEMENT

GROUP STATEMENT OF TOTAL COMPREHENSIVE INCOME

INCOME STATEMENT

	2010/2011	2009/2010
	€ thousand	€ thousand
Sales	248,760	158,239
Change of finished goods and work-in-process	9,433	(3,685)
Own work capitalised	418	5,509
Other operating income	4,524	5,496
Cost of materials		
Cost of raw materials, consumables and supplies and purchased merchandise	(108,305)	(56,108)
Cost of purchased services	(1,564)	(5,014)
	(109,869)	(61,122)
Personnel expenses		
Wages and salaries	(46,547)	(40,210)
Social security, pension and other benefit costs	(7,505)	(8,937)
	(54,052)	(49,147)
Amortisation/depreciation		
on intangible and tangible assets	(13,143)	(9,420)
Other operating expenses	(44,561)	(38,511)
Operating result	41,510	7,359
Interest result	(3,022)	(2,538)
Earnings before income taxes	38,488	4,821
Income taxes	(2,183)	(1,643)
Group net income	36,305	3,178
Thereof relating to shareholders of Leica Camera AG	35,502	2,917
Thereof relating to non-controlling interests	803	261

	2010/2011	2009/2010
Earnings per share		
basic, Group net income for the period (€)	2.15	0.18
diluted, Group net income for the period (€)	2.02	0.20
Average number of shares in issue during the period	16,498,422	16,498,422

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	2010/2011	2009/2010
	€ thousand	€ thousand
Group net income	36,305	3,178
Currency translation (no effect on income)	164	1,366
Other comprehensive income	164	1,366
Comprehensive income of the Group	36,469	4,544
Thereof relating to shareholders of Leica Camera AG	35,666	4,283
Thereof relating to non-controlling interests	803	261

LEICA CAMERA GROUP, SOLMS GROUP CASH FLOW STATEMENT

	March 31, 2011	March 31, 2010
	€ thousand	€ thousand
Group net income relating to shareholders of Leica Camera AG	35,502	2,917
Change in non-controlling interests	803	261
Income taxes	2,183	1,643
Interest result	3,022	2,538
Amortisation/depreciation on intangible and tangible assets	13,143	9,420
Profit/loss from disposal of non-current assets	17	(440)
Change of finished goods and work-in-process	(9,433)	3,685
Other non-cash expenses/income	7,579	(2,385)
Operating result before changes in working capital	52,816	17,639
Changes in inventories, receivables and other assets	(11,262)	(5,942)
Changes in trade payables and other liabilities	3,704	11,586
Income taxes received/paid	9	(1,304)
Interest paid	(3,022)	(2,401)
Cash flows from operating activities	42,245	19,578
Proceeds from disposal of intangible and tangible assets	24	822
Disposal of financial assets	(62)	0
Investments in intangible and tangible assets	(9,752)	(14,461)
Investments in financial assets	(9,009)	(335)
Acquisition of LCA Holding AG, Nidau, Switzerland	0	0
Cash flows from investing activities	(18,799)	(13,974)
Repayments of financial liabilities	(12,934)	(2,028)
Cash flows from financing activities	(12,934)	(2,028)
Changes in liquid funds	10,512	3,576
Liquid funds at the beginning of the period	26,768	23,192
Liquid funds at the end of the period	37,280	26,768

LEICA CAMERA GROUP, SOLMS

STATEMENT OF CHANGES IN GROUP EQUITY

	Ordinary shares number	Subscribed capital € thousand	Capital reserves € thousand	Revenue reserves, Group net income/loss € thousand
Balance on March 31 / April 1, 2009	16,498,422	16,498	19,271	(5,865)
Profit carryforward				(5,277)
Revaluation of convertible bonds			556	
Equity raising cost			(7)	
Other comprehensive income for the period				
Group net income				
Balance on March 31 / April 1, 2010	16,498,422	16,498	19,820	(11,142)
Profit carryforward				(2,917)
Other comprehensive income for the period				
Group net income				
Addition of Leica Korea				
Balance on March 31, 2011	16,498,422	16,498	19,820	(8,225)

Currency translation € thousand	Net retained profits / accumulated loss of the Group € thousand	Total € thousand	Non-controlling interests € thousand	Group equity € thousand
(2,082)	(5,277)	22,545	1,515	24,060
	5,277	0		
		556		556
		(7)		(7)
1,366		1,366		1,366
	2,917	2,917	261	3,178
(716)	2,917	27,377	1,776	29,153
	(2,917)	0		
164		164		164
	35,502	35,502	803	36,305
		0	385	385
(552)	35,502	63,043	2,964	66,007

LEICA CAMERA GROUP, SOLMS

NOTES TO THE GROUP FINANCIAL STATEMENTS

1 GENERAL PRINCIPLES

Leica Camera AG is a registered *Aktiengesellschaft* (stock corporation according to German law), headquartered at Solms, Germany. The objective of the Company is to develop, manufacture and distribute products for picture taking, picture processing and picture reproduction, binoculars and scopes, additional equipment and accessories of any kind, as well as consumer durables of high quality, including furnishing of related services. The Group financial statements are prepared in the functional currency Euro (€), which is also the reporting currency. For reasons of clarity the Group financial statements are prepared in thousands of Euros (€ thousand).

The Group financial statements of Leica Camera AG are prepared in accordance with the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB) and as applicable in the European Union (EU) and in accordance with any commercial law provisions to be observed pursuant to section 315a (1) of the *Handelsgesetzbuch* (HGB - German Commercial Code). In this connection, due regard was given to the International Accounting Standards (IAS), the IFRS and the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC; previously SIC) applicable as at March 31, 2011.

The accounting and valuation principles applied are identical to those applied in the preparation of the Group financial statements as at March 31, 2010, with the following exceptions:

The following accounting provisions have become applicable for the first time in fiscal year 2010/2011:

- Amendments to IAS 27 »Consolidated and Separate Financial Statements« (including subsequent amendments to IAS 21)
- Amendments to IAS 39 »Financial Instruments: Recognition and Measurement: Eligible Hedged Items«
- Revised version of and subsequent amendments to IFRS 1 »First-time Adoption of International Financial Reporting Standards«
- Amendments to IFRS 2 »Share-based Payment«
- Revised version of IFRS 3 »Business Combinations« (including subsequent amendments to IAS 12)
- Improvements to International Financial Reporting Standards (IASB version of April 2009)
- IFRIC 12 »Service Concession Arrangements«
- IFRIC 15 »Agreements for the Construction of Real Estate«
- IFRIC 16 »Hedges of a Net Investment in a Foreign Operation«
- IFRIC 17 »Distributions of Non-cash Assets to Owners«
- IFRIC 18 »Transfers of Assets from Customers«

None of these amendments to standards and interpretations mandatorily applicable for the first time had any substantial effect on the Group financial statements.

In November 2009, the IASB published IFRS 9 »Financial Instruments«. IFRS 9 changes the classification and measurement requirements for financial instruments including hybrid contracts. The new standard aims to replace the former IAS 39 and employs a uniform approach in accounting for financial assets: either at amortised cost or at fair value. As Leica Camera AG currently holds no assets classified as available for sale, no effects are to be expected from this amendment. Moreover, IFRS 9 requires a single impairment method to be used. Based on current expectations, this will not have any impact for Leica Camera AG. The standard is mandatorily applicable for fiscal years beginning after January 1, 2013. Earlier adoption is permitted.

Furthermore, the IASB and IFRIC have issued various standards, interpretations and amendments to existing standards whose application is not yet mandatory; Leica Camera AG has decided not to apply these ahead of schedule in the Group financial statements as at March 31, 2011.

The application of these IFRS is conditional on their being adopted by the EU via the IFRS endorsement process. According to Leica Camera AG's expectation the changes of the provisions mentioned will have no material effect on the financial statements.

ACM Projektentwicklung GmbH, Salzburg, holds 97.56 % of the voting rights in Leica Camera AG. ACM Projektentwicklung GmbH is a 100 % subsidiary of SOCRATES Privatstiftung, Vienna. For the first time SOCRATES Privatstiftung has prepared consolidated financial statements as at December 31, 2008.

Within the SOCRATES Group, Leica Camera AG together with its subsidiaries forms the smallest group of consolidated companies among the sub-groups. The Group financial statements of Leica Camera AG are published in the German electronic federal gazette.

The Company's economic relationships and exchange of performances with related parties are detailed under Other disclosures.

2 GROUP OF CONSOLIDATED COMPANIES

As at March 31, 2011 the group of consolidated companies in addition to Leica Camera AG includes the following:

Company name and location	Date of initial consolidation	Equity interest
Leica Aparelhos Ópticos de Precisão S.A., Vila Nova de Famalicão, Portugal	March 31, 1994	91.66 %
Leica Camera Inc., Allendale, New Jersey, USA	March 31, 1995	100.00 %
Leica Camera Ltd., Knowlhill, Milton Keynes, UK	March 31, 1996	100.00 %
Leica Camera S.A.R.L., Saint-Jorioz, France	March 31, 1996	100.00 %
Leica Camera Japan Co., Ltd., Tokyo, Japan	February 28, 2005	51.00 %
LCA Holding AG, Nidau, Switzerland	September 30, 2008	100.00 %
Leica Camera AG, Nidau, Switzerland	September 30, 2008	100.00 %
Perrot Image SA, Nidau, Switzerland	September 30, 2008	100.00 %
Leica Camera Asia Pacific Pte. Ltd., Singapore	November 25, 2009	100.00 %
Leica Camera Korea Ltd., Seoul, South Korea	February 20, 2011	60.00 %

Leica Cinema GmbH, Zurich, Switzerland founded in December 2006, did not conduct any business and is in liquidation. The resolution to wind up the company was dated December 24, 2008. The liquidation of Leica Cinema GmbH was completed in fiscal 2010/2011, the company being deleted from the commercial register on September 17, 2010. The company thus is excluded from the group of consolidated companies.

On November 25, 2009, Leica Camera Asia Pacific Pte. Ltd., Singapore was founded. The company, which emerged from the existing representative office in Singapore, will be responsible for the marketing activities in Southeast Asia and the countries of the Pacific region.

On January 1, 2011, Leica Camera Korea Ltd., Seoul, South Korea was founded as a joint venture in South Korea. Leica Camera Korea Ltd. is a 60 % subsidiary of Leica Camera Asia Pacific Pte. Ltd., Singapore.

Consolidation methods

The consolidated financial statements include all subsidiaries under legal and/or factual control of Leica Camera AG. There are no interests in joint ventures and no associated companies.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date of the acquisition of the equity investment until the lapse of the controlling interest. For the purpose of initial consolidation of subsidiaries, the acquisition cost of equity investments is compared to the Group's share in the fair market value of the identifiable tangible and intangible assets and liabilities of the company concerned. Any remaining asset-side difference from capital consolidation is recognised as goodwill in accordance with IFRS 3 and is subjected to an impairment test annually or if indications for impairment are detected. Negative goodwill is immediately recognised in the income statement.

Effects resulting from intra-Group transactions are eliminated. Receivables and payables between consolidated companies are netted; intra-Group profits and losses with regard to fixed assets and inventories are eliminated, and intra-Group income is set off against the corresponding expenses. For all temporary differences from consolidation, tax deferrals are recognised as required by IAS 12.

3 MANAGEMENT OF CAPITAL

The Leica Camera Group is committed to achieve profitable long-term growth. Therefore the profits and equity of the Group are key indicators used in managing the Company. A high equity ratio constitutes the basis of further internal and external growth and increases the Company's appeal for the shareholders.

4 CURRENCY TRANSLATION

The financial statements of foreign Group companies are translated in accordance with the functional currency and modified reporting date methods according to IAS 21. The subsidiaries are operating on an independent basis organisationally, financially and economically.

In the local single-entity statements of the consolidated companies, foreign currency receivables and liabilities are valued at the balance sheet date rate. Gains and losses not yet realised at the balance sheet date are recognised with effect on income for the period. In the Group financial statements, expenses and income of the consolidated companies are translated into € at monthly average rates, assets and liabilities at the balance sheet date rate and the respective subsidiary's equity at historical rates. Differences from currency translation are taken directly to equity, as shown in a separate column of the statement of changes in Group equity.

