



**Annual Report**  
**Fielmann Aktiengesellschaft 2007**

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**fielmann**



# **Fielmann Aktiengesellschaft**

## **Annual accounts**

### **for financial year 2007**

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#### **Annual accounts for financial year 2007**

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#### **Fielmann Aktiengesellschaft**

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#### **for financial year 2007**

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## Report of the Supervisory Board

In financial year 2007, the Supervisory Board regularly obtained information on all important business developments and supervised the work of the Management Board, giving advice where necessary. It discussed in detail the business plan of the Management Board for 2008 and the medium-term planning until 2010 and adopted them in the form of an overall plan. On the basis of comprehensive written and oral reports from the Management Board, the Supervisory Board dealt with the business and financial position, corporate strategy, staff situation and the risks in detail in its discussions.

Other important topics discussed at the meetings of the Supervisory Board were the Company's PR work and the corporate social report of Fielmann Aktiengesellschaft, pricing strategies of competitors, expansion in Germany and abroad including the opening of megastores in major cities, the training policy and management of the Fielmann Academy at Plön Castle, entry into the hearing aid market and the development of this segment, the excellent results for Fielmann Aktiengesellschaft established by the Emnid survey on customer satisfaction in the optical sector and of the Kundenmonitor 2007 (2007 customer barometer), the effects of the company tax reform and progress regarding the legal actions against health insurance companies. The Supervisory Board also dealt with the German Corporate Governance Code and the EU Directive on the auditing of annual accounts.

In addition, the Chairman of the Supervisory Board and the Management Board informed each other directly about any other important matters, as in previous years.

There were four meetings of the Supervisory Board in the financial year under review and one meeting of the HR Committee. There was no need for a meeting of the Mediation Committee under Section 27 para. 3 of the Mitbestimmungsgesetz (Codetermination Act). No other committees were formed. The Supervisory Board submitted to an assessment of its efficiency in the reporting year.

In the year under review, the Supervisory Board appointed Dr. Stefan Thies as an additional Management Board member with responsibility for IT and Controlling and extended the appointment of Management Board member Georg Alexander Zeiss until 30 June 2010. Dr. Emmanuel Siregar has departed from the Management Board. The division of responsibilities was adjusted accordingly and approved.

Mr Holger Glawe (employee representative) resigned from the Supervisory Board for personal reasons in 2007. He has been replaced by Ms Eva Schleifenbaum, who succeeds him as a new Supervisory Board member. We would like to take this opportunity to thank Mr Glawe for his invaluable cooperation.

The annual accounts of Fielmann Aktiengesellschaft, the consolidated accounts for financial year 2007 and the Management Report for Fielmann Aktiengesellschaft and the Group were audited by Susat & Partner, Hamburg, and passed without qualification. These documents, including the Management Board's proposed appro-

priation of profits, were duly submitted to each member of the Supervisory Board and were discussed in detail in the accounts meeting of the Supervisory Board on 17 April 2008 in the presence of the auditors, Rudolph and Deike. Following the final results of its examination, the Supervisory Board found no cause for objection. With regard to the information in the Management Report pursuant to Section 289 para. 4 of the German Commercial Code (HGB) on the shareholder structure, on the rules regarding the appointment and dismissal of members of the Management Board and on changes to the Articles of Association as well as the powers of the Management Board within the context of the authorised capital 2006, the Supervisory Board is convinced that this is pertinent, complete and so comprehensible as to require no explanation. The Supervisory Board approves the annual accounts, which are therefore adopted, as well as the consolidated accounts and seconds the Management Board's proposed appropriation of profits.

The auditors also examined the report of the Management Board on transactions with related parties in financial year 2007 and passed it with the unqualified confirmation.

The Supervisory Board has examined the report of the Management Board and in its meeting on 17 April 2008, heard a presentation on the key findings of the audit by the auditor. The Supervisory Board raises no objection to the report of the Management Board and the relevant audit conducted by the auditors.

The Supervisory Board would like to thank the Management Board and all the staff for their outstanding work during the past financial year.

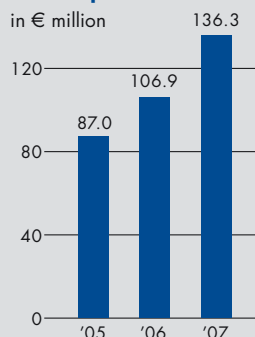
Hamburg, April 2008



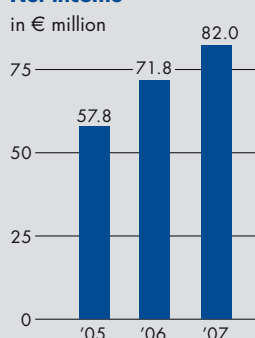
Professor Dr. Mark K. Binz  
Vorsitzender des Aufsichtsrats

## Combined Management Report for the Group and Aktiengesellschaft for financial year 2007

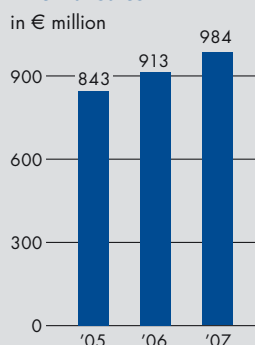
### Pre-tax profit



### Net income



### External sales



### Fielmann

Our expectations for financial year 2007 were met. Pre-tax profits rose by 27.5 per cent to € 136.3 million (previous year: € 106.9 million) while net income for the year increased by 14.3 per cent to € 82.0 million (previous year: € 71.8 million). Pre-tax profits take into account an amount of approximately € 10 million relating in part to the effects of the decision by the Bundessozialgericht (Federal Social Court) regarding the issue of the cut-off date for the Gesundheitsmodernisierungsgesetz (Healthcare Reform Act).

Unit sales of spectacles amounted to 6.0 million in the period under review (previous year: 5.8 million). External sales (total sales incl. VAT/changes to inventories) grew by 7.8 per cent to € 984.4 million (previous year: € 913.4 million) and consolidated sales by 5.8 per cent to € 839.2 million (previous year: € 792.9 million). Earnings per share stand at € 1.88 (previous year: € 1.64), a rise of 14.6 per cent on the previous year. At the end of the year under review, Fielmann had 599 branches (previous year: 571 branches).

Earnings		2007	2006
Consolidated net income for the year	€ m	82.0	71.8
Minority interest	€ m	3.0	2.7
<b>Profit for the year</b>	€ m	<b>79.0</b>	<b>69.1</b>
Number of shares	m pcs.	42.0	42.0
<b>Earnings per share</b>	€	<b>1.88</b>	<b>1.64</b>

### General conditions

**Europe** The economy of the euro zone recorded growth in 2007, with gross domestic product rising by 2.6 per cent in real terms (EU 15). Despite the strong euro, the European economy benefited above all from export levels (+6 per cent). Private consumption increased by 1.4 per cent in 2007. Economic growth slowed down in the course of the year. The average unemployment rate at EU level amounted to 7.2 per cent in 2007 (previous year: 8.1 per cent).

**Germany** Gross domestic product rose by 2.5 per cent in 2007, largely driven by exports and demand for capital goods.

In 2007, public sector spending increased by 2.0 per cent in real terms. Private consumption in real terms was down 0.3 per cent on the previous year. Experts attribute this partly to the increase in value added tax by 3 percentage points and higher crude oil and food prices. The annual average rise in consumer prices amounted to 2.2 per cent. German retail recorded a fall of 2.2 per cent compared with the previous year. Uncertainty in the financial markets depressed sentiment towards the end of the year.

The rate of unemployment in Germany fell in 2007. The annual average unemployment figure was down to 3.8 million people in 2007 (previous year: 4.5 million). On average, the annual unemployment rate fell to 9.0 per cent (previous year: 10.8 per cent).

**Switzerland** In 2007, the Swiss economy grew by 3.1 per cent in real terms. Alongside exports, private consumption contributed to growth with an increase of 2.0 per cent. The rate of unemployment stood at 2.8 per cent (previous year: 3.3 per cent).

**Austria** Gross domestic product rose by 3.4 per cent in 2007, an above-average increase compared with other EU countries. Consumer demand by private households was up by 1.5 per cent. The annual average unemployment rate fell to 6.2 per cent (previous year: 6.8 per cent).

**Poland** In 2007, gross domestic product in Poland increased by 6.5 per cent. Growth in the Polish economy was driven by gross fixed capital expenditure and private consumption, which rose by 5.6 per cent. The rate of inflation stood at 2.6 per cent, with an unemployment rate of 11.4 per cent (previous year: 14.8 per cent).

**The market** For 2007, the ZVA – Zentralverband der Augenoptiker (German central association of opticians) has established unit sales in the optical sector in Germany of 10.6 million pairs of spectacles (+0.5 per cent on the previous year). Total sales in the optical industry amounted to € 3.8 billion according to the association. Sector sales increased by 2.8 per cent. Taking into account the value added tax rise of 3 per cent as at 1 January 2007, this represents flat growth. There are 10,016 optical stores in Germany.

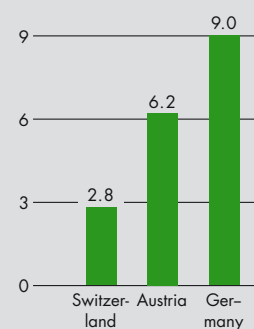
Unit sales in Switzerland totalled one million pairs of spectacles, with sales rising by around 3 per cent to € 0.5 billion. The Swiss market comprises 1,100 optical stores.

