Annual Report 2001/2002

CARL ZEISS MEDITEC

At a glance

The 2001/2002 financial year

- Carl Zeiss Meditec performs well despite difficult economic climate
  Sales increased to € 204.6m
  Operations on firm basis for further growth
  Cash flow and equity ratio significantly raised,
  Liquid assets increased by a factor of three
- Costs of integration temporarily influencing result
- Integration completed

The Company

- Complete Solution Provider for the treatment of the four major ophthalmic disease clusters
- Effective global sales network
- Broad technological competency guarantees innovation pipeline in the long term
- Globally recognised 'Zeiss' brand in the MedTech and EyeCare segments supports marketing
- Steady core business and innovative product applications secure the Company's future growth

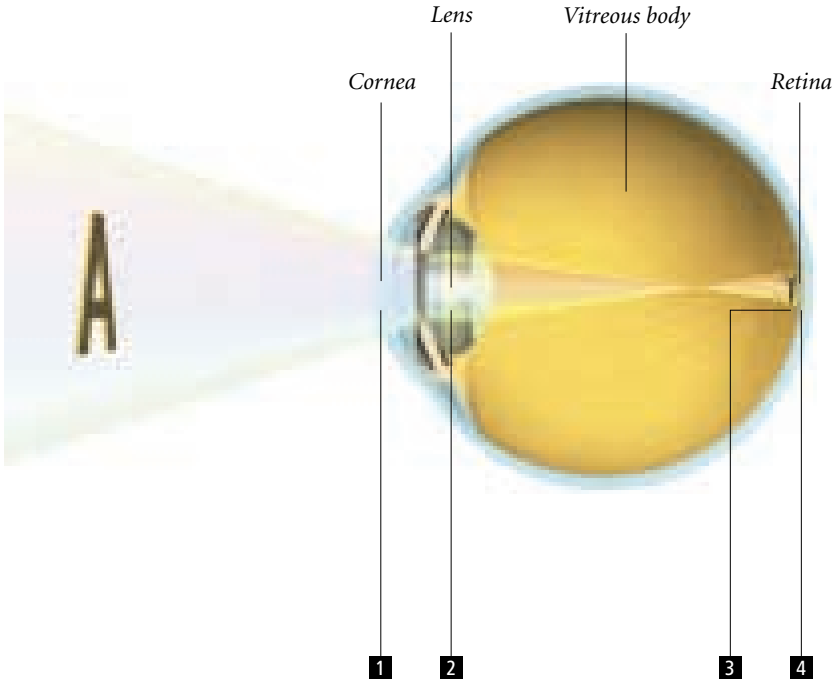
Selected key figures

(in €m)	2001/2002 Financial year
Sales	204.6
Gross profit	70.7
Operating income	8.4
Net income	3.4

(in €m)	30 September 2002
Balance-sheet total	193.6
Shareholders' equity	95.3
Equity ratio	49%
Cash at the end of the year	7.2

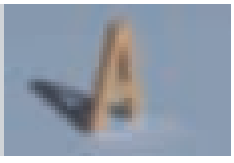
(in €m)	30. September 2002
Net cash provided by operating activities	22.7

We have our sights firmly set on the eye.

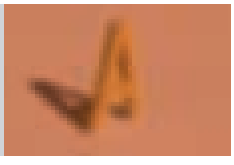


Normal vision

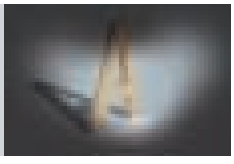
Vision defect (refraction)



Cataract



Glaucoma



Retinal disease

Carl Zeiss Meditec is a complete solution provider for the four main disease clusters in ophthalmology.

1 **Vision defect** (refraction) – refractive status of the eye. Refractive surgery helps improve vision by correcting light refraction of the cornea. Treatable conditions include long and short-sightedness and astigmatism.

2 **Cataract** – Cataract is a typical eye disease among older people in which the lens becomes opaque, eventually leading to blindness. Cataracts are the most common cause of blindness world-wide.

3 **Glaucoma** – Glaucoma is a disorder which seriously restricts the visual field. If left untreated it results in blindness. In industrialised countries glaucoma is the second most common cause of blindness.

4 **Retina** – the increasing average age of the population in many countries is also giving rise to diseases of the retina. Thus age-related macula degeneration (AMD) is the most common cause of blindness in industrialised countries.

Cataract •
Glaucoma •
Retina •
Refractive •

Products, markets and potential

Refractive disease cluster

Refractive laser treatment is increasingly being seen as an alternative to spectacles and contact lenses. Carl Zeiss Meditec has introduced a new premium product for such treatments: the MEL 80™ refractive laser.[1] It is small, fast, mobile and sets new standards in terms of treatment precision.

In the Company's estimate the annual market volume of the segment comprising equipment for the treatment of vision defects is about € 670m at an annual growth rate of 10-15%.

1 The MEL 80™ is not available in the USA and in Japan.

Cataract disease cluster

Each year millions of cataract treatments are performed – in 2002 alone there were about 14 million treatments worldwide.[1] Opaque or hardened lenses are removed surgically and replaced by an artificial, so-called intraocular lense (IOL). The IOLMaster® has proved ideal for the purpose: Prior to the operation it precisely determines all the parameters of the eye. The IOLMaster® is the only system on the market with which these measurements can be made without physical contact.

The Company estimates the equipment market in this segment at about € 260m p.a. at an annual growth rate of about 3%.[2]

1 MarketScope 2002
2 Excludes so-called phaco-emulsification equipment.

Glaucoma disease cluster

Glaucoma is a disease which seriously restricts the visual field. If left untreated it results in blindness. For the first time ever, the STRATUSOCT™ enables real cross-section views to be prepared of the retina. This enables glaucoma and retinal diseases to be recognised much earlier than before. A further top-quality product in the field of glaucoma diagnostics is the Humphrey® Field Analyzer II-*i*. It is the 'gold standard' of visual field measurement.

The Company estimates the annual market volume for equipment for treating glaucoma at about € 190m at an annual growth rate of roughly 8-10%.

Retina disease cluster

Retinal diseases are typical of old age. Positive market development may therefore likewise depend on demographic factors. An important Carl Zeiss Meditec product for the treatment of retinal diseases is the VISULAS™ 532s. The system, which was launched in 2002, offers top performance in a compact design.

The Company estimates the market volume for treatment equipment in which Carl Zeiss Meditec operates at € 240m. The annual market growth is estimated at roughly 8-10%.

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Forward-looking statements

This Annual Report contains certain forward-looking statements including statements using the words 'believe', 'assume', 'expect' and similar formulations. Such forward-looking statements include known and unknown risks, uncertainties and other factors which may lead to actual future results, the financial position, development or performance of the Company, the Group or the relevant sectors differing essentially from those expressly or implicitly assumed in these statements. Among these factors are those which are identified in the section 'Risks in future development' of the consolidated management report and the company management report and other factors named in this Annual Report. Against the background of these uncertainties, investors should not rely on such forward-looking statements. The Company does not assume any obligation to make such forward-looking statements in the future or to adapt them to future events or developments.

Dear Shareholders, Ladies and Gentlemen,

We are pleased to submit herewith the first Annual Report of Carl Zeiss Meditec AG.

2001/2002 was a very eventful year for us. The most important event, of course, bears the date 4 July 2002 – our Company has officially been in existence since this day. It goes without saying that a whole series of projects, changes and personal effort were associated with the emergence of Carl Zeiss Meditec AG, both before and after 4 July. At this point the Management Board of Carl Zeiss Meditec AG would like to sincerely thank all employees and partners for their great efforts and commitment, without which we would not be able to perform this task.

Special thanks go to our shareholders, the vast majority of whom have remained loyal to the Company – also in the mandatory offer phase. This mark of confidence at the same time means a responsibility for us to apply our very best efforts in ensuring a successful future for the first share bearing the name Zeiss.

We have paved the way for the future growth of our Company after the completion of the integration. Despite the adverse economic situation we were able to boost Group sales (to US GAAP) by six per cent from € 193.3m in the previous year to € 204.6m this year. All our newly launched products were very well received by the market. The new STRATUSOCT™ diagnostic system has, for example, become a topseller that sets new standards in the diagnosis of retinal diseases. In the last quarter of the financial year we prepared for the launch of the new MEL 80™ refractive laser and its integration into our distribution channels and the Carl Zeiss Group. Profit growth was still influenced by the costs arising from integration. Nevertheless the EBIT amounted to € 8.4m following € 13.7m the previous year, although the 2001/2002 annual report is only comparable to alimited extent to those of the previous year. According to US GAAP, the business of the former Asclepion can only be consolidated as of the beginning of July 2002. The positive effect of synergies resulting from the merger is already expected to be reflected in profits starting with the first quarter of the new 2002/2003 financial year. They will be clearly visible in the second quarter.

The future of Carl Zeiss Meditec AG is on a solid footing. This is particularly illustrated by three key figures: the equity ratio improved from 23% in the last year to 49% this year. We have achieved a significant increase in cash flow from operating activities: in the reporting period it totalled € 22.7m compared to only € 0.9m in the previous year. We thus more than tripled our liquid assets from € 2.1m to € 7.2m.

The Board of Management of Carl Zeiss Meditec

Ulrich Krauss;
Dr. Walter-Gerhard Wrobel;
Bernd Hirsch

(from left to right)

This will be the basis of our activities in the 2002/2003 financial year. The results are quite presentable. To start with, since the founding of a subsidiary in Japan at the beginning of October 2002 Carl Zeiss Meditec AG has had a direct marketing operation on the world's second most important market for ophthalmic equipment. Furthermore, we have streamlined processes in the research and development sector, in production and certification procedures and tailored them to the needs of a globally leading ophthalmic company. There has also been an important milestone on the product level: at the American Academy of Ophthalmology (AAO) in Orlando we presented the MEL 80™ which is the first refractive laser from the house of Zeiss. The objective is clear: sales and earning capacity of Carl Zeiss Meditec AG are to be substantially improved in and – of course – beyond the 2002/2003 financial year. In the next two years we want to increase sales by at least 10% and the EBIT margin to 8-10%.

We will also adhere to our goals on the capital market. Already on 12 December 2002 Carl Zeiss Meditec was admitted to the new Prime Standard by Deutsche Börse. Together with our majority shareholder, the Carl Zeiss Group, we are pursuing the goal of significantly increasing the percentage of our freefloat to 30 - 40% - and thus the attractiveness of the Carl Zeiss Meditec share.

We hope you find pleasure in reading this Annual Report. Please accompany us as we continue on our way – whether as a shareholder, customer, employee or other interested party. We invite you to approach us at any time with critical questions, wishes and suggestions and look forward to discussing them with you.

Ulrich Krauss
President and CEO

Bernd Hirsch
Member of the
Board of Management

Dr Walter-Gerhard Wrobel
Member of the
Board of Management

The first share with the name Zeiss

Stability prevails. 6

Stability prevails.

Despite the depressed state of the stock markets in the 2001/2002 financial year, the Carl Zeiss Meditec shares managed to gain 27% in value in the period from 1 October 2001 to 30 September 2002.

General performance of the capital markets

The stock markets remained subdued throughout the 2001/2002 financial year. The uncertainty of the market concerning the economy's performance in the near future and other influences such as the threatened escalation of the Middle East crisis led to share prices falling on German and international stock markets. In June 2002 the share prices were at roughly the same level as they were in September of the previous year.[1] Investors shifted their investments to the pensions market, leading as a result to the long-term rates falling significantly in line with the capital market rates.[2] This led in turn to a further downturn in the equity market.[3]

Carl Zeiss Meditec shares performed well in contrast to comparative indices

Given the overall market performance, Carl Zeiss Meditec shares charted a favourable course in the 2001/2002 financial year: based on the closing rates at the Frankfurt Stock Exchange their value increased by 27% in the period from 1 October 2001 to 30 September 2002.[4] Measured up to the relevant comparative indices the Nemax 50, Nemax All Share and Nemax Medtech & Healthcare, in the same period the Carl Zeiss Meditec share price increased by 83%[5], 80%[6] and 67%[7] respectively.

1 *DZ Bank, Designated Sponsors Report for the first half of 2002, July 2002, page 1f*
2 *Deutsche Bundesbank, Monthly Report August 2002, page 23*
3 *DZ Bank, Designated Sponsors Report for the first half of 2002, July 2002, page 1f*
4 *Closing rate of Frankfurt Stock Exchange on 1 October 2001: € 6.20 Euro; closing rate of Frankfurt Stock Exchange on 30 September 2002: € 7.90*
5 *Closing rate Nemax 50 on 1 October 2001: 778.73 points; closing rate Nemax 50 on 30 September 2002: 341.93 points*
6 *Closing rate Nemax All Share on 1 October 2001: 823.66 points; closing rate Nemax All Share on 30 September 2002: 389.03 points*
7 *Closing rate Nemax Medtech & Healthcare on 1 October 2001: 48.91 points; closing rate Nemax Medtech & Healthcare on 30 September 2002: 29.21 points*

Asclepion-Meditec stock was converted to the Carl Zeiss Meditec stock – major milestones in the financial year and their impact on the share price

The merger of Carl Zeiss Ophthalmic Systems AG and Asclepion-Meditec AG into Carl Zeiss Meditec AG had an impact on the share price. When the two companies announced their intention on 22 November 2001 to combine their activities, the price of the former Asclepion-Meditec AG's share posted an increase of 46%.[8] However, in the subsequent period the share price then followed the general market trend. As time progressed the price corresponded again more closely to the general development of the comparative indices.

The announcement regarding the companies' holding ratios in Carl Zeiss Meditec AG, made on 25 March 2002, had little impact on the share price. Subsequently, however, the stock went on to outperform the Nemax 50, Nemax All Share and Nemax Medtech & Healthcare indices.

On 28 May 2002 the Merger Agreement was unanimously approved at the last annual general meeting of Asclepion-Meditec AG. This vote also had no significant impact on the share price.

8 Closing rate of Frankfurt Stock Exchange on 21 November 2001: € 9.05; closing rate of Frankfurt Stock Exchange on 22 November 2001: € 13.20

Carl Zeiss Meditec as a member of the 'Prime Standard' on the German Stock Exchange.

Starting 2003 the German equity market is to be newly segmented. Under the new arrangement there will be two segments: the 'Prime Standard' with increased transparency requirements for major international players and the 'General Standard' for the domestic German market.

CFO Bernd Hirsch sees this as a confirmation of the Carl Zeiss Meditec capital market strategy:

"We welcome the reorganisation. In our opinion this step will boost Germany's attractiveness as a centre of finance in the long term. However, it is important that Deutsche Börse takes into account the strategic alignment and growth potential of companies when assigning them to individual indices."

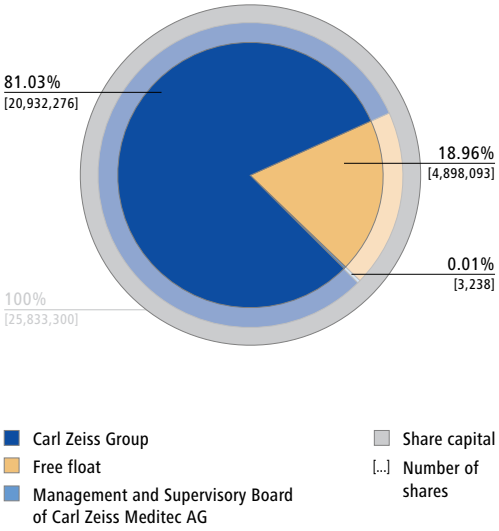
In essence, the concept is to subdivide the overall market into two segments with different standards of transparency. In future the Deutsche Börse will distinguish between two new admission segments: the 'General Standard' with statutory minimum requirements and the 'Prime Standard' with additional internationally accepted transparency requirements. Additional requirements for the Prime Standard are: quarterly reports, international accounting standards (IAS or US-GAAP), submission of a corporate calendar, at least one analyst conference per year as well as ad hoc notices and ongoing reporting in English. The target group for the General Standard comprises predominantly domestic issuers, whereas the Prime Standard is intended to give access to the international capital market.

Carl Zeiss Meditec was admitted to the 'Prime Standard' by Deutsche Börse on 12 December 2002.

On 4 July 2002 the merger was entered officially into the commercial register in Gera. The name of the shares was also officially changed to Carl Zeiss Meditec in July 2002. Furthermore, the new shares emanating from the share capital increase in the course of the merger were admitted to trading on the Frankfurt Stock Exchange on 22 July 2002. The total share capital of Carl Zeiss Meditec AG, which was increased by € 19.6m from € 6.2m to € 25.8m in the course of the merger, was thus admitted to trading on the respective German stock exchanges.

The final formal step involved in merging Carl Zeiss Ophthalmic Systems AG with Asclepion-Meditec AG was the mandatory offer made by the Carl Zeiss Group to the independent shareholders of the former Asclepion-Meditec AG pursuant to Art. 35 of the Securities and Takeover Act (WpÜG). Despite the adverse climate in the capital markets, only 1.3 million of the total 6.2 million shares were proffered to Carl Zeiss Jena GmbH, which had made the offer on behalf of the Carl Zeiss Group. The offer price was € 11.13 per share. Leading up to the mandatory offer, the Carl Zeiss group had already publicly announced that it was not pursuing the goal of increasing its stake with the offer, but that it was simply fulfilling its legal obligations. At the same time the Carl Zeiss Group made it clear that the proportion of the free float of Carl Zeiss Meditec's share capital would be raised significantly in the future. For the duration of the offer from 25 July to 23 August 2002 the shares were thus only traded on the stock market to a limited extent.

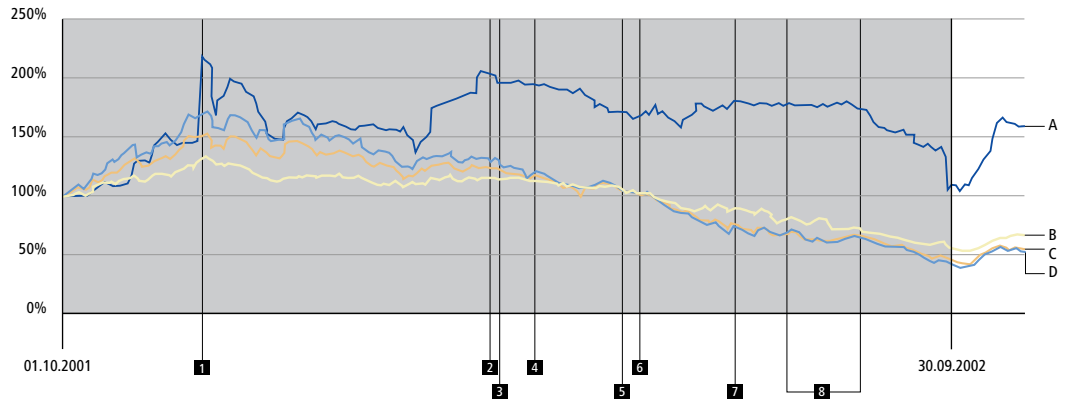
Shareholder structure



The Carl Zeiss Meditec share: facts and figures

Securities Code Number	*531 370*
ISIN	*DE0005313704*
Trading segment	*Neuer Markt*
Designated Sponsors	*Commerzbank AG, DZ Bank*
Share capital	*€ 25,833,300*
Admitted capital	*€ 25,833,300, divided into € 1 shares*
Category and nominal value	*No-par value bearer shares at a nominal value of 1.00 Euro per share*
Capital measures since the merger of Carl Zeiss Ophthalmic Systems AG with Asclepion-Meditec AG	*None*

Development of the Carl Zeiss Meditec share



A Carl Zeiss Meditec AG
B Nemax MedTech + Healthcare
C Nemax All Share
D Nemax 50

Prices are indexed to the final quotation on 01 October 2001 (= 100%).