Any currency translation differences arising from the consolidation of liabilities are recognised as income in the income statement under Other operating income and Other operating expenses.

In the statement of changes in fixed assets, the balances at the beginning and at the end of the fiscal year are translated at the respective balance sheet date rate and the other items at average rates. Differences from exchange rate movements are recognised in separate columns as currency translation differences for acquisition/historical cost, as well as for accumulated amortisation/depreciation.

5 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the acquisition or manufacturing cost of that asset. Other borrowing costs are recognised as expenses.

6 APPLICATION OF ESTIMATED VALUES

In some cases estimates were carried out and assumptions made in the Group financial statements, having an effect on the presentation and amount of the assets, liabilities, earnings and expenses, as well as contingent liabilities. The actual values may differ from the amounts shown in the Group financial statements.

7 ACCOUNTING AND VALUATION PRINCIPLES

Goodwill

Goodwill is not subject to scheduled depreciation but to an impairment test which is carried out at least annually (as per December 31), and in case of impairment goodwill will be written down to the recoverable amount.

Intangible and tangible assets

Acquired intangible assets are valued at original cost and written off applying the straight-line method of depreciation spread over their expected useful life.

Research and development costs are recorded in the income statement as affecting expenditures at the time they are incurred. As an exception to this principle, costs for the development of new products are capitalised as from the point in time when the technical practicability and the future economic benefit of the new development are proved with sufficient probability. Scheduled depreciation applying the straight-line method spread over expected useful life is effected beginning with the start of the exploitation.

Tangible assets are carried at their acquisition or manufacturing costs, subject to scheduled depreciation. Tangible assets are written off applying the straight-line method of depreciation spread over their expected useful life. Unscheduled depreciation of tangible assets is effected in case both the realisable and the utility value of the asset have decreased below its book value.

Tangible assets used on the basis of leasing agreements are capitalised in accordance with IAS 17 and are written off over the term of the leasing agreement if the requirements of a »finance lease« are met.

Participations

Participations are accounted for at fair value, if a reliable fair value is available. Changes in fair value are shown in revenue reserves. If no reliable fair value of the participations is available, participations are reflected at acquisition cost or at the lower attributable value as at the balance sheet date.

Other loans

Other loans are carried at amortised cost until maturity using the effective interest method.

Current assets

Inventories are carried at their acquisition or manufacturing costs or at lower realisable market values. In addition to direct costs of materials and manufacturing, manufacturing costs comprise appropriate allocations of material and manufacturing overheads, as well as depreciation and write-downs of assets used in construction. Overhead portions are mostly determined on a normal workload basis. Selling costs, general administrative expenses, as well as debt interest costs are not capitalised. Raw materials and merchandise are generally valued at average purchase cost. Risks resulting from slow-moving items and from the obsolescence or reduced utility of inventories are adequately and sufficiently allowed for, while for the purpose of loss-free valuation in case of decreases in selling prices inventories are stated at their net realisable values.

Receivables, receivables from affiliated companies, receivables from companies in which participating interests are held and Other assets are carried at amortised cost. Adequate specific allowances are charged to doubtful receivables and receivables from countries subject to transfer risks. General collection risk is provided for on the basis of empirical data taking into account the probable future default.

Liquid funds consist of cash in banks payable on demand or invested for a term of up to three months and cash on hand. Liquid funds are stated at face value.

Provisions, liabilities, prepaid expenses

Pension accruals provide for future pension obligations according to the projected unit credit method, taking into account future payroll and pension increases. Effects resulting from changes in actuarial assumptions are fully recognised in the Group income statement in the year of their occurrence.

Warranty accruals provide for specific warranties for known claims, as well as for obligations derived from the total warranty expenses of the warranty period and the sale of warranted products, separately for each product group. Accrued costs yet to be billed and other business obligations are provided for at the best estimate of future cash outflows or, where owed in kind, the future production cost thereof. The remaining accruals provide for all identifiable risks and uncertain commitments at the amount of the best estimate of the commitments expected (settlement value). Long-term provisions are discounted.

Liabilities are stated at the higher of face value or realisable settlement value.

Deferred income allocates interperiod income – such as rental or licencing income – by prorating it to the year when earned.

Deferred taxation

Deferred taxes are recognised for differences between the valuation of items in the Group balance sheet and in the annual accounts underlying local (non-German) taxation, as well as for tax loss carryforwards.

Deferred tax assets are not recognised unless the attendant tax reductions will probably materialise. Deferred taxes account only for those amounts of loss carryforwards for which taxable income sufficient for realising the deferred tax assets is expected in the future according to estimates made as at the balance sheet date.

Deferred taxes are calculated at the tax rate current at the balance sheet date. In Germany this rate, inclusive of the solidarity surcharge and trade tax, is 28.08 % (previous year: 28.08 %). Tax rates abroad range between 17.0 % and 41.0 % (previous year: between 17.0 % and 41.0 %).

Financial derivatives and hedge transactions

Financial derivatives are measured at fair value, which value is determined on the basis of exchange-quoted prices or by means of standardised pricing techniques. Financial derivatives are shown under Other assets if their fair value is positive; if their fair value is negative, they are shown under Other short-term liabilities.

For derivative financial instruments that bear a hedging relationship, changes in fair value are recognised according to the nature of the underlying hedging relationship.

If the financial derivative hedges an effective underlying transaction, in particular the currency of an uncompleted contract or a trade receivable, it is a fair value hedge. In this case changes in the fair value of the derivative correspond to opposite changes in the fair value of the hedged underlying transaction. Therefore, if the hedge is highly effective, these changes will be off-setting each other in the income statement. In the balance sheet, the changes in fair value are recognised in the appropriate line of the underlying transaction, particularly in Trade receivables, Inventories and Trade payables.

Cash flow hedges basically include upstream exchange rate hedges for future sales revenues from series manufacture or hedges for planned acquisitions. In this case any change in the fair value of the hedge is reported in revenue reserves after recognition of deferred taxes and is not recognised in net income until realisation of the hedged transaction.

Any financial derivatives that do not meet the stringent requirements of IAS 39 for a hedging relationship are considered instruments held for trading purposes. For these, any differences from fair value remeasurement are immediately and fully recognised in the income statement.

Income and expenses

Sales are recognised as and when the underlying products or goods have been delivered or the services rendered, always net of sales deductions such as cash and other discounts, allowances granted to customers etc.

Operating expenses are recorded when the underlying products or services are utilised. Expenses for advertising and sales promotion, as well as other sales-related expenditures are recognised when incurred. The Company provides for accrued warranty obligations when products are sold. Interest expense and other cost of debt not incurred for qualifying assets are recognised as expenses of the period.

8 NOTES TO THE INCOME STATEMENT

Sales by regions

	2010/2011	2009/2010
	€ thousand	€ thousand
Germany	29,794	18,495
Europe (excluding Germany)	85,008	53,130
Asia and Australia	82,160	51,448
US, Canada and Mexico	51,085	34,690
Others	713	476
	248,760	158,239

Sales by product lines

	2010/2011	2009/2010
	€ thousand	€ thousand
System cameras	114,930	70,790
Compact cameras	84,675	39,526
Sport optics	24,215	22,540
Projectors	437	625
Spare parts and technical after-sales service	2,845	3,275
Licencing income	11,700	11,700
Other	9,958	9,783
	248,760	158,239

Licencing income is due to the cooperation between Leica Camera AG and Panasonic Corporation, Osaka, Japan (Panasonic). The cooperation concerns the exchange of technical know-how on optical solutions in digital cameras. Leica Camera AG receives digital camera components from Panasonic. The contracts also include a licence agreement which enables Panasonic to use the Leica brand and product trademarks of lenses for certain jointly developed and jointly manufactured lenses.

Other operating income

	2010/2011	2009/2010
	€ thousand	€ thousand
Release of provisions, deferred income and allowances	860	2,343
Exchange gains	2,834	2,179
Gain on disposal of non-current assets	17	397
Other income	813	577
	4,524	5,496

Personnel expenses

The personnel expenses include expenses for pension commitments at the following amounts:

	2010/2011	2009/2010
	€ thousand	€ thousand
Pension commitments	200	2,537

The significant decrease in expenses for pension commitments is mainly due to the adjustment of the discount rate used in the valuation of pension accruals, which changed from 5.3 % in the previous year to 5.6 % in the fiscal year. According to IFRS practice the release of the entitlements was offset against the expenses of the period.

Other operating expenses

	2010/2011	2009/2010
	€ thousand	€ thousand
Selling costs	16,563	9,856
Administrative expenses	8,172	11,437
Foreign exchange losses	2,968	1,747
Warranties	1,459	4,244
Licence and patent fees	5,261	4,468
Other operating expenses	10,138	6,759
	44,561	38,511

Licence and patent fees relate to the brand licence agreement with Leica Microsystems IR GmbH, Wetzlar. Due to the licence agreements entered into with Panasonic, Leica Microsystems also receives licence fees. Additionally, licence fees relating to the use of software in cameras are included.

Selling costs increased by € 6,707 thousand as compared to the prior year. The increase is chiefly due to the increase in freight costs, which have risen in proportion to sales, and to higher expenses for the expansion of Leica Stores, as well as higher expenses for the photokina trade fair, which takes place every two years. In the previous year warranty costs were extraordinarily high as a result of a change in the method of calculation. In the fiscal year under review warranties again stayed within the expected frame. Licence costs rose by € 793 thousand due the increased sales. Other operating expenses also increased, by € 3,379 thousand, due to the boost in business volume.

Interest result

	2010/2011	2009/2010
	€ thousand	€ thousand
Interest income	77	108
Interest expenses	(3,099)	(2,646)
	(3,022)	(2,538)

Interest expenses increased on the previous year due to the increased interest for the loan extended by Panasonic.

Income taxes

	2010/2011	2009/2010
	€ thousand	€ thousand
Current taxes domestic	(1,929)	0
Current taxes foreign	(5,550)	(1,717)
	(7,479)	(1,717)
Deferred taxes domestic	5,018	469
Deferred taxes foreign	278	(395)
	5,296	74
Total income taxes	(2,183)	(1,643)

Reconciliation of earnings before income taxes to income tax expense

	2010/2011		2009/2010	
	%	€ thousand	%	€ thousand
Earnings before income taxes	100.00	38,488	100.00	4,821
Income taxes	28.08	10,807	28.08	1,354
Non-utilisation and value adjustment of loss carryforwards		0		68
Utilisation of loss carryforwards		(921)		(104)
Capitalisation of utilisable loss carryforwards		(7,450)		(2,004)
Tax expense from change in temporary differences		(1,224)		1,599
Tax rate differentials		731		362
Non-period taxes		(245)		6
Tax increases due to non-deductible expenses		220		340
Other		265		22
		2,183		1,643

The expected tax expense (previous year: tax expense) takes into account the combined domestic tax rate of 28.08 % (previous year: 28.08 %), consisting of the domestic corporate income tax rate of 15 % (previous year: 15 %) plus the solidarity surcharge of 5.5 % and the trade tax rate of 12.28 % (previous year: 12.28 %).

Loss carryforwards utilisable for an indefinite period of time in Germany for corporate income tax in the total amount of € 28,161 thousand (previous year: € 32,495 thousand) are recognised at € 4,457 thousand. Loss carryforwards utilisable for an indefinite period of time in Germany for trade income tax in the total amount of € 24,429 thousand (previous year: € 29,476 thousand) are recognised at € 2,993 thousand. There was a revaluation of deferred taxes due to the planned realisation of loss carryforwards in the amount of € 7,450 thousand (previous year: € 2,004 thousand). This is based on the expected significant improvement of the future tax income of Leica Camera AG as entered into the Company's current 5-year plan.

The currency translation differences shown in the statement of total comprehensive income are not subject to income taxes.

Pursuant to IAS 12.39 no deferred tax liabilities were recognised for taxable temporary differences in the amount of € 752 thousand (previous year: € 435 thousand) in the context of subsidiaries.