In Austria, unit sales of the optical industry amounted to 1.3 million pairs of spectacles and sales to € 0.4 billion (previous year: 0.4 billion). There are 1,100 specialist opticians in Austria.

The optical industry is highly fragmented in Germany. Traditional German optical stores sell fewer than two pairs of glasses a day, whereas Fielmann branches sell 35 pairs. The average optician sells fewer than 600 pairs of spectacles per year. Fielmann branches sell an average of 10,000 pairs every year. In 2007, Fielmann sold a total of 5 million pairs of glasses in the German market. Average sales by optical stores in Germany amounted to € 0.3 million. By comparison, a single Fielmann branch in Germany generated average sales of € 1.6 million, with the figure for Austria amounting to € 2.5 million and for Switzerland, to € 4.0 million.

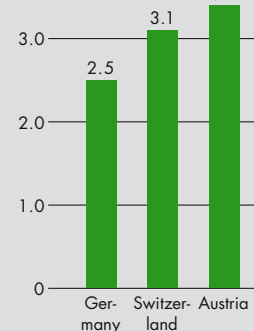
#### Unemployment rate

in %



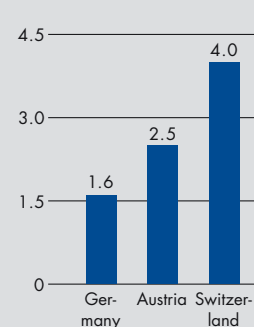
#### Growth rate GDP

in %

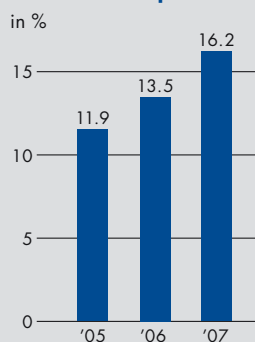


#### Average sales Fielmann shops

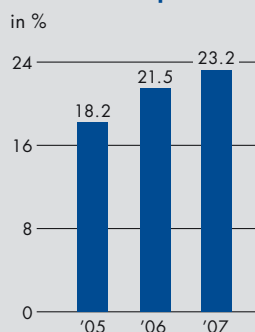
in € million



### Pre-tax return on sales Fielmann-Group



### ROE after tax Fielmann-Group



### Fielmann Group

Fielmann is a producer, agent and optician covering the sector's entire value added chain. The company produces frames in Germany and the French part of the Jura, while also purchasing throughout the world: Fielmann's demand equals the national demand of some countries.

Our production and logistics centre is located in Rathenow. In 2007, we manufactured more than 3 million lenses of every degree of sophistication and supplied 6 million spectacle frames. Not only are our professional opticians larger than the average outlets operated by our traditional competitors, but they are located in the best positions, offer a vast selection and have the best quality equipment on the sales floor, in the eyesight testing area and in the workshops.

**Fielmann Aktiengesellschaft** Fielmann Aktiengesellschaft, which is based at Weidestraße 118 a, Hamburg, is the Group's parent company. Fielmann Aktiengesellschaft is involved in the operation of and investment in opticians' shops, hearing aid companies and the manufacture and sale of visual aids and other optical products, in particular, spectacles, spectacle frames and glasses, sunglasses, contact lenses, related articles and accessories, merchandise of all kinds as well as hearing aids and related accessories.

The company is represented by Mr Günther Fielmann, the Chairman of the Management Board, or two members of the Management Board acting jointly.

In financial year 2007, the company employed an average of 515 staff (previous year: 503). As at December 31, 2007, Fielmann Aktiengesellschaft had 31 trainees (previous year: 26). During the reporting period, sales rose by 6.6 per cent to € 236.0 million and earnings before tax increased by 41.2 per cent to € 91.8 million, while the net profit for the year was up by 33.6 per cent to € 65.4 million.

**Corporate management** The key statistics for corporate management are customer satisfaction, unit sales, sales revenue and profit. Customer satisfaction is paramount. We do not see customer service as an aid to increasing sales, but as their agent. The company is managed in accordance with segment reporting.

In addition to the Wholesale/Service, Production/Logistics and Retail divisions, corporate management focuses on the major unit sales markets of Germany, Switzerland and Austria.



## Earnings

**Consolidated results** In financial year 2007, earnings before tax rose by 27.5 per cent to € 136.3 million, while the profit for the year increased by 14.3 per cent to € 82.0 million. Earnings before tax take into account an amount of around € 10 million relating in part to the effects of the decision by the Bundessozialgericht (Federal Social Court) regarding the issue of the cut-off date for the Gesundheitsmodernisierungsgesetz (Healthcare Reform Act). This represents a non-recurring special factor, whereby the health insurance funds make payments in 2008 relating to receivables from 2004.

The pre-tax return on consolidated sales amounted to 16.2 per cent (previous year: 13.5 per cent) and the net yield was 9.8 per cent (previous year: 9.1 per cent). The return on equity after tax stood at 23.2 per cent (previous year: 21.5 per cent). Earnings before interest, tax, depreciation and amortisation (EBITDA) improved to € 164.8 million (previous year: € 141.2 million) and earnings per share rose to € 1.88 (previous year: € 1.64). The result was achieved by 599 branches (previous year: 571 branches), of which 522 are based in Germany (previous year: 500), 29 in Switzerland (previous year: 27), 24 in Austria (previous year: 24) and 24 in other countries (previous year: 20).

**Germany, Switzerland and Austria** In the period under review, Fielmann generated sales of € 713.1 million (previous year € 681.3 million). In 2007, unit sales amounted to 5 million pairs of glasses (previous year: 4.9 million pairs). With 5 per cent of all branches, Fielmann achieved a 21 per cent market share in terms of sales and a 48 per cent market share in terms of unit sales.

In Germany, Fielmann achieved an increase of 28.4 per cent in its pre-tax result to € 110.4 million. The pre-tax return on sales stood at 15.5 per cent.

More than 3 million spectacle wearers have opted for the glasses for free insurance offered by Fielmann and HanseMerkur.

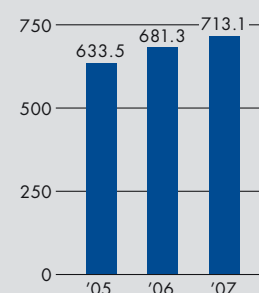
In Switzerland, unit sales reached 350,000 pairs, which represents an increase of 4.5 per cent. Sales increased by 6.3 per cent to € 89.0 million (previous year: € 83.7 million). The result was € 19.5 million (previous year: € 17.5 million) and the pre-tax return on sales, 21.9 per cent (previous year: 20.9 per cent). With 3 per cent of all branches in the Swiss optical sector, Fielmann achieved a market share of 17 per cent in terms of sales and of 33 per cent in terms of unit sales.

Unit sales in Austria improved by 6.4 per cent to 298,000 pairs of spectacles. Sales rose by 12.2 per cent to € 45.0 million (previous year: € 40.1 million).

The result amounted to € 7.7 million (previous year: € 4.1 million) in the financial year ended, representing an 88 per cent increase. The pre-tax sales return rose to 17.1 per cent (previous year: 10.2 per cent). With 2 per cent of all branches, Fielmann achieved a market share in terms of sales of 13 per cent and 23 per cent in terms of unit sales.

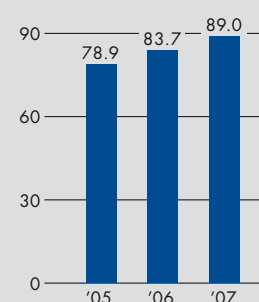
### Sales revenue Germany

in € million



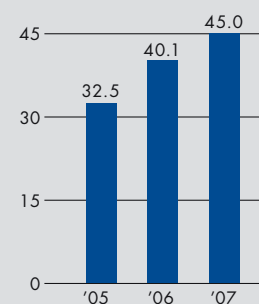
### Sales revenue Switzerland

in € million



### Sales revenue Austria

in € million



## Financial position

**Financial management** The financial position of the Fielmann Group has been sound for years. At the end of the reporting year, financial resources amounted to € 106.5 million (previous year: € 104.0 million). As at the reporting date, the financial assets plus cash and cash equivalents totalled € 146.6 million (previous year: € 124.3 million).

Liabilities to banks amounted to € 4.7 million (previous year: € 18.2 million). Additional available short-term lines of credit were not utilised. The interest result of € 3.6 million (previous year: € 2.3 million) was positive.

**Cash flow trend and investments** The gross cash flow amounted to € 112.0 million (previous year: € 114.1 million). Cash flow per share totalled € 2.67 (previous year: € 2.72). The cash flow from operations totalled € 111.8 million (previous year: € 123.6 million).

Cash flow from investment operations amounted to € 41.0 million (previous year: € 45.5 million). In the reporting year, the volume of investments amounted to € 42.3 million (previous year: € 47.6 million). This was financed from cash flow. The funds were mainly used to expand and maintain the branch network. Investment by Fielmann Aktiengesellschaft amounted to € 12.4 million (previous year: € 19.6 million) adjusted for capital contributions.

## Assets

**Assets and capital structure** Total Group assets rose to € 581.6 million (previous year: € 533.3 million) in the reporting year. In the Aktiengesellschaft, total assets increased to € 505.1 million (previous year: € 467.7 million). Consolidated fixed assets were up by 3.5 per cent to € 254.0 million (previous year: € 245.3 million).