Here the mandatory offer had a clear stabilising effect on the value of the Carl Zeiss Meditec share: the rates on the Frankfurt Stock Exchange moved within a range of € 10.75 and € 11.05 during this period.

The release of the consolidated pro forma statement of Carl Zeiss Meditec AG for the first nine months of the 2001/2002 financial year likewise had no significant impact on the share price.

The planned increase of the proportion of diversified shares is aimed at raising the appeal of Carl Zeiss Meditec shares as an investment in the future. The intention is for the Company's role within the technology segment of the redefined stock market to be commensurate with its status.

Milestones on the path to Carl Zeiss Meditec AG.

1. **22.11.2001 Announcement of the merger plans:** Carl Zeiss Ophthalmic Systems AG and Asclepion-Meditec AG announce their plans to combine their activities in ophthalmology.
2. **25.03.2002 Valuation ratio:** both parties agree that Carl Zeiss will hold 76% and Aclepion-Meditec AG 24% of the new Carl Zeiss Meditec AG.
3. **28.03.2002 Supervisory Boards approve merger agreement:** The supervisory boards of Carl Zeiss Ophthalmic Systems AG and Asclepion-Meditec AG approve the draft of the merger agreement.
4. **15.04.2002 Authentication of the merger agreement by a notary:** The merger agreement is notarised in the unchanged draft version.
5. **21.05.2002 Carl Zeiss Ophthalmic Systems shareholders approve merger agreement:** An extraordinary general meeting of Carl Zeiss Ophthalmic Systems AG approves the merger agreement.
6. **28.05.2002 Asclepion shareholders approve merger agreement:** At the general meeting of Asclepion-Meditec AG the shareholders approve the merger of Carl Zeiss Ophthalmic Systems AG with Asclepion-Meditec AG unanimously.
7. **04.07.2002 Registration of the merger in the commercial register:** The merger has been successfully concluded.
8. **25.07 - 23.08.2002: Mandatory tender offer:** A clear majority of Asclepion shareholders demonstrate their confidence in the new Carl Zeiss Meditec AG by not offering their shares.

We are Carl Zeiss Meditec!

We have your interests in mind. *12*

We are at home in all markets. *13*

We see with your eyes. *14*

We have lasers that contribute to well-being. *16*

We trust in inner strength. *16*

We are always a step ahead. *17*

At your service – everywhere. *18*

We're at home on two continents. *20*

Ulrich Krauss
President and CEO
of Carl Zeiss Meditec AG, Jena/Germany

"Seeing the world with your own eyes – that's something everyone should be able to do. And that's what we work on. Day in, day out."

We have your interests in mind.

Since mid-2002 there's been a new, strong partner in the field of eye care: Carl Zeiss Meditec has emerged to set new standards in ophthalmics.

Our daily business is focused on maintaining or improveing vision. Carl Zeiss Meditec technology supplies eye care professionals all over the world with intelligent tools for efficiently and effectively treating the four main disease clusters of the eye (refractive, cataract, glaucoma, and retina) – from diagnosis to surgery and follow-up treatment. True to our principles, we endeavour to combine the skills of the eye care practicioners with our know-how to keep the world visible for everyone.

Team spirit is essential. The 869 Carl Zeiss Meditec employees across the world know that this is the secret of success. Every one of them faces the daily challenges with an attitude of willingness and perseverance, with the collective aim of securing a competitive advantage and skilfully dealing with the idiosyncrasies of the market.

The name binds us to our tradition: 'Carl Zeiss' is not only a worldwide symbol for high quality and precision, it is also a synonym for innovation, technological leadership and scientific progress. 'Meditec' embodies the successful development and global application of medical lasers.

We are at home in all markets.

Loss of eyesight always means a major reduction in the quality of life. We set out to develop new technologies to help protect eyesight, even in the case of illness or advanced age.

The global battle against eye ailments is in full swing. Market requirements differ from one region to another: in industrial countries glaucoma is still the second most common cause of blindness. In addition – due to the aging trend of the population – the treatment of senile retinal disorders is gaining in importance. In contrast, the main focus of ophthalmology in threshold countries is the treatment of cataracts. Refractive laser treatment enjoys an equal level of acceptance in industrial and threshold countries for the fast and permanent treatment of vision defects. From cataracts to glaucoma, from retinal disorders to vision defects: the challenges and markets in the field of ophthalmology are changing. Depending on the country and its stage of development, we are able to place an emphasis on certain products in response to market conditions. With our extensive know-how in diagnosis, therapy and post-surgical treatment we are able to combine all the main fields of competence in ophthalmic equipment and systems – a strategic orientation that is unequalled in the world.

We have secured leading positions in the major world markets of North America, Europe and Asia. At the same time we are very active in the threshold countries that require outside support in the

The 7-point plan for the strategic orientation of the Company is being worked through point by point and to schedule.

Action (1) Optimisation of sales channels – integration of refractive laser sales into Carl Zeiss Meditec's existing direct distribution network, i.e. the Carl Zeiss distribution channels

Results:

- *Founding of Company's own subsidiary in Japan*
- *Prerequisites already in place for sale of refractive lasers in major markets*

Action (2) Market launch of at least two new products

Results:

- *New MEL 80 refractive laser presented at AAO in Orlando*
- *Also unveiled at the AAO: DigiCam digital camera peripheral*

Action (3) Start of approval procedures in USA and in Japan for refractive laser systems

Results:

- *Approval procedures have been started*

Action (4) Bundling of research & development activities to create next generation of refractive lasers from the first quarter of the 2002/2003 financial year

- *Completed*

Action (5) Integration to be completed by 31 December 2002

- *Completed*

Action (6) Implementation of recommendations of the German Corporate Governance Code from 2002/2003 financial year

- *Carl Zeiss Meditec is in compliance with the recommendations of the 'Government Commission on the German Corporate Governance Code'*

Action (7) Establishment of viable business models for Aesthetic and Dental business units by second quarter of 2002/2003 financial year

Results:

- *Discussions with cooperation partners are under way*

field of ophthalmology. In all cases we are able to satisfy the growing requirements that accompany increased economic power.

Over 60 products with a high level of customer benefit instil a feeling of confidence in eye specialists, opticians and optometrists – and each year new and innovative technologies are being added to the product spectrum.

As a complete solution provider for ophthalmic devices and systems, Carl Zeiss Meditec is paving the way for comprehensive market synergies and far-reaching growth potential. The first steps have already been made: today the company occupies a leading position worldwide in the market for equipment and systems for treating the four main disease clusters in the field of eye care.

We see with your eyes.

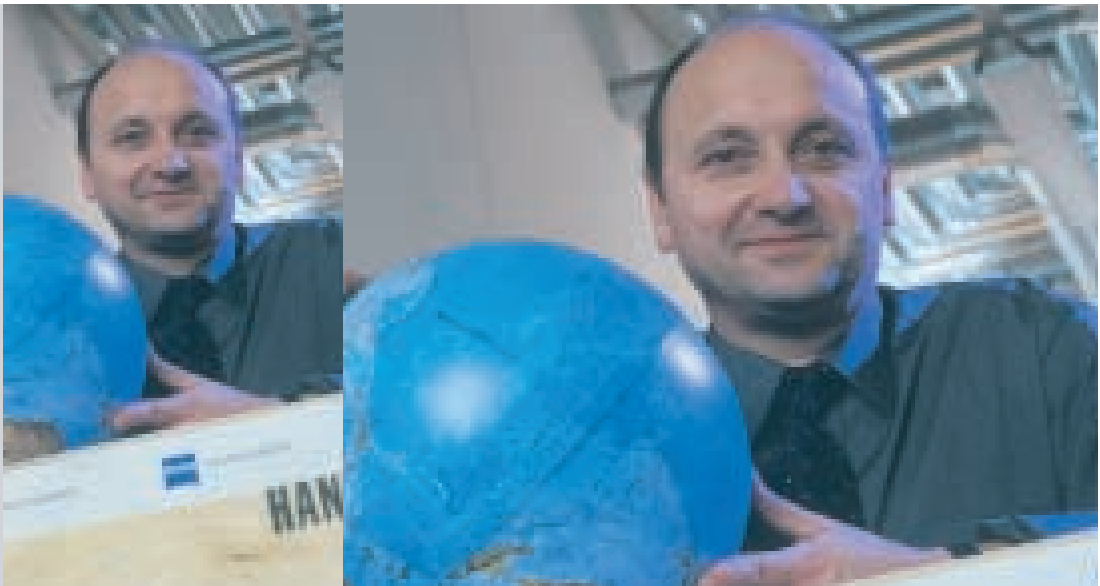
The pace of development is relentless. It is a matter of keeping in step with the vast number of opportunities for progress in the medical field. Carl Zeiss Meditec is a major player in this arena that influences market trends. Complementary fields of competence, such as diagnosis and post-operative treatment, are linked together at a high level.

Our products bring about a significant improvement in the quality of life of patients. That is the strongest source of motivation for us. To this end we optimise our capacities at the crucial moment and develop product innovations for diagnosis, therapy and post-operative treatment. As a supplier of premium products, Carl Zeiss Meditec always distinguishes itself with superior quality and reliability.

With about € 183m in sales the most successful segment in the 2001/2002 financial year, the Vision business unit (ophthalmic devices and systems) markets integrated instruments for examination

Roland Voigt
Sales Manager, Jena/Germany

"One of the most fascinating aspects of my work is the company's international orientation. We make products for customers literally all over the world. And they get them in no time thanks to our global sales network."



Dr. Martin Wiechmann

Director Research and Development, Jena/Germany

"We put all our skill and know-how into developing intelligent technologies designed to sustain or improve vision. It really is inspiring to work in the special creative environment we have at Carl Zeiss Meditec."

and treatment as equipment solutions for the four main disease clusters in the field of ophthalmology.

These include, for example, Zeiss auto refractors, the best precision measuring devices available for the diagnosis of vision defects. The IOLMaster® and the STRATUSOCT™ are two systems on the market with which the eye can be measured accurately and efficiently. The STRATUSOCT™ is based on optical coherence tomography (OCT), a unique optical method of imaging the back of the eye. It is used to make optical 'incisions' through the retina, which enable the causes of retinal disorders to be identified much more directly and thus earlier. With the STRATUSOCT™ the technology has expanded out of the university setting and into daily practice.

The IOLMaster®, with which the ophthalmologist can precisely and reliably determine the data needed for treatment of cataracts, has established a new standard in optical biometrics. This is the reason that the company received the State of Thueringen Innovation Prize for this product. It is the only device on the market capable of non-contact measurement of the length of the ocular axis, corneal radius and anterior chamber depth with the degree of precision required for surgical treatment of cataracts. Another key benefit to the specialist is that the IOLMaster® substantially increases the efficiency of the respective diagnosis, thus reducing costs. This is certainly an important argument in the face of dwindling health insurance reimbursement.

As a pioneer of innovation we have always set milestones. One example is the new MEL 80™ refractive laser.[1] Not only is it the first new product of the two merged companies – it is further evidence of the technological lead held by Carl Zeiss Meditec. A refractive laser with a whole series of major standalone features has been launched on the market: its speed, compactness and precision make the MEL 80™ the first refractive laser to earn the name 'Zeiss'.

The MEL 80™, presented for the first time at the American Academy of Ophthalmology in Orlando in October 2002, is key to Carl Zeiss Meditec's intent to increase share of the refractive surgery market from 12% to 20-25% within the next five years.

1 The MEL 80™ laser is not for sale in the U.S. and in Japan.

We have lasers that contribute to well-being.

Carl Zeiss Meditec is a synonym for innovative medical technology. Our Aesthetic and Dental Business Units, which are dedicated to the natural well-being and external beauty of men and women, also benefit from this. For some time now, medical lasers have been assisting in the safe removal of hairs, wrinkles, scars, tattoos and other pigmented lesions. These products are a consolidation of extensive market and technological experience which establishes a basis for continued growth.

The mainstay of the Dental Business Unit are lasers for almost pain-free and minimally invasive treatment of caries. The main product on the market is the KaVo KEY laser 3. It is the third generation of this product line, the result of more than ten years cooperation with the world leader in dental technology, Kaltenbach & Voigt GmbH & Co.

We trust in inner strength.

Our philosophy is simple and has stood the test over the past 150 years: sound products are an expression of quality. And quality creates confidence in the user. Positive thinking is effective if it culminates in action. Our employees throughout the world stand behind Carl Zeiss Meditec. As a publicly listed company we will continue the successes of the past few years. In doing so, we will encourage the personal commitment and initiative of all our

employees. As an international organisation, advanced training and career opportunities are a matter of course.

The loyalty of employees to Carl Zeiss Meditec gives us a competitive edge and is part of our company philosophy. This is a basis for responsible action, finding innovative product solutions and accomplishing impressive market appearances. The senior management of Carl Zeiss Meditec has broad international experience. At the same time we promote and support scientists all over the world. After all, proficiency is the key to progress. At all our facilities there is an atmosphere of mutual trust, openness and respect. Here we work according to a common philosophy.

We expect only the best – and that also applies to our partners and suppliers. Each and every one of them makes a contribution to our commercial success and helps to mould the image of our company. But what counts in the final analysis is the perception of Carl Zeiss Meditec held by practising specialists and patients.

We are always a step ahead.

The time in which we live is a challenge. Medical specialists and patients are more demanding than ever. That gives us the incentive to speed up scientific progress with new concepts and products. For it is only our passion for premium products that has taken us to the forefront of medical progress.

We strive to meet the evolving needs of man. Our successes of the last decades are impressive evidence of this. And it will continue to be so in future, for as pioneers of scientific optics we exceed the boundaries of imagination – yesterday, today and tomorrow. Without us, instruments such as the slit lamp or Humphrey® perimeter – standard equipment in today's ophthalmic practice – would be unthinkable. In developing the first excimer laser and the first LASIK operation we established something which has become almost a matter of routine in refractive surgery. Both are now global standards which are an expression and confirmation of the practice orientation of our work.

Steffen Dubnack
Director Quality Management,
Jena/Germany

"The quality yardstick we use is customer satisfaction. You can never do too much to ensure full satisfaction."

Carl Zeiss Meditec has good prospects for further developing its technological lead. Today our development teams are implementing technology that will be in demand tomorrow.

At your service – everywhere.

We are well prepared for international competition. The goal-directed and carefully prepared merger between Carl Zeiss Ophthalmic Systems and Asclepion-Meditec benefits from the synergies it generated, especially in the field of sales and marketing.

In the world's major markets, the USA and Japan, we have our own subsidiaries. In other countries we have the worldwide distribution channels of the Carl Zeiss Group at our disposal: with about 40 affiliates and more than 100 distributors we operate in virtually every country around the globe.

In addition, the Group's broad international customer base speeds up clinical studies and certification procedures, paving the way for the faster launch of new products.

Right from the start we have benefited from the world-famous name 'Zeiss', for example in synergies for the establishment of the brand. A high annual sales volume of optical components such as camera objectives and outstanding scientific achievements in other areas of medical technology have secured a high degree of familiarity and impeccable reputation of the 'Zeiss' brand, the name by which our products are also marketed.

For launching product innovations or accelerating important technological developments, Carl Zeiss Meditec has access to the work of the research and development division of the Carl Zeiss Group. In the optical and precision technology fields a highly

Carl Zeiss Meditec in the land of the rising sun.

With the establishment of our direct sales force in Japan in October 2002 the Company closed the last gap in direct coverage of the world's most important markets. Carl Zeiss has been successfully represented in Japan for over 90 years and has firmly established the 'Zeiss' brand. The new Carl Zeiss Meditec subsidiary will base its activities on this success. In particular it will benefit from existing customer relations, established and fostered over many years, and extensive know-how in certification procedures on the Japanese market. Highly-qualified staff will ensure top quality marketing of products and services.

Already today, virtually our complete product portfolio is being successfully marketed in Japan. In particular, products for treating glaucoma are much in demand. With our unique STRATUS$_{OCT}$™ we also occupy a leading position in the market.

カールツァイスメディテック株式会社

qualified staff of 300 is engaged in optical design, image processing and laser technology. And, of course, Carl Zeiss Meditec is an integral part of the Carl Zeiss research networks in Germany and the rest ofthe world.

A multitude of employees in the worldwide service networks of Carl Zeiss and Carl Zeiss Meditec are busy installing the systems and familiarising staff with their usage, fulfilling service contracts and supplying spareparts and consumables. Intensive and comprehensive training of service technicians in the global network are an integral part of the Carl Zeiss Meditec philosophy. This also guarantees fast response times, thus ensuring a high level of customer satisfaction also in this sector.

Jena – where it all began...

In terms of figures Jena is today a city of 100,000 inhabitants located in Thuringia, central Germany. 250 kilometres from Berlin, 310 kilometres from Frankfurt/Main and just under 400 from Munich. But Jena, located in the picturesque Saale Valley, amounts to much more than these figures express. Jena has firmly established itself in many respects: It received a municipal charter in 1236. In 1523 and 1524 it was one of the centres of the Reformation. Jena's university was founded in 1558. Johann Wolfgang von Goethe, Germany's most outstanding poet and a universal genius, was one of the patrons of the university around 1800 and engaged Friedrich von Schiller as a professor. Jena, the city of learning, became the city of German romanticism and philosophy thanks to Fichte, Hegel, Feuerbach and many others. It was in this atmosphere of Enlightenment that Carl Zeiss founded his fine engineering and optics workshops in 1846 and, together with Ernst Abbe, made them world famous. The exchange between the university and business is still one of the sources of Jena's prosperity. Jena, whose silhouette is characterised by Renaissance cupolas and high-rise apartment blocks, has managed to walk the fine dividing line between tradition and the future – and is indeed a city well worth visiting.

We're at home on two continents.

Already today, the development and marketing of ophthalmic systems and equipment is a global challenge. A close network of facilities and distribution channels enables Carl Zeiss Meditec to market its products worldwide.

With our European head office in Jena (Thuringia), a long-established and successful North American subsidiary in Dublin (California), our own distribution channels and the Carl Zeiss Group's network of dealers and sales offices we have the extra power needed to take a lead in the global competition. This will enable us to respond quickly to the different needs of people throughout the world – no matter if they live in Asia, Australia, Europe, America or Africa.

Our European production facilities are at Jena, home of Zeiss.

The corporate headquarters of Carl Zeiss Meditec are still located where the success story of the precision mechanics and optical industry began 150 years ago: at Jena in Thuringia. This is where the world-renowned 'Zeiss' brand originated, a name people all over the world link to attributes such as stability, reliability and quality.

For decades, Zeiss products have been used in countless hospitals, by eye specialists, opticians and optometrists worldwide. The integrated solutions for diagnosis and therapy which Carl Zeiss Meditec has been able to realise thanks to its broad applications know-how have set the course for the sector as a whole.