Earnings attributable to non-controlling interests

The earnings attributable to non-controlling interests relate to the 8.34 % interest of Banco Espírito Santo in Leica Aparelhos Ópticos de Precisão S.A., Vila Nova de Famalicão, Portugal, the 49 % interest of Hermès Japon Co., Ltd., Tokyo, Japan in Leica Camera Japan Co., Ltd., Tokyo, Japan, and the 40 % interest of Bando Trading Corporation, Seoul, South Korea in Leica Camera Korea Ltd., Seoul, South Korea.

Earnings per share

The basic (or undiluted) earnings per share are determined by dividing the net income for the period attributable to the shareholders of Leica Camera AG by the weighted average number of shares in issue during the fiscal year. The number of shares in issue remained unchanged, at 16,498,422.

In each of the fiscal years shown, a dilution of the earnings per share is possible due to the possible exercise of conversion rights in accordance with the terms and conditions of the convertible bonds issued by Leica; such exercise would increase the number of ordinary shares. Diluted and basic earnings per share are € 2.02 and € 2.15, respectively. In calculating the diluted earnings the Group net income relating to the shareholders of Leica Camera AG was adjusted for the interest payable on the convertible bonds (€ 702 thousand) and the average number of shares in issue was increased by the average number of shares potentially originating from conversion. Such increase would amount to 1,700,590 shares.

9 NOTES TO THE BALANCE SHEET

In accordance with IAS 1 the balance sheet is subdivided into non-current (or long and medium-term) and current (or short-term) assets and liabilities. Assets and liabilities due within one year are deemed current (or short-term). According to IAS 12 deferred tax assets are shown under non-current assets.

Non-current assets

Changes in fixed assets

The changes in fixed assets are shown on page 66 et seqq.

Purchased concessions, industrial rights and similar rights and assets and licences in such rights and assets, as well as capitalised development expenses have useful lives of between six months and five years. In the fiscal year, straight-line depreciation totalled € 5,506 thousand (previous year: € 2,938 thousand). The development expenses capitalised in the fiscal year primarily relate to new developments in the Photo segment.

Tangible assets are subject to scheduled depreciation over useful life periods ranging from three to ten years.

The acquisition of the Company's Swiss subsidiary has resulted in goodwill amounting to € 428 thousand, which was allocated fifty-fifty to the Photo and Sport optics segments.

In the period under review, research and development costs were expensed in the amount of € 12,455 thousand (previous year: € 11,919 thousand).

In the fiscal year, there was no unscheduled depreciation on other equipment due to lack of usability (previous year: € 59 thousand).

Borrowing costs directly attributable to capitalised proprietary developments have been capitalised in the amount of € 13 thousand, based on an interest rate of 6.68 %.

Land and buildings of the tangible assets are owned by Leica Aparelhos Ópticos de Precisão S.A., Vila Nova de Famalicão, Portugal. Land and building of the parent company are leased and have been qualified as finance leases.

Deferred tax assets and liabilities

Deferred tax assets and liabilities were established according to the liability method. They result from the following balance sheet items:

	03/31/2011	03/31/2010
	€ thousand	€ thousand
Deferred tax assets		
Fixed assets	(854)	(1,987)
Inventories and receivables	1,507	1,338
Pension accruals	640	731
Other accruals and liabilities	918	272
Loss carryforwards	7,450	3,858
Convertible bonds	(469)	(633)
	9,192	3,579
Deferred tax liabilities		
Fixed assets	335	300
Inventories and receivables	113	129
Other accruals and liabilities	8	12
	456	441

The realisation of the amount of deferred tax assets exceeding deferred tax liabilities (€ 8,736 thousand; previous year: € 3,138 thousand) is dependent on the realisation of future profits. According to the corporate planning for the next five years, the Board of Management expects for the coming fiscal years taxable results that will lead to the utilisation of tax loss carryforwards in the amount of € 28.1 million and will cover further deferred tax assets. The corporate planning relies on past experience, insight in current results from operations and estimates of future developments by the Board of Management.

Current assets

Inventories

The inventories are composed as follows:

	Gross value		Net value	Gross value		Net value
	03/31/2011	Deduction	03/31/2011	03/31/2010	Deduction	03/31/2010
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Raw materials, consumables and supplies	27,975	(9,085)	18,890	27,351	(11,072)	16,279
Work-in-process	9,292	(1,927)	7,365	8,565	(2,884)	5,681
Finished goods and merchandise	25,377	(3,765)	21,612	15,264	(3,948)	11,316
Payments on account	286	0	286	193	0	193
	62,930	(14,777)	48,153	51,373	(17,904)	33,469

As at March 31, 2011, the raw materials, consumables and supplies item contains replacement parts totalling € 2,742 thousand (previous year: € 2,393 thousand).

Other receivables and other assets

There are no receivables and no other assets with a residual term of more than one year.

On May 16, 2006, Leica Camera AG entered into agreements with GE Capital Bank AG (formerly Heller Bank AG), Mainz concerning the provision of finance in an amount of approximately € 9,500 thousand (based on sale of accounts receivable and on collateralised borrowing). The funds were used for repayment of liabilities to the pool of lending banks. In fiscal year 2006/2007, these agreements were extended to include financing of inventories, as well as additional special financing. Therefore, Leica Camera AG had at its disposal until May 31, 2009 a total financing volume of € 16,000 thousand; of this amount, € 9,000 thousand related to liabilities from factoring, € 5,430 thousand to financing of inventories, € 570 thousand to contingent liabilities and € 1,000 thousand to special financing.

Pursuant to an agreement with GE Capital Bank AG dated March 30, 2009, the total financing volume was reduced to € 13,000 thousand as from June 1, 2009; of this amount, € 10,000 thousand related to liabilities from factoring and € 3,000 thousand to special financing.

Leica Camera AG did not extend the factoring agreement beyond its expiration on May 31, 2011.

In addition, the Company's subsidiary Leica Camera Ltd., Knowhill, Milton Keynes, UK has entered into a contract on the sale of accounts receivable with GE Capital Bank AG. Leica Camera S.A.R.L., Saint-Jorioz, France has entered into a factoring agreement with Factocic, Société Anonyme.

The following trade receivables were not yet due or overdue, respectively, as at the balance sheet date:

	03/31/2011	03/31/2010
	€ thousand	€ thousand
Book value	12,903	23,137
Thereof neither impaired nor overdue as at the balance sheet date	11,416	22,958
Thereof as at the balance sheet date overdue for:		
30-60 days	972	143
61-90 days	196	(10)
> 90 days	319	46

As at the balance sheet date, there were allowances for receivables in the amount of € 725 thousand (previous year: € 908 thousand).

Other receivables and other assets basically refer to receivables from licences and receivables from factors. In addition, the item includes receivables from revenue offices.

Financial derivatives

Financial derivatives are generally employed to hedge currency risks. The derivatives transactions can be detailed as follows: spot deals, forward deals and swap deals. As at the balance sheet date, the Company had forward exchange deals in Japanese Yen only.

In the fiscal year, derivatives transactions have resulted in losses not yet realised in the amount of € 137 thousand (previous year: € 19 thousand). The losses not yet realised from pending transactions are recognised in the balance sheet as trade payables.

Leica Camera Group hedges its transactions against currency and interest rate risks through the central treasury, on terms as if at arm's length, using original and derivative financial instruments.

Any future cash flows not transacted in the accounting currency of a Group company are exposed to currency risk. External exchange rate hedges are contracted in the form of forward exchange deals or swap deals.

As at the balance sheet date, the Company had forward exchange deals in Japanese Yen with a total transaction volume of ¥ 619,000 thousand (previous year: ¥ 1,425,000 thousand).

In the previous year, there were forward exchange deals in Swiss Francs with a total transaction volume of sfr 4,800 thousand.

The forward exchange deal in ¥ 619,000 thousand was transacted in April 2011 and has been valued € -137 thousand as at the balance sheet date. There were no currency option transactions.

Usually, Leica Camera Group is refinanced by borrowing floating-rate funds. Interest rate risk is hedged on a case-to-case basis. As at the balance sheet date, no interest rate hedges existed.

The maximum loss risk from financial derivatives corresponds to the aggregate total of their positive market values and thus to potential losses of assets that may be incurred if and when contractual obligations are not honoured by specific trading counterparts.

Equity

Equity of Leica Camera AG

As at the balance sheet date, the subscribed capital of Leica Camera AG remained unaltered at € 16,498 thousand, unalteredly composed of 16,498,422 no-par value bearer shares.

The General Meeting of May 31, 2005 resolved to increase the share capital contingently by up to € 170,000 (Contingent Capital I). Furthermore, the General Meeting of November 23, 2005 resolved to further increase the share capital contingently by up to € 2,872,750 (Contingent Capital III).

By resolution of the General Meeting of November 27, 2009, the Board of Management is authorised to increase, with the consent of the Supervisory Board, once or several times the share capital by up to € 8,249,200 until November 27, 2014 by issuing new no-par value bearer shares against contribution in cash and/or in kind; in the capital increase the subscription right of the shareholders can be excluded (Authorised Capital).

Equity of Leica Camera Group

In addition to the remaining premium from the IPO (€ 150 thousand) and the premiums from the cash capital increases of August 2005 (€ 9,450 thousand) and February 2009 (€ 8,002 thousand), the capital reserves of Leica Camera AG contain the equity portion of the convertible bonds (€ 3,102 thousand) according to IAS 32. Equity raising cost (€ 884 thousand) has been deducted from the Group's equity. There were no significant costs incurred for the 2009 capital increase.

A partial amount of the convertible bonds, € 6,883 thousand, was removed from the balance sheet on June 26, 2009 as a result of the debt waiver, which includes a debtor warrant, and as a result of the renewal of the debt the financial liability was revaluated to € 6,327 thousand and recognised in the balance sheet. This resulted in an addition of the remaining difference, € 556 thousand, to capital reserves.

Minority interests

The Minority interests item relates to the minority interest in Leica Aparelhos Ópticos de Precisão S.A., Vila Nova de Famalicão, Portugal in the amount of € 575 thousand (previous year: € 426 thousand) and to the interest of Hermès Japon Co., Ltd., Tokyo, Japan in Leica Camera Japan Co., Ltd., Tokyo, Japan in the amount of € 1,999 thousand (previous year: € 1,350 thousand), as well as to the interest of Bando Trading Corporation, Seoul, South Korea in the newly founded Leica Camera Korea Ltd., Seoul, South Korea in the amount of € 390 thousand.

Proposal for the appropriation of profits

The annual financial statements of Leica Camera AG for fiscal year 2010/2011 in accordance with the accounting principles of the commercial law show a net income for the year in the amount of € 26,201,020.28. After deduction of the loss carryforward of € 20,898,502.42 the retained earnings result to € 5,302,517.86.

The Company's Board of Management and Supervisory Board propose that the General Meeting resolve to pay out a total of € 4,949,526.60 to holders of shares qualifying for dividends, which corresponds to a dividend of € 0.30 per no-par value share, and to carry forward the remaining amount of retained earnings, € 352,991.26, to new account.

Management of capital

The strategy for corporate reorientation adopted by the Board of Management in fiscal year 2009/2010 has been successfully implemented. In the years ahead Leica Camera Group will pursue a customer-oriented growth strategy to lead the Company into a successful future characterised by sustained positive earnings in the medium and longer term. In this respect Group EBIT constitutes the key indicator used in managing the Company.

Liabilities

Provisions for pensions

Leica Camera AG has granted certain of its employees pension entitlements on the legal basis of a company agreement on employee pension schemes of June 24, 1987.

Employees who joined the Company after May 1, 2000 are not granted pension entitlements.

Effective September 30, 2005 the existing company agreement on employee pension schemes was terminated within the required period. As a result of the termination the pension entitlements acquired until September 30, 2005 were locked in and will not increase in future periods of employment of these staff members.

The provisions for the pension entitlements are measured actuarially according to the projected unit credit method, with due regard to future pay and pension rises.

The provisions of Leica Camera AG take into account the mortality tables 2005 G established by Professor Dr. Klaus Heubeck.