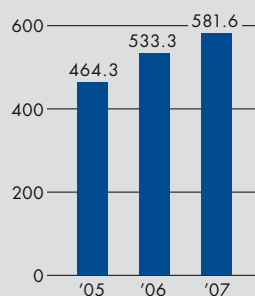
Short-term assets amounted to € 305.8 million (previous year: € 257.2 million). For the Group, tangible assets of € 191.4 million (previous year: € 185.4) were reported. This corresponds to a share of 32.9 per cent of consolidated total assets. Depreciation amounted to € 32.0 million (previous year: € 36.6 million). Inventories under the current assets rose by 11.9 per cent to € 96.3 million and inventory turnover within the Group was 9.2.

Trade receivables increased by € 3.6 million to € 21.2 million during the reporting period. Other receivables rose by € 7.8 million to € 31.1 million.

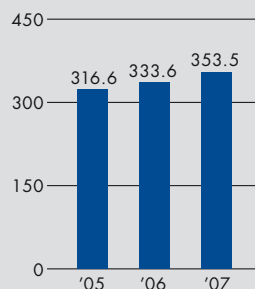
Consolidated equity capital of € 353.5 million (previous year: € 333.6 million) was reported, after deduction of the proposed dividend payout. This corresponds to an equity ratio of 60.8 per cent of the balance sheet total.

Accruals totalled € 42.4 million (previous year: € 36.9 million). Short-term financial liabilities, trade payables and other liabilities rose by 8.1 per cent to € 72.1 million in the year under review (previous year: € 66.7 million).

**Total Group assets**  
in € million



**Equity capital**  
without dividend  
in € million

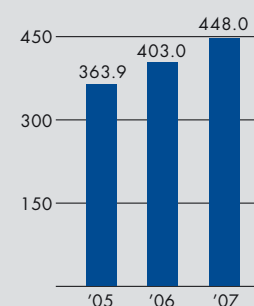


**Value added** The value added calculation determines the economic value achieved by a company via production and services. It also shows the share received by individuals directly or indirectly from the company.

Origin	€ '000	Application	€ '000	%
Sales including changes to inventories	839,194	Shareholders and other partners	61,768	14
Other income	68,506	Employees	314,897	70
<b>Total sales</b>	<b>907,700</b>	Public sector	54,270	12
Cost of materials	-247,400	Creditors	1,608	0
Depreciation	-32,002	Company	15,466	4
Other operating expenses	-179,968			
Other taxes	-321			
<b>Total preliminary liabilities</b>	<b>-459,691</b>			
<b>Value added</b>	<b>448,009</b>		<b>448,009</b>	

#### Value added

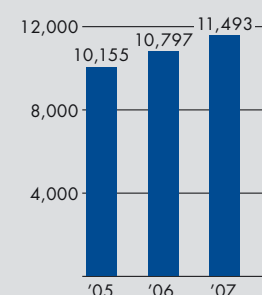
in € million



#### Non financial performance indicators

**Staff** Fielmann is the largest employer in the German optical industry. In the year under review, an average of 11,493 staff (previous year: 10,797) were employed in the Group. In Germany, 9,518 people worked for Fielmann. In Switzerland, Fielmann employed 813 staff, while the company employed 505 in Austria, 196 in Poland and 92 in the Netherlands. Staff expenditure totalled € 314.7 million, while the staff cost ratio in relation to consolidated total sales amounted to 37.5 per cent (previous year: 37.6 per cent).

#### Average number of employees of the Group



**Fielmann training and continued professional development** Unlike most other European countries, in Germany, specialist opticians which are approved by the various health insurance companies must be run by a qualified optician. As tradespeople, German opticians are organised in guilds. Fielmann is a guild member and all Fielmann branches in Germany and abroad are managed by qualified opticians. Every optician is supported by a team of competent and friendly staff.

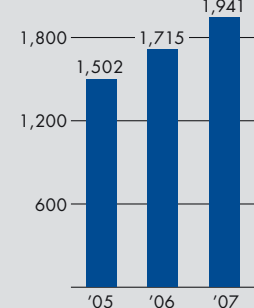
Being an optician is a skilled profession, for which Fielmann's training is highly sought-after. Last year, more than 8,000 young people applied for a training place at Fielmann, with 650 being taken on by the market leader.

Fielmann is the largest trainer in the optical industry. A total of 1,941 young people were trained in the Group during the period under review.

The Fielmann Academy at Schloss Plön, Fielmann Akademie Schloss Plön gemeinnützige Bildungsstätte der Augenoptik GmbH, trains young talent to become the new generation of specialist opticians. As a training centre of excellence, Fielmann fulfils a role of responsibility for the optical sector as a whole. External opticians also have access to the Fielmann Academy.

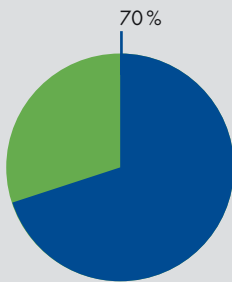
#### Apprentices

as at 31. 12.



Since the winter term of 2005/06, the Fielmann Academy has offered a Bachelor of Science degree course in optics/optometry, which is recognised throughout Europe. More than 6,000 opticians qualify at the Fielmann Academy every year.

**Staff interest**



**Remuneration** “You are the customer” is the slogan that exemplifies our corporate philosophy. This philosophy is also reflected in the salaries we pay our staff. Part of our branch managers’ bonus depends on customer satisfaction.

Fielmann also offers staff the opportunity to invest in the company. More than 70 per cent of staff take advantage of this opportunity and receive dividends, a share in the profits and interest in addition to their salaries. This increases their motivation and customers benefit from it.

The remuneration paid to members of the Management Board for their work in the financial year under review is divided into a fixed component and a variable component that is solely dependent on results, as well as an addition to pension provisions. Please refer to note (29) in the notes to the consolidated accounts with regard to the Management Board’s remuneration and to the remuneration report, which forms part of the declaration on corporate governance and in which the remuneration system is explained (cf. page 24 of the annual report).

The members of the Supervisory Board receive a fixed remuneration for their work. The Chairman of the Supervisory Board receives three times this amount, while his deputy receives one and a half times this amount. Please refer to page 80 in the notes to the consolidated accounts.

### Details pursuant to Article 289 para. 4 of the German Commercial Code (HGB)

**Shareholder structure** The subscribed capital of Fielmann Aktiengesellschaft amounted to T€ 54,600 as at 31 December 2007 and is divided into 42 million ordinary shares of no par value.

As at the time of preparing the accounts, the ownership structure of Fielmann Aktiengesellschaft is as follows\*:

- Mr Günther Fielmann, Chairman of the Management Board, holds 36.80 per cent of the share capital.
- The Fielmann Family Foundation represents 11.36 per cent of the shares. The shareholding of Fielmann Interoptik GmbH & Co. KG amounts to 15.12 per cent.
- Mr Marc Fielmann holds 7.73 per cent of the subscribed capital of Fielmann Aktiengesellschaft directly.
- The free float amounts to 28.99 per cent.

On 8 February 2008, Fielmann Aktiengesellschaft was notified by AKO Capital LLP, London, UK, that it holds 3.10 per cent of the shares in Fielmann Aktiengesellschaft indirectly via subsidiaries. No other shareholding exceeding 3 per cent has been notified.

### Regulations on the appointment and dismissal of members of the Management Board and amendments to the Articles of Association

The statutory provisions on appointing and dismissing members of the Management Board are laid down in Article 84 of the German Stock Corporation Act (AktG). The Articles of Association of Fielmann Aktiengesellschaft provide the following regulation on the composition of the Management Board under Article 7 para. 1:

“(1) The Company’s Management Board shall consist of at least three persons. The Supervisory Board shall determine the number of Management Board members and the person who is to be the Chairman of the Management Board as well as his deputy if applicable.”

The statutory provisions on amending the Articles of Association are laid down in Article 119 of the German Stock Corporation Act (AktG) in conjunction with Article 179 of the AktG. The Articles of Association of Fielmann Aktiengesellschaft provide the following regulation on amending the Articles of Association under Article 14 para 4:

“(4) The simple majority of the votes cast is required and sufficient – unless mandatory legal provisions conflict with this – to pass resolutions in the Annual General Meeting.”

\* Otherwise we refer to the announcements in the Börsen-Zeitung stock exchange bulletin on 11 August 2006 and 3 May 2002 with regard to the attribution of direct and indirect holdings as well as the publication in accordance with Article 26 para. 1 of the German Securities trading Act (WpHG) of 10 December 2007 and the notification on voting rights in accordance with Article 21 para. 1 WpHG of 8 February 2008.

**Authorised capital** The Management Board has the authority, subject to the consent of the Supervisory Board, to make new rights issues of ordinary bearer shares for cash and/or contributions in kind totalling up to € 25 million, in one or more stages up to 5 July 2011 (authorised capital 2006).

The new shares are to be offered to shareholders for subscription. However, the Management Board has the authority, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

- to make use of any residual amounts by excluding shareholders' subscription rights;
- when increasing the share capital in return for cash contributions pursuant to Article 186 para. 3 (4) of the AktG, if the issue amount of the new shares does not fall far short of the market price for shares that are already listed at the time the issue amount is finally determined and the shares for cash contributions, excluding subscription rights, do not in total exceed 10 per cent of the share capital at the time the option is exercised; shares, which were issued or sold in direct or analogous application of Article 186 para. 3 (4) of the AktG during the term of this authorisation until the date the option is exercised are to be included against the limit;
- for a capital increase in return for contributions in kind to grant shares for the purpose of acquiring companies, parts of companies or investments in companies.