In the US we sustain the spirit of Zeiss in California.

Carl Zeiss Meditec's US subsidiary in Dublin, California, is the Group's second pillar besides Jena. Carl Zeiss Meditec Inc., has been supplying premium products to the world's most important ophthalmic market for the past three decades and holds a strong position: half of our workforce is employed in the US and about half of our sales are generated there.

Today, Carl Zeiss Meditec markets a product range that enables eye specialists all over the world to provide an improved standard of patient care with maximum efficiency. Ongoing innovation and recognised service have enabled Carl Zeiss Meditec to establish ideal conditions for a high level of customer loyalty. Alone in the US, our subsidiary has been able to place 72,000 devices and systems to date.

A success story from California.

32 years ago two like-minded partners started a joint venture in Berkeley, California: They were Luis Alvarez, a professor at the renowned University of California and a Nobel Prize laureate for high-energy physics, and Bill Humphrey, a tinkerer and inventor who had set himself the task of turning Alvarez's inventions into marketable products. In 1975 Humphrey – that was the name selected for the company, which still enjoys a high standing among ophthalmologists and optometrists in the United States – presented the Vision Analyzer. The Vision Analyzer, a new form of refraction system to determine visual acuity without the use of special glasses and similar devices, triggered a massive growth phase for the company. In 1978 Humphrey then launched the Lens Analyzer, which is a widely-used instrument for the automatic measurement of the refractive power of spectacle lenses. Further milestones in the company's development in the 1980s were the automatic keratometer for the measurement of the cornea and a system for automatic refraction. The Humphrey® Field Analyzer, the 'Gold Standard' for measuring the field of vision, is one of the company's key products. The latest flagship to emerge from Dublin is the STRATUS$_{OCT}$™ system, which enables a cross-sectional view of the various layers and underlying structure of the retina in living tissue. Today the pioneers from the former Humphrey are continuing to write the future of ophthalmology within Carl Zeiss Meditec.

People, markets and products

We have our sights firmly set on the eye. *24*

We think ahead. *24*

We have products geared to the future. *26*

We have our sights firmly set on the eye.

Everyone should be able to see the world clearly with his or her own eyes – that's the goal Carl Zeiss Meditec has set itself.

Eye care specialists around the globe use our products for maintaining vision – with considerable success. The differing requirements of the peoples of various continents are reflected in the demand for and diversity of the products. New, exciting developments such as the opening up of new markets in Asia or the implementation of the latest research results in successful products reveal interesting growth perspectives in which we actively participate with our commitment in the four main disease clusters of ophthalmology.

We think ahead.

Our success lies where we are of benefit. Proximity to customers, further market expansion and product innovations, optimised distribution channels and the acquisition of new customer groups are our strategic targets. They point the way into the future of our company.

Things that ten years ago were beyond our power of imagination will be in demand tomorrow. We correctly assessed numerous developments in the ophthalmic market which emerged in the past few years and geared ourselves to them with new products.

Customers of Carl Zeiss Meditec AG

Carl Zeiss Meditec products are in demand by various groups of eye care specialists. They can be subdivided as follows:

Ophthalmologists in clinics: Opthalmologists in clinics treat serious eye diseases and perform major operations.

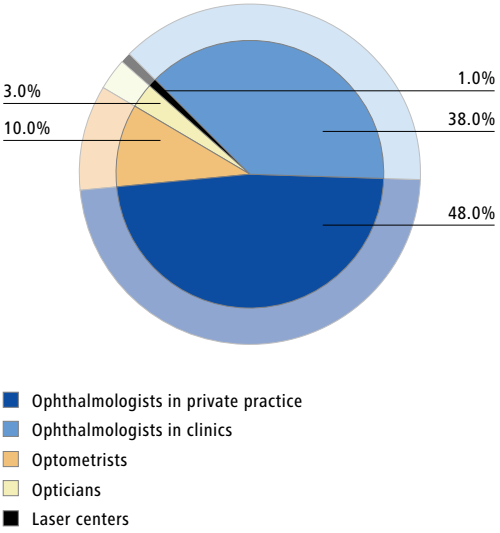
Ophthalmologists in private practice: These are ophthalmologists in their own practices.

Optometrists: An optometrist is an eyecare practitioner who has a specialized education for prescribing corrective lenses and often limited authority to diagnose and treat eye disease. This profession is more common to anglo-saxon countries.

Opticians: Opticians amend spectacles and other corrective aids such as contact lenses and conduct the necessary examinations.

Laser centers: These centres are specialised in opthalmic treatments. Here, the customer receives everything from one source: refractive laser treatment, contact lenses, glasses, care products and accessories.

Customer structure



Four trends ensure long-term and sustainable growth in the markets of Carl Zeiss Meditec:

Population growth and increasing human life expectation: According to UN forecasts the world's population will increase from 6.1 billion in 2000 to about 9.3 billion in 2050.[1] At the same time there will be a steady increase in human life expectation.[2] Increased incidence of many eye diseases in old age triggers a growing demand for ophthalmic products.

Maintaining eyesight in developing countries: In developing countries the struggle against blindness is one of the top health priorities. The World Health Organisation (WHO) – together with numerous other organisations – has set itself the goal of reducing the number of cases of avoidable blindness in the world to zero by the year 2020.[3] This will create a huge need for equipment for diagnosis and treatment.

Furthermore there is a significant correlation between rising educational standards and increasing incidence of short-sightedness.[4] Increased literacy among the populations of developing and threshold countries is accompanied by a steady growth in the demand for ophthalmic products.

New treatment methods: The interdependency of medical and technical progress will continue to promote advances in ophthalmology in future. The possibility of, e.g. diagnosing a disease with innovative equipment, often forms a basis for developing effective medication. In the reverse case, new medications or implants often require additional diagnostic equipment for gauging the success of a therapy and optimising the outcome of treatment.

1 *UN World Population Trends 2001, quot. in Fischer's World Almanach 2002*
2 *ibid.*
3 *Global Initiative for the Elimination of Avoidable Blindness, WHO/PBL/97.61 Rev. 2*
4 *F. Trichtel, Zur Entstehung und Therapie der Myopie (Origin and Treatment of Myopia), Enke-Verlag, Stuttgart 1986.*

VISION 2020: The Right to Sight

Carl Zeiss and Carl Zeiss Meditec AG will become the first Corporate Sponsors of the 'VISION 2020' initiated by the International Agency for the prevention of Blindness (IAPB). VISION 2020 is a global programme of the World Health Organization (WHO) in which a number of international non-governmental organisations participate. The project's mission is to eliminate avoidable blindness in order to give the world population the right to sight. 80% of the world's blindness is avoidable. The treatments available today are more successful and effective than ever.

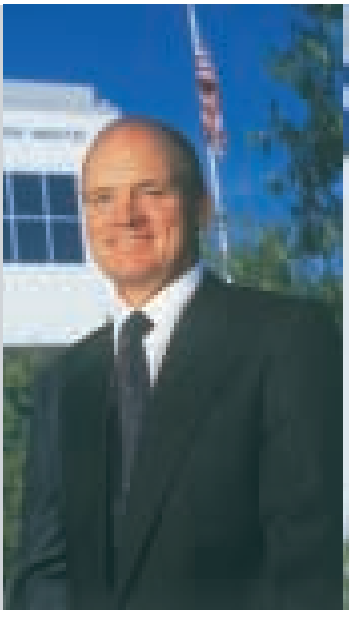
The IAPB was established in 1975 as an umbrella organisation to spearhead an international effort to mobilise resources for blindness prevention. Its first major achievement was to promote the establishment of a WHO programme for the prevention of blindness.

For more information please visit www.V2020.org or www.iapb.org.

VISION 2020
THE RIGHT TO SIGHT

James Taylor
President of Carl Zeiss Meditec, Inc., Dublin/USA

"As a global leader in the ophthalmic marketplace, our focus is on providing innovative products to preserve and enhance vision. With our distribution partners and our employees, we are committed to aggressive growth by offering exceptional value for our customers."



Lifestyle trends in industrialised countries: In industrialised countries the treatment of eye diseases is usually paid for under public or private health schemes. However, due to budgeting measures in the health sector, costs are subject to increasing pressure. The result has been a trend towards private financing of innovative ophthalmic products and methods such as laser treatment, i.e. the patient pays for them privately. The clinics actively proffer these services, because they constitute a new source of income.

We have products geared to the future.

According to company estimates, the global market for ophthalmic equipment in which Carl Zeiss Meditec operates was worth approx. € 1.4 billion in 2001 and should develop at an average annual growth rate of 10%.

According to the four main disease clusters of ophthalmology, this market can be segmented as follows.

Refraction: In the company's estimate the annual market volume of the segment comprising equipment for the treatment of vision defects is about € 670m an annual growth rate of about 10-15%. In USA, the world's largest market for medical laser

treatment, between 1997 and 2001 the annual number of laser treatments rose from 215,000 to approx. 1.5 million. The reason for this increase lies in the fact that more and more people see refractive laser treatments as an alternative to glasses and contact lenses for enhancing the quality of life. And market penetration is still low: less than 5 percent of all possible candidates had a refractive laser treatment.[5]

And last but not least, in conjunction with advanced diagnostic methods, perfect treatment of even more complicated vision defects seems possible in future.

MEL 80™[6]

The future has begun: With the MEL 80™ excimer laser Carl Zeiss Meditec has unveiled a new premium product for the laser treatment of vision defects. The excimer laser enables tissue to be ablated from the surface of the cornea – similar to grinding a spectacle lens – in order to correct light refraction.

The new MEL 80™ is very fast, very small and very mobile. So fast that it speeds up treatment considerably. Both the refractive surgeon and the patient benefit from this. The surgeon because he or she can schedule more operations in the same period of time. And the advantages to the patient are also considerable: shorter operating times mean quicker wound healing. Eyesight is recovered even sooner than before.

5 *MarketScope Comprehensive Report on the Refractive Market, November 2001; dito November 2000*

6 *Important note: The MEL 80™ is not for sale in the USA and in Japan.*

The MEL 80™ features an extremely fast new eyetracker. By tracking inadvertent movements of the eye and aligning the laser beam accordingly, it provides for a treatment according to the planned parameters.

A further innovation is the new workstation concept, for which the MEL 80™ was designed. Essential patient data such as age and desired individual result can be taken into account in the operation.

The MEL 80™ is a high-precision system. The laser beam itself is hardly 0.7 mm wide. This permits highly accurate corrections. In addition, the special beam profile permits completely smooth ablation and stands for optimum results.

Because the MEL 80™ is relatively compact, it is ideal for group practices – mounted on soft wheels, it can easily be moved from one treatment room to another.

Cataract: Carl Zeiss Meditec estimates the global market volume for cataract treatment equipment at € 260m.[7] The annual market growth is estimated at about 3%.

Whereas in threshold countries cataracts are the most common cause of blindness, in developed countries the implantation of a synthetic lens by outpatient treatment will remedy this problem. Positive market development impulses for this syndrome emanate in particular from developing countries.

7 *This refers to those market segments only for which the company offers products. Excluded are therefore, so-called phaco-emulsification machines.*

Carolyn Maiden
Director of Sales Administration,
Dublin/USA

"The customer, regardless of location worldwide, is always the focus. Getting them, pleasing them, keeping them. We're committed to customer satisfaction."

IOLMaster®

Every year millions of cataract treatments are performed – in 2002 alone there were about 14 million treatments worldwide.[8] Opaque or hardened lenses are removed surgically and replaced by an artificial, so-called intraocular lense (IOL). This restores the patient's vision. For this purpose an instrument was needed for accurate pre-operative measurement of the eye and determining the specifications of the artificial lens to be inserted. The IOLMaster® is such an instrument.

In order to obtain accurate data on the length of the ocular axis – essential for the subsequent treatment – the IOLMaster® works on the basis of optical biometry. The eye is measured with a beam of light. This method permits exact measurement of the axial length, corneal radius and anterior chamber depth.

The high precision of the method is not compromised by vision defects: even if the patient is short- or far-sighted or has an astigmatism, the IOLMaster® accurately determines the parameters of the eye.

Following eye measurement, the IOLMaster® computes the specifications of the artificial lens the patient is to receive – and supplies the eye specialist with a list of models by various manufacturers which would meet the requirements.

The IOLMaster® operates by an absolutely contract-free technique – no probe of any type ever comes into contact with the patient's eye.

Local anaesthetic is no longer required and the risk of patient-to-patient infection is virtually eliminated. The eye care specialist no longer needs several instruments; this device provides him or her with all the necessary data. Furthermore, the IOLMaster® is relatively easy to operate. Time-consuming training and familiarisation is unnecessary – the self-explanatory user interface enables the eye care specialist to quickly become proficient in all measurement procedures.

Glaucoma: According to company estimates, the global market for glaucoma equipment in which Carl Zeiss Meditec operates is worth approx. € 190m. Carl Zeiss Meditec assumes an annual growth rate of 8-10%.

STRATUSOCT™

The STRATUSOCT™ enables real-time cross-sectional images of the retina. It is the world's first instrument to provide high resolution photo-like images of the underlying structure of the eye. The device offers three diagnostic approaches: analysis of the macula, the optic nerve head and the retinal nerve fibre layer.

It enables a cross-sectional view of the various layers and underlying structure of the retina in living tissue.

The structure of the optic nerve head allows the eye care practitioner to assess its condition. The STRATUSOCT™ can be used to determine whether the

optic nerve head displays an abnormality or whether it is damaged. In addition, the prepared cross-sections of the tissue structure assist in determining the thickness of certain layers of the retina and whether the patient is suffering from such problems as retinal detachment.

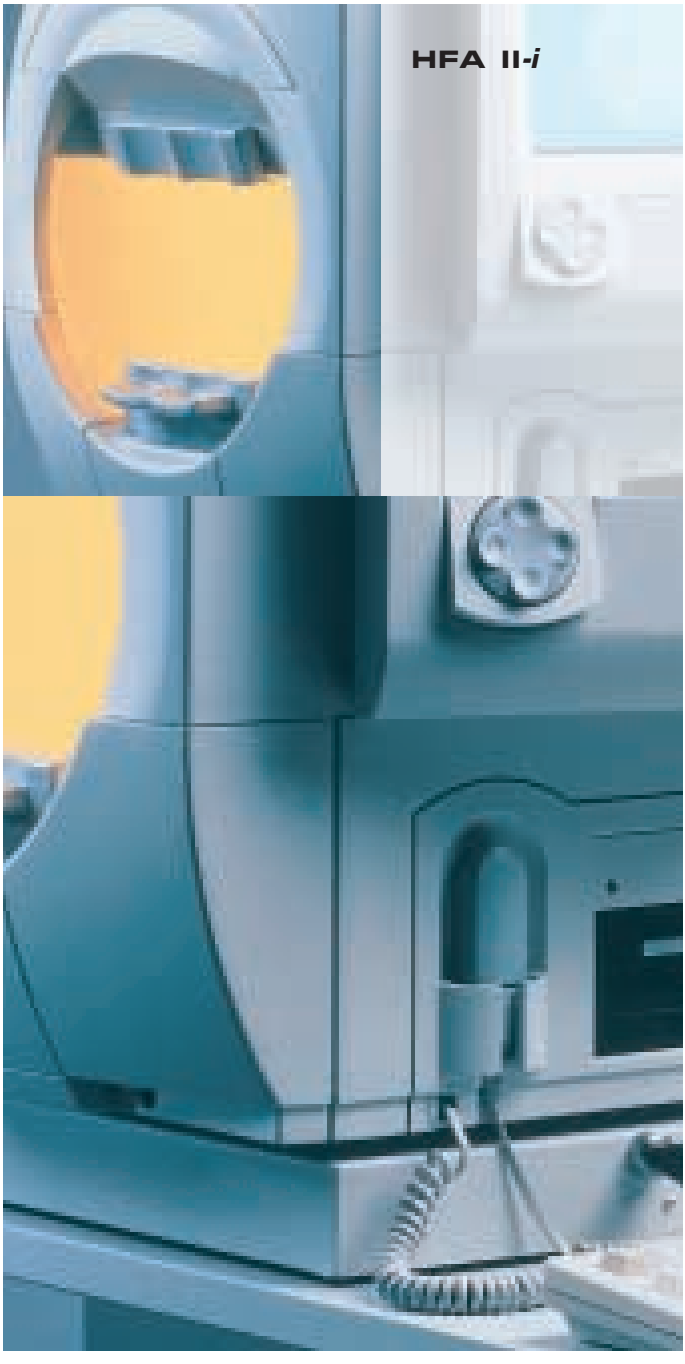
The STRATUSOCT™ operates according to an innovative non-contact principle. It employs non-thermal infrared beams which penetrate deep into the retinal tissue where they are scattered and reflected back. The time between emission and return of the light is used to construct a precise picture of the retina.

Droplets to dilate the patient's pupil are rarely required. Examination with the STRATUSOCT™ means greater comfort and minimum time involved,with outstanding and sometimes previously improbable diagnostic conclusions.

HFA II-*i* – the Humphrey® Field Analyzer

Each day thousands of people visit an ophthalmologist, optometrist or optician to determine whether they have signs of glaucoma or to verify sight for commercial driver's license. This involves testing their eyesight, the so-called visual field.

The human eye has a point which – put simply – produces the sharpest image, a small area on the retina which is responsible for the major portion of our visual acuity. The remaining area produces only indistinct images. By 'field of vision' we mean the total area visible to us when our eyes are fixed on a certain point.



Al Weisser
Director of Corporate Service Administration

Jaspreet Kaur
Assembler STRATUSOCT™ line, Dublin/USA

"Exchanging ideas and sharing information between generations has been a long-held tradition at Zeiss. Veteran employees are valued for their knowledge and experience, and newer employees are appreciated for their fresh approach."

The HFA II-*i* is used to determine the size of the visual field and the quality of vision within the field. During the examination the patient focuses on a specific point whilst light spots of differing size and intensity are displayed at different points. If the patient sees the latter, he or she presses a button. These reactions are compared with the information in the database in order to determine if the patient can see the light compared to a normal patient population based on age. A special test with reduced colour contrast enables the visual field to be checked for abnormalities which is believed to detect glaucoma suspects up to five years earlier than before.

The HFA II-*i* series has established standards in measurement of the visual field. For example, with the same reproducibility it has been possible to substantially reduce the time needed for of the most common eye tests (from about 14 to about 4 minutes). Due to these time savings it is now possible to examine patients who are unable to concentrate for long, for example children or older patients and to increase the reliability and accuracy of the test.

Retina: Retinal disorders are common in old age. Positive market development may therefore likewise depend on demographic factors. Essentially, the equipment market for the treatment of retinal disease in which Carl Zeiss Meditec operates embraces the diagnostic devices and treatment lasers. The Company estimates the global market volume for this segment at € 240m at an annual growth rate of 8-10%.

VISULAS™ 532s

Several million people all over the world suffer from diabetes. Technical progress and medical innovations have brought about a marked improvement in their lives.

However, one of the belated effects of diabetes is a change in visual acuity. This occurs when the fine blood vessels in the eye of a diabetic become fragile or constricted and the blood flow is obstructed. Blood may issue from the vessels into the interior of the eye and cause an acute deterioration of eyesight.