For the German company, the following future pay and pension rises are assumed:

	03/31/2011	03/31/2010
Payroll rise	0.00 %	0.00 %
Pension rise	1.50 %	1.50 %
Discount rate	5.60 %	5.30 %
Inflation rate	1.50 %	1.50 %
Expected return on fund assets	2.75-4.00 %	2.75-4.00 %

The pension entitlements abroad are minor (value: € 266 thousand, previous year: € 104 thousand).

In the fiscal year, the development of provisions for pensions was as follows:

	2010/2011	2009/2010
	€ thousand	€ thousand
Pension entitlements as at April 1	14,053	13,587
Present value of fund assets	(330)	(543)
Provisions for pensions as at April 1	13,723	13,044
Pension entitlements as at April 1	14,053	13,587
Pensions paid	(842)	(1,076)
Interest expenses	1,020	840
Additions / (Releases)	(672)	702
Pension entitlements as at March 31	13,559	14,053
Present value of fund assets	(306)	(330)
Provisions for pensions as at March 31	13,253	13,723

Interest income from fund assets in the amount of € 10 thousand has been set off against interest expenses from accumulated interest added to pension entitlements.

Other long and medium-term provisions

The following table shows the provisions for warranty obligations, for the partial retirement scheme and for employment anniversary allowances as far as they have a residual term of more than one year.

	Warranty obligations	Anniversary allowances	Partial retirement scheme	Total
	€ thousand	€ thousand	€ thousand	€ thousand
As at April 1, 2010	5,872	639	2,418	8,929
Reimbursement fund	0	0	(993)	(993)
Drawings	0	0	(612)	(612)
Additions	1,291	0	547	1,838
Additions to reimbursement fund	0	0	(29)	(29)
Releases	0	0	(72)	(72)
As at March 31, 2011	7,163	639	1,259	9,061
Thereof with residual term > 1 year	2,752	639	1,259	4,729
Previous year	2,645	639	1,389	4,673

Convertible bonds

In February 2004, there was an offer to the shareholders of Leica Camera AG to subscribe for convertible bonds in the amount of € 15,000 thousand for the purpose of financing the Company's strategy for innovation and distribution.

The convertible bonds have a life of ten years and carry a coupon of 5.5 %. According to their original terms and conditions the bonds were convertible into a total of 1.2 million shares at a per-share conversion price of € 12.50.

Due to the capital measures carried out in fiscal year 2005/2006 the conversion ratio was adjusted to conform to a right carried by each convertible bond in the nominal amount of € 100.00 of conversion into 13.1343 no-par value shares, each with a proportionate amount of the share capital of € 1.00. In this connection, the contingent capital serving to grant the conversion rights was adjusted to € 2,873 thousand.

Hermès International SCA sold the bonds held by it to ACM Projektentwicklung GmbH, the first half in September 2006 and the second half in fiscal 2007/2008. As at March 31, 2011, ACM Projektentwicklung GmbH held 144,477 bonds (previous year: 144,477 bonds).

The valuation of the convertible bonds was effected by discounting the expected future payment flows with the effective interest rate applicable to similar financial liabilities with comparable residual terms (10 % p.a.). Accumulated interest is added to the convertible bonds on an annual basis.

Effective June 26, 2009 ACM Projektentwicklung GmbH waived the repayment of eight tranches of € 1 million each. The waiver was subject to the resolute condition that the capital as defined under commercial law of Leica Camera AG at certain predefined moments in time, based on the hypothetical classification of one or more partial waiver amounts as liabilities, exceeds 75 % of the share capital of Leica Camera AG.

As at March 31, 2010 certain partial waiver amounts, amounting to a total of € 5 million, were renewed. As expected, per September 30, 2010 the renewal was extended to the remaining amount of € 3 million. The full amount of the financial liability set up in the previous year, € 6,327 thousand, was removed from the balance sheet and again taken to convertible bonds.

The difference, amounting to € 556, equalling the net present value of the interest lost during the waiver period, remained in capital reserves.

Other long and medium-term liabilities

	Residual term of 1 to 5 years € thousand	Residual term of over 5 years € thousand	03/31/2011 € thousand
Obligations under leases	0	0	0
Other liabilities	736	0	736
	736	0	736

	Residual term of 1 to 5 years € thousand	Residual term of over 5 years € thousand	03/31/2010 € thousand
Obligations under leases	170	0	170
Other liabilities	20,061	0	20,061
	20,231	0	20,231

Other liabilities included a loan extended by Panasonic in the amount of € 20,000 thousand. The loan matures on September 30, 2011, with the rates increasing over the term. In the fiscal year € 10,000 thousand have been repaid, with the remaining amount of € 10,000 thousand being reclassified as a short-term liability due to the short residual term of the loan.

The medium and long-term liabilities from finance leases relating to affiliated companies are as follows:

	Residual term of 1 to 5 years € thousand	Residual term of over 5 years € thousand	03/31/2011 € thousand
Lease payments	0	0	0
Discounts	0	0	0
Present value	0	0	0

	Residual term of 1 to 5 years € thousand	Residual term of over 5 years € thousand	03/31/2010 € thousand
Lease payments	1,626	0	1,626
Discounts	42	0	42
Present value	1,584	0	1,584

The total assets leased under finance leases referring to land and buildings attributable to the property of the Group in accordance with IAS 17 amount to € 782 thousand (previous year: € 1,288 thousand).

Details are shown on page 66 et seqq.

Short-term provisions

	Warranty obligations	Pending losses	Partial retirement scheme	Other	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
As at April 1, 2010	3,227	121	35	2,418	5,801
Drawings	0	0	(35)	(1,762)	(1,797)
Releases	0	(112)	0	(35)	(147)
Additions	1,184	0	0	1,993	3,177
Reimbursement fund	0	0	0	0	0
As at March 31, 2011	4,411	9	0	2,614	7,034

	03/31/2011	03/31/2010
	€ thousand	€ thousand
Short-term liabilities to banks	2,699	5,392
Payments received	948	0
Short-term trade payables	15,047	15,825
Short-term liabilities to affiliated companies	1,903	2,145
Other short-term liabilities		
Personnel-related liabilities	3,086	3,961
Liabilities from taxes	8	1,109
Financial derivatives	137	19
Loans	10,000	0
Other liabilities	14,138	6,989
	27,369	12,078

Liabilities to banks include fixed rate loans in the amount of € 25 thousand (previous year: € 25 thousand), the other liabilities have floating rates. As the amount of liabilities to banks with fixed rates is modest no market values have been established.

At the balance sheet date the loan extended by Panasonic had a market value of € 10,000 thousand.

Other liabilities include negative market values of financial derivatives in an amount of € 137 thousand (previous year: € 19 thousand).

Personnel-related liabilities include the wages and salaries not yet due at the balance sheet date, as well as the prorated amounts of vacation pay, Christmas bonuses and special year-end payments.

The liabilities from finance leases included in liabilities to affiliated companies break down as follows:

	03/31/2011	03/31/2010
	Residual term of up to 1 year	Residual term of up to 1 year
	€ thousand	€ thousand
Lease payments	1,450	1,125
Discounts	36	104
Present value	1,414	1,021

Non-derivative financial liabilities

	Residual term of up to 1 year € thousand	Residual term of 1 to 5 years € thousand	Residual term of over 5 years € thousand	Total € thousand
Convertible bonds				
Repayment	0	13,323	0	13,323
Interest	825	1,650	0	2,475
Liabilities to banks				
Repayment	2,699	0	0	2,699
Interest	0	0	0	0
Trade payables				
Repayment	15,047	0	0	15,047
Interest	0	0	0	0
Liabilities to affiliated companies				
Repayment	1,903	0	0	1,903
Interest	0	0	0	0
Other liabilities				
Repayment	27,369	0	0	27,369
Interest	281	0	0	281

10 OTHER DISCLOSURES

Notes to the cash flow statement

Liquid funds, amounting to € 37,280 thousand, are composed of cash and cash equivalents.

Income taxes relate to current tax expenditure in the amount of € 7,479 thousand (previous year: € 1,717 thousand) and to deferred tax income in the amount of € 5,296 thousand (previous year: tax expenditure of € 74 thousand).

Investments in tangible and intangible assets mainly result from the capitalisation of development costs and purchase costs of other equipment, operating and office equipment. At € 9.0 million the Company purchased a promissory note loan with maturity in 2015 and early termination option.

Segment reporting

For internal reporting the Company is organised by business division: »Photo«, »Sport optics« and »Other«. The »Photo« division comprises system cameras, compact cameras and projectors plus accessories, the »Sport optics« division includes binoculars and scopes plus accessories. Spare parts and technical after-sales service, industrial business and other services have been combined to form the »Other« segment. The combined sales to external customers achieved by the subgroups of the »Other« segment exceed 10 % of total external sales. It was chosen to present the operating result figures (earnings before interest, taxes and depreciation on financial assets) as the segmental results.

Segment report as at March 31, 2011

Segmental breakdown	Sport			Group
	Photo	optics	Other	
	€ thousand	€ thousand	€ thousand	€ thousand
Sales	200,043	24,215	24,502	248,760
Manufacturing costs	(130,800)	(17,673)	(9,549)	(158,022)
Gross profit on sales	69,243	6,543	14,952	90,738
Selling costs	(24,259)	(5,505)	(2,400)	(32,163)
General administrative expenses	(13,548)	(1,942)	(2,233)	(17,723)
Other operating income/ expenses, net	0	0	656	656
EBIT	31,436	(904)	10,976	41,508

Regional breakdown	Capital	Non-current	Sales
	expenditure	assets	
	€ thousand	€ thousand	€ thousand
Germany	16,763	26,835	29,794
Europe (excluding Germany)	1,329	9,510	85,008
Asia and Australia	807	2,972	82,160
US, Canada and Mexico	31	137	51,085
Others	0	0	713
	18,930	39,454	248,760

Segment report as at March 31, 2010

Segmental breakdown	Sport			Group
	Photo	optics	Other	
	€ thousand	€ thousand	€ thousand	€ thousand
Sales	110,945	22,539	24,755	158,239
Manufacturing costs	(80,599)	(15,955)	(13,764)	(110,318)
Gross profit on sales	30,346	6,584	10,991	47,921
Selling costs	(18,521)	(6,100)	(2,217)	(26,838)
General administrative expenses	(11,772)	(2,994)	(2,029)	(16,795)
Other operating income/ expenses, net	65	32	2,974	3,071
Operating result	118	(2,478)	9,719	7,359

Regional breakdown	Capital	Non-current	Sales
	expenditure	assets	
	€ thousand	€ thousand	€ thousand
Germany	12,942	21,636	18,495
Europe (excluding Germany)	1,501	10,364	53,130
Asia and Australia	340	1,549	51,448
US, Canada and Mexico	13	160	34,690
Others	0	0	476
	14,796	33,709	158,239

Additional information on financial instruments and risk management

The following table shows the carrying amounts and the fair values of borrowings and receivables, of financial liabilities measured at amortised cost and of derivatives without a hedging relationship.

The market values of cash and cash equivalents, short-term receivables, trade payables, other short-term financial liabilities and other financial liabilities correspond approximately to their carrying amounts. The main reason for this is the short term of these instruments.

There are no long-term receivables.

Leica Camera AG determines the market values of liabilities to banks and other financial liabilities, as well as of other long-term financial liabilities, by discounting the expected future payment flows with the interest rate applicable to similar financial liabilities with comparable residual terms.

	03/31/2011 Market value € thousand	03/31/2011 Carrying amount € thousand	03/31/2010 Market value € thousand	03/31/2010 Carrying amount € thousand
Financial assets				
Other loans	9,855	9,855	791	791
Liquid funds	37,280	37,280	26,768	26,768
Trade receivables and other receivables	12,903	12,903	25,996	25,996
Financial liabilities				
Convertible bonds	13,323	13,323	12,740	12,740
Liabilities to banks and other financial liabilities	12,699	12,699	25,887	25,392
Trade payables	15,047	15,047	19,384	19,384
Other non-derivative financial liabilities	17,369	17,369	12,290	12,290
Derivative liabilities				
Derivatives with a qualifying hedging relationship	137	137	19	19

Financial assets are carried at acquisition cost.