**Dependency report** In the course of the capital increase at listed company PROCON Multimedia AG, Hamburg, which was resolved in October 2007, Mr Günther Fielmann acquired the majority holding in this company, which means that the Management Board has prepared a report giving information on related parties in accordance with § 312 AktG (dependency report) for the first time in the reporting year:

"In accordance with Article 312 para. 3 of the AktG, the Management Board declares that our company received an appropriate service or compensation in return for each transaction mentioned in the report on relationships with affiliated companies, on the basis of the circumstances of which we were aware at the time when the transactions were carried out, and that the company was not at a disadvantage as a result of the measures being implemented or omitted. No measures that are subject to reporting requirements occurred in financial year 2007."

### Supplementary report

With regard to the issue of the date of application of the Gesundheitsmodernisierungsgesetzes (German Healthcare Reform Act) which came into effect on 1 January 2004, the Bundessozialgericht (Federal Social Court) in Kassel confirmed the legal interpretation brought forward by Fielmann in its decision of 6 September 2007 (B 3 KR 20/06 R). According to this interpretation, the statutory health insurance fund must undertake to reimburse the amounts specified in framework agreements if the relevant optician received the order in 2003, the finished pair of glasses, however, was not handed over to the customer until 2004. Accordingly, this matter was already taken into account in the annual accounts for 2007.

A framework agreement was signed in February 2008 with the national AOK association regarding the settlement of individual claims. All local health insurance funds (AOK) have signed up to this agreement. Under the agreement, the health insurance funds undertake to settle the principal claim, interest and any costs incurred for the proceedings. Payments were received by 3 March 2008. The aim is to achieve a settlement with the remaining health insurance funds in the coming weeks.

**Opportunities and risk management** Fielmann's risk management system is an essential component of its value oriented corporate management. In order to be able to detect risks in good time, to assess them and initiate appropriate countermeasures, Fielmann has established a risk management system, which comprises all planning, controlling and reporting systems. Reports, which cover all areas of the company across the Group and facilitate the early identification of risk clusters, are submitted monthly on the basis of identified limits.

These are monitored daily and the early warning system is completed by monthly and annual reports, which take account of the likelihood of risks occurring and their impact. The effectiveness of the risk detection system is regularly assessed by internal audit and by the external auditors in accordance with the legal requirements. In essence, the Fielmann Group faces the following risks:

**Opportunities and risks inherent in future development** The following information on the risks inherent in future development relates to the risks included in Fielmann's risk management system. To improve the quality of the information provided, the reporting of credit risks, exchange rate risks, interest rate risks, market risks and liquidity risks required under IFRS 7 is included in the Management Report under "financial risks". The reporting of the opportunities inherent in future development mainly relates to operating areas.

**Operating risks** By manufacturing our own products, we are able to control the flow of goods from checking the raw materials to putting together the finished spectacles. The interlocking of central and decentralised units would impair earnings in the event of disruptions to operations or long-term production shortages. Comprehensive precautionary measures have been implemented for this purpose:

- Systematic training and qualification programmes for employees
- Further development of the production processes and technologies
- Comprehensive safeguards at the branches
- Regular maintenance of installations and networks

Furthermore, our global business relationships allow us to clear any delivery bottlenecks rapidly. In the event of any loss that may nevertheless occur, the company is insured to an economically appropriate extent.

**Financial risks** Foreign exchange and interest rate fluctuations may result in significant profit and cash flow risks for the Fielmann Group. Where possible, Fielmann therefore approaches these risks on a centralised basis and controls them from a forward-looking perspective, which also includes the use of derivative financial instruments and currency forwards.

Business operations give rise to risks related to interest rates and currency fluctuations for the Group. The instruments used to prevent these financial risks are described in the explanatory notes on the respective balance sheet items.

Significant purchasing contracts are priced in euros. Fielmann finances the majority of its activities from its own funds, which means that it is largely independent of movements in interest rates. Risks to securities in current assets also arise from exchange rate fluctuations. This is controlled via an investment management system to monitor credit, liquidity, market and currency risks within the context of short and long-term financial planning.

Credit risks exist in the form of default risks relating to financial assets. Liquidity risks represent funding risks and are therefore risks associated with the fulfilment of existing payment obligations of the Group by specific dates. Market risks arise within the Group in the form of interest rate risks, currency risks and other price-related risks.



**Credit risks** The maximum default risk within the Group corresponds to the amount of the book values of financial assets. Bad debt charges are applied to take account of default risks.

With regard to financing, the top priority of investment decisions is, in principle, to secure purchasing power on a sustained basis. Investment options are essentially limited to investment grade securities. Investment guidelines stipulate a maximum amount for all classes of financial instruments used for investment purposes.

Securities without a rating are subject to an internal assessment, which also takes into account any existing rating of the issuer or of a comparable borrower and the features of the securities. Investments with a term of up to three months do not require a rating, although this is subject to the specified exemption limits.

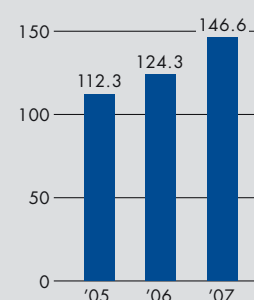
There is no concentration of default risks relating to trade receivables, since retail activities do not result in a focus on individual borrowers. Equally, the restriction of liquidity investments to securities with a good rating reduces the credit risk. In view of this, the default risk is estimated to be low.

**Liquidity risks** Financial controlling is based on ensuring that the Management Board has the necessary flexibility to make entrepreneurial decisions and guaranteeing the timely fulfilment of the Group's payment obligations. The Fielmann Group's liquidity management is centralised for all subsidiaries. Currently, there are no liquidity risks. Moreover, the high level of liquidity provides sufficient leeway for further expansion. As at 31 December 2007, the Group held financial assets, cash and cash equivalents amounting to € 146.6 million (previous year: € 124.3 million).

Derivative financial instruments are exclusively used to hedge foreign exchange and interest rate positions, in order to minimise currency risks and associated financing costs resulting from currency and interest rate fluctuations. The instruments Fielmann Aktiengesellschaft uses are marketable currency forwards and interest rate swaps. Hedging is not for speculative purposes, but purely to secure the currency requirement for purchasing by the Group in general and manage net interest income. Simulation on the basis of various scenarios is used to assess any risks identified. Market assessment of the derivative financial instruments used is based on available market information.

**Market risks** The market risks that are relevant to the Fielmann Group are primarily interest rate and currency risks. Sensitivity analysis is used to illustrate how various developments resulted from the impact of past performance or events.

**Financial assets, cash and cash equivalents**  
in € million



**Interest rate development**

2007 in %



**Interest rate risks** The sensitivity analysis of interest rate risks is based on the following premise. Primary financial instruments are only subject to interest rate risks if they are valued at fair value. Financial instruments with floating rates are generally subject to market interest rate risks. In addition, interest rate risks arise in connection with interest rate swaps. As at the balance sheet date, the portfolio of financial instruments for the purposes of liquidity investment is representative for the full financial year in terms of maturities.

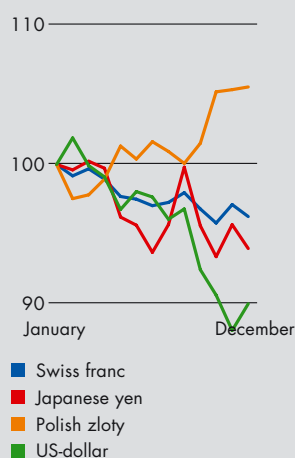
**Sensitivity analysis – interest rate risks**

	31. 12. 2007 € '000	31. 12. 2006 € '000
Financial instruments subject to interest rate risks	117,489	96,363
Interest +/- 2 per cent	460/-460	330/-330

In the event of a change in the interest rate of 2 per cent, the impact on net income would have amounted to T€ 460 (previous year: T€ 330), taking into account the average time to maturity of the financial instruments that are subject to interest rate risks.

**Currency rate development**

2007 in %



**Currency risks** Given its international focus, as part of ordinary business activity, the Fielmann Group is exposed to currency risks in connection with payment flows outside its functional currency. More than 90 per cent of the Group's payment flows are in euros, approximately 7 per cent in Swiss francs, with the rest divided between US dollars, Polish zloty, Ukrainian hryvnia, Japanese yen and Belarussian rouble. In order to limit currency risks on payments relating to purchasing goods, currency forwards with maturities of up to six months are mainly used.

Foreign exchange risks resulting from the translation of financial assets and liabilities of international subsidiaries into the Group's reporting currency or which relate to the cash flow are not generally hedged.

The only other factor resulting in currency risks for the Fielmann Group is represented by forward transactions used to hedge the regular payment flow in the currency of US dollars. As at 31 December 2007, there were no open positions (previous year: US\$ 3.0 million). The average amount of the secured portfolio in US\$ in financial year 2007 was US\$ 1.5 million with a medium-term maturity of 118 days.

**Sector and other external risks** Economic fluctuations in the international market and increasingly intense competition constitute fundamental risks. This gives rise to risks related to prices and unit sales. Constant decentralised and central monitoring of the competition enables us to identify trends early. The Management Board and other decision-makers are informed promptly of movements in the market. This means that risks are identified in good time and measures to limit them can be implemented promptly.

**IT risks** The operational and strategic management of the Group is integrated into a complex information technology system. The IT systems are regularly maintained and equipped with various safeguards. The maintenance and optimisation of the systems is assured through constant dialogue between internal and external IT specialists.