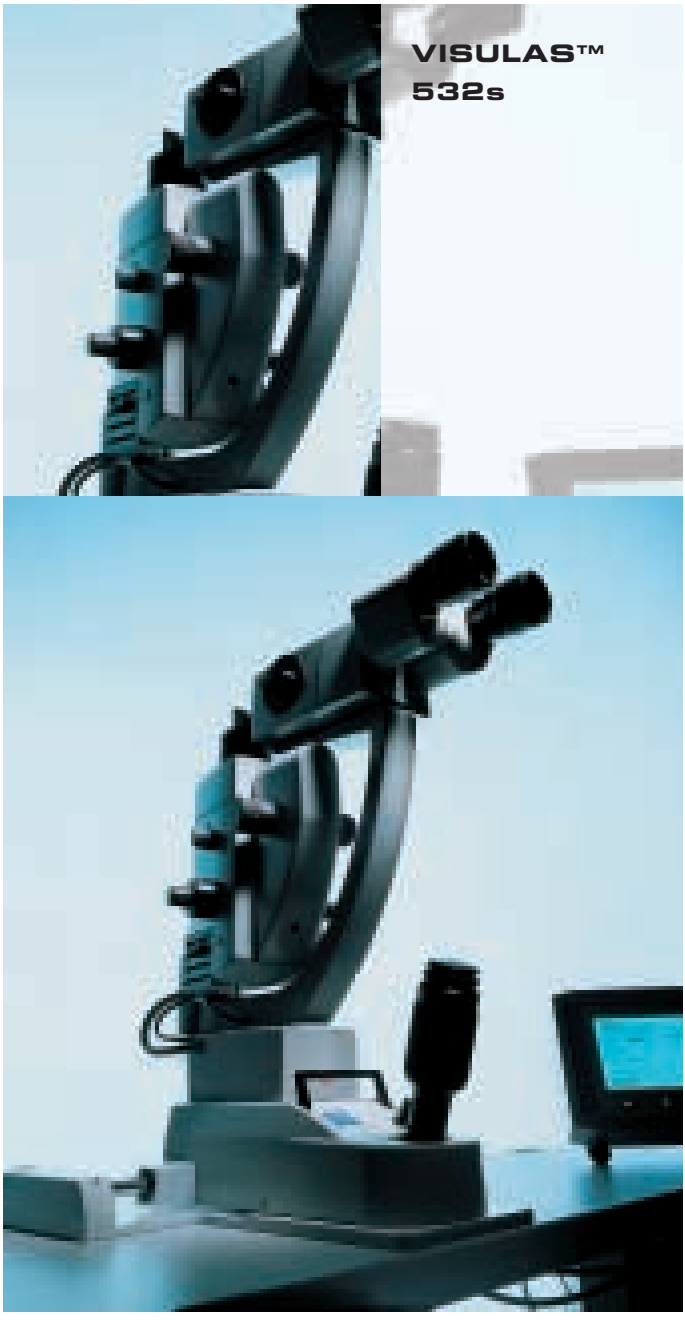
To help those affected, an instrument was developed that enables gentle treatment and inhibits the deterioration of vision – the VISULAS™ 532s.

The treatment principle is as follows: A special dye enables the surgeon, with the aid of a fundus camera, to determine at which points the vessels are fragile and where blood is 'leaking'.

Once the affected veins have been located, the VISULAS™ 532s comes into action. The laser obliterates the fragile veins, thus preventing further bleeding and deterioration of the patient's vision.

The VISULAS™ 532s is a high-performance instrument in small format. Being small and portable, it is suitable for both stationary and mobile use, and can be mounted on a height-adjustable or side table. Its control panel is designed for efficient, intuitive and safe single-handed operation.

The integrated LSL 532s laser slit lamp makes the VISULAS™ 532s a truly unique instrument. It provides the eye specialist with improved lighting conditions in the treatment room and gives him direct control of the laser via the slit lamp's beam path.



Report of the Supervisory Board

The fiscal year ended on 30 September 2002 was characterized by the merging of the corporation with the Ophthalmology Division of Carl Zeiss to form Carl Zeiss Meditec AG. This was approved by the corporation's shareholders at the General Meeting held on 28 May 2002 and came into effect on 4 July 2002.

The merger involved new appointments to the Supervisory Board. During the General Meeting the following new members were appointed to the corporation's Supervisory Board:

- Dr. Michael Kaschke
- Dr. Franz-Ferdinand von Falkenhausen
- Dr. Manfred Fritsch

Dr. Nikolaus Reinhuber resigned from office on 4 July 2002, and Prof. Michael Ungethüm on 8 July 2002.

In the meeting of the Supervisory Board held on 8 July 2002 Mr. von Witzleben stepped down from his post as Chairman. Dr. Kaschke was elected as the new Chairman of the Supervisory Board. On a voluntary basis, the corporation extended the membership of the Supervisory Board by two representatives of the workforce, Mr. Jürgen Dömel and Mr. Franz-Jörg Stündel, by appointment of the court, effective 16 August 2002.

In its different compositions, the Supervisory Board fulfilled the duties incumbent upon it by law and by the articles of incorporation prior and subsequent to the merger, and regularly monitored the work of and advised the Board of Management during the past fiscal year. In four regular meetings the Supervisory Board received detailed reports on the situation of the corporation and on the course of business.

Urgent decisions were made in a writing between the meetings of the Supervisory Board. The Supervisory Board approved the business which is subject to its consent. Beyond the meetings of the Supervisory Board, its Chairmen (Mr. von Witzleben until 8 July 2002, Dr. Kaschke from 8 July 2002) were regularly provided by the Board of Management with information on essential business processes and decisions, and discussed important individual processes with it.

The focus of the topics treated in the Supervisory Board was the merger of the corporation with the activities of the Carl Zeiss Ophthalmology Division. This undertaking, which is of outstanding importance for the corporation, was accompanied intensively by the Supervisory Board in close contact with the Board of Management. Within the framework of the merger process, the Supervisory Board convened for an extraordinary meeting on 18 November 2001 in order to make all the decisions required for the merger.

In addition, valuation issues relevant to the merger process with regard to the corporation's future development potential and matters associated with the balance sheet were treated in great detail and subsequently incorporated in the quarterly statement of accounts on 30 June 2002.

The newly appointed Supervisory Board has set up a General as well as a Staff Committee. The General Committee met twice in the last quarter of the 2001/2002 fiscal year, the Staff Committee once.

The annual financial statements presented by the Board of Management on 30 September 2002, along with a Management Report for the corporation for the fiscal year, have been audited by the auditors, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschafts-prüfungsgesellschaft, Berlin, Germany, appointed by the General Meeting. The auditors have ruled that the annual financial statements and the Management Report comply with the generally accepted accounting principles, legal provisions and the articles of incorporation, and have established that the Management Report has appropriately displayed the risks of future development. They confirmed this opinion in an unqualified auditor's certificate.

The financial statements and the Management Report were submitted to all members of the Supervisory Board and discussed in detail during the balance sheet meeting of the Supervisory Board in the presence of the auditor in accordance with the requirements of German stock corporation law § 171 Paragraph 1 Clause 2. In addition, the proposal of the Board of Management regarding the use of net earnings was submitted to the Supervisory Board.

After detailed examination, the Supervisory Board finally came to the conclusion that it had no objections to the content or auditing of the corporation's financial statements and the

Dr. Michael Kaschke

Chairman of the Supervisory Board

Management Report. The Supervisory Board approved the annual financial statements presented by the Board of Management on 30 September 2002. The annual financial statements have now therefore been passed. The Supervisory Board has accepted the Board of Management's proposal to carry forward the deficit of 2001/2002 financial year to new account.

The Supervisory Board's examination also included the consolidated financial statements and Management Report. The consolidated financial statements presented by the Board of Management on 30 September 2002 along with a consolidated Management Report for the fiscal year, have been audited by the auditors, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, Germany, appointed by the General Meeting. The consolidated financial statements were prepared in accordance with the United States Generally Accepted Accounting Principles (US GAAP). The auditors have ruled that the annual financial statements and the Management Report comply with the generally accepted accounting principles, legal provisions and the articles of incorporation, and have established that the Management Report has appropriately displayed the risks of future development. They confirmed this in an audit opinion. This contains a qualification to the effect that the auditors and the Board of Management are of different opinions concerning the definition of the Measurement Date in the preparation of the financial statements. As no definitive regulations exist in this regard, the Supervisory Board endorses the opinion of the Board of Management despite this qualification and has no objections to the consolidated financial statements or the Management Report. For further details about this issue we refer to the statements of the Company under point (2) *Company acquisitions/Purchase of shareholdings* at the Notes to the consolidated financial statements,

As a consolidated company of the Carl Zeiss Group, Carl Zeiss Meditec AG has prepared a report on its relations with affiliated companies in the 2001/2002 fiscal year in accordance with § 312 of the German stock corporation law. This report was audited by the auditor of the corporation. Both the dependence report and the corresponding auditor's report were submitted to the Supervisory Board. The examination of the documents by the Supervisory Board pursuant to § 314 of the German stock corporation law did not lead to any objections to the statement of the Board of Management.

Jena, 6 December 2002
For the Supervisory Board

Dr. Michael Kaschke

Declaration by the Board of Management and the Supervisory Board of Carl Zeiss Meditec AG on the recommendations of the 'Government Commission on the German Corporate Governance Code' in accordance with Art. 161 Stock Corporation Act (AktG)

Board of Management and Supervisory Board declare that the Company complies with the recommendations of the 'Goverment Commission on the German Corporate Governance Code'.

Oberkochen/Jena, 6 December 2002

For the Supervisory Board
Dr Michael Kaschke

For the Board of Management
Ulrich Krauss

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Consolidated management report

A Introduction

Carl Zeiss Meditec AG, Jena, was created through the merger of Carl Zeiss Ophthalmic Systems AG, Jena, with the publicly-listed Asclepion-Meditec AG, Jena. The former Carl Zeiss Ophthalmic Systems AG comprised the Ophthalmology business division of Carl Zeiss Jena GmbH in Jena (Germany) and its subsidiary Carl Zeiss Ophthalmic Systems Inc. in Dublin/USA (hereafter abbreviated to 'Carl Zeiss Ophthalmic'). The former Asclepion-Meditec AG was the parent company of the Asclepion Group (hereafter 'Asclepion') and comprised Asclepion-Meditec AG and its four subsidiaries.

Carl Zeiss Meditec AG, Jena, is the parent company of the Carl Zeiss Meditec Group (hereafter abbreviated to 'Carl Zeiss Meditec'). As of 30 September 2002 the Carl Zeiss Meditec Group comprised Carl Zeiss Meditec AG, Carl Zeiss Meditec, Inc. in Dublin/USA and the four Asclepion subsidiaries.

Carl Zeiss Meditec develops, manufactures and sells products and systems in the field of ophthalmology. The Group also provides service for diagnostic and therapy in this area of medical technology. The most important business unit is Vision, where the ophthalmic activities of Carl Zeiss Meditec are brought together. In particular in this area the activities of Asclepion and Carl Zeiss Ophthalmic are the ideal complement to one other. The merger rounds off the product portfolio of Carl Zeiss Ophthalmic in the field of laser systems for refractive surgery, one of the core competencies of Asclepion. Two other business units, Aesthetic and Dental, are concerned with medical applications for lasers.

B Content and structure of the consolidated financial statements

According to the United States Generally Accepted Accounting Principles (US GAAP), the merger of Carl Zeiss Ophthalmic into Asclepion is a reverse acquisition. Here the assumption is – in contrast to the actual legal structure of the transaction – that Carl Zeiss Ophthalmic acquired Asclepion. The reason for this is that as a result of the merger the shareholders of Carl Zeiss Ophthalmic Systems AG received 76% of the voting rights and thus a majority holding in Asclepion-Meditec AG.

The consequence of regarding the merger as a reverse acquisition is that in the initial (first time) consolidation of Asclepion, the assets and debts of Carl Zeiss Ophthalmic are given as book values, whereas Asclepion's assets and debts are declared as fair values. Acquisition costs in excess of the fair value of the transferred net assets were carried as goodwill. Asclepion has been included in the consolidated financial statements of Carl Zeiss Meditec from the initial consolidation date onwards. The effect on the consolidated financial statements is as follows:

- A so-called differential has been calculated for Asclepion as of the effective date of the initial consolidation; it comprises the difference between the corporate value of Asclepion and the value of its capitalised net assets.

- This differential is then spread over all capitalised and non-capitalised assets, i.e. including non-capitalised intangible assets, in order to represent their fair value: the residual amount is shown as goodwill (purchase price allocation).

The initial consolidation date was 4 July 2002, because on this date the merger was recorded in the commercial register, thereby becoming effective. However, for reasons of simplification the accounts of Asclepion as of 1 July 2002 were adopted and Asclepion accordingly included in the consolidated financial statements as of 1 July 2002.

To facilitate comparison of the 2001/2002 financial statement figures with those of the previous year, the following should be noted:

- The performance of Carl Zeiss Ophthalmic is covered completely by the consolidated statement, i.e. it covers 12 months. Asclepion was, however, not included until the beginning of July 2002. Only 3 months' figures are therefore included in the Carl Zeiss Meditec consolidated statement.

- According to the principles of reverse acquisition, the consolidated financial statements to US GAAP of acquirer Carl Zeiss Ophthalmic must be shown as a previous year’s disclosure. Accordingly, the following comparative figures for the previous year relate to Carl Zeiss Ophthalmic. Besides the figures for Carl Zeiss Ophthalmic, the previous year’s figures for Asclepion to US GAAP must be shown in the consolidated balance sheet and income statement.

C Major markets

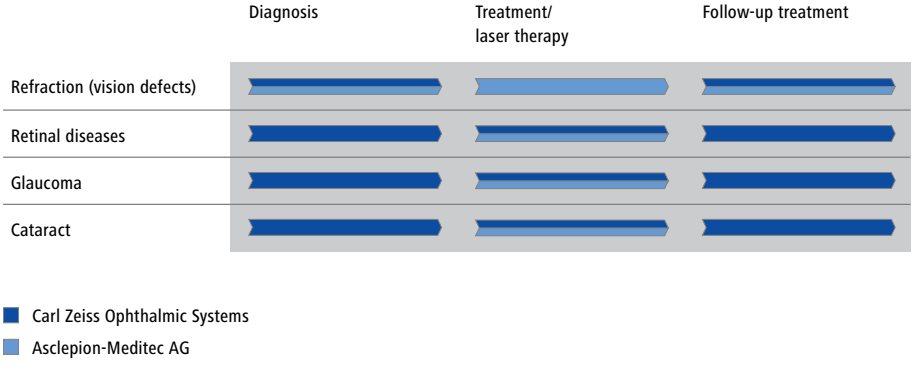
The Vision business unit is the company segment at Carl Zeiss Meditec with the highest turnover: a sales figure of € 182.463m has been posted in this segment in the reporting period. This represents 89% of total sales. The ophthalmic products cover the four major ophthalmic disease clusters:

- **Refraction:** vision defects which can usually be corrected by glasses or contact lenses and which are increasingly being remedied using laser treatment.
- **Cataract:** an opacity and hardening of the lens which may culminate in blindness.
- **Glaucoma:** degeneration of the optic nerve which results in progressive reduction of the field of vision.
- **Retina:** diseases such as retinal detachment which result in loss of vision.

In these four disease clusters Carl Zeiss Meditec provides devices for diagnosis, therapy and follow-up examinations. Customers are ophthalmologists in eye clinics, eye specialists in private practice, optometrists, opticians and laser centres.

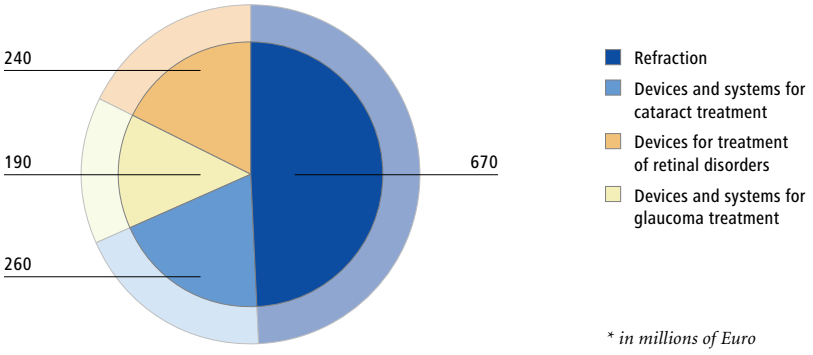
The Carl Zeiss Meditec Group, which has been created through the merger, is excellently positioned on the market. Success factors are its extensive product portfolio, the size of the new Group, its complete value chain and its global positioning. The following graphic shows how the product portfolios of Carl Zeiss Ophthalmic and Asclepion complement one another in the field of ophthalmology:

Product portfolio



The market for ophthalmic devices and systems in which Carl Zeiss Meditec operates had, in the estimation of the Group, a global volume of some € 1.4 billion in 2001.[1] It can – analogous to the four disease clusters in ophthalmology – be broken down into four sub-markets in which the Group markets its products. In the opinion of Carl Zeiss Meditec these sub-markets each have the following annual volumes:

Annual market volume*



** in millions of Euro*

In addition to its core ophthalmology business, Carl Zeiss Meditec also develops, produces and markets laser systems for other medical applications. These are primarily applications in the field of dermatology. These activities are amalgamated in the Aesthetic business unit. The Group offers various lasers for the hair removal (epilation), sclerosis of superficial blood vessels, skin ablation, and the removal of benign pigmentation and tattoos. The annual global market volume for laser devices in the field of medical-cosmetic applications is about € 450m.[2] Furthermore, the Carl Zeiss Meditec is active to a limited extent on the dental laser market. These activities are amalgamated in the Dental business unit. The corresponding annual market volume is estimated by the Group to be € 40m to 60m worldwide. Moreover, Carl Zeiss Meditec offers a global customer service to the operators of its devices and systems. These activities are amalgamated in the Service business unit.

1 *Own estimates, based on independent market reports and compulsory publications by publicly-listed competitors – and in particular relating to the sales segmentation. The market reports include: Theta Reports 2002, Millenium Research Group: 'U.S. Markets for Ophthalmic Devices 2002','Global Industry Analysts, Ophthalmic Instrumentation - A Global Strategic Business Report', MarketScope, Nov 2001*

2 *John Wheeler in OLE, February 2002, page 27ff and own estimates*

C.1 Framework conditions for economic development

The economic framework conditions in the 2001/2002 financial year were difficult. The global economy has not yet recovered from the terror attacks of 11 September 2001 and there has been an increase in uncertainty over further economic developments. The reasons for this lie in the ongoing conflict with Iraq and the associated possible rise in oil prices, as well as the fall in prices on the stock markets. For the industrialised nations the Deutsche Institut für Wirtschaftsforschung (DIW) expects that in a year-on-year comparison, gross domestic product (GDP) will only see moderate growth this year – on a global scale this figure is 1.3%, in the eurozone only 0.8%.[3]

C.2 Industry-specific situation

The competitive environment in ophthalmology has been shaped in the recent past by growth, intensive competition and a tangible consolidation process. This development has triggered two separate trends. The number of medical laser equipment manufacturers is declining due to mergers and acquisitions. Among the manufacturers of ophthalmic devices there is a trend towards expanding the technological basis through acquisitions and moving into new sales dimensions. The merger of Carl Zeiss Ophthalmic with Asclepion is to be seen against this strategic background.