In the fiscal year, excepting the abovementioned derivatives there were no financial assets or liabilities recognised at fair value with effect on income. In addition, there were no financial assets available for sale. Loans have been categorised as financial assets to be held to maturity.

Apart from currency effects there were no material effects on the net result of borrowings and receivables other than the allowances described in the notes to trade receivables.

Market risks and use of derivative financial instruments

Due to its international operating activities, as well as its investing and financing activities Leica Camera AG is subject to various financial risks. The Company's management continuously monitors these risks. Based on internal planning the Company uses derivative financial instruments to reduce the risks from interest rate changes, exchange rate changes, cash flows or changes in the value of investments. The planning is examined by the management at regular intervals. On principle, derivative hedge transactions are entered into to hedge existing risk positions or business transactions that have a high probability of occurrence.

Interest rate risk

The Company is subject to interest rate fluctuations both on the assets and the equity and liabilities side of the balance sheet.

On the assets side, income from the investment of liquid funds, in particular, is subject to the risk of interest rate changes. On the equity and liabilities side, the positions subject to the risk of changing interest rates are essentially the interest expenses in respect of short-term financial liabilities, the provisions for pensions and the other positions of long and medium-term liabilities.

Risk reduction arises from the fact that both the investments and the existing financing have floating rates.

The sensitivity analysis required by IFRS 7 refers to risks of interest rate changes in monetary financial instruments bearing interest at floating rates.

Exchange rate risk

As a hedge against future exchange rate fluctuations the Company enters into forward exchange deals. Whenever possible receivables and payables in foreign currencies will be netted and only the resulting net position hedged. Expected cash flows are also hedged.

The hedge transactions are measured at fair value and shown in the balance sheet under other assets or short-term liabilities, as the case may be. Changes in the value of hedge transactions are immediately recognised in the income statement with effect on net income in the case of fair value hedges and are initially shown in Group equity in the case of cash flow hedges.

The sensitivity analysis required by IFRS 7 refers to exchange rate risks in monetary financial instruments whose currency of denomination differs from the functional currency they are valued in. Exchange-rate induced differences from the translation of financial statements into the Group currency (translation risk) and non-monetary items are not taken into account. The fundamental monetary financial instruments of the Group are mostly denominated in the functional currency. Material effects on the income of Leica Camera AG primarily result from the exchange rate relations of the Euro and, respectively, the US Dollar and the Japanese Yen. The hedge transactions are based on existing underlying transactions or planned cash flows, thereby reducing any potential effects on income.

Based on the holdings in monetary financial instruments as at the balance sheet date, a depreciation of the Euro against the Japanese Yen by 10 % would have reduced Group net income by € 463 thousand. For the Company this constitutes a theoretical risk only since these hedge positions relate to on-balance sheet transactions, which are not open trading positions.

Risk of changes in market value

In compliance with the Group's business policy, management of the investment positions is based on the variables term, type of return on investment and rating. From the point of view of the Company such management ensures that significant fluctuations in value are not to be expected.

Credit risk

In operating activities and in connection with certain financial transactions Leica Camera AG is exposed to default risk in case contracting parties fail to meet their obligations. As concerns both investments and derivative financial instruments the Company enters into contracts with banks of good credit standing. The theoretical maximum default risk is reflected in the carrying amounts. The requirements specified by the management ensure that the credit risk from financial instruments is spread across various banks.

In operating activities the Company's receivables are continually monitored, with appropriate specific valuation allowances made for default risks. As at March 31, 2011 there were no indications for any risks exceeding the valuation allowances made. Due to the size of the customer base and the diversification of sales to various countries the Company detects no bundled credit risk vis-à-vis individual customers. The theoretical maximum default risk, without taking collateral into account, is reflected in the carrying amounts of the receivables.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations, for instance under loan agreements, leasing agreements or concerning trade payables. The risk is delimited by active working capital management and Group-wide liquidity control, and, if necessary, is counterbalanced by available cash and bilateral credits. On the basis of the strong cash flows in the fiscal year, cash / financial asset positions have been set up in the amount of € 47,165 thousand, which further reduce liquidity risk.

Volume and valuation of derivative financial instruments

Derivative financial instruments are used to hedge existing or expected foreign currency risk, interest rate risk or other market risks.

The following table shows the nominal volume, the carrying amount, as well as the market value of the derivative financial instruments as at March 31, 2011 and as at March 31, 2010. The market value of forward exchange deals is established by comparing the exchange rates agreed upon with the forward exchange rates at the record date.

	03/31/2011 Nominal volume	03/31/2011 Market value	03/31/2011 Carrying amount	03/31/2010 Nominal volume	03/31/2010 Market value	03/31/2010 Carrying amount
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Derivatives with negative market value						
Derivatives (without a qualifying hedging relationship)						
Forward exchange deals	5,400	(137)	(137)	3,362	(19)	(19)

The derivative financial instruments shown serve to hedge future sales and received supplies in foreign currency.

As a hedge against exchange-rate induced changes in the value of future cash flows the Company enters into forward exchange deals.

The financial instruments used as hedges against currency and interest rate risks have residual terms of less than one year. The respective residual terms correspond to the periods during which the expected cash flows will have effect on income.

Investment policy

The investments of Leica Camera AG are undertaken very conservatively. The Company predominantly buys short-term time deposits and short-term fixed-income securities with a quality of at least investment grade.

Contingent liabilities

As at the balance sheet date, there are the following contingent liabilities and other financial commitments:

	03/31/2011	03/31/2010
	€ thousand	€ thousand
From the assumption of guarantees to banks	4,159	4,159
From orders	24,185	14,897

	Residual term of	Residual term of	Residual term of
2010/2011	up to 1 year	1 to 5 years	over 5 years
	€ thousand	€ thousand	€ thousand
Operating lease agreements	219	131	0
Leases	1,479	0	0

	Residual term of	Residual term of	Residual term of
2009/2010	up to 1 year	1 to 5 years	over 5 years
	€ thousand	€ thousand	€ thousand
Operating lease agreements	375	597	409
Leases	1,822	61	0

The operating lease agreements have an average term of 36 months and mainly refer to automobiles and software. As from fiscal year 2009/2010 there is an additional building leasing agreement with a term of ten years.

Related party disclosures

The related parties of the Company include the members of the Board of Management and of the Supervisory Board and their respective immediate family members, as well as those companies the members of the Board of Management and of the Supervisory Board and their respective immediate family members may exert a significant influence on or have voting rights in. In addition, the related parties include the main shareholders of the Company and their associated companies. The Company has various business relationships with related parties.

In the opinion of the management of Leica Camera AG, these business relationships are on an arm's length basis. The particulars of the relationships are as follows:

General supply agreement with and rental payment guarantee for VIAOPTIC GmbH

Under the general supply agreement of September 1, 2003 with VIAOPTIC GmbH, a company 96.03%-owned by the Company's majority shareholder, ACM Projektentwicklung GmbH, the Company is obliged to take delivery of injection moulded plastic parts.

In the period from April 1, 2010 until March 31, 2011, VIAOPTIC GmbH has delivered goods and rendered services in a volume of € 129,223.18. As at the record date, there are accounts payable in the amount of € 14,604.86. In the period from April 1, 2010 until March 31, 2011, Leica Camera AG has delivered goods and rendered services to VIAOPTIC GmbH in a volume of € 16,291.29. As at the record date, there are accounts receivable in the amount of € 1,599.36.

To secure rents payable to VIAOPTIC GmbH, Leica Camera AG has assumed a directly enforceable guarantee. As a shareholder of VIAOPTIC GmbH, ACM Projektentwicklung GmbH has undertaken vis-à-vis Leica Camera AG to reimburse any drawing on the guarantee.

Supply agreement with Uwe Weller Feinwerktechnik GmbH

The Company has entered into a supply agreement dated November 7, 1996 and a co-maker agreement dated March 7, 2002 with Uwe Weller Feinwerktechnik GmbH, a company 74.9%-owned by the Company's majority shareholder, ACM Projektentwicklung GmbH. Uwe Weller Feinwerktechnik GmbH supplies the Company with workpieces.

In the period from April 1, 2010 until March 31, 2011, Uwe Weller Feinwerktechnik GmbH has delivered goods and rendered services in a volume of € 2,203,388.47. As at the record date, there are accounts payable in the amount of € 245,916.59. In the period from April 1, 2010 until March 31, 2011, Leica Camera AG has delivered goods and rendered services in a volume of € 8,414.13. As at the record date, there are accounts receivable in the amount of € 817.84.

Business relationship with ACM Projektentwicklung GmbH

In the period from April 1, 2010 until March 31, 2011, ACM Projektentwicklung GmbH has delivered goods and rendered services in a volume of € 125,755.52. As at the record date, there are accounts payable in respect of these goods and services in the amount of € 44,042.51.

Additionally, in the period from April 1, 2010 until March 31, 2011, Leica Camera AG has delivered goods and rendered services to ACM Projektentwicklung GmbH in a volume of € 82,774.44. As at the record date, there are accounts receivable in respect of these goods and services from ACM Projektentwicklung GmbH in the amount of € 5,545.55.

In fiscal year 2008/2009 Leica Aparelhos Ópticos de Precisão S.A. commenced the new construction of a factory building. To give financial support to the building project ACM Projektentwicklung GmbH extended a loan to Leica Aparelhos Ópticos de Precisão S.A. in the amount of € 800,000.00. In the fiscal year the loan has been completely repaid.

Resulting from the loan agreement there were interest expenses for the period from April 1, 2010 until March 31, 2011 in the amount of € 31,868.50.

Business relationship with Residenz Park Optic Beteiligungs GmbH

In the period from April 1, 2010 until March 31, 2011, Residenz Park Optic Beteiligungs GmbH has delivered goods and rendered services in a volume of € 25,000.00. As at the record date, there are no accounts payable. In the period from April 1, 2010 until March 31, 2011, Leica Camera AG has delivered goods and rendered services in a volume of € 16,465.33. As at the record date, there are accounts receivable in the amount of € 1,780.59.

Business relationship with CW Sonderoptic GmbH

With CW Sonderoptic GmbH, a company 100.0%-owned by the Company's majority shareholder, ACM Projektentwicklung GmbH, the Company has had a cooperation agreement since April 25, 2008. In addition, there is a service agreement dated September 17, 2008.

In the period from April 1, 2010 until March 31, 2011, CW Sonderoptic GmbH has neither delivered goods nor rendered services to Leica Camera AG. As at the record date, there are no accounts payable. In the period from April 1, 2010 until March 31, 2011, Leica Camera AG has delivered goods and rendered services in a volume of € 643,310.76. As at the record date, there are accounts receivable in the amount of € 30,480.27.

Business relationship with Fineoptix GmbH

In the period from April 1, 2010 until March 31, 2011, Fineoptix GmbH has delivered goods and rendered services in a volume of € 59,461.19. As at the record date, there are no accounts payable. In the period from April 1, 2010 until March 31, 2011, Leica Camera AG has neither delivered goods nor rendered services. As at the record date, there are no accounts receivable.

Leasing agreement with SIG-Solms Immobilien GmbH

At the end of the contractually stipulated leasing period the building has been sold to SIG-Solms Immobilien GmbH by the lessor HALOS at the calculated residual value. SIG-Solms Immobilien GmbH is 94%-owned by SOCRATES Holding GmbH.

There is a finance leasing agreement with SIG-Solms Immobilien GmbH with a duration of four years, stipulating a purchase right as at December 31, 2011.

Resulting from the finance leasing agreement entered into with SIG-Solms Immobilien GmbH effective January 1, 2008, there were expenses in the amount of € 969 thousand. As at the record date, there were accounts payable in the amount of € 1,414 thousand.

Business relationship with Dr. Andreas Kaufmann

Resulting from the consultancy agreement entered into with Dr. Andreas Kaufmann, Salzburg, effective May 20, 2009, there were expenses in the amount of € 90 thousand. As at the record date, there were no accounts payable.