The Fielmann Group also has appropriate measures to counter risks arising from unauthorised access to data, its misuse or loss. Technological innovations and developments are continuously monitored and tested so that they can be employed where appropriate.

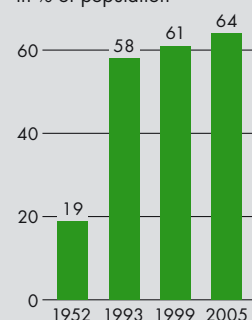
**Opportunities** Increasing demand for spectacles and contact lenses is a consequence of an increasing awareness of health issues and demographic change. The proportion of high-quality varifocals, particularly needed by people in later life, is set to grow strongly in the coming years.

The rate of growth Fielmann records with varifocals outperforms the sector growth rate. The reason for this is the customer structure of the company. From the age of 45, spectacle wearers usually require reading glasses as well as glasses to correct their short-sightedness. Instead of using two different pairs of glasses, one for close-up and one for distance, this customer group is increasingly opting for varifocals and therefore a single pair of spectacles.

Fielmann customers are younger than the average customers of traditional opticians. They appreciate the company's customer-friendly services and remain loyal to Fielmann in later life. Without acquiring a single new customer, the proportion of varifocal sales at Fielmann will therefore increase by more than 50 per cent in the coming years.

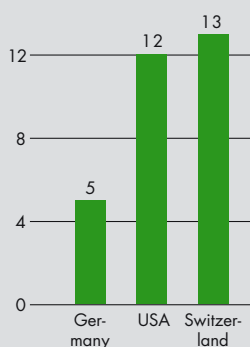
#### Spectacle wearers

in % of population



**Contact lens wearers**

in % of population



Fielmann can sell spectacles at lower prices than its competitors because Fielmann manufactures its own products and buys substantial quantities direct from suppliers of well-known brands. We pass on the procurement benefits, which we achieve by excluding wholesalers, to our customers. Since only 45 per cent of all spectacle wearers also wear prescription sunglasses, Fielmann expects further growth from the increasing range of high-quality fashionable sunglasses available for individual prescriptions. Innovative contact lenses, such as the modern and comfortable dailies and customer-specific lenses will also boost growth.

In addition to sales growth in the optical sector, we expect additional impetus from the continued expansion of our hearing aid departments. Our long-standing customers in the core catchment areas alone require more than 60,000 hearing aids per year. Initially, we plan to set up hearing aid departments in our major units while also acquiring acoustic stores. In the medium term, we anticipate profits of single-digit million amounts and in the long term, double-digit million figures.

We are expanding our branch network in Germany and shall press ahead with our expansion abroad. The markets in Austria, Switzerland, Poland and other neighbouring countries in Europe offer opportunities for substantial growth and earnings.

**Summary of the risk situation** The Group's market position, its financial strength and a business model that allows Fielmann to identify and act on growth opportunities earlier than the competition, reveal no identifiable risks to future development with any substantial effect on the assets, financial position or earnings.

## Outlook

According to estimates of the German government and leading economic institutes, the German economy is set to grow by almost 2 per cent in 2008, with the rate of growth slowing down. Economic institutes believe that the growth drivers are shifting from international demand to domestic demand. For 2008, there is hope that domestic demand and private consumption will develop positively. The growth rates forecast for Austria and Switzerland are pleasing.

Fielmann is continuing its expansion in Germany and its neighbouring countries with a measured approach. We carefully consider every genuine merger and acquisition opportunity arising throughout Europe. In the medium-term, we will operate 700 branches in Germany, selling more than 6.5 million pairs of glasses every year. The glasses for free insurance offered by Fielmann and HanseMerkur will once again make a sustained contribution to the company's success in 2008. Millions of customers have already opted for this consumer-friendly service.

With 40 branches, we intend to sell some 400,000 pairs of spectacles per year in Switzerland in the medium term. In Austria, we intend to sell 450,000 pairs of glasses a year through our 40 branches. We will also pursue our expansion in Poland in the future. In the medium term, we aim to have a presence in all the major cities with a total of 40 locations.

In 2008, we will invest more than € 48 million in expanding and maintaining the branch network as well as in production and infrastructure. Anticipated cash flow will be sufficient to finance this. Some € 32 million will be spent on branches, either on opening new branches or maintaining the existing network. We intend to invest € 3 million on expanding production capacity and a further € 6 million on Group infrastructure. We will be undertaking similar levels of investment in 2009.

Fielmann plans to increase unit sales, sales revenue and profit in 2008, adjusted for the non-recurring factor of payments from the health insurance funds. In the year as a whole, we intend to open 30 new branches and create in excess of 400 additional jobs. We anticipate a return on equity of between 20 and 22 per cent, against an equity ratio that has been rising for years. In financial year 2009, we will pursue our growth strategy and expect a positive performance.

## Fielmann Aktiengesellschaft, Hamburg

### Balance sheet as at 31 December 2007

Assets	Ref. no. in notes	As at 31. 12. 2007 € '000	As at 31. 12. 2006 € '000
<b>A. Fixed assets</b>			
I. Intangible assets	(1)	7,650	4,691
II. Tangible assets	(2)	64,251	65,327
III. Financial assets	(3)	183,783	171,957
		<b>255,684</b>	<b>241,975</b>
<b>B. Current assets</b>			
I. Inventories	(4)	17,271	14,021
II. Receivables and other assets	(5)	119,092	119,496
III. Securities	(6)	75,578	58,325
IV. Cash on hand and in banks and cheques	(7)	37,387	33,770
		<b>249,328</b>	<b>225,612</b>
<b>C. Prepaid expenses</b>	(8)	67	93
		<b>505,079</b>	<b>467,680</b>
<b>Equity and liabilities</b>			
<b>A. Equity capital</b>			
I. Subscribed capital	(9)	54,600	54,600
II. Capital reserves	(10)	92,652	92,652
III. Profit reserves	(11)	109,909	103,296
IV. Balance sheet profit	(12)	58,800	50,400
		<b>315,961</b>	<b>300,948</b>
<b>B. Special reserve item</b>	(13)	4,134	4,314
<b>C. Accruals</b>	(14)	42,934	36,220
<b>D. Liabilities</b>	(15)	142,040	126,198
<b>E. Prepaid income</b>		10	0
		<b>189,118</b>	<b>166,732</b>
		<b>505,079</b>	<b>467,680</b>
<b>F. Contingent liabilities</b>	(16)	512	2,717

**Fielmann Aktiengesellschaft, Hamburg**
**Profit and loss account for the period from 1 January to 31 December 2007**

	Ref. no. in notes	2007 € '000	2006 € '000
1. Sales	(17)	236,036	221,441
2. Other operating income	(18)	63,522	52,474
3. Cost of materials	(19)	-177,287	-167,073
4. Personnel costs	(20)	-39,994	-36,714
5. Depreciation on intangible assets and tangible assets		-6,705	-9,667
6. Other operating expenses	(21)	-45,498	-44,000
7. Income from participations	(22)	53,237	43,118
8. Write-downs of financial assets and securities under current assets		0	-2,224
9. Interest result	(23)	8,508	7,666
<b>10. Result from ordinary activities</b>		<b>91,819</b>	<b>65,021</b>
11. Income taxes	(24)	-26,215	-15,909
12. Other taxes		-219	-172
<b>13. Net income for the year</b>		<b>65,385</b>	<b>48,940</b>
14. Profit carried forward from the previous year		28	40
15. Withdrawal from profit reserves	(25)	388	1,420
16. Allocation to profit reserves	(26)	-7,001	0
<b>17. Balance sheet profit</b>		<b>58,800</b>	<b>50,400</b>

## **Fielmann Aktiengesellschaft, Hamburg**

### **Notes to the annual accounts as at 31 December 2007**

#### **General information**

When preparing the annual accounts, the option under Article 265 para.7 No. 2 of the German Commercial Code (HGB; abridged balance sheet and profit and loss account) was used. The structure of individual items and explanations are provided in the notes to the annual accounts.

#### **Accounting and valuation principles**

Transactions in foreign currencies are translated at the exchange rate prevailing on the reporting date. Foreign currency positions on the balance sheet date are translated at the lower exchange rate prevailing on the reporting date if applicable.

Intangible assets and tangible assets are valued at acquisition or production cost less straight-line scheduled amortisation or depreciation, or at the lower attributable value. Properties are valued on the basis of the gross rental method, using a rental income factor and written down if necessary. Tenants' fittings and factory and office equipment are depreciated on a straight-line basis, with the typical useful life applied, which is at most the (residual) term of the tenancy agreement.

Depreciation is applied pro rata temporis for additions to tangible assets from the date they are added and calculated to the exact month. Minor-value assets are written down in full in the year they are added.

The valuation of financial assets is at acquisition cost or the lower attributable value. Net income or loss for the year of the partnerships is recognised on the basis of the profit distribution specified in the partnership agreement.

In principle, merchandise is valued at the cost of acquisition or production, or where applicable, at the lower attributable value. Sales-related and other risks are accounted for by specific deductions where necessary, or by appropriate blanket charges.



Receivables and other assets are recognised at nominal value less specific and blanket charges that have been identified as appropriate.

Securities are valued at acquisition cost, or the lower stock exchange or market prices as at the balance sheet date where applicable.

Unscheduled depreciation is recognised under the special reserve item.

Provisions for pensions and similar obligations are recognised on the basis of actuarial calculations at discounted value, applying an interest rate of 6.0 per cent, in accordance with Article 6a of the German Income Tax Act (EStG). The valuation of other provisions takes into account all discernible risks on the basis of prudent commercial assessment.