D Business development of the Group

D.1 Executive Summary

The Carl Zeiss Meditec Group managed to perform relatively well despite the general economic slowdown described. Consolidated sales revenue according to US GAAP rose slightly from € 193.291m in the previous year to € 204.562m in the 2001/2002 financial year. This corresponds to an increase of 6%.

The pro forma consolidated sales in the reporting period totalled € 233.792m, down slightly from € 234.237m the previous year. They are based on the assumption that the Carl Zeiss Meditec Group already existed as of 1 October 2001 with integration of Asclepion (pro forma assumption).

3 *Weekly Report (Wochenbericht) 43/02 as of 18 October 2002 of the Deutsches Institut für Wirtschaftsforschung (DIW), Berlin*

The operative cash flow also grew. With an inflow of € 22.718m it was significantly higher than the equivalent figure the previous year of € 0.846m.

The result before interest and tax (EBIT, operating result) was 38% lower than the previous year at € 8.425m.

D.2 Sales development

The Group posted sales of € 204.562m, up from € 193.291m the previous year. This represents growth of roughly 6%. This development is due to the widening of the reporting entity of Carl Zeiss Meditec as per US GAAP as of beginning of July 2002 to include Asclepion. On the other hand the Company succeeded in raising sales of diagnostic devices and of services.

With regard to the individual business units, sales were distributed as follows:

Business unit	2000/2001 Financial year		2001/2002 Financial year	
	Sales (in € '000)	Percentage of consolidated sales	Sales (in € '000)	Percentage of consolidated sales
Vision	176,168	91.1	182,463	89.2
thereof laser	25,764		26,916	
thereof diagnostic	150,404		155,547	
Aesthetic	0	0	1,907	0.9
Dental	0	0	323	0.2
Service	17,123	8.9	19,869	9.7
Total	**193,291**	**100**	**204.562**	**100**

In the Vision business unit the following products made major contributions to sales in the relevant application areas:

- **Refraction disease cluster:** An important product in this field in the reporting period was the MEL 70 G-Scan™ refractive laser. Major sales markets were Asia and Europe. The successor system, the MEL 80™, was launched after the end of the 2001/2002 financial year. It is hoped that this innovative product will considerably improve the Group's market position in refractive lasers as the result of its additional functions and greater cost effectiveness.

- **Cataract disease cluster:** The IOLMaster® and VISULAS™ YAG II plus products accounted for a considerable proportion of sales in the financial year ended. About half of the sales with both products were attained in the regional markets USA, Germany and Japan.

- **Glaucoma disease cluster:** In this field the Humphrey® Field Analyzer was of prime importance. It is used for the diagnosis of glaucoma and for managing the treatment of this disease. The highest sales levels were recorded in the USA and in Europe. The launch of STRATUSOCT™ was also very successful. This innovative product opens up unique opportunities in the areas of glaucoma diagnosis and retinal examination. In the 2001/2002 financial year the highest sales were posted in the USA. Approval has now been obtained in Japan and the Group is now hoping for a clear boost to sales there in the 2002/2003 financial year.

- **Retina disease cluster:** In addition to the already-described STRATUSOCT™ sales in this sector were positively influenced by a further new product launch. Here we are referring to the VISULAS™ 532s laser system. The major sales markets for this product alongside Germany were Japan and the USA.

The growth posted in the Aesthetic and Dental business units was due to their first time consolidation on 4 July 2002. Sales in the Service business unit rose from € 17.123m the previous year to € 19.869m this year. The improvement on the previous year is largely due to the Service business of the former Asclepion being included from the beginning of July 2002.

Carl Zeiss Meditec has further increased its international presence. Well over half of the consolidated sales was accounted for in the reporting period by the Americas region (58.5%). Carl Zeiss Meditec posted over a quarter of its consolidated sales (26.1%) in Germany and the rest of Europe, with the Asia/Pacific Region accounting for a further 15%. The sales figures for the different regions break down as follows:

Region	2000/2001 Financial year		2001/2002 Financial year	
	Sales (in € '000)	Percentage of consolidated sales	Sales (in € '000)	Percentage of consolidated sales
Germany	12,991	6.7	18,121	8.9
Europe, not including Germany	30,155	15.6	35,275	17.2
Americas	116,846	60.5	119,607	58.5
Asia / Pacific region*	33,299	17.2	31,559	15.4
Total	**193,291**	**100**	**204,562**	**100**

**including Africa*

D.3 Earnings position

In the reporting financial year the earnings position in the Carl Zeiss Meditec Group reflected the integration: in particular in manufacturing and function costs it was not yet possible to exploit synergies between the effective date of the initial consolidation and the balance sheet date. The consolidated gross result as a ratio of consolidated sales (consolidated gross margin) amounted to 34.5% in the 2001/2002 financial year, following on from 36.7% in the previous year. The gross result from sales amounted to a total of € 70.671m (previous year: € 70.881m) for the reporting period.

The reasons for the decline in the gross margin were changes in the product mix and the lower production capacity utilisation rate for refractive lasers due to a product changeover. The substantial difference to the higher gross margin of the former Asclepion can be attributed to the different marketing model pursued by Carl Zeiss Ophthalmic.

Total function costs (marketing and distribution, general and administrative costs, research and development) rose from € 57.466m in the previous year to € 62.710m in the 2001/2002 financial year due to the following influencing factors:

- Marketing and distribution costs increased in proportion to sales. The quota for group sales remained constant at 16.1%. It was not yet possible to realise synergies from the integration of the sales channels in the refractive laser segment (Vision business unit). However, the first successes became apparent in the new 2002/2003 financial year. For the following financial years the management is anticipating a reduction in the marketing and selling cost to sales ratio. Selling and marketing expenses in the financial year totalled € 32.960m (previous year: € 31.028m).

- In the 2001/2002 financial year the ratio of general and administrative costs to consolidated sales increased from 3.7% in the previous year to 4.1%. In the reporting period these costs totalled € 8.408m compared to € 7.201m in the previous year. As a result of organisational integration, cost savings are anticipated in this sector starting with the new financial year.

- The increase in the portion of consolidated sales spent on research and development from 10.0% in the previous year to 10.4% in the reporting period is also attributable to the fact that the structures of Carl Zeiss Ophthalmic and Asclepion in this sector have not yet been fully integrated. Total research and development costs, including subsidies, increased from € 19.237m in the previous year to € 21.342m in the 2001/2002 financial year.

Due to the above influencing factors, consolidated operating result (earnings before interest and taxes, EBIT) in the 2001/2002 financial year amounted to € 8.425m following € 13.671m in the previous year.

The decreased net interest income compared with the previous year affected group earnings before income taxes (EBT). The interest expenses in the 2001/2002 financial year were € 3.142m (previous year: € 2.519m).

The consolidated net income fell from € 6.793m in the previous year to € 3.381m in the reporting period. Allowing for the weighted average number of outstanding shares in the reporting period, earnings per share during the 2001/2002 financial year amounted to € 0.16 (previous year: € 0.35).

D.4 Net worth

The balance-sheet total according to US GAAP of Carl Zeiss Meditec as of 30 September 2002 amounts to € 193.633m. In a year-on-year comparison (previous year: € 132.781m) this corresponds to an increase of 46%. The difference to Asclepion was even greater: in comparison to Asclepion the balance sheet total rose by 134%.

There has also been a substantial change in the structure of the assets and liabilities sides of the balance sheet due to the reverse acquisition of Asclepion by Carl Zeiss Ophthalmic.

D.4.1 Comments on selected balance sheet items

Trade accounts receivable increased by € 19.104m from € 21.052m in the previous year to currently € 40.156m. The inclusion of the receivables of Asclepion as of 30 September 2002 had a substantial impact on this balance sheet item.

Accounts receivable from related parties include accounts receivable from distributors and sales partners of the Carl Zeiss Group and accounts receivable within the scope of the group cash management of Carl Zeiss Stiftung, Heidenheim a.d. Brenz/Jena. As of 30 September 2002 they amounted to € 16.848m (previous year: € 27.065m). All the accounts receivable have a term of less than one year, and are thus of a short-term character.

The ratio of inventories to total current assets fell from 40% on 30 September 2001 to 37% on 30 September 2002. In absolute terms, however, this concealed an increase in inventories from € 38.672m in the previous year to € 44.169m in the 2001/2002 financial year. The reduction in inventories by Carl Zeiss Ophthalmic was thus insufficient to fully compensate for the inclusion of inventories of Asclepion in the balance sheet for the year ending 30 September 2002.

At € 72.583m as of 30 September 2002 the total value of long-term assets of Carl Zeiss Meditec reflected a substantial increase over the previous year (€ 35.393m). The main reasons for the increase were additions to tangible fixed assets due to the integration of Asclepion, the increase in intangible assets and the inclusion of goodwill evaluated within the scope of purchase price allocation.

The main liabilities were towards related parties, i.e. the distributors of the Carl Zeiss Group and the group cash management system of the Carl Zeiss Stiftung, Heidenheim a.d. Brenz/Jena. As of 30 September 2002 this item amounted to € 13.601m (previous year: € 36.207m). In the 2001/2002 financial year it was thus possible to pay off a substantial portion of the existing debts.

Provisions increased from € 12.043m in the previous year to € 25.975m in the 2001/2002 financial year. These mainly comprised provisions for personnel, guarantees and for accounts payable.

In the wake of the merger the share capital increased from € 19.633m to € 25.833m. Additional paid-in capital increased from € 10.048m on 30 September 2001 to € 67.389m on 30 September 2002.

D.4.2 Selected key figures

The equity capital ratio of Carl Zeiss Meditec as of 30 September 2002 improved to approx. 49% (previous year: 23%).

The Group has succeeded in reducing its debt-to-net-worth ratio (ratio of borrowed capital to equity capital) compared to the 2000/2001 financial year. As of 30 September 2002 it was 103% (previous year: Carl Zeiss Ophthalmic: 331%, Asclepion: 35%). This means that Carl Zeiss Meditec is conservatively financed.

In the 2001/2002 financial year the ratio of fixed assets to long-term capital (equity capital and long-term debt, equity-assets ratio II) was 183% (previous year: Carl Zeiss Ophthalmic: 183%, Asclepion: 191%). In the 2001/2002 financial year cover by equity capital (equity-assets ratio I) was 131% (previous year: Carl Zeiss Ophthalmic: 87%, Asclepion: 172%). As of 30 September 2002 there thus exists excess capital coverage. Thus the financing situation of Carl Zeiss Meditec can be regarded as solid and viable in the long term.

As of 30 September 2002 the Group's working capital (current assets net of current liabilities) amounted to € 60.286m (previous year: Carl Zeiss Ophthalmic: € 29.419m, Asclepion: € 32.580m). The increase in working capital was mainly due to the increased accounts receivable that could not be compensated for by the reduction of outstanding debts from related parties. In the 2001/2002 financial year the working capital ratio increased to 31% (previous year: Carl Zeiss Ophthalmic: 22%, Asclepion: 39%).

D.5 Financial position

Cash increased from € 2.144m on 30 September 2001 to € 7.183m at the end of the reporting period. In the reporting period cash increased by € 5.039m. The increase in the previous year was € 0.355m.

The financing of Carl Zeiss Meditec continues to be guaranteed through integration of the Group into the group cash management of the Carl Zeiss Group and through existing credit lines.

a) Net cash provided by from operating activities

Net cash provided by operating activities in the 2001/2002 financial year amounted to € 22.718m compared to € 0.846m in the comparable period in 2000/2001. The main effects in this case are the € 5.325m reduction in inventories that had been increased in the course of the year due to the addition of Asclepion's inventories as a result of the consolidation and the € 8.169m increase in provisions and liabilities. A € 3.614m increase in accounts receivable runs counter to this effect.

b) Net cash provided by investing activities

In the reporting period the Group recorded a cash inflow of € 0.875m from investing activities (previous year: net cash outflow from investing activities totalling € 2.534m). On the one hand this can be attributed to reduced investment in tangible assets from € 2.525m in the previous year to € 1.841m. Primarily, however, Carl Zeiss Meditec was able to acquire Asclepion's capital of € 2.341m through the issue of shares and thus without disbursing funds of its own. The result is an inflow of payments equal to the amount of funds received.

c) Net cash used in financing activities

The position "Net capital used in financing activities" amounted to € 18.085m in the 2001/2002 financial year compared to net capital inflow of € 1.937m in the previous year. The main reason for the outflow of capital is the repayment of net € 17.366m in debts to the group cash management system of the Carl Zeiss Stiftung, Heidenheim a.d. Brenz/Jena.

D.6 Orders on hand

As of 30 September 2002 orders on hand at Carl Zeiss Meditec Group amounted to € 31.200m. Consolidated orders on hand as of 30 September 2001 amounted to € 15.400m. This reflected much improved demand compared to the previous year, particularly in USA.

D.7 Production

D.7.1 Production planning and production

Carl Zeiss Meditec has three production sites. These are located in Jena-Lichtenhain and Jena-Göschwitz (both Germany) and in Dublin/USA.

At the Jena-Lichtenhain site production planning is based on the rolling forecast method used by the sales partners. This means that these draw up rolling sales plans which form the basis for the ordering of individual items and component manufacturing. The final assembly at the Jena-Lichtenhain site is performed exclusively to customer orders so as to keep stocks as low as possible. Such a manufacturing method is also planed for the site Jena-Göschwitz, yet has not been implemented in the 2001/2002 financial year. Production at Dublin is order-related to meet the orders of the marketing partners according to the demand flow principle.

D.7.2 Development of manufacturing capacities

At its Jena-Lichtenhain and Dublin locations Carl Zeiss Meditec compensates for fluctuations in demand by employing loaned staff. In the 2001/2002 financial year loaned employees were deployed at the Jena-Lichtenhain and Dublin production sites. The development of the manufacturing capacities at the Jena-Göschwitz site was shaped by the preparation of production of the new refractive laser system MEL 80™. In this respect, capacity utilisation in the second half of the 2001/2002 financial year was not always optimal.

D.7.3 Quality management

Official registrations and approvals are meanwhile demanded by the majority of markets as a prerequisite for the marketing of medical products. Carl Zeiss Meditec's quality management system has been certified to DIN EN ISO 9001:2000 and DIN EN ISO 13485. The quality management system introduced and applied by the Group has been approved according to the provisions of Directive 93/42EEC. The Group is subject to EU monitoring under Annex II and Annex V in accordance with the above-mentioned directive. Thus, in accordance with the Medical Product Act Carl Zeiss Meditec is entitled to make the declaration of conformity for its products and market these within the European Union with the CE symbol. Carl Zeiss Meditec manufactures its products in conformity with the American standard for 'Good Manufacturing Practice' (GMP), 21 C.F.R. part 820, QSR.

D.7.4 Registrations and approvals

The Group's products are fundamentally aimed at the global market. For this reason, with new devices and systems right from the outset the construction methods, the parts used and the necessary interfaces are all chosen so that they may be used worldwide.

With the exception of refractive lasers, with which registrations and approvals take longer, and above all in the USA und Japan, all products of Carl Zeiss Meditec have approvals in all the major countries.

The Group reserves the right, however, on smaller markets which place high demands on the approvals procedure to forego applying for these approvals in individual cases – and thus to forego the development of the market – so as not to have to reveal its know-how to external auditors.

D.7.5 Product launches

In the 2001/2002 financial year a number of new products were launched on the market.

- VISULAS™ 532s: This is a new, extraordinarily compact and transportable photo-coagulation laser for the treatment of retinal diseases.

- Visucam™ lite: Visucam™ lite was launched on the market in February 2002 and is a mid-segment fundus camera for private ophthalmologists. The device is fully digital and has an easy-to-use archiving software.

- STRATUSOCT™: This product was launched in the 1st half of the past financial year. The STRATUSOCT™ is a system which produces high-resolution images, similar to photographs, of the structures behind the retina. The STRATUSOCT™ is used for diagnosing glaucoma and retinal disorders.

- MEL 80™: This system was launched on the market shortly after the conclusion of the financial year (end of October 2002). In contrast to its predecessor, the MEL 70 G-Scan™, the new system is more compact and also much faster thanks to its higher pulse rate. The MEL 80™ is of significance for Carl Zeiss Meditec inasmuch as that it rounds off the product portfolio of what was formerly Carl Zeiss Ophthalmic.

D.7.6 Procurement

The final product assembly in Jena-Lichtenhain and in Dublin is performed exclusively to customer orders so as to keep stocks as low as possible. Accordingly the release orders for the corresponding components from suppliers are placed one to two months before the production date. The same procurement policy will be applicable to the production at the Jena-Göschwitz site from the 2002/2003 financial year onwards. Carl Zeiss Meditec attaches great significance to long-term partnerships with its suppliers.

D.8 Investments

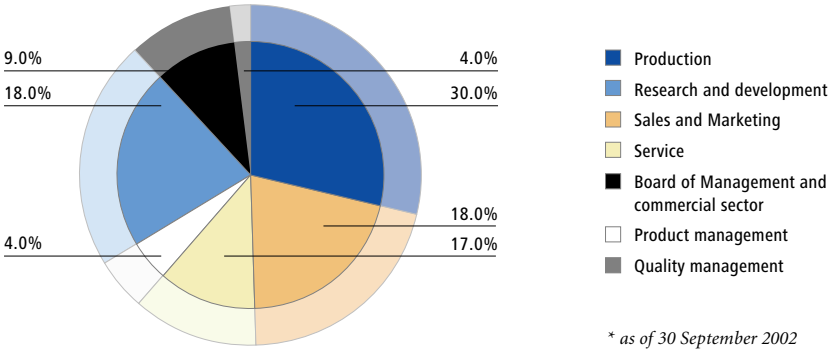
The investments of the Carl Zeiss Meditec Group in the reporting period were exclusively for office fittings and equipment. They amounted to € 1.841m (previous year: € 2.525m).

D.9 Personnel

As of 30 September 2002 the Carl Zeiss Meditec Group had 869 employees plus 26 trainees. The respective figures for the previous year were 658 employees + 8 trainees at Carl Zeiss Ophthalmic and 238 employees + 13 trainees at Asclepion.

The following graphic provides an overview of the personnel structure at Carl Zeiss Meditec as of 30 September 2002.

Personnel structure at Carl Zeiss Meditec Group*



** as of 30 September 2002*

D.9.1 Environmental protection

Within the framework of its business activity the Group complies with all the relevant environmental protection provisions.

There is no direct or indirect risk to the environment from the Group's products or production methods.

E Risks in future development

Within the framework of its operating activity (development, manufacture and marketing of devices and systems for diagnosis and treatment in ophthalmology as well as the development, manufacture and marketing of laser systems for dermatological and dental applications) Carl Zeiss Meditec is naturally exposed to a number of risks which are inseparably linked to entrepreneurial activity.

a) Market and competition

The market for medical technology products is a dynamic market. Among the factors affecting the dynamism of the market are the opportunities offered by new applications and methods, and the impact of new clinical findings. Such findings may have a negative impact on existing methods and products and also on new methods and products on which the business success of Carl Zeiss Meditec is founded.