Closing statement of the Board of Management

We state that Leica Camera AG received fair and adequate compensation in each and every legal transaction conducted with an associated company, under the circumstances known to us at the time that any such legal transaction was conducted. No measures subject to reporting requirements were taken or omitted at the instigation or in the interest of the controlling undertaking.

Risk management system of Leica Camera Group

Leica Camera Group, an internationally operating group, permanently faces opportunities and risks that can have positive and negative impacts on corporate success. Lest risks become existence-threatening corporate dangers, a modern risk management system must be employed to identify risks early on, as well as analyse, assess, monitor and document them. In this way precautionary and safety measures can be adopted.

The Board of Management of Leica Camera AG is responsible for the risk management. In this connection, essential factors are the corporate strategy and the business situation of the Company's product groups, Photo and Sport optics. As a consequence at Leica Camera Group the risk management is consistently integrated into the business, planning and control processes, as well as in the information and communications systems.

The existing opportunities and risks can be classified into different risk categories, such as risks from management and organisation, financial risks, performance-related risks or external risks. In annually convened planning circles risks are identified, analysed and assessed and by a transparent reporting system they are continually monitored on a monthly basis. The quality of the individual risk is assessed in terms of probability of occurrence and potential damage and is entered into a risk portfolio. In this way on a Group-wide basis new risks are recorded and analysed, and the development of existing risks is tracked. The Board of Management is informed on any risk-related development in a timely manner and on an ongoing basis. If necessary, risk avoidance or risk reduction measures are adopted to counteract increases of negative variables. In addition, in case considerable risks are identified which are fundamental or could become existence-threatening the Supervisory Board is informed immediately.

The auditors have audited the risk management system of Leica Camera Group in accordance with section 317 (4) of the HGB. The system is fit to identify risks that constitute a threat to the Company's existence at an early stage.

Risk profile

Leica Camera Group has identified the following risk categories as essential for its development in the past, as well as for its future development:

Business environment risks

For Leica Camera Group the current situation in Japan constitutes a risk. The effects of the earthquake of March 11, 2011 and of the ensuing nuclear catastrophe have resulted in the continuing dangers of loss of Japanese suppliers and of decreasing demand from the Japanese retail market. The Board of Management has implemented appropriate countermeasures; in fiscal 2011/2012 there have been no significant negative effects so far.

In the international market for digital photo cameras Leica Camera Group takes up the challenge of strong competitors. Simultaneously the Group has to master the challenges posed by shortening product life cycles and declining proceeds.

For calendar year 2011 analysts expect a stable development of the overall digital camera market. The compact camera sector will be affected by longer-term stagnation due to market saturation.

The sport optics market still harbours potential risks due to the acceleration of product life cycles and the high expectations in respect of innovations.

Product risks

With the brand modernised by numerous market introductions according to the corporate strategy, Leica was able to meet the dealers' requirements, which lead to a high pressure on innovation, without forfeiting key competencies and exclusivity. A premium vendor and niche player, Leica prevents risks by product roadmaps that safeguard the future and by selective distribution such as the distribution based on the Leica Store concept.

As continuously shortening product lives prevail on the markets for digital compact as well as system cameras, these markets have to be served by timely market introductions and key technologies. To ensure the continuation of the Company as a going concern and the corporate success in the face of a dynamic market, the Company pursues a policy of permanent improvement of internal processes and know-how, as well as of entering into alliances with reliable technology partners.

In sport optics the weight of purchasers' expectations also rises. Innovative developments based on digital technology prevent a market slump. Moreover, in this field the Company has opened up the rifle scopes market as a growth market.

Marketing the licence rights and rights of use for the »Leica« brand and the related product names also represents a significant source of revenue. In this field, there is the risk of dependency on the respective contracting party, as well as the risk of image damage in case of a failure to ensure product quality.

In addition, thorough attention must be paid to the use rights under software licences and patents; these are regularly monitored.

Leica Camera Group faces the challenge to cope with record-high order intake. The Board of Management plans to increase capacity significantly. The planned relocation of the Company to a new building at Wetzlar in the spring of 2013 will involve a marked improvement of process operations. The enormous order backlog is due on the one hand to the market introduction, as early as September 2009, of the S2, M9 and X1 cameras and, in April 2010, of the V-Lux 20, and on the other hand to the presentation, at the photokina in September 2010, of the new D-Lux 5 and V-Lux 2 digital camera models. The successful turnaround in the previous fiscal year has put Leica on a positive track to growth, which the Company seeks to consolidate. Intermittently, such growth brought Leica historical highs in order backlog, but it also led to substantial delays in delivery. With more than 30 employees newly recruited in manufacturing and the expansion of production capacity, Leica is working at full speed to achieve improvements in delivery periods and reduce the high order backlog – while retaining the outstanding quality of its products.

The Company counteracts the risk of delays in delivery connected with high order inflow by implementing optimisation measures in the supply chain. In this respect, the Board of Management has taken preventive actions, with the main focus remaining on securing the Company's competitive power.

Further risk comes from the flattening economic outlook for the US, which is an important sales market for Leica Camera AG, accounting for around 20 % of its sales. The continuous risk of exchange rate fluctuations in both the US Dollar and the Japanese Yen has to be monitored permanently. In this connection, the Company has to meet the uncompromisingly high Leica quality standards as concerns the quality of complex bought-in parts, especially against the background of rising demand and growing sales.

In the estimation of the Board of Management the risks related to the crises in Greece, Portugal, Italy and Spain will not have any material effect on Leica Camera AG since these markets do not rate among the Company's major sales markets.

Financial risks

The growth and expansion of business envisaged for the next few years necessitate prefinancing, which has to be taken into account in liquidity planning.

The financing of Leica Camera Group is secured by short and medium-term liquidity planning concerning the funds at hand, as well as by the lines of credit and the cash flows from sales. Additionally, the Board of Management constantly considers further financing opportunities. The Company strives for optimal use of refinancing possibilities.

Half of the loan extended by Panasonic, amounting to a total of € 20 million, maturing on September 30, 2011 has already been repaid in fiscal 2010/2011. The remaining € 10,000 thousand will be repaid according to plan by the third quarter of 2011 from current cash flows.

An international company always has to deal with currency risks from day to day business – so has Leica Camera Group. All payment flows not processed in the accounting currency of the Group are subject to currency risks. In this respect the Company is dependent on the Japanese Yen, the US Dollar, the British Pound and the Swiss Franc. To hedge against currency risk the Company uses financial instruments, especially currency forwards and currency swaps, and also natural hedging.

At Leica, default risk is decreased by active management of receivables, which operates by an effective dunning process and strict credit limits.

Personnel risks

Leica Camera counteracts the risk that qualified employees and executives may leave the Company – which would constitute a loss of experience and expertise – by offering a system of variable compensation, supplementary vocational training and an attractive work environment. Currently, the Company is hiring highly qualified personnel from the precision mechanics and optics industry.

Other risks

Sales risks and profit risks may arise in case new products cannot be introduced in the market on time or the production of well-established products is behind schedule. This may be detrimental to the image of the brand or even lead to the loss of customers. In the field of digital photography in particular, the Company is dependent on strategic alliances, licences and important suppliers. If important suppliers should experience difficulties or bottlenecks in delivery or deliver defective products, this would lead to considerable difficulties in production and delivery at Leica Camera AG. To counteract the aforementioned risk the Company intensifies and secures its relations with strategic suppliers by cooperating with them on development projects. Moreover, internal capacity bottlenecks and internal process difficulties may lead to delays in the developmental process and production flow which may entail delivery bottlenecks or belated market introductions. By thorough capacity planning, strict adherence to the defined process of product development, continuous improvement of processes, as well as permanent upgrading of employees' qualifications the Company undertakes to counteract this risk.

Accounting-related risk management system and internal control system

Generally, the risk management system and the internal control system also encompass the accounting-related processes, as well as all risks and controls in respect of the accounting. This refers to all parts of the risk management system and the internal control system that may have significant effects on the annual financial statements of Leica Camera AG and on the Group financial statements.

The risk management system in respect of the accounting processes has the objective to identify and measure risks that may impede the conformity of the annual financial statements of Leica Camera AG and of the Group financial statements with the applicable principles. Identified risks have to be measured and evaluated with respect to their effect on annual and Group financial statements of Leica Camera AG. The internal control system has the objective to establish controls and thereby obtain reasonable assurance that risks can be identified and corrections carried out, in order that the Group financial statements are in keeping with the relevant provisions.

Both the risk management system and the internal control system encompass Leica Camera AG and all subsidiaries relevant for the Group financial statements and pertain to all processes relevant for the preparation of the financial statements. The controls relevant for the accounting are specifically directed towards the risk of a material misstatement in the annual and Group financial statements of Leica Camera AG. In evaluating the materiality of any misstatement the criteria are the probability of occurrence, as well as the effect on sales, EBIT and total assets.

Another objective of the risk management system is the identification of threats to the existence of the individual subsidiaries and of the Group.

Major elements of risk management and control in accounting are the assignment of responsibility and control in the preparation of the financial statements, Group-wide requirements based on guidelines for financial reporting and preparation of financial statements, as well as suitably regulated access to the EDP systems.

The principle of dual control and the segregation of duties are major principles of control also in the accounting process.

The Supervisory Board is regularly informed on any material risk identified and on the efficiency of the risk management system and the accounting-related internal control system.

Corporate Governance Code

Leica Camera AG has undertaken to follow the code of best practice issued by the Government Commission of the German Corporate Governance Code, unless the corresponding Declaration of Compliance specifies otherwise. The Declaration on Corporate Governance according to section 289 a of the HGB including the corresponding Declaration of Compliance according to section 161 of the AktG are available at the Web site of Leica Camera AG under Investor Relations, Corporate Governance (www.corporate.leica-camera.com/investor_relations/corporate_governance/).

Number of employees

On average in the fiscal year, the Group employed:

	2010/2011	2009/2010
	number	number
Wage earners	487	479
Salaried employees	618	604
	1,105	1,083

Auditors' fees

The fees of the auditors of Leica Camera AG and Leica Camera Group recognised in the Group financial statements amount to € 324 thousand (previous year: € 328 thousand). The fees break down as follows:

	2010/2011	2009/2010
	€ thousand	€ thousand
Fees for the audit of the single-entity and the Group financial statements and the dependence report of Leica Camera AG	252	233
Tax consultancy fees	72	95
	324	328

Total payments to members of the statutory bodies and former members of the management

The following resolution was passed at the General Meeting on July 6, 2006:

For fiscal years 2006/2007 through 2010/2011 there will be no disclosure, either in the single-entity financial statements or in the Group financial statements (if any), of the payments to or other benefits received by each member of the Board of Management; see section 285 no. 9 letter a) sentences 5 to 8 and section 314 (1) no. 6 letter a) sentences 5 to 8 of the HGB.

In the fiscal year, the remuneration of the members of the Board of Management amounted to € 2,724 thousand (previous year: € 2,529 thousand). Former members of the Board of Management and members of their families received remuneration in the amount of € 54 thousand (previous year: € 54 thousand).

In accordance with the Company's Articles of Association the remuneration of the Supervisory Board amounted to € 68 thousand (previous year: € 63 thousand).

The provisions for pensions of former members of the management and their surviving dependents have been made in the total amount necessary and as at March 31, 2011 amount to € 929 thousand (previous year: € 954 thousand).

The provisions made for pensions of Supervisory Board members as at March 31, 2011 amount to € 26 thousand.