As at the balance sheet date, provisions for operating expenses were set up, totalling T€ 515. Provisions for guarantees were determined on the basis of calculations that are precise to the month and depreciation as well as a distribution over the 36-month guarantee period. Moreover, provisions for dismantling obligations are rolled over. This accrues future expenses for dismantling installations and substantial conversions of rented property at the end of the contractual tenancy period as instalments over the period. Provisions for anniversary bonuses have been calculated on the basis of actuarial methods.

The valuation of liabilities is at their repayment amount. Contingent liabilities under guarantee agreements are valued depending on the residual amount of the relevant principal obligation.

## Fielmann Aktiengesellschaft, Hamburg

### Changes in fixed assets as at 31 December 2007

	Acquisition and production costs			
	As at 1. 1. 2007 € '000	Additions € '000	Disposals € '000	As at 31. 12. 2007 € '000
<b>I. Intangible assets</b>				
1. Rights of usufruct	387	2,273		2,660
2. Other rights	10,318	2,327	244	12,401
	<b>10,705</b>	<b>4,600</b>	<b>244</b>	<b>15,061</b>
<b>II. Tangible assets</b>				
1. Property and similar rights and buildings, including buildings on third-party land	82,784	22		82,806
2. Tenants' fittings	10,430	723		11,153
3. Factory and office equipment	22,600	3,244	1,586	24,258
4. Payments on account and assets under construction	718	112		830
	<b>116,532</b>	<b>4,101</b>	<b>1,586</b>	<b>119,047</b>
<b>III. Financial assets</b>				
1. Shares in affiliated Companies	167,995	10,531	254	178,272
2. Loans to affiliated companies	9,343	3,313	1,967	10,689
3. Other loans	1,505	363	160	1,708
	<b>178,843</b>	<b>14,207</b>	<b>2,381</b>	<b>190,669</b>
<b>Total fixed assets</b>	<b>306,080</b>	<b>22,908</b>	<b>4,211</b>	<b>324,777</b>

Accumulated depreciation				Book values	
As at 1. 1. 2007 € '000	Additions € '000	Disposals € '000	As at 31. 12. 2007 € '000	As at 31. 12. 2007 € '000	As at 1. 1. 2007 € '000
18	145		163	2,497	369
5,996	1,492	240	7,248	5,153	4,322
<b>6,014</b>	<b>1,637</b>	<b>240</b>	<b>7,411</b>	<b>7,650</b>	<b>4,691</b>
27,347	1,458		28,805	54,001	55,437
8,685	445		9,130	2,023	1,745
15,173	3,164	1,476	16,861	7,397	7,427
0			0	830	718
<b>51,205</b>	<b>5,067</b>	<b>1,476</b>	<b>54,796</b>	<b>64,251</b>	<b>65,327</b>
6,886			6,886	171,386	161,109
0			0	10,689	9,343
0			0	1,708	1,505
<b>6,886</b>	<b>0</b>	<b>0</b>	<b>6,886</b>	<b>183,783</b>	<b>171,957</b>
<b>64,105</b>	<b>6,704</b>	<b>1,716</b>	<b>69,093</b>	<b>255,684</b>	<b>241,975</b>

## Notes to the annual accounts of Fielmann Aktiengesellschaft

### Fixed assets

#### I. Explanations on the balance sheet

The changes in intangible assets, tangible assets and financial assets are shown in detail in the above statement of assets. Tenants' fittings are reported separately, which represents an expansion of the statutory itemisation.

#### (1) Intangible assets

The intangible assets essentially include computer software of Fielmann Aktiengesellschaft, which is written down on a straight-line basis over three to seven years. Rights of usufruct amounting to T€ 2,497 have also been capitalised. These resulted from the takeover of tenancy agreements in city locations. Branches of the Fielmann Group maintain stores in these properties.

#### (2) Tangible assets

The land and buildings of Fielmann Aktiengesellschaft relate to 41 properties, most of which are let to branches or subsidiaries of the Group.

The additions of Fielmann Aktiengesellschaft under the land and buildings item comprise subsequent costs of acquisition arising in the reporting year and amounting to T€ 22 (previous year: T€ 2,702 including investments).

Tenants' fittings are written down on a straight-line basis, taking into account the duration of the tenancy agreement, whereas factory and office equipment is written down over a period of 2 to 10 years (machinery and equipment predominantly over 5 years, IT over 3 years). No unscheduled depreciation was applied on property in the reporting year (previous year: T€ 1,795). This is valued on the basis of the gross rental method, using a rental income factor.

#### (3) Financial assets

Under financial assets, Fielmann Aktiengesellschaft primarily reports material shareholdings in Fielmann branches which are independent under company law and whose legal form is that of a limited partnership or general partnerships, as well as shares in production, services and holding companies. No unscheduled depreciation was applied on shareholdings during the year under review (previous year T€ 1,915). For details, please refer to the list of shareholdings as at 31 December 2007, which is published in the online Federal Gazette (Bundesanzeiger).

#### (4) Inventories

Inventories relate mainly to merchandise for glasses and sunglasses, as well as other merchandise stored in the central warehouse of Fielmann Aktiengesellschaft and amounted to T€ 17,271 (previous year: T€ 14,021).

The due dates of receivables are shown in the following schedule of receivables:

## (5) Receivables and other assets

	31. 12. 2007		31. 12. 2006	
	Total € '000	Residual term of more than 1 year € '000	Total € '000	Residual term of more than 1 year € '000
Trade debtors	1,644		1,874	
Receivables from affiliated companies of which trade receivables: T€ 12,921 (previous year: T€ 14,504)	93,251		91,464	
Other assets	24,197	2,955	26,158	3,111
	<b>119,092</b>	<b>2,955</b>	<b>119,496</b>	<b>3,111</b>

The trade receivables of Fielmann Aktiengesellschaft relate, in part, to Fielmann franchises (T€ 1,198, previous year: T€ 1,195). Trade receivables of Fielmann Aktiengesellschaft due from Fielmann Group branches changed in line with sales.

Other assets relate, for example, to receivables from the tax office (T€ 5,327, previous year: T€ 5,131) and credit card companies (T€ 3,328, previous year: T€ 3,098). From 1 January 2004 onwards, receivables from the intermediary settlement company between Fielmann and the health insurance funds (T€ 1,550, previous year: T€ 1,248) relate exclusively to deliveries of spectacles to minors and visually impaired customers. This item also comprises receivables due from Fielmann franchises (T€ 1,667, previous year: T€ 865) and credit balances with suppliers (T€ 11,596, previous year: T€ 10,807).

The imputation system of taxation relating to corporation tax, which was in force until 2001, resulted in a corporation tax credit of T€3,609, which was not yet utilised as at 31 December 2006. This will be paid in instalments, starting from 2008. In 2007, interest of 4.1 per cent was added to the discounted claim as at 31 December 2006 of T€ 2,799 and the claim was capitalised with an amount of T€ 2,913 as at 31 December 2007.

The amount stated relates to low-risk fixed-income securities with short maturities and other securities. It also includes treasury stock amounting to 8 shares. The book value as at 31 December 2007 was T€ 0.3 (previous year: T€ 389). An amount of T€ 75,578 is attributable to other securities (previous year: T€ 57,936).

## (6) Securities

In detail, the changes in treasury stock held are as follows:

	<b>Bought Pcs.</b>	<b>Sold Pcs.</b>	<b>Portfolio Pcs.</b>	<b>In % of subscribed capital</b>	<b>Share of sub- scribed capital in €</b>
As at 01.01.07			14,429	0.03	18,785
Changes in the year under review	24,266			0.06	31,546
		38,687		0.09	50,293
As at 31.12.07			8	0.00	10

The Fielmann shares reported have been bought on an ongoing basis in accordance with Article 71 . para. 1 No. 2 of the German Stock Corporation Act (AktG), in order to offer them to employees of Fielmann Aktiengesellschaft and its affiliated companies as employee shares at the prevailing stock market price. The regrouping of treasury stock has resulted in income amounting to T€ 190, which has been reported under other operating income.

#### **(7) Cash on hand and in banks and cheques**

Liquid funds essentially relate to fixed-term deposits and current account credit balances.

#### **(8) Prepaid expenses**

Prepaid expenses related mainly to payments on account for IT-related repairs and maintenance.

#### **(9) Subscribed capital/ authorised capital**

As at 31 December 2007, the subscribed capital of Fielmann Aktiengesellschaft amounted to T€ 54,600 and was divided into 42 million ordinary shares of no par value.

As at the time of preparing the annual accounts, the ownership structure of Fielmann Aktiengesellschaft was as follows\*:

- Mr Günther Fielmann, Chairman of the Management Board, has a direct shareholding of 36.80 per cent of the share capital.
- The Fielmann Family Foundation represents 11.36 per cent of the shares. The shareholding of Fielmann Interoptik GmbH & Co. KG amounts to 15.12 per cent.
- Mr Marc Fielmann holds 7.73 per cent of the subscribed capital of Fielmann Aktiengesellschaft directly.
- The free float amounts to 28.99 per cent.

On 8 February 2008, Fielmann Aktiengesellschaft was notified by AKO Capital LLP, London, UK, that it holds 3.10 per cent of the shares in Fielmann Aktiengesellschaft indirectly via subsidiaries. No other shareholding exceeding 3 per cent has been notified.