Competition on the market for medical technology will continue to increase; in this respect it is above all the impact of the changes to the social system by the government, especially in countries, in which the treatment of eye disorders is financed to a considerable extent by the health system which could have a negative effect on business developments and earnings position of the Group. If budgets were cut, or the reimbursement of treatment costs were withdrawn for certain types of treatment, this could have a negative impact on the net worth, financial position and earnings of the Group.

Additional uncertainty and potential risks arise from the ongoing weakness of the global economy. This could, above all, be noticeable in the field of privately-financed medical applications such as refractive surgery, and lead to a deterioration in the creditworthiness of the Group's customers and to lost sales which could have a negative impact on the net worth, financial position and earnings of Carl Zeiss Meditec.

b) Product cycles and dependency on suppliers

Medical technology is seeing rapid development in many areas. New scientific findings lead to shorter development and product cycles.

The success of Carl Zeiss Meditec is determined to a great extent by the development of new, innovative products in the fields of ophthalmology and laser medicine and by recognising new

technology trends at an early stage and turning these into appropriate products. Should the Group lose touch in technological terms, fail to react in time to a technological development, not identify a market trend in good time or should a development end in a technological dead-end, this could have a negative impact on the competitive position of the Group.

The ever-closer co-operation with suppliers in the wake of general cost pressure and the complexity of the constituent parts leads to new dependencies, which could have a negative impact on the production and sale of the Group's products, as well as on their quality.

c) Patents and intellectual property

As far as the Group is aware, it is not in violation of patent laws or other industrial property rights of any third parties. The possibility that a third party may assert claims against Carl Zeiss Meditec for the violation of industrial property rights cannot, however, be ruled out. Such a violation could under certain circumstances cause delays in the delivery of products or, in the event of a court deciding against the Group, oblige the Group to enter into agreements on fees and licence payments. Such copyright and license agreements could, under certain circumstances, only be available at unacceptable conditions. A law suit against the Group due to the violation of industrial property rights could therefore have a considerable negative impact on the net worth, financial situation and earnings of Carl Zeiss Meditec.

The competitive position of Carl Zeiss Meditec depends on securing its technological innovations. So as to guarantee these, the Group acquires patents for its own and third-party inventions and takes measures to protect its business secrets. The expiry of proprietary rights and patents could lead to new competitors entering the market or existing rivals gaining in strength.

d) Approval of products

In the medical technology and the health service sectors there are strict approval procedures; these vary greatly from country to country. If necessary approvals are not granted for the Group's products this can have a negative impact. There is no guarantee that the numerous registrations of Carl Zeiss Meditec will continue to be valid in the future, nor renewed and attained in good time for new products. Furthermore, it cannot be excluded that the registration requirements will not become stricter in the future. This could reduce sales and the future growth of the Group, which would have a negative impact on the earnings of Carl Zeiss Meditec.

e) Risk of product defects, product liability risk

The products manufactured and marketed by Carl Zeiss Meditec are used for medical and cosmetic purposes with the effect that any erroneous functioning on the part of the devices could lead to patients and/or customers incurring injuries. Despite the use of all justifiable measures in quality control, sources of errors cannot be excluded in full. Although the Group has to date not been obliged to pay any important compensation claims arising from product liability, it cannot be excluded that it will not face such claims in the future. A particular risk is posed by potential product liability claims brought against the Group in the USA as the damages awarded by the courts there may be very large indeed. It cannot be excluded that the existing insurance cover for the Group does not ensure sufficient cover for potential warranty claims in the USA.

f) Risks arising from integration

In order to obtain the full benefit of synergies from the merger of Carl Zeiss Ophthalmic and Asclepion the new Company needs to integrate quickly and successfully numerous and hitherto largely separate activities such as procurement, research and development, logistics, marketing, sales and service. If this is not successful, or is only partially successful, it will only be possible to achieve the desired synergies to a limited extent or not at all, despite the efforts and costs involved in integration.

g) Development of exchange rates

Our global presence and distribution to virtually every country in the world leads to global supplier and buyer relationships involving payment flows in various different currencies. The purchase of goods and services is predominantly conducted in euro. One exception to this is the purchase of products of the American subsidiary Carl Zeiss Meditec, Inc., Dublin/USA, by the parent company in Jena, which are conducted in US dollars. Likewise deliveries from Germany to this subsidiary are also invoiced in US dollars. Any resulting fractions as well as larger claims against third parties in foreign currencies are recorded on a regular basis and hedged using suitable financial instruments such as forward currency transactions. This was the case for receivables in foreign currencies in the past.

h) Group companies

Through its group companies Carl Zeiss Meditec is exposed to the respective risk environment of the group company. An encumbrance for the Group and Carl Zeiss Meditec AG itself may arise out of relations to these companies due to legal and contractual liabilities and commitments.

In order to identify and appraise the stated risks in good time, and so as to counter the risks and comply with the Act on Control and Transparency in Stock Corporations *(KonTraG)*, a uniform, pan-group risk management system has been launched in accordance with the regulations of the Carl Zeiss Group. The risk management system is an integral part of the entire controlling and reporting process and ensures the systematic recording, evaluation and communication of risks.

The essential features of the risk management system are:

- Retention of existing responsibilities and regular monitoring by a central 'Risk Manager'
- Risk identification and evaluation in risk matrices
- Risk reporting on the basis of given thresholds for relevant risks
- Initiation of measures to avoid and/or lower risks

F Research and development

The consolidated expenses for research and development prior to grants, allowances and subsidies amounted to € 22.413m (previous year: € 20.051m). Taking into account these grants, in the 2001/2002 financial year the Carl Zeiss Meditec spent a sum of € 21.342m on research and development (previous year: € 19.237m). For the 2001/2002 financial year this corresponds to a ratio of 10.4% of sales (previous year: 10.0%).

Focal points of research and development were the winding up of development activities for the new products VISULAS™ 532s, VISUCAM™ lite and STRATUSOCT™. Of major significance in this field was the research and development work on the new MEL 80™ refractive laser system, which was presented to the public for the first time ever after the conclusion of the financial year at the American Academy of Ophthalmology (AAO) trade fair, which took place at the end of October 2002. The MEL 80™ is of significance for Carl Zeiss Meditec inasmuch as that it rounds off the product portfolio of what was formerly Carl Zeiss Ophthalmic.

The Group plays a major role in a number of inter-company future projects. To this end the global network and competence of the Carl Zeiss Group is used on an intensive basis. Thus Carl Zeiss Meditec is co-operating with other companies and institutes in a major alliance on a new process for the correction of vision defects with the aid of ultra short-pulsed lasers (femto-second lasers).

The Group's innovation pipeline is extremely well stocked with numerous other development and research projects. These projects range from minimally-invasive, intraocular operations, through extensive biometric and functional measurement of the eye, to complete diagnostics for the retina, as well as the SaveDent/PAD project in the Dental unit.

G Events after the balance-sheet date

Immediately after the balance-sheet date, on 9 October 2002, Carl Zeiss Meditec announced the launch of direct sales in Japan. Thus Carl Zeiss Meditec is also represented on the important Japanese market through its own subsidiary.

The affiliated company Carl Zeiss Meditec Ltd., Edinburgh/Scotland (formerly Asclepion-Meditec Ltd.) is to be restructured. In Italy negotiations are currently being conducted on the optimisation of the sales structure and, where appropriate, on the merger of the group company Asclepion-Meditec S.R.L., Milan/Italy with Carl Zeiss S.p.A., Arese, Milan/Italy.

Following the balance sheet date Carl Zeiss Meditec AG, Jena, filed a lawsuit concerning the bulk of the loans in order to recover a substantial part of the loans. The corresponding risks were already taken into account.

H Outlook

Renowned research economists such as the Deutsche Institut für Wirtschaftsforschung (DIW) do not predict any significant economic growth for the 2002/2003 financial year. In the most important regions for Carl Zeiss Meditec experts reckon with the following growth rates in the gross domestic product (gdp): USA: 2.7%, European Region: 1.8%, Germany: 1.4% and Japan: 1.2%. The market for medical technology products has not remained unaffected by the state of the global economy and a number of deflationary factors. Carl Zeiss Meditec's response to the increasingly cutthroat competition is to launch new, innovative products. As the result of these new products the Group is expecting to see rising sales figures in the diagnosis segment of the Vision business unit. Prices should largely remain stable. In the laser sector (including refractive lasers) only a weak recovery is anticipated for the 2002/2003 financial year. However, in this respect the intention is that the new MEL 80™ refractive laser will help to gain a further share of the market in which the product has been approved. The Group assumes that in the 2002/2003 financial year, and also in the years thereafter, the Vision business unit will make a significant contribution to the Group's earnings. Due to the high recognition level of the 'Zeiss' brand and the global distribution network, Carl Zeiss Meditec sees itself well positioned in the international competitive field and assumes an important improvement of the earnings situation.

Considerable competitive pressure is to be anticipated in the Aesthetic unit in the coming financial year. However the business unit should stabilise its market position thanks to the streamlining of its product portfolio and its excellent technology position. The Dental business unit is expected to develop continously on the basis of longstanding OEM relationships.

Data for the economy as a whole also influence the development of results of Carl Zeiss Meditec. Although the Group expects to exceed this year's sales level, drastic cost cutting and intensified efforts in marketing will be necessary if the targeted, substantially improved profits are to be achieved.

On the basis of the pro forma consolidated sales for the 2001/2002 financial year, consolidated sales should increase by at least 10% in the 2002/2003 financial year. In the 2002/2003 financial year the Group's operating result margin (EBIT margin) should be significantly higher than that of the previous year.

The seven-point plan presented at the end of the 2001/2002 financial year is being implemented as scheduled. A number of successes have already been attained. These include the market launch of two new products, one of which is the refractive laser MEL 80™; the bundling of activities in the field of research and development; as well as the integration of refractive laser systems into the direct sales activities of Carl Zeiss Meditec and the sales channels of the Carl Zeiss Group for major markets. Among the next milestones are the commencement of the approval procedures for refractive lasers in the USA and Japan; the conclusion of the integration of Carl Zeiss Ophthalmic and Asclepion by 31 December 2002; the establishment of viable business models in the Aesthetic and Dental divisions by the end of the second quarter of the 2002/2003 financial year; and the complete adoption of the Corporate Governance Codex on the general meeting of Carl Zeiss Meditec AG on 12 March 2003. At this general meeting the shareholders are to adopt resolutions on the changes in the articles of association necessary for the adoption of the Corporate Governance Codex.

In addition to rapid rise in market penetration, in particular in the segment for refractive laser systems, a further strategic goal of Carl Zeiss Meditec is the expansion of the technological and product portfolio. New single products and intelligent networked systems – up to the complete management of eye treatments – are to make a positive contribution to the Group's economic growth.

Jena, 2 December 2002
Carl Zeiss Meditec AG

Ulrich Krauss	Bernd Hirsch	Dr Walter-Gerhard Wrobel
President and CEO	Member of the	Member of the
	Board of Management	Board of Management

Consolidated income statement for the financial years 2000/2001 and 2001/2002

The Carl Zeiss Meditec figures cannot be compared to the total of the previous year's figures of Carl Zeiss Ophthalmic and Asclepion.*

(in € '000)	*Notes*	Carl Zeiss Ophthalmic Financial year 2000/2001		Asclepion Financial year 2000/2001		Carl Zeiss Meditec Financial year 2001/2002	
Net sales	*1o, 18*		193,291		40,946		204,562
Costs of goods sold	*1q*		(122,410)		(20,000)		(133,891)
Gross profit			70,881		20,946		70,671
Selling and marketing expenses	*1q*		(31,028)		(13,949)		(32,960)
General and administrative expenses			(7,201)		(4,929)		(8,408)
Research and development expenses		(20,051)		(7,323)		(22,413)	
minus government grants received		814	(19,237)	1,101	(6,222)	1,071	(21,342)
Amortisation of goodwill	*1j*		(235)		(320)		(228)
Other operating income / (expense)			473		(441)		207
Foreign currency gains / (losses), net	*1d, 1m*		18		(46)		485
Operating income			13,671		(4,961)		8,425
Foreign currency gains / (losses), net			-		-		(31)
Interest income / (loss), net			(2,519)		683		(3,142)
Appreciation, depreciation and valuation adjustments on financial assets	*1g*		-		(5,926)		24
Income before income taxes	*17*		11,152		(10,204)		5,276
Income tax benefit / (expense)	*1n, 17*		(4,359)		2,818		(1,895)
Net income / (loss)			6,793		(7,386)		3,381
Earnings per share (€):	*1s*						
Basic			0.35		(1.19)		0.16
Diluted			0.35		(1.19)		0.16
Average number of shares outstanding:	*1s*						
Basic			19,633,300		6,200,000		21,128,095
Diluted			19,633,300		6,200,000		21,128,095

We refer to following notes to consolidated financial statements.

** In the 2001/2002 financial year the consolidated statement of Carl Zeiss Meditec includes Carl Zeiss Ophthalmic for 12 months and Asclepion for 3 months (July to September 2002) - as according to US GAAP the merger is regarded as a reverse acquisition.*
The figures for Carl Zeiss Ophthalmic and Asclepion both cover the full financial year, i.e. 12 months.

Consolidated Balance Sheet as of 30 September 2001 and 30 September 2002

The Carl Zeiss Meditec figures cannot be compared to the total of the previous year's figures of Carl Zeiss Ophthalmic and Asclepion.

(in € '000)	*Notes*	Carl Zeiss Ophthalmic 30 September 2001	Asclepion 30 September 2001	Carl Zeiss Meditec 30 September 2002
Assets				
Current assets:				
Cash	*1f*	2,144	11,039	7,183
Trade accounts receivable, net of allowances of € 8.459m as of 30 September 2002 and € 2.743m as of 30 September 2001 at Carl Zeiss Ophthalmic and € 2.096m as of 30 September 2001 at Asclepion	*1g, 4*	21,052	17,155	40,156
Accounts receivable from related parties	*3*	27,065	-	16,848
Inventories	*1h, 5*	38,672	14,710	44,169
Prepaid expenses		1,284	138	1,294
Deferred income taxes	*1n, 17*	7,009	710	6,960
Other assets		162	3,274	4,440
Total current assets		97,388	47,026	121,050
Property, plant and equipment, net	*1i, 2, 6*	28,187	11,443	33,925
Goodwill	*1j, 2*	1,185	3,798	16,098
Other intangible assets, net	*1k, 2, 7*	29	538	6,537
Other long-term accounts receivable, net of allowances of € 0.962m as of 30 September 2002 and € 0m as of 30 September 2001 at Carl Zeiss Ophthalmic and € 0.205m as of 30 September 2001 at Asclepion	*1g, 4*	24	4,901	3,142
Investments	*8*	-	1,296	129
Loans	*1g, 8*	-	9,960	4,874
Deferred income taxes	*1n, 17*	5,968	3,728	7,878
Total assets		**132,781**	**82,690**	**193,633**

We refer to following notes to consolidated financial statements.

(in € '000)	Notes	Carl Zeiss Ophthalmic 30 September 2001	Asclepion 30 September 2001	Carl Zeiss Meditec 30 September 2002
Liabilities and shareholders' equity				
Current liabilities:				
Short-term debt	*11*	-	1,616	1,368
Current portion of long-term debt	*12*	-	178	179
Current portion of capital lease obligations	*14*	416	601	1,314
Trade accounts payable		9,029	1,539	9,419
Accounts payable to related parties	*3*	36,207	-	13,601
Income taxes payable		4,979	42	160
Deferred income		4.585	313	4.997
Deferred income taxes	*1n, 17*	349	209	8
Accrued expenses	*9*	12,043	6,386	25,975
Other current liabilities		361	3,562	3,743
Total current liabilities		67,969	14,446	60,764
Long-term debt, net of current portion	*12*	-	5,207	5,027
Capital lease obligations, less current portion	*14*	32,709	931	30,573
Long-term deferred income		1,053	-	1,118
Deferred income taxes	*1n, 17*	-	544	396
Other liabilities		220	163	426
Total liabilities		101,951	21,291	98,304
Shareholders' equity:				
Ordinary shares, imputed nominal value € 1.00, 25,833,300 shares authorized, issued, and outstanding		19,633	6,200	25,833
Additional paid-in capital		10,048	60,669	67,389
Retained earnings / (deficits)		2,093	(4,711)	5,474
Accumulated other comprehensive income / (loss)	*1r*	(944)	(759)	(3,367)
Total shareholders' equity	*16*	30,830	61,399	95,329
Total liabilities and shareholders' equity		**132,781**	**82,690**	**193,633**

We refer to following notes to consolidated financial statements.

Consolidated statement of cash flow as of 30 September 2001 and 30 September 2002

(in € '000)	*Notes*	Carl Zeiss Ophthalmic 30. September 2001	Carl Zeiss Meditec 30. September 2002
Cash flow from operating activities:			
Net income		6,793	3,381
Adjustments to reconcile net income to net cash provided by / (used in) operating activities			
Depreciation and amortisation	*1i, 1j, 6, 7*	5,636	5,297
Loss on disposal of fixed assets	*1i*	44	7
Change in working capital:			
Trade accounts receivable	*1g, 4*	1,127	(3,614)
Inventories	*1h, 5*	(8,798)	5,325
Prepaid expenses and other current assets		(357)	1,876
Deferred taxes	*1n, 17*	(241)	1,581
Trade accounts payable		406	1,773
Income taxes payables		(1,929)	(1,848)
Other accrued expenses and liabilities	*9*	(1,996)	8,169
Deferred income		161	771
Total adjustments		(5,947)	19,337
Net cash provided by operating activities		846	22,718
Cash flow from investing activities:			
Purchase of fixed assets	*6*	(2,525)	(1,841)
Purchase of intangible assets	*7*	(9)	-
Proceeds from repayment of loans		-	199
Proceeds from sale of fixed assets	*1i*	-	176
Net assets aquired, net of cash received	*2*	-	2,341
Net cash provided by / (used in) investing activities		(2,534)	875
Cash flow from financing activities:			
Proceeds from issuance of short-term debt	*11*	-	(129)
Proceeds from issuance of long-term debt	*12*	-	(48)
Increase / (decrease) in liabilities due to Treasury	*3*	13,851	(26,807)
Increase / (decrease) in receivables from Treasury	*3*	(5.665)	9,441
Repayments under capital lease contracts	*14*	(1,549)	(875)
Proceeds from sale and lease-back transactions	*14*	-	281
Distribution to Group Treasury	*3*	(4,700)	-
Proceeds from issuance of common stock	*16*	-	52
Net cash used in financing activities		1,937	(18,085)
Effect of exchange rate changes		106	(469)
Net increase in cash		355	5,039
Cash, beginning of the year		1,789	2,144
Cash, end of the year		**2,144**	**7,183**
Supplemental disclosures of cash flow information:			
Interest paid		**3,024**	**3,725**
Income taxes paid		**715**	**3,705**
Non-cash transactions:			
Finance lease	*14*	**-**	**240**
Purchase of consolidated companies against issuance of 6,200,000 shares at a price of € 10.19	*2*	**-**	**63,414**

We refer to following notes to consolidated financial statements.