Members of the Board of Management and the Supervisory Board

During the period under review, the Board of Management was composed of:

Rudolf Spiller, Chairman of the Board of Management, Aalen-Ebnat, until August 18, 2010

Other mandates:

WERMA Signaltechnik GmbH + Co. KG (Member of the Advisory Board)

Alfred Schopf, Chairman of the Board of Management, Vaihingen, from August 19, 2010

Dr. Martin Picherer, Deputy Chairman of the Board of Management, Tacherting

Andreas Lobejäger, Member of the Board of Management, Ubstadt-Weiher

Members of the Supervisory Board (and their other mandates according to section 100 of the AktG):

Dr. Andreas Kaufmann, Managing Director, Deputy Chairman, from July 23, 2010

Other mandates:

ACM Projektentwicklung GmbH* (Managing Director)

SOCRATES Holding GmbH* (Managing Director)

SOCRATES Liegenschaftsbeteiligungs- und Verwaltungs GmbH* (Managing Director)

Residenz Park Optic Beteiligung GmbH* (Managing Director)

CW Sonderoptic GmbH (Managing Director)

SOCRATES Privatstiftung* (Member of the Advisory Board)

Uwe Weller Feinwerktechnik GmbH (Chairman of the Advisory Board)

VIAOPTIC GmbH (Chairman of the Advisory Board)

CCS Content Conversion Specialists GmbH (Chairman of the Advisory Board)

LFI – Photographie GmbH (Managing Director)

Dieter Maier, Management Consultant, from July 1, 2010,

Deputy Chairman from July 12, 2010 until February 19, 2011

Dieter Maier resigned from his office as member of the Supervisory Board as of February 19, 2011.

Alfred Schopf, shareholders' representative, until August 18, 2010

Other mandates:

Eomax Corporation* (Non-operative Member of Management)

Dr. Frank Holzer, Managing Director ACM Projektentwicklung GmbH

Patrick Thomas, Chairman of the Board of Management Hermès International SCA, shareholders' representative

Other mandates:

Hermès International* (Chief Executive Officer)

Hermès International subsidiaries* (Management)

Hermès Prague* (Member of the Supervisory Board)

Massilly Holding* (Member of the Supervisory Board)

Lacoste S.A. (Member of the Supervisory Board)

Rémy Cointreau (Member of the Supervisory Board)

Rita Woschée, Commercial Clerk, employees' representative (no other mandates)

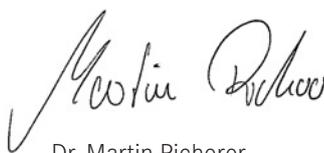
Edgar Zimmermann, Chairman of the Works Council, employees' representative (no other mandates)

Solms, June 30, 2011

The Board of Management



Alfred Schopf



Dr. Martin Picherer



Andreas Lobejäger

* Not relevant in determining the maximum number of supervisory board mandates according to section 100 (2) no. 1 of the AktG.

LEICA CAMERA GROUP, SOLMS

STATEMENT OF CHANGES IN FIXED ASSETS

IN FISCAL YEAR 2010/2011

	Acquisition/historical cost					
	Balance on April 1, 2010	Additions	Transfers	Disposals	Currency translation difference	Balance on March 31, 2011
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Intangible assets						
Purchased concessions, industrial rights and similar rights and assets and licences in such rights and assets	8,094	2,491	728	(244)	24	11,093
Goodwill	541	0	0	0	0	541
Development expenses	22,603	(20)	686	0	0	23,269
Payments on account and proprietary developments under construction	705	19	(686)	0	0	38
	31,943	2,490	728	(244)	24	34,941
Tangible assets						
Land, land rights and buildings including buildings on third-party land	8,238	848	0	(448)	48	8,686
Leased land, land rights and buildings including buildings on third-party land	3,889	0	0	0	0	3,889
Technical equipment and machinery	28,818	1,461	41	(400)	9	29,929
Leased technical equipment and machinery	3,159	0	0	0	0	3,159
Other equipment, operating and office equipment	36,289	4,266	105	(830)	85	39,915
Leased other equipment, operating and office equipment	704	0	0	0	0	704
Payments on account and assets under construction	5,450	801	(874)	0	0	5,377
	86,547	7,376	(728)	(1,678)	142	91,659
Financial assets						
Investments	5	0	0	0	0	5
Other loans	810	9,064	0	0	0	9,874
	815	9,064	0	0	0	9,879
	119,305	18,930	0	(1,922)	166	136,479

Accumulated amortisation/depreciation					Net book value		
Balance on April 1, 2010	Additions	Disposals	Currency translation difference	Balance on March 31, 2011		Balance on March 31, 2011	Balance on March 31, 2010
€ thousand	€ thousand	€ thousand	€ thousand	€ thousand		€ thousand	€ thousand
5,956	930	(244)	19	6,661		4,432	2,138
113	0	0	0	113		428	428
14,098	4,691	0	0	18,789		4,480	8,505
0	0	0	0	0		38	705
20,167	5,621	(244)	19	25,563		9,378	11,776
6,156	662	(467)	53	6,404		2,282	2,082
2,607	506	0	(7)	3,106		783	1,282
25,439	1,176	(441)	117	26,291		3,638	3,379
2,135	0	0	0	2,135		1,024	1,024
28,364	5,178	(807)	63	32,798		7,117	7,925
704	0	0	0	704		0	0
0	0	0	0	0		5,377	5,450
65,405	7,522	(1,715)	226	71,438		20,221	21,142
5	0	0	0	5		0	0
19	0	0	0	19		9,855	791
24	0	0	0	24		9,855	791
85,596	13,143	(1,959)	245	97,025		39,454	33,709

LEICA CAMERA GROUP, SOLMS

STATEMENT OF CHANGES IN FIXED ASSETS

IN FISCAL YEAR 2009/2010

	Balance on April 1, 2009	Additions	Transfers	Reclassi- fications	Disposals	Currency translation difference
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Intangible assets						
Concessions, industrial rights and similar rights and assets and licences in such rights and assets	8,066	343	(84)	0	(239)	8
Goodwill	541	0	0	0	0	0
Development expenses	13,187	6,331	3,085	0	0	0
Payments on account and proprietary developments under construction	3,291	499	(3,085)	0	0	0
	25,085	7,173	(84)	0	(239)	8
Tangible assets						
Land, land rights and buildings including buildings on third-party land	7,870	405	0	0	(77)	40
Leased land, land rights and buildings including buildings on third-party land	3,889	0	0	0	0	0
Technical equipment and machinery	28,637	363	67	0	(261)	12
Leased technical equipment and machinery	3,159	0	0	0	0	0
Other equipment, operating and office equipment	31,221	5,908	593	0	(1,484)	51
Leased other equipment, operating and office equipment	704	0	0	0	0	0
Payments on account and assets under construction	5,496	612	(576)	0	(82)	0
	80,976	7,288	84	0	(1,904)	103
Financial assets						
Participations	5	0	0	0	0	0
Investment securities	0	0	0	0	0	0
Other loans	1,438	335	0	(993)	0	30
	1,443	335	0	(993)	0	30
	107,504	14,796	0	(993)	(2,143)	141

Acquisition/ historical cost	Accumulated amortisation/depreciation						Net book value		
	Balance on March 31, 2010	Balance on April 1, 2009	Additions	Transfers	Disposals	Currency translation difference	Balance on March 31, 2010	Balance on March 31, 2010	Balance on March 31, 2009
€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
8,094	5,503	743	(63)	(239)	12	5,956	2,138	2,563	
541	113	0	0	0	0	113	428	428	
22,603	11,903	2,195	0	0	0	14,098	8,505	1,284	
705	0	0	0	0	0	0	705	3,291	
31,943	17,519	2,938	(63)	(239)	12	20,167	11,776	7,566	
8,238	5,524	678	0	(59)	13	6,156	2,082	2,346	
3,889	2,096	511	0	0	0	2,607	1,282	1,793	
28,818	24,546	1,138	(1)	(253)	9	25,439	3,379	4,091	
3,159	1,985	150	0	0	0	2,135	1,024	1,174	
36,289	25,472	3,997	64	(1,210)	41	28,364	7,925	5,749	
704	696	8	0	0	0	704	0	8	
5,450	0	0	0	0	0	0	5,450	5,496	
86,547	60,319	6,482	63	(1,522)	63	65,405	21,142	20,657	
5	5	0	0	0	0	5	0	0	
0	0	0	0	0	0	0	0	0	
810	19	0	0	0	0	19	791	1,419	
815	24	0	0	0	0	24	791	1,419	
119,305	77,862	9,420	0	(1,761)	75	85,596	33,709	29,642	

AUDITORS' OPINION

We have audited the Group financial statements prepared by Leica Camera Aktiengesellschaft, Solms – consisting of the balance sheet, the income statement, the statement of total comprehensive income, the statement of changes in Group equity, the cash flow statement and the notes – as well as the Group management report for the fiscal year from April 1, 2010 to March 31, 2011. The preparation of the Group financial statements and the Group management report in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and any commercial law provisions to be observed pursuant to section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code) is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the Group financial statements and the Group management report.

We conducted our audit of the Group financial statements in accordance with section 317 of the HGB and in compliance with the principles of proper auditing adopted by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether inaccuracies and violations are identified that could have a material effect on the view of the financial position and results of operations presented by the Group financial statements with due regard to the applicable accounting provisions and by the Group management report. The process of defining the audit procedures takes account of knowledge about the business activities and the economic and legal environment of the Group, as well as expectations of possible errors. An audit includes examining, largely on a test basis, the effectiveness of the accounting-related internal control system and evidence supporting the amounts and disclosures in the Group financial statements and the Group management report. An audit also includes assessing the annual financial statements of the consolidated companies included in the Group financial statements, the definition of the group of consolidated companies, the accounting principles and consolidation methods used and the significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the Group financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any objections.

In our opinion, based on the findings made in the course of the audit, the Group financial statements are in accordance with the IFRS as applicable in the EU and any commercial law provisions to be observed pursuant to section 315a (1) of the HGB and give, with due regard to these provisions, a true and fair view of the financial position of the Group and the results of its operations. The Group management report is in keeping with the Group financial statements and altogether accurately reflects the position of the Group and accurately presents the risks and opportunities associated with future developments.

Frankfurt, July 1, 2011

BDO AG
Wirtschaftsprüfungsgesellschaft

Dr. Rosien Flach
Wirtschaftsprüfer Wirtschaftsprüfer

REPORT OF THE SUPERVISORY BOARD

Dear shareholders of Leica Camera AG

In fiscal year 2010/2011 Leica Camera AG achieved record sales of € 248.8 million for the Group. The Company has thus been able to continue and enlarge the positive development seen in the previous fiscal year. Due to this very pleasant development the Board of Management and the Supervisory Board, for the first time since 1997, propose that the General Meeting resolve to declare a dividend.

All product groups have contributed to this exceptional success. Marked sales growth was achieved in the Asian market. The constant expansion of the Leica Store network is bearing fruit. The restructuring measures implemented are effective. Continuous improvements in research, development and production are taking effect.

Within the framework of its duties, the Supervisory Board gave advice and support to this process.

In the fiscal year, the Supervisory Board fulfilled its obligations as specified by the legal, statutory and bylaw requirements. In respect of the conduct of operations, we regularly acted in an advisory capacity to the Board of Management and monitored its activities. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company. The Board of Management regularly and in a timely manner comprehensively informed us, both in writing and orally, on the corporate planning, the business development, the strategic advancement, as well as the current situation of the Group. Deviations from the business plan were explained to us in detail. Together with the Board of Management we determined the Company's strategic orientation. On the basis of the reports submitted by the Board of Management we discussed in detail all business transactions of major significance to the Company.

In addition to the Supervisory Board meetings, the Chairman of the Supervisory Board was in regular contact with the Board of Management and was kept informed on the current business situation and the key business transactions. In separate strategy talks the Chairman of the Supervisory Board discussed with the Board of Management the perspectives and the future orientation of the Company's individual businesses.

In fiscal year 2010/2011 the Supervisory Board held a total of five meetings. When necessary, the Supervisory Board adopted resolutions using a notational voting process. At the Supervisory Board meetings, the rate of attendance of the members of the Supervisory Board was approximately 75 %. The non-attendance of one member of the Supervisory Board was announced by such member in advance and the reasons for the non-attendance were explained to the Chairman of the Supervisory Board. One Supervisory Board member, Patrick Thomas, was unable to attend the meetings, but was otherwise always integrated into the work of the Supervisory Board. As concerns the activities of the Supervisory Board, no conflicts of interest have arisen.