\* Otherwise we refer to the announcements in the Börsenzeitung stock exchange bulletin on 11 August 2006 and 3 May 2002 with regard to the attribution of direct and indirect holdings as well as the publication in accordance with Article 26. para. 1 of the German Securities Trading Act (WpHG) of 10 December 2007 and the notification on voting rights in accordance with Article 21 para. 1 WpHG of 8 February 2008.

The amount shown relates exclusively to the premium from the 1994 new rights issue under Article 272 para. 2 No. 1 of the German Commercial Code (HGB). No legal reserve is therefore required (Article 150 para. 2 of the German Stock Corporation Act (AktG)).

#### (10) Capital reserves

As at 31 December 2007, the profit reserves comprised the following items:

#### (11) Profit reserves

	As at 1. 1. 2007 € '000	Allocations € '000	With- drawals € '000	As at 31. 12. 2007 € '000
Reserve for treasury stock	388		388	0
Other profit reserves	102,908	7,001		109,909
	<b>103,296</b>	<b>7,001</b>	<b>388</b>	<b>109,909</b>

The reserve for treasury stock amounted to T€ 0.3.

The balance sheet profit of Fielmann Aktiengesellschaft results from net income for the year (T€ 65,385) plus profit carried forward (T€ 28) less changes in the profit reserves (T€ 6,613).

#### (12) Balance sheet profit

The special reserve item relating Article 4 of the German Development Areas Act (FörderGG) amounted to T€ 4,134 (previous year: T€ 4,314).

#### (13) Special reserve item

	31. 12. 2007 € '000	31. 12. 2006 € '000
Pension accruals	884	677
Tax accruals	12,504	3,969
Other accruals		
Accruals related to personnel	8,833	5,766
Accruals for merchandise	13,515	13,385
Sundry accruals	7,198	12,423
Total other accruals	29,546	31,574
	<b>42,934</b>	<b>36,220</b>

#### (14) Accruals

The pension provisions of Fielmann Aktiengesellschaft mainly relate to non-forfeitable pension commitments. The tax provisions essentially relate to corporation taxes and trade taxes for Fielmann Aktiengesellschaft. Staff provisions are set up, in particular, for liabilities arising from special payments/bonuses.

The provisions for merchandise essentially relate to stock maintenance of the branch inventories in an amount of T€ 4,805 (previous year: T€ 5,347) as well as guarantee expenses of T€ 7,100 (previous year: T€ 6,673).

The miscellaneous provisions reflect the default risk relating to health insurance fund payments, which has resulted from the German Healthcare Reform Act, risks relating to follow-up costs arising as a result of tenancy agreements as well as dismantling obligations.

**(15) Liabilities**

The residual term of liabilities reported in the balance sheet are shown in the liabilities schedule below:

	31. 12. 2007			31. 12. 2006		
	Total	Residual term		Total	Residual term	
	€ '000	Up to 1 year € '000	Over 5 years € '000	€ '000	Up to 1 year € '000	Over 5 years € '000
Liabilities						
to banks	740	213		10,503	4,213	4,361
trade debtors	15,772	15,772		14,129	14,129	
to affiliated companies	118,410	118,410		95,376	95,376	
Other liabilities	7,118	5,779		6,190	4,618	
of which tax-related: T€ 3,121 (previous year: T€ 2,528)						
of which for social security contributions: T€ 5 (previous year: T€ 0)						
	<b>142,040</b>	<b>140,174</b>	<b>0</b>	<b>126,198</b>	<b>118,336</b>	<b>4,361</b>

The liabilities to banks are collateralised by charges on property or similar rights amounting to T€ 740 (previous year: T€ 6,904). An interest rate swap maintained in connection with the liabilities was sold in financial year 2007 (market value in the previous year: T€ 156). The liabilities to franchises totalled T€ 1,533 (previous year: T€ 1,724).

**(16) Contingent liabilities,  
other financial obligations**

	31. 12. 2007 € '000	31. 12. 2006 € '000
Liabilities under warranties	266	282
of which in favour of affiliated companies T€ 266 (previous year: T€ 282)		
Liabilities under guarantees	0	2,297
Contingent liabilities from providing security for third-party liabilities	246	138
	<b>512</b>	<b>2,717</b>

On the basis of its status as partner, Fielmann Aktiengesellschaft is liable for the liabilities of the branches (general partnerships) of the Fielmann Group. Other financial liabilities amounting to T€ 636 exist under lease transactions.



The employment and investment commitments arising under contractual agreements with the Treuhandanstalt were performed to contract.

As a result of the requirement under the allocation notification (investment contribution) for the production and logistics centre in Rathenow, Fielmann Aktiengesellschaft has assumed joint and several liability for refund and interest claims. These amounted to T€ 8,046 as at the balance sheet date.

Fielmann Aktiengesellschaft, Hamburg, provided banks with directly enforceable guarantees for loans of the Fielmann Academy, Fielmann Akademie Schloss Plön gemeinnützige Bildungsstätte der Augenoptik GmbH, totalling T€ 2,297. Following the full repayment of the loan in 2007, the guarantee became meaningless.

Fielmann Aktiengesellschaft has assumed joint and several liability for the liabilities of Fielmann Holding B.V., Oldenzaal.

Fielmann Aktiengesellschaft is planning investments amounting to T€ 13,900 for financial year 2008, of which T€ 2,200 are earmarked for investments in new branches.

## II. Explanations on the profit and loss account

The profit and loss account of Fielmann Aktiengesellschaft was compiled on the basis of the structure applied under the overall cost of production method in accordance with Article 275 para. 2 of the German Commercial Code (HGB).

	2007 € '000	2006 € '000	(17) Income from sales, including changes in inventories
Income from trading	115,926	109,007	
Income from services	120,110	112,434	
	<b>236,036</b>	<b>221,441</b>	
Of which in Germany:			
Holding companies (Germany)	195,867	183,265	
Franchises and other customers in Germany	15,678	13,454	
	<b>211,545</b>	<b>196,719</b>	
Of which abroad:			
Holding companies (abroad)	23,640	23,999	
Customers abroad (franchises and other)	851	723	
	<b>24,491</b>	<b>24,722</b>	

The sales revenue of Fielmann Aktiengesellschaft resulted from the wholesale function of the Company and from services supplied to affiliated companies, Fielmann franchises and third parties. As in the previous year, costs paid on behalf of branches were not treated as self-balancing items, but were instead, in principle, reported separately as expenses and income to be charged on (T€ 10,866).

## (18) Other operating income

Other operating income mainly comprises contributions received from suppliers and IT-related costs for user licences. Income from writing back special reserve items from previous years amounted to T€ 179 (previous year: T€ 486).

## (19) Cost of materials

	2007 € '000	2006 € '000
Cost of raw materials and supplies and merchandise brought in	112,057	109,225
Cost of services brought in	65,230	57,848
	<b>177,287</b>	<b>167,073</b>

The expenses for merchandise purchased primarily relate to spectacle frames and lenses. Services purchased mainly reflect advertising and external services, which are charged on to the branches.

## (20) Personnel costs

	2007 € '000	2006 € '000
Wages and salaries	35,301	32,184
Social security costs	4,486	4,482
Pension contributions	207	48
	<b>39,994</b>	<b>36,714</b>

The remuneration of Management Board members for their work during the financial year is divided into fixed components and variable components, which are based on the result, as well as an additional pension commitment for one Management Board member. The premium amount attributable to Management Board members for a Group accident insurance counted towards fixed remuneration on a pro rata basis. The variable components are based on net income for the year of the Fielmann Group. No stock option programmes are in place.

The total remuneration for the Management Board amounted to T€ 5,028 in the period under review (previous year: T€ 4,392). Fixed remuneration in 2007 totalled T€ 1,925 (previous year: T€ 1,836). Of this, Mr Fielmann received T€ 849 (previous year: T€ 849), Mr Schmid T€ 376 (previous year: T€ 336), Dr. Thies T€ 261, Mr Zeiss T€ 363 (previous year: T€ 323) and Dr. Siregar T€ 76 (previous year: T€ 328). Variable remuneration amounted to T€ 2,929 (previous year: T€ 2,533). Of this, Mr Fielmann received T€ 1,708 (previous year: T€ 1,490), Mr Schmid T€ 512 (previous year: T€ 447), Dr. Thies T€ 240, Mr Zeiss T€ 384 (previous year: T€ 298) and Dr. Siregar T€ 85 (previous year: T€ 298). In addition, a pension commitment has been made to Mr Schmid, which guarantees him an entitlement of 30 per cent of his final gross monthly salary once he reaches the relevant age. The transfer to pension provisions amounted to T€ 174 (previous year: T€ 22). Moreover, a commitment has been made to Mr Schmid that he will receive a lump sum payment based on his years of service, limited to the total gross remuneration for two years, in the event that his employment contract is not renewed for reasons for which he is not responsible.

In addition, 825 employees received 5 shares each at a stock market price of € 43.71 with their November salary by way of a gift. The related expenses totalled T€ 360.

Other operating expenses include administrative and organisational costs, costs of premises and other personnel costs.

#### (21) Other operating expenses

The breakdown of income from participations is as follows:

#### (22) Income from participations

	2007 € '000	2006 € '000
Income from participations	67,848	56,667
Income from profit transfer agreements	107	328
Expenses from the assumption of losses	-14,718	-13,877
	<b>53,237</b>	<b>43,118</b>

The income from participations relates to the results of the Fielmann companies. The income from participations relating to joint stock companies resulted from dividends for previous years paid during the reporting year. The expenses from the assumption of losses essentially comprise the loss proportions of the general partnerships.