Development of consolidated shareholders' equity

(in € '000)	Share capital	Additional paid-in capital	Retained earnings (deficit)	Accum. other comprehensive income (loss)	Total share-holders' equity
As per 1 October 2000	**19,633**	**10,048**			**29,681**
Comprehensive income:					
Net income			6,793		6,793
Other comprehensive loss				(944)	(944)
Comprehensive income					5,849
Distribution to Treasury			(4,700)		(4,700)
As per 30 September 2001	**19,633**	**10,048**	**2,093**	**(944)**	**30,830**
Comprehensive income:					
Net income			3,381		3,381
Other comprehensive loss				(2,423)	(2,423)
Comprehensive income					958
Capital contribution from shareholders		52			52
Fictitious capital contribution from shareholders		75			75
Capital contribution from shareholders	6,200	57,214			63,414
As per 30 September 2002	**25,833**	**67,389**	**5,474**	**(3,367)**	**95,329**

We refer to following notes to consolidated financial statements.

Development of consolidated fixed assets

(in € '000)	Purchase/manufacturing cost						
	01.10.2001	Additions	Additions from acquisitions	Transfers	Disposals	Currency adjust-ments	30.09.2002
Goodwill and other intangible assets							
Goodwill	3,440	-	15,216	-	-	(263)	18,393
Self-constructed software	-	-	444	-	-	-	444
Other intangible assets	222	-	6,733	(222)	-	-	6,733
	3,662	**-**	**22,393**	**(222)**	**-**	**(263)**	25,570
Property, plant and equipment:							
Standard software	-	27	11	222	-	7	267
Land, buildings and leasehold improvement	27,027	3	5,910	-	93	(2,073)	30,774
Plant and machinery	11,339	588	2,113	302	1,508	(816)	12,018
Other fixtures and fittings, tools and equipment	10,234	2,490	686	167	579	(251)	12,747
Payments on account and tangible assets in course of construction	76	585	-	(469)	-	(13)	179
	48,676	**3,693**	**8,720**	**222**	**2,180**	**(3,146)**	**55,985**
Financial assets:							
Investments	-	-	129	-	-	-	129
Other loans	-	7	5,073	-	250	-	4,830
	-	**7**	**5,202**	**-**	**250**	**-**	**4,959**
	52,338	**3,700**	**36,315**	**-**	**2,430**	**(3,409)**	**86,514**

Accumulated depreciation and amortisation							Residual book values	
01.10.2001	Currency adjustments	Disposals	Appre-ciation	Transfer	Disposals	30.09.2002	30.09.2002	30.09.2001
2,255	(188)	228	-	-	-	2,295	16,098	1,185
-	-	31	-	-	-	31	413	-
193	-	609	-	(193)	-	609	6,124	29
2,448	**(188)**	**868**	**-**	**(193)**	**-**	**2,935**	**22,635**	**1,214**
-	7	20	-	193	-	220	47	-
4,465	(456)	1,686	-	-	109	5,586	25,188	22,562
8,608	(656)	1,293	-	-	1,409	7,836	4,182	2,730
7,416	59	1,422	-	-	479	8,418	4,329	2,818
-	-	-	-	-	-	-	179	76
20,489	**(1,046)**	**4,421**	**-**	**193**	**1,997**	**22,060**	**33,925**	**28,187**
-	-	-	-	-	-	-	129	-
-	-	8	(32)	-	20	(44)	4,874	-
-	**-**	**8**	**(32)**	**-**	**20**	**(44)**	**5,003**	**-**
22,937	**(1,234)**	**5,297**	**(32)**	**-**	**2,017**	**24,951**	**61,563**	**29,401**

Notes to the consolidated financial statements according to US GAAP

(1) Subject matter of the enterprise, accounting policies and practices

(a) Presentation of the Enterprise

Pursuant to the announcement of 25 March 2002, Asclepion-Meditec AG, Jena (hereafter abbreviated to 'Asclepion') and Carl Zeiss Ophthalmic Systems AG, Jena (hereafter 'Carl Zeiss Ophthalmic') were merged into Carl Zeiss Meditec AG, Jena (hereafter 'Carl Zeiss Meditec' or the 'Company'). The amalgamation of Carl Zeiss Ophthalmic and Asclepion was effected by transferring the entire assets of Carl Zeiss Ophthalmic, including all rights and obligations, to Asclepion. On entry of the merger in the Asclepion commercial register on 4 July 2002, all rights and obligations, including all liabilities, of Carl Zeiss Ophthalmic were transferred to Asclepion. The transferring company, Carl Zeiss Ophthalmic, ceased to exist and its shareholders became shareholders of Asclepion.

Carl Zeiss Ophthalmic was founded as a 'GmbH' (private limited company) with articles of partnership dated 9 July 2001 under the name of ABWIRT Erste Verwaltungsgesellschaft mbH ('ABWIRT'), based in Hamburg and entered in the commercial register of the Local Court of Hamburg on 13 November 2001 under HRB 81708. Carl Zeiss Jena GmbH, Jena, ('Carl Zeiss Jena') purchased all the shares in ABWIRT by means of a purchase and transfer agreement dated 14 December 2001. The change of name and corporate status of ABWIRT into Carl Zeiss Ophthalmic Systems AG and the transfer of the head office to Jena were also resolved on 14 December 2001. The change of name and the corporate form change were entered in the commercial register at Hamburg Local Court under HRB 83007 on 7 March 2002. The transfer of the head office was entered on the commercial register at Gera Local Court under the number HRB 9234 on 10 May 2002. The share capital of Carl Zeiss Ophthalmic amounted to € 50,000 and comprised 50,000 no-par-value bearer shares.

By means of a hiving-off and take-over agreement dated 28 March 2002, which named Carl Zeiss Ophthalmic as the assuming legal entity, Carl Zeiss Jena hived off all the assets and liabilities belonging to the Ophthalmology division of Carl Zeiss Jena ('OG division'), including all rights and obligations, to Carl Zeiss Ophthalmic. The OG division covered the development, manufacture and distribution of ophthalmic diagnostic and therapy equipment. In return for the transfer of the OG division to Carl Zeiss Ophthalmic, Carl Zeiss Jena , as the transferring legal entity, received 3,000,000 new no-par-value bearer shares of Carl Zeiss Ophthalmic which were created by means of a capital increase against contributions in kind. This raised Carl Zeiss Ophthalmic's share capital by € 3.0m from € 50,000 to € 3.050m. The capital increase was entered on the commercial register on 16 May 2002.

As the result of the post-formation and contribution agreement with Carl Zeiss Ophthalmic dated 17 May 2002, Carl Zeiss Beteiligungs-GmbH, based in Heidenheim an der Brenz, transferred all its shares in Carl Zeiss Ophthalmic Systems, Inc., Dublin, USA (hereafter abbreviated to 'Carl Zeiss Ophthalmic Systems Inc.'), to Carl Zeiss Ophthalmic. In return for contributing the shares in Carl Zeiss Ophthalmic Systems, Inc. Carl Zeiss Betei-ligungs-GmbH, as the contributing company, received a total of 2,930,400 new no-par-value bearer shares in Carl Zeiss Ophthalmic. In order to carry out the contribution, the share capital of Carl Zeiss Ophthalmic to the amount of € 3.05m was raised to € 5.98m by issuing a further 2,930,400 new no-par-value bearer shares. The contribution was subject to condition precedent that the capital increase for the merger of Carl Zeiss Ophthalmic with Asclepion-Meditec AG, Jena, would be entered on the commercial register of Asclepion-Meditec AG. The capital increase was entered on the commercial register on 04 July 2002. Under the merger, Asclepion and Carl Zeiss Ophthalmic were fully amalgamated and subsequently the new entity continues legal and commercial operations as a single, unified company and retains its head office in Jena.

The legal basis of the merger is the Merger Agreement between Carl Zeiss Ophthalmic and Asclepion. The supervisory boards of both companies approved the draft of the Merger Agreement, drawn up by the management boards of the companies on 28 March 2002. In order to come into force, the Merger Agreement requires authentication by a notary and the approval of the shareholder meetings of Carl Zeiss Ophthalmic and Asclepion. The unchanged version of the draft of the Merger Agreement of 28 March 2002 was authenticated by a notary on 16 April 2002.

According to the exchange ratio fixed by the management boards of Asclepion and Carl Zeiss Ophthalmic on the basis of the independent assessor's evaluation, Asclepion granted Carl Zeiss Ophthalmic shareholders a total of 19,633,300 new Asclepion shares. As a result, Carl Zeiss Ophthalmic shareholders will hold a share of almost 76% in Carl Zeiss Meditec. Specifically, Asclepion will grant 10,012,970 of its shares to Carl Zeiss Jena GmbH in exchange for 3,050,000 Carl Zeiss Ophthalmic shares and 9,620,330 Asclepion shares to Carl Zeiss Beteiligungs-GmbH in exchange for 2,930,400 Carl Zeiss Ophthalmic shares. Approx. 3.28294 Asclepion shares will thus be afforded for every Carl Zeiss Ophthalmic share.

Asclepion shareholders approved the merger proposal at their general meeting on 28 May 2002, as did the Carl Zeiss Ophthalmic shareholders on 21 May 2002. With effect of the merger coming into effect by virtue of the latter being recorded on the commercial register at the domicile of Asclepion on 4 July 2002, Carl Zeiss Ophthalmic shares were discontinued, just as the company itself ceased to exist. Its shareholders became shareholders of Asclepion ipso jure according to the ratio of exchange stipulated in the Merger Agreement, or – upon the change of the company's name becoming effective – of Carl Zeiss Meditec.

Carl Zeiss Meditec is engaged in the development, production, and marketing of medical laser systems. The Company's headquarters are located at Jena, Germany's traditional centre for optical and optical-related technologies, including lasers. The Company has wholly-owned subsidiaries in Germany, the United Kingdom, Italy and the United States of America ('USA').

Carl Zeiss Meditec is involved in three major markets: ophthalmology, dermatology/cosmetic laser surgery and dentistry. The Group's customers are specialists in private practice, clinics and hospitals worldwide.

(b) Basis of presentation

The attached consolidated financial statements were prepared in compliance with generally accepted accounting principles of the USA ('US GAAP'). The Company's accounts are prepared pursuant to German statutory provisions according to the principles of orderly accounting ('German GAAP'). German GAAP deviate from US GAAP. For this reason the Carl Zeiss Meditec has conducted certain adjustments so as to ensure that the consolidated financial statements comply with US GAAP.

The merger of Carl Zeiss Ophthalmic and Asclepion was treated as a reverse acquisition. Herunder, the legal transferor is the acquiring enterprise for accounting purposes, since Carl Zeiss Ophthalmic shareholders receive the majority of the voting rights in the merged company following the merger. Within the scope of the initial consolidation the assets and liabilities of Asclepion were carried at their fair value. Acquisition costs in excess of the fair value of the transferred net assets were carried as goodwill. Asclepion and its subsidiaries are included in financial statements of Carl Zeiss Meditec from 04 July 2002 (or for reasons of simplification from 1 July 2002) onwards.

According to the principles of reverse acquisition, the consolidated financial statements to US GAAP of acquirer Carl Zeiss Ophthalmic must be shown as a previous year's disclosure. Accordingly, the following comparative figures for the previous year relate to Carl Zeiss Ophthalmic. Besides the figures for Carl Zeiss Ophthalmic, the previous year's figures for Asclepion to US GAAP must be shown in the consolidated balance sheet and income statement.

(c) Principles of consolidation

The consolidated statement includes the statements of Carl Zeiss Meditec and its subsidiaries. All the essential consolidated accounts and transactions within the Group have been eliminated in the consolidated financial statements.

(d) Foreign currency translation

The financial statements of the German Group companies and the Italian subsidiary were prepared using the euro as the functional currency. The annual financial statements of the subsidiaries in the United Kingdom and the USA were prepared in the respective national currencies and then converted into euro. All the items on the balance sheet were converted at the valid exchange rate on the balance sheet date. The income statement was converted at the exchange rates applicable during the financial year. Differences arising from the conversion of currency compared to the previous year are shown under Other comprehensive income (loss) within the shareholders' equity.

Transactions by the Company's German operations, as well as those of the subsidiaries in the United Kingdom, Italy and the USA, which were effected in foreign currencies, are converted to the respective national currency. The resulting income or expenses are disclosed in the net result for the year.

(e) Use of estimates

The preparation of annual financial statements in accordance with the principles of orderly accounting necessitates certain assumptions and estimates. These relate to assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the amount of income and expenses in the reporting period. The actual results may differ from these estimates.

(f) Cash

Cash on hand and cash deposits at banks are shown as cash. The book value of these items basically corresponds to their market value.

(g) Trade accounts receivable and loans

Trade accounts receivable and loans are recorded at cost, less related allowance for impaired receivables and loans. Immediate valuation adjustments are made on doubtful receivables and loans associated with discernible risks and unrecoverable receivables are written off. Long-term debts and loans are discounted; accrued interest is shown as income by the straight-line method.

(h) Inventories

Inventories are valued at purchase or manufacturing cost, or at the lower market value. Costs are primarily determined on the basis of the weighted average cost method. Manufacturing costs include materials and labour, as well as proportionate manufacturing and material overheads including depreciation.

(i) Property, plant and equipment

Property, plant and equipment are valued at purchase or manufacturing costs minus accumulated depreciation. Depreciation is calculated by the straight-line method over the useful economic life. The following depreciation periods are applied:

Standard software	3-5 years
Buildings and leasehold improvements	3-44 years
Plant and machinery, other fixtures and fittings, tools and equipment	1-23 years

Leasehold improvements are depreciated over their customary service life. This is limited, however, to the term of the rental or lease agreement. Useful life is evaluated regularly by the management in light of current technological developments. Maintenance and repairs are charged to expenses, while renewals and improvements that extend useful lives or increase capacity are capitalised. Upon the sale or retirement of property and equipment, the accounts are relieved of the acquisition cost and related accumulated depreciation, and any resulting gain or loss included in the income statement.

(j) Goodwill

The goodwill resulting from the purchase of Humphrey Instruments, Inc. ('Humphrey'), a subsidiary of Allergan Inc. in 1991, is amortised over the expected useful life of 15 years using the straight-line method. The amortisation amounts to € 0.235m and € 0.228m for the financial years ending on 30 September 2001 and 2002 respectively. Accumulated amortisation amounted to € 2.255m and € 2.295m respectively for the financial years ending 30 September 2001 and 2002.

Goodwill resulting from the merger of Carl Zeiss Ophthalmic and Asclepion, amounting to € 15.216m is calculated by subtracting the acquisition price from the fair value of the transferred net assets. This goodwill is tested for impairment annually and not subject to amortisation.

Starting 1 October 2002 the Group will adopt Statement of Financial Accounting Standards (SFAS) No. 142, 'Goodwill and other intangible assets'. Upon adoption, goodwill is not amortised. According to this Statement the carrying amount of goodwill is tested for impairment annually. Impairment is measured as the excess of carrying value over the fair value.

(k) Other intangible assets

Expenses for in-house software development are shown in the balance sheet conforming to SFAS 86 'Accounting for the costs of computer software to be sold, leased or otherwise marketed' at purchase cost minus accumulated amortisation. Carl Zeiss Meditec develops software for its products, and this forms an integral part of the equipment as sold. The capitalisation of expenses for software development begins with an analysis of technical feasibility and ends with the first sale of the product. Capitalised software is amortised according to its anticipated life cycle (4-6 years). Accumulated amortisation amounted to € 0 and € 31,000 respectively for the financial years ending 30 September 2001 and 2002.

Intangible assets (excluding in process research and development) identified within the scope of the acquisition of Asclepion (purchase price allocation) are valued at purchase cost minus accumulated amortisation and are written off over an average term of 5 years (see 2).

(l) Long-lived assets

The Group reviews the value of long-lived assets, including intangible assets, whenever events or changed circumstances indicate that the book value of an asset may exceed its fair value. The examination of the value of assets actually used first requires a comparison of its book value with the future non-discounted cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised then is the amount by which the book value of the assets exceeds their fair value. Estimated fair value is generally based on either an appraised value or measured by the discounted estimated future cash flow. Actual results may thus vary significantly from such estimates. The development of fixed assets may be seen in the fixed-asset movement schedule.

(m) Financial instruments and risk provisioning

Fair value of financial instruments – The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The financial instruments of the Group primarily

consist of liquid assets, trade accounts receivable, accounts payable, short-term debt and other current liabilities. In view of their short-term character, their book values approximate to their market values as of 30 September 2001 and 2002.

Derivative financial instruments - The Group concludes currency futures contracts to hedge against its exchange risks on the basis of planned transactions in foreign currencies. These contracts generally cover a period of less than one year. The par value of these futures contracts is not recognised in the consolidated financial statements.

The contracts are stated at the fair value as at 30 September 2002 and are included in the provisions and other current assets, whereby the respective profit or loss is reported in the consolidated income statement as a currency gain or loss. As of 30 September 2001 the Group does not own derivative financial instruments. Premiums paid or received on futures contracts were taken into account when determining profit over the term of the futures contracts. The Management Board of Carl Zeiss Meditec is regularly consulted in decisions on risk provisioning. The Group does not own derivative financial instruments for trading purposes, nor does it issue such contracts.

In June 1999 the Financial Accounting Standard Board ('FASB') published the Statement of Financial Accounting Standards ('SFAS') No. 133 'Accounting for derivative instruments and hedging activities'. In June 2000 SFAS 133 was defined and expanded by SFAS 138. SFAS 133 and SFAS 138 stipulate that all derivative financing instruments in the balance sheet must be disclosed at the fair value. The disclosure of changes in the fair value of a derivative financing instrument (i.e. profit or loss) depends on the intended purpose of the derivative instrument and the provision resulting therefrom. The application of this ruling is mandatory for all quarterly financial statements for the period starting 15 June 2000. The application of SFAS 133 or SFAS 138 did not have a significant impact on the consolidated financial statements of Carl Zeiss Meditec.

Profit or loss from the valuation of derivative financial instruments to the amount of € 0.154m are posted under foreign currency gains and losses.

(n) Taxes on income and earnings

Taxes on income and earnings are computed annually by the asset and liability method pursuant to SFAS 109 'Accounting for income taxes'. All liabilities or claims relating to taxes on income, earnings, capital and property arising during the financial year are reflected in the

consolidated financial statements pursuant to the relevant tax laws. Deferred tax assets and liabilities are calculated each year for differences between the consolidated financial statement carrying amounts and tax bases of assets and liabilities, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred tax assets are reduced as necessary to the amount that is likely to be realised. Taxes on income and earnings comprise the tax payable or refundable for the reporting period, plus or minus the change in deferred tax. The effects of a change in tax rates on deferred tax assets and liabilities are recognised in income for the period in which the change was announced.

(o) Revenue recognition

The Group generates sales from selling products and services on the basis of contracts. A sale is effected when all the parts of the product have been delivered or the service has been provided, the risks have passed, the payment is agreed or can be determined, no substantial obligations towards the customers are outstanding and payment of the receivable is deemed probable. Sales are taken as the net amount after subtraction of dealer commissions, trade discounts, customer allowances and rebates.

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

In December 1999 the US Securities and Exchange Commission (SEC) published Staff Accounting Bulletin No. 101 entitled 'Revenue recognition in financial statements' (SAB 101). SAB 101 contains general and specific guidelines regarding the periods in which sales revenue is to be disclosed. We believe that our accounting principles regarding the disclosure of sales revenue comply with the provisions of SAB 101.

(p) Advertising

Advertising costs are treated as expenses. In the financial years ending 30 September 2001 and 2002 they amounted to € 3.715m and € 1.519m, respectively.