Topics at the plenary meetings of the Supervisory Board

At the Supervisory Board plenary meetings, regular topics of discussion were the development of business, sales, earnings and employment of Leica Camera AG and of the Group, as well as the financial condition and the key projects. A large part of the Board discussions was devoted to the international economic development and to the development of currencies in particular. The Board of Management reported regularly and comprehensively on the corporate planning, the strategic advancement, the business development, as well as the current situation of the Group. The Supervisory Board regularly and thoroughly discussed the risk management and compliance at Leica Camera AG and the Group.

At its ordinary meeting on June 28, 2010 (balance sheet meeting), the Supervisory Board dealt with the single-entity financial statements – prepared in accordance with the regulations of the *Handelsgesetzbuch* (HGB – German Commercial Code) – and the Group financial statements – prepared in accordance with the International Financial Reporting Standards (IFRS) –, as well as with the management report, the Group management report and the dependence report for fiscal year 2009/2010 (including the audit reports of the appointed auditors). The Supervisory Board carried out an independent examination of and approved all of the aforementioned documents, submitted the result of its examination to the Board of Management within the statutory period and thus adopted the annual financial statements for fiscal year 2009/2010. The Company's auditors attended the Supervisory Board meeting on June 28, 2010, reported to the Supervisory Board on the key results of their audit, discussed the situation in terms of the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernisation Act) and were at the Board's disposal for questions. Furthermore, the Supervisory Board adopted the report of the Supervisory Board on fiscal year 2009/2010. The Board of Management then comprehensively informed the Supervisory Board on the current development of business. The possibilities of further improving sales and efficiency of production in fiscal year 2010/2011 were thoroughly discussed.

At the ordinary Supervisory Board meeting on September 28, 2010, the Board of Management informed the Supervisory Board on the current development of business. The Supervisory Board thoroughly discussed issues relating to provisions, quality assurance and development of liquidity. Ample space was given to the description and discussion of the risk portfolio. Additionally, the Supervisory Board discussed essential individual aspects of the various product segments, going into the details of, inter alia, the number of items manufactured and the supplier situation. The Supervisory Board also focussed on the Sport optics product group. The product roadmap for the Photo product group was presented, the corresponding future strategy was discussed in detail and was refined. Another topic of the Supervisory Board meeting was the preparation of the ordinary General Meeting 2010.

At the Supervisory Board meeting on November 29, 2010, the Board of Management first reported on the current development of business and went into the details of the development in the quarter. There was an in-depth discussion of the backlog and the measures for improvement. Subsequently the economic data (as of October/November 2010) and the financial budgeting for fiscal year 2011/2012 were presented. Additionally, the individual risks were discussed at length. Then the Board of Management gave a detailed outline of various planned reconstruction and remediation measures at physical structures, especially on the premises in Portugal, as well as of the planning for the construction project at Wetzlar. The Supervisory Board discussed the measures extensively, in particular with regard to financing issues. Other topics of the Supervisory Board meeting were the Leica Store concept and the roadmap for Sport optics. Selected issues of the imminent 2010 General Meeting were discussed. In addition to a number of other topics, the Board discussed the necessity of a new compensation structure for the Supervisory Board.

At the Supervisory Board meeting on February 22, 2011, a new senior executive, Markus Limberger introduced himself and explained to the Supervisory Board the measures planned for further simplification of core processes and for productivity enhancement. The Board of Management presented the REO project, an in-house consulting service with the purpose of identifying and realising further potential for cost reduction. Subsequently the Board of Management focussed on the current development of business, with special consideration given to the backlog. The Supervisory Board extensively discussed, together with the Board of Management, the photo as well as the sport optics product roadmaps. Another topic was the budget planning for fiscal year 2011/2012. Further subjects of discussion were the aim and the target achievement of the Leica Store concept, as well as the details of the further expansion of the concept. Another topic concerned the construction projects in Portugal and at Wetzlar. Moreover, the Supervisory Board, at the suggestion of its Chairman, proposed to the Board of Management to pay a bonus to the employees. A member of the Board of Management, Dr. Picherer offered to extend his mandate as a member of the Board of Management, expiring June 30, 2011, by a period of maximum three months; the Supervisory Board passed a corresponding resolution.

At the last Supervisory Board meeting of fiscal year 2010/2011, which was held on March 23, 2011, the Supervisory Board, inter alia, dealt with issues of compliance, with the budget for fiscal year 2011/2012 and with the effects of the natural catastrophe and the nuclear disaster in Japan. Following extensive discussion the Supervisory Board approved the budget plan. The Supervisory Board especially appreciated the outstanding performance of the Company's employees. In addition, the Supervisory Board discussed the medium-term planning. At the meeting, the Supervisory Board also focussed on financing issues and legal disputes.

Work in the Supervisory Board committees

The Supervisory Board formed no separate committees. The tasks of the committees recommended by the German Corporate Governance Code, in particular the tasks of an audit committee, were taken over by the plenary meetings of the Supervisory Board.

Corporate Governance Code

The Supervisory Board concerned itself with the provisions of the German Corporate Governance Code. The Board of Management and the Supervisory Board on July 1, 2011 issued the declaration of the Board of Management and of the Supervisory Board of Leica Camera AG, Solms, in respect of the recommendations of the Government Commission »German Corporate Governance Code« (Declaration of Compliance) according to section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act). The declaration forms part of the Declaration on Corporate Governance in accordance with section 289a of the HGB made permanently available to shareholders at the Company's Web site.

Changes in the composition of the Supervisory Board and of the Board of Management

During the fiscal year 2010/2011, there was the following change in the composition of the Board of Management: The Chairman of the Board of Management, Rudolf Spiller resigned from his office on August 18, 2010. Effective August 19, 2010, Alfred Schopf was appointed to the Board of Management and was appointed Chairman of the Board of Management.

During the fiscal year 2010/2011, there were the following changes in the composition of the Supervisory Board: Effective July 1, 2010, Dieter Maier was appointed member of the Supervisory Board by court decision; he was on the Board until February 19, 2011. On July 12, 2010, Dr. Andreas Kaufmann was elected Chairman of the Supervisory Board, and Dieter Maier was elected Deputy Chairman of the Supervisory Board. On August 18, 2010, Alfred Schopf resigned from the Supervisory Board. Effective October 6, 2010, Dr. Frank Holzer was appointed member of the Supervisory Board by court decision.

Detailed discussion of the audit of the Group financial statements and of the dependence report

BDO Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt have audited the financial statements of Leica Camera AG for the fiscal year from April 1, 2010 to March 31, 2011, as prepared by the Board of Management in accordance with the regulations of the HGB, and the management report of Leica Camera AG in accordance with provisions of the HGB and have issued them with an unqualified opinion. The Group financial statements for the fiscal year from April 1, 2010 to March 31, 2011 and the Group management report were prepared, in accordance with section 315a of the HGB, on the basis of the IFRS as applicable in the European Union. The Group financial statements and the Group management report were issued by the auditors with an unqualified opinion.

According to section 312 of the AktG the Board of Management has prepared a report on relationships with associated companies (dependence report) in the fiscal year from April 1, 2010 to March 31, 2011. The dependence report of the Board of Management closed with following statement:

»We state that Leica Camera AG received fair and adequate compensation in each and every legal transaction conducted with an associated company, under the circumstances known to us at the time that any such legal transaction was conducted. No measures subject to reporting requirements were taken or omitted at the instigation or in the interest of the controlling undertaking.«

The auditors have audited the dependence report and have issued the following opinion:

»Following our conscientious audit and assessment, we confirm that

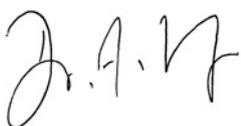
1. the factual details of the report are correct,
2. regarding the legal transactions specified in the report, the consideration paid by the Company was not inappropriately high.«

The abovementioned documents relating to the single-entity and the Group financial statements, as well as to the dependence report were submitted to us by the Board of Management in a timely manner. The BDO audit reports were presented to all members of the Supervisory Board, and we reviewed them comprehensively at the balance sheet meeting of the Supervisory Board on July 1, 2011 in the presence of the auditors. At this meeting, the Board of Management explained the annual financial statements of Leica Camera AG and of the Group, as well as the Company's risk management system; the Board of Management also provided a report on the scope, focal points and costs of the audit. The auditors reported on the main findings of their audit and, in particular, commented on details of the financial and earnings positions of the Group and of Leica Camera AG, and were at the Supervisory Board's disposal for questions. The auditors also reported that the internal control system and the risk management system in respect of the accounting process showed no material weaknesses. As a result of our examination, we have no objections to raise against, in particular, the single-entity financial statements and the Group financial statements, the management report and the Group management report. We agree without reservation to the single-entity financial statements, the Group financial statements, the management report and the Group management report and the corresponding audit reports. In view of its approval, the Supervisory Board hereby accepts the financial statements prepared by the Board of Management as submitted.

The examination of the dependence report prepared by the Board of Management and of the audit report prepared by the auditors also gave no reason for objection. The Supervisory Board concurs with the result of the audit carried out by the auditors. As a result of its examination, the Supervisory Board also has no objections to raise against the closing statement of the dependence report prepared by the Board of Management.

The Supervisory Board would like to thank the members of the Board of Management, the employees and employees' representatives of Leica Camera AG and of all Group companies for their work and their commitment.

Frankfurt, July 1, 2011

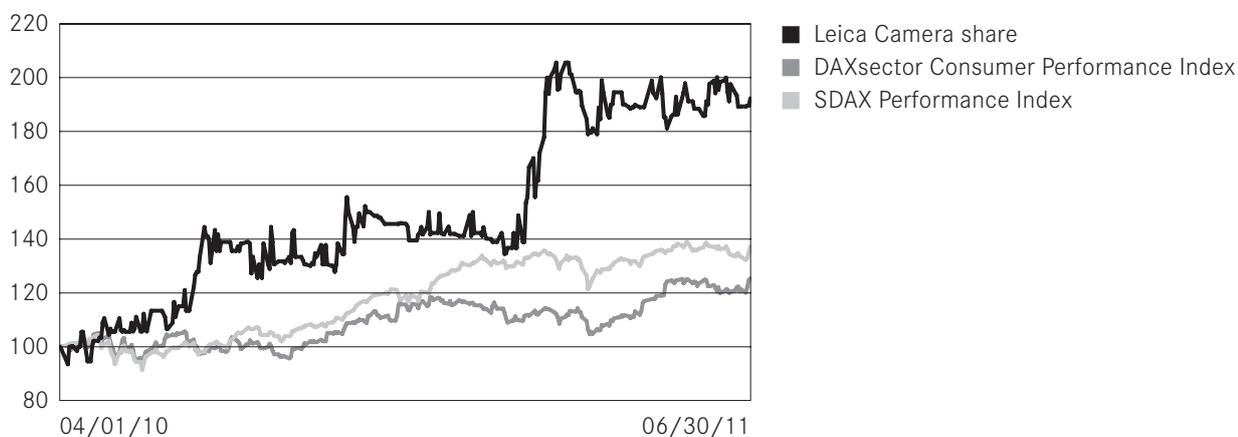


Dr. Andreas Kaufmann
(Chairman of the Supervisory Board)

THE LEICA CAMERA SHARE

Class:	no-par value shares
Number of shares listed:	16.5 million (March 31, 2010: 16.5 million)
ISIN:	DE000 A0E PU9 8
Subscribed capital:	€ 16.5 million (March 31, 2010: € 16.5 million)
Shareholders (as at March 31, 2011):	
- ACM Projektentwicklung GmbH:	97.56 %
- Free float:	2.44 %
Stock exchanges:	Frankfurt (XETRA and floor), Stuttgart, Munich, Hamburg, Berlin-Bremen
Market segment:	Official Market (General Standard)
Listing:	variable
Fiscal year 2010/2011 high:	€ 18.50 (XETRA)*
Fiscal year 2010/2011 low:	€ 8.41 (XETRA)*
Information for investors via the Web:	www.leica-camera.com

Price development of the Leica Camera share in comparison with the DAXsector Consumer Performance Index and the SDAX Performance Index* (indexed, April 1, 2010 = 100)



* Source: Deutsche Börse AG

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