The breakdown of the interest result is as follows:

#### (23) Interest result

	2007 € '000	2006 € '000
Interest from loans	675	263
Other interest and similar income	13,280	11,019
Interest and similar expenses	-5,447	-3,616
	<b>8,508</b>	<b>7,666</b>

The interest income from affiliated companies amounted to T€ 9,965 (previous year: T€ 8,734) and interest expenses to affiliated companies to T€ 4,791 (previous year: T€ 2,739).

Trade income tax and corporation tax are reported under this item. Tax expenses amounting to T€ 471 related to tax for other periods.

#### (24) Income taxes

In the current year, an amount of T€ 388 (previous year T€ 1,420 from profit reserves) was withdrawn from the reserve for treasury stock.

#### (25) Withdrawal from profit reserves

This item reflects the transfer to profit reserves by Fielmann Aktiengesellschaft totalling T€ 7,001 (previous year: T€ 0).

#### (26) Allocation to profit reserves

**Employees****III. Other details**

The average number of employees during the year was:

	<b>2007</b>	<b>2006</b>
Total staff	594	572
of which trainees	30	18
Staff (weighted)	515	503

**Auditors' fees**

The fees for the auditors are as follows:

	<b>Expenses 2007</b> <b>€ '000</b>	<b>Expenses 2006</b> <b>€ '000</b>
Auditing of accounts	235	217
Other qualification/valuation services	34	4
Tax advice	197	200
Other services provided	19	6
	<b>485</b>	<b>427</b>

The Management Board and Supervisory Board of Fielmann Aktiengesellschaft have issued a declaration of compliance in accordance with the German Corporate Governance Code as at 31 December 2007, which is permanently available to shareholders on the website of Fielmann AG at [www.fielmann.com](http://www.fielmann.com).

## **German Corporate Governance Code**

### **Information on the bodies of the Company**

#### **Management Board**

Günther Fielmann	Chairman of the Management Board, Sales/Marketing/since 01.04.07 Human Resources, Lütjensee
Günter Schmid	Materials Management/Production, Kummerfeld
Dr. Stefan Thies,	IT/Controlling, Hamburg (since 20.04.07)
Georg Alexander Zeiss	Finance/Properties, Ahrensburg
Dr. Emmanuel Siregar	Human Resources, Ratingen (until 31.03.07)

#### **Supervisory Board**

##### **Shareholder representatives**

Prof. Dr. Mark K. Binz	Lawyer, Stuttgart, Chairman
Anton-Wolfgang Graf von Faber-Castell	Managing Director of A. W. Faber-Castell AG, Stein/Nuremberg
Prof. Dr. Ing. Jobst Herrmann	Graduate Engineer, Aalen
Helmut Nanz	Managing Director of the Nanz Group, Stuttgart
Hans Joachim Oltersdorf	Managing Director of MPA Pharma GmbH, Rellingen
Prof. Dr. Hans-Joachim Priester	notary, retired, Hamburg

##### **Employee representatives**

Uwe Martens	Union Secretary of ver.di, Hamburg, Deputy Chairman
Petra Bruning-Diekhöner	Technical Trainer at Aus- und Weiterbildungs-GmbH, Bielefeld
Holger Glawe	Union Secretary of ver.di, Hamburg, until 12.07.07
Johannes Haerkötter	Branch Manager at Fielmann AG & Co. Potsdam, Berlin
Karin Höft	Employee at Fielmann Aktiengesellschaft, Hamburg
Eva Schleifenbaum	Union Secretary of ver.di, Hamburg, from 13.07.07
Sabine Thielemann	Precision Optician at Fielmann AG & Co., Naumburg

The remuneration of the Supervisory Board in 2007 totalled T€ 185 (previous year T€ 185).

**These members of the Supervisory Board are also active in the following supervisory bodies**

Prof. Dr. Mark K. Binz:

- Chairman of the Supervisory Board of F. Kirchhoff AG, Stuttgart
- Chairman of the Supervisory Board of Womland Unternehmensverwaltung GmbH, Hanover
- Member of the Supervisory Board of Faber-Castell AG, Stein/Nuremberg
- Member of the Supervisory Board of Festo AG, Esslingen
- Member of the Supervisory Board of Festo AG, Vienna

Anton-Wolfgang Graf von Faber-Castell

- Chairman of the Supervisory Board of Bayern Design GmbH, Munich
- Member of the Supervisory Board of Nürnberger Beteiligungs AG, Nuremberg
- Member of the Supervisory Board of Nürnberger allgemeine Versicherungs AG, Nuremberg
- Member of the Supervisory Board of Nürnberger Lebensversicherung AG, Nuremberg
- Member of the Supervisory Board of GARANTA Versicherungs AG, Nuremberg
- Member of the Supervisory Board of UFB/UMU AG, Nuremberg

Prof. Dr. Ing. Jobst Herrmann

- Member of the Supervisory Board of Rud-Kettenfabrik Rieger & Dietz GmbH & Co., Aalen-Unterkochen

Uwe Martens

- Deputy Chairman of the Supervisory Board of Stadtreinigung Hamburg, Anstalt des öffentlichen Rechts (public corporation), Hamburg

Helmut Nanz

- Chairman of the Supervisory Board of Reiff GmbH, Reutlingen
- Chairman of the Advisory Board of the Südvers Group, Freiburg
- Member of the Advisory Board of dmc digital media Center GmbH, Stuttgart
- Member of the Advisory Board of Schoeller Packaging Systems GmbH, Pullach

Hans Joachim Oltersdorf

- Member of the Supervisory Board of Essanelle Hair Group AG, Düsseldorf
- Chairman of the Advisory Board of Parte GmbH, Cologne

Prof. Dr. Hans-Joachim Priester

- Member of the Supervisory Board of Freenet AG, Hamburg

Eva Schleifenbaum

- Member of the Media Council of Medienanstalt Hamburg Schleswig-Holstein, Norderstedt
- Deputy Chairman of the Management Board of Verbraucherzentrale Hamburg (consumer protection agency), Hamburg

The Management Board proposes to the General Meeting that the balance sheet profit of Fielmann Aktiengesellschaft, amounting to T€ 58,800, should be appropriated as follows:

#### Proposed appropriation of profit

Payment of a dividend of	€ '000
€ 1,40 per ordinary share (42.000.000 shares)	58,800

We declare to the best of our knowledge that in accordance with the accounting principles to be applied, the annual accounts provide a true and fair view of the assets, finances and income of Fielmann Aktiengesellschaft and that the business performance, including the results and position of the Group and of Fielmann Aktiengesellschaft, is described in the combined Management Report for the Group and for Fielmann Aktiengesellschaft in such a way as to reflect the actual circumstances, as well as material risks and opportunities related to the forecast development of the Group and of Fielmann AG.

#### Declaration by the Management Board

Hamburg, 20 March 2008  
Fielmann Aktiengesellschaft  
The Management Board



Günther Fielmann

Günter Schmid

Dr. Stefan Thies

Georg Alexander Zeiss

## Auditors' Report

Following the results of our audit, we have issued the present auditors' report for the annual accounts as at 31 December 2007 and the combined Management Report for the Group and for Fielmann Aktiengesellschaft, Hamburg:

We have audited the annual accounts, comprising the balance sheet, profit and loss account and notes to the annual accounts for the financial year from 1 January to 31 December 2007, taking into consideration the book-keeping and the report on the position of the Company and the Group of Fielmann Aktiengesellschaft, Hamburg. The book-keeping and preparation of the annual accounts and the report on the position of the Company and the Group in accordance with the provisions of German commercial law are the responsibility of the legal representatives of the Company. Our task is to provide an assessment of the annual accounts, taking into consideration the book-keeping, and of the report on the position of the Company and the Group, based on the audit conducted by us.

We have audited the annual accounts in accordance with Article 317 of the German Commercial Code (HGB) and in compliance with the principles of proper and correct auditing laid down by the IDW (German Institute of Auditors). These state that the audit must be planned and carried out in such a way that there is sufficient certainty that inaccuracies and infringements which have a material effect on the view of assets, finances and income presented by the annual accounts, in compliance with the applicable accounting regulations, and by the report on the position of the Company and the Group, will be recognised. Audit activities are planned in accordance with our knowledge of the Company's financial

and legal framework as well as the anticipated margin of error. Our audit has also assessed the effectiveness of the internal controlling system and the evidence for the disclosures in the annual accounts and the report on the position of the Company and the Group, mainly on the basis of random checks. The audit includes an assessment of the accounting principles applied and of the material estimates made by the legal representatives, as well as an assessment of the overall presentation of the annual accounts and the report on the position of the Company and the Group. We believe that our audit forms a sufficiently reliable basis for our opinion.

No objections were raised as a result of our audit.

According to our assessment based on the insight gained during the audit, the annual accounts comply with the legal provisions and give a true and fair view, taking into account the principles of proper book-keeping, of the assets, finances and income of the Company. The report on the position of the Company and the Group is consistent with the annual accounts and overall, provides a true and fair view of the position of the Company and accurately portrays the opportunities and risks inherent in future development.

Hamburg, 20 March 2008

Susat & Partner OHG  
Wirtschaftsprüfungsgesellschaft



Rudolph  
Wirtschaftsprüfer

Deike  
Wirtschaftsprüferin







**Fielmann plants a tree for every employee each year and is committed to protecting nature and the environment. To date, Fielmann has planted more than 900,000 trees and shrubs.**