(q) Product-related costs

Research and development costs and marketing and selling expenses are charged to expenses as incurred. Research and development subsidies are set off separately from expenses at the

time the entitlement to the corresponding subsidy arises. Provisions for estimated warranty costs are formed in the period in which the related sales are generated; these provisions are regularly adjusted to reflect actual experience.

The group classifies shipping and handling costs billed to customers as revenue and the corresponding freight costs in the cost of goods sold. In the 2001/2002 financial shipping and handling costs not billed to customers amount to € 1.726m (previous year: € 1.442m) and are shown in the selling and marketing expenses.

(r) Other comprehensive income

SFAS 130 'Reporting comprehensive income' commits companies to disclosing 'Other comprehensive income'. Besides net income/loss it also includes other comprehensive income. These are all equity changes which have no effect on the operating result and which are not related to transactions with shareholders. Both 'other comprehensive income' and 'comprehensive income' are shown in the development of consolidated shareholders' capital.

(s) Earnings/loss per share

The basic earnings/loss per share were calculated by dividing the net income/loss for the year by the weighted average number of common shares issued in the relevant accounting period. Earnings/loss per share allowing for the dilution effect were calculated in compliance with SFAS 128, 'Earnings per share', such that the effect of diluting securities is reflected.

The following table contains a reconciliation so as to calculate the weighted average number of issued shares, allowing for the dilution effect:

	30 September 2001	30 September 2002
Weighted average of issued shares, undiluted	19,633,300	21,128,095
Dilution effect of stock options	-	-
Weighted average of issued shares, allowing for the dilution effect	19,633,300	21,128,095

The dilution effect was calculated by the treasury stock method according to SFAS 128 'Earnings per share'. Due to the market value of the Carl Zeiss Meditec shares as of 30 September 2002, the method of calculation did not permit a dilution effect to be taken into account. As of 30 September 2002 Carl Zeiss Meditec issued 241,360 stock options which would lead to a dilution effect. As of 30 September 2001 Carl Zeiss Meditec had not issued any stock options.

(t) Stock option plan

Carl Zeiss Meditec posts its share option plan in accordance with the 'intrinsic value method' which is laid down in the regulations of the Accounting Principles Board (APB) Opinion No. 25, 'Accounting for stock issued to employees' and the respective interpretations. Pursuant to APB Opinion No. 25 remuneration expenses for stock options are calculated on the basis of the intrinsic value. This is calculated from the difference between the market value of the shares on the measurement day and the exercise price. The measurement day is the point in time at which the number of shares to which the beneficiary is entitled and the purchase price are ascertained. SFAS 123 'Accounting for stock-based compensation' regulates the accounting and disclosure obligations for the use of the fair value method to determine compensation expenses for stock-based remuneration. Accordingly, compensation expenses are calculated based on the fair value at the time the stock options are granted and distributed over the period through to the earliest point in time at which they may be exercised. Carl Zeiss Meditec has decided to apply the provisions of APB Opinion No. 25 and to follow the disclosure stipulations of SFAS 123.

(u) Recently issued accounting standards

In June 2001 the Financial Accounting Standard Board ('FASB') published the Statement of Financial Accounting Standards (SFAS) No. 141 'Business combinations' and SFAS 142 'Goodwill and other intangible assets'. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after 30 June 2001. It specifies criteria that intangible assets acquired in a business combination must meet to be recognised and reported separately from goodwill. SFAS 142 requires that goodwill and certain intangible assets no longer be amortised. However, the carrying amount must be tested for impairment at least annually. SFAS 142 is to be applied to financial years ending after 15 December 2001. Earlier application is permissible under certain circumstances. The Group shows the acquisition of Asclepion on the balance sheet according to SFAS 141. Amortisation on previously existing goodwill in the 2001 and 2002 financial years amounted to € 0.235m and € 0.228m respectively.

In June 2001 the FASB issued SFAS 143 'Accounting for asset retirement obligations'. SFAS 143 lays down accounting regulations for obligations in connection with the retirement of long-lived tangible assets, specifically (1) the time sequence for recording obligations, (2) the initial assessment of an obligation, (3) the allocation of asset retirement costs to expense, (4) the secondary assessment of the obligation and (5) the figures in the annual financial statements. According to SFAS 143 the obligation from a fixed asset retirement in the period of origin must be recorded if a sufficiently reliable estimate of the value of the obligation can be made. The respective asset retirement costs are capitalised as part of the book value of the long-lived asset and depreciated over its useful life. A company should assess changes in the value of the asset retirement obligation ensuing in the course of time by applying an allocation method that is orientated to the present value to the amount of the obligation at the start of the respective financial year. The interest rate applied to this evaluation should be the same credit status-orientated, risk-free interest rate originally used to evaluate the obligation. This difference should be shown as an increase in the obligation and as an expenditure classified as an operative item in the consolidated income statement. SFAS 143 is effective for business years starting after 15 June 2002. Earlier introduction is, however, recommended. The Group does not anticipate any significant consequences of the first-time application of this rule.

In August 2001 the FASB issued SFAS 144 'Accounting for the impairment or disposal of long-lived assets'. This statement assumes certain provisions of SFAS 121 'Accounting for the impairment of long-lived assets and for long-lived assets to be disposed of', in which most provisions of the statement 144 are implemented. SFAS 144 refers to the accounting instructions in APB 30 'Reporting the results of operations – extraordinary, unusual and infrequently occurring events and transactions' for the sale of an interest. A single, consistent accounting model was thus created for sales activities and comprehensive possibilities for non-permanent transactions. SFAS 144 is valid for financial years beginning after 15 December 2001 – although earlier application is permissible. The effects of evaluation and assumptions must be specified. The Group does not anticipate any significant consequences of the first-time application of this rule.

2) Company acquisitions/Purchase of shareholdings

In 2002 the former Carl Zeiss Ophthalmic purchased Asclepion within the scope of a reverse acquisition. (See 1).

Asclepion developed, produced and marketed medical laser systems for new medical applications, as well as for the optimisation and substitution of current medical applications.

This company acquisition resulted in the formation of a new complete solution provider for ophthalmic devices and systems.

Activities of the acquired company in the period from 4 July 2002 (the day of acquisition), or for reasons of simplification, from 1 July 2002 to 30 September 2002 are reflected in the consolidated financial statements for the year ending 30 September 2002.

According to US GAAP (SFAS 141 'Business Combinations' para. 20) the market price of publicly listed shares should be used as a basis for estimating the fair value of an acquired enterprise in a business combination. The deciding factor is the market price of the shares issued within the scope of the capital increase for implementing the merger for a conclusive period before and after the measurement date. According to the currently effective US GAAP, this day may deviate from the date of the initial consolidation.

The following table shows the acquisition costs for the acquired company on the measurement date 28 May 2002 designated by the Management Board. The Asclepion share price taken as a basis for this calculation was the weighted average price for the period including the 2 trading days prior to and 2 days subsequent to the measurement date, i.e. a total of five trading days.

Number of shares		6,200,000
Average price of Asclepion-Meditec share	(in €)	10.19
Corporate value on the measurement date	(in € '000)	63,164
Incidental acquisition costs	(in € '000)	250
Acquisition costs	(in € '000)	63,414

These acquisition costs must be allocated to Asclepion's assets and liabilities as well as acquired goodwill pursuant to SFAS 141 (purchase price allocation). The use of a generally accepted method (income approach, cost approach or market approach) was examined for evaluating the assets identified as relevant within the scope of purchase price allocation. For each individual case the method was selected that best meets the requirements for the evaluation of the respective asset.

The so-called multi-period excess earnings method was used for the assessment of existing technology and in process research and development projects (also referred to as IPR&D). This model also took account of the required interest calculated on assets contributing to the generation of sales (contributory asset charges). In addition an allowance was made for the anticipated life cycle of existing technology and in process research and development projects (IPR&D).

The capitalisation rates used corresponded to the required rate of return on the assets under consideration. These range from 4.5% for current assets to 35% for certain IPR&D projects.

The following table summarises purchased assets and assumed liabilities on the date of acquisition.

	€ '000 (PPA*)	Useful life (years)	€ '000
Current assets			40,358
Property, plant and equipment			8,721
Fair value disclosure buildings	637	32.25	
Other long-term assets			17,517
Intangible assets (PPA*)			6,733
Customer base	2,271	5	
Patents	2,105	5	
Technology	1,586	5	
Trademarks / tradenames	485	5	
IPR&D	287		
Goodwill	15,216		15,216
Purchased assets			88,545
Current liabilities			15,784
Other long-term liabilities			9,347
Purchased assets net			**63,414**

** Valuation adjustments and first-time accounting resulting from Purchase Price Allocation according to SFAS 141*

The intangible assets of Asclepion and those identified within the scope of purchase price allocation are shown in the above table. All disclosed assets (except IPR&D) are amortised over an average term of 5 calendar years. No substantial residual value exists for these assets.

On the acquisition date those projects whose technical feasibility pursuant to SFAS 141 was as yet uncertain and for which no alternative use existed were classified as relevant and not yet completed research and development projects (IPR&D). Projects with a 25% to 85% percentage of completion were identified. To allow for the different risk classes, discounting rates of between 25% and 35% were applied to these projects. The projects have terms ranging from 6 months to 4 years until they are completed.

A total sum of € 0.287m was capitalised as IPR&D, and this amount was charged to income at the date of acquisition according to SFAS 141. The expenses are included in the research and development costs.

The acquisition resulted in goodwill valued at € 15.216m. In accordance with SFAS 141 amortisation will not be recognised on this amount; it will be subjected to an impairment test pursuant to SFAS 142 'Goodwill and other intangible assets'.

A difference of opinion exists between the Management Board and the auditor with regard to the measurement date to determine the corporate value. The auditor considers 25 March 2002 to be the measurement date and not 28 May 2002. Based on the assumption that the measurement date was 25 March 2002, the key figures can be summarised as follows:

Number of shares		6,200,000
Average price of Asclepion share	(in €)	12.40
Corporate value on the measurement date	(in € '000)	76,880
Incidental acquisition costs	(in € '000)	250
Acquisition costs	(in € '000)	77,130

The difference between the acquisition costs of € 77.130m (determined as of 25 March 2002) and € 63.414m (determined as of 28 May 2002) is € 13.716m. Essentially, this would result in a higher goodwill. The additional paid-in capital would increase in the same amount.

The Management Board draws attention to the fact that the measurement date is not clearly specified in the relevant US GAAP standard SFAS 141. This results from the following remarkable statements made by the FASB in the Appendix to SFAS 141 in the section 'Determining the cost of the acquired entity and date of acquisition'.

"B97. The Board decided that this statement would carry forward without reconsideration the provisions of Opinion 16 related to determining the cost of the acquired entity and the date of acquisition. The Board intends to reconsider some or all of that guidance in its separate project focused on issues related to the application of the purchase method.

B98. The Board recognizes that this statement carries forward from Opinion 16 contradictory guidance about the date that should be used to value equity interests issued to effect a business combination. Paragraph 74 of Opinion 16, carried forward in paragraph 22, states that the market price for a reasonable period before and after the date the terms of the acquisition are agreed

to and announced should be considered in determining the fair value of the securities issued. However, paragraph 94 of Opinion 16, carried forward in paragraph 49, states that the cost of an acquired entity should be determined as of the date of acquisition. Paragraph 48 defines that date as the date that assets are received and other assets are given, liabilities are assumed or incurred, or equity interest are issued. The Board decided to defer resolution of that apparent contradiction to its project on issues related to the application of the purchase method. Therefore, this statement does not change the status of the guidance in EITF Issue No. 99-12, 'Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in a Purchase Business Combination,' or EITF Topic No. D-87, 'Determination of the Measurement Date for Consideration Given by the Acquirer in a Business Combination When That Consideration is Securities Other Than Those Issued by the Acquirer.' This Statement also does not change the status of the guidance of other EITF issues interpreting the provisions of Opinion 16 related to determining the cost of the acquired entity."

In the opinion of the Management Board of Carl Zeiss Meditec these statements make it clear that at the time SFAS 141 was adopted in June 2001 it was already obvious that the standard contained contradictory stipulations as far as the measurement date was concerned. The solution to this problem will, however, be deferred to a later time in a separate project. In interpreting these contradictory stipulations in SFAS 141 the Management Board is of the opinion that in consideration of the special characteristics of German commercial, company and stock corporation law the best possible choice of measurement date is the date on which a resolution on the merger is passed by the shareholders' meeting as a decision-making body (thus 28 May 2002). Furthermore the Management Board refers to the statements made on the homepage of the FASB (cp. www.fasb.org, Action Alert No. 02-37; 2 October 2002 and Project Updates: Business Combinations: Purchase Method Procedures Project Summary; last updated: 7 October 2002) where the latter plainly wishes to distance itself from its opinion as hitherto expressed in EITF 99-12.

The auditor claims that consensus position EITF 99-12 was issued with the particular aim of resolving the contradiction contained in the regulation that preceded SFAS 141, i.e. Opinion 16. After adopting the respective regulations from Opinion 16 in SFAS 141 the FASB acknowledged this contradiction in para. B98, thereby explicitly insisting on the continuing validity of EITF 99-12. In spite of the declared intention to change it, from a formal point of view the FASB has not yet relinquished this position. As the measurement date, however, EITF 99-12 defines the day on which the terms of the acquisition are agreed to and announced. In the auditor's opinion this was 25 March 2002, the day of the ad hoc announcement of the proposed merger. The auditor thus takes the view that the measurement date is 25 March 2002.

In conformance with EITF 95-3 the Group recorded restructuring expenses of € 1.027m for employee termination benefits which had already been introduced before the balance sheet date and which were due to be completed in the following financial year.

Under the assumption that the acquisition had already been completed as of 1 October 2000 the following pro forma figures would apply:

	Pro forma figures as of 30 September 2001 (in € '000 excluding EPS)	Pro forma figures as of 30 September 2002 (in € '000 excluding EPS)
Revenues	234,237	233,792
Operating income/loss	7,114	(6,553)
Net loss for the year	(1,580)	(13,784)
Earnings per share (EPS)	(0.06 €)	(0.55 €)

These pro forma figures serve as a comparison and are not necessarily indicators for possible business development if the acquisition had ensued at an earlier date. Nor do the figures necessarily reflect future development.

(3) Related party transactions

Insofar as they existed on the balance sheet date, the Group separately discloses liabilities to and receivables from related parties. Related parties include the Carl Zeiss Stiftung, Carl Zeiss Jena and their affiliated companies as well as the Board of Management and the Supervisory Board.

For the purposes of furnishing the Group with short-term funds and investing surplus liquidity it was integrated into the group cash management system of Carl Zeiss Oberkochen (Treasury). Advances and loans paid within the scope of this business relationship were shown as a liabilities due to or receivables due from Carl Zeiss Oberkochen. Interest was calculated on loans and receivables at a rate bound to the 1-month EURIBOR.

In addition to financial services the Group draws various services from the Carl Zeiss Group, in particular from Carl Zeiss Jena. Contractual arrangements exist by which Carl Zeiss Jena provided, for example, research and development services, personnel and administrative functions as well as logistics, marketing and computing activities.

The Company has a number of agreements with the companies of the Carl Zeiss Stiftung resulting in the following accounts payable and receivable, sales and expenses:

€ '000	30 September 2001	30 September 2002
Accounts receivable		
Treasury	19,065	8,164
Carl Zeiss Heidenheim/Oberkochen	1,777	110
Carl Zeiss Co. Ltd., Japan	1,697	1,788
Carl Zeiss Ltd., United Kingdom	-	588
Carl Zeiss Co. Ltd., South Korea	-	623
Carl Zeiss S.A.S., France	-	819
Carl Zeiss s.r.o., Czech Republic	-	608
Carl Zeiss de Mexico S.A. de C.V., Mexico	-	743
Other	4,526	3,405
Total	**27,065**	**16,848**

€ '000	30 September 2001	30 September 2002
Liabilities		
Treasury	10,427	9,785
Carl Zeiss Heidenheim/Oberkochen	-	458
Carl Zeiss Jena	-	1,980
Carl Zeiss Pte. Ltd., Singapore	-	305
Carl Zeiss de Mexico S.A. de C.V., Mexico	-	399
Carl Zeiss Holding Co., Inc., USA	25,382	262
Other	398	412
Total	**36,207**	**13,601**

€ '000	30 September 2001	30 September 2002
Sales		
Carl Zeiss Heidenheim/Oberkochen	-	1,472
Carl Zeiss Ltd., United Kingdom	6,145	5,315
Carl Zeiss S.p.A., Italy	5,172	5,732
Carl Zeiss, Spain	-	4,365
Carl Zeiss Co. Ltd., Japan	16,697	15,221
Other	22,898	21,588
Total	**50,912**	**53,693**

The Group also took delivery of goods as follows:

€ '000	30 September 2001	30 September 2002
Goods delivered		
Carl Zeiss Heidenheim/Oberkochen	-	272
Carl Zeiss Jena	21,989	3,673
Other	151	246
Total	**22,140**	**4,191**

The Group also purchased goods as follows:

€ '000	30 September 2001	30 September 2002
Services		
Carl Zeiss Heidenheim/Oberkochen	1,043	1,043
Carl Zeiss Jena	9,718	10,567
Carl Zeiss Holding Co., Inc., USA	-	412
Other	-	315
Total	**10,761**	**12,337**

Purchased services include € 0.918m in research and development costs of Carl Zeiss Group for the 2002 financial year.

The Group purchases laser components and services, including certain administrative services, from subsidiaries of JENOPTIK AG, Jena, or commissions subsidiaries of JENOPTIK AG, Jena, to manufacture its own products as suppliers. These purchases amounted to € 0m and € 0.533m, respectively in the 2001 and 2002 financial years. € 95,000 thereof were shown as liabilities on 30 September 2002. In the 2002 financial year sales of € 22,000 were generated through Jenoptik Leasing GmbH & Co. KG from the actual first-time consolidation date. As of 30 September 2002 € 0.134m were shown as receivable from JENOPTIK Leasing GmbH & Co. KG. Furthermore, a discounted loan of € 2.036m, which is to be repaid with a variable amount, to JENOPTIK Leasing GmbH & Co. KG is shown under financial assets.

The Group is of the opinion that all contracts, agreements and other business transactions with related parties have been concluded on a legally independent basis as it would have been the case with external third parties.

(4) Trade accounts receivable

€ '000	30 September 2001	30 September 2002
Short-term accounts receivable	23,795	48,615
Non-current accounts receivable	24	4,104
Valuation allowance for doubtful accounts	2,743	9,421
Trade accounts receivable net of allowance	**21,076**	**43,298**

On 30 September 2001 and 2002 no single customer accounted for more than 10% of total accounts receivable.

Long-term accounts receivable were discounted over the term. The discount was € 0 as of 30 September 2001 and € 0.471m as of 30 September 2002.

(5) Inventories

The inventories (net) comprise:

€ '000	30 September 2001	30 September 2002
Raw materials and supplies	16,555	20,148
Work in progress	8,668	8,278
Finished goods	19,859	26,691
Advance payments	-	91
Total inventories, gross	**45,082**	**55,208**
Valuation allowance	6,410	11,039
Total inventories, net	**38,672**	**44,169**

(6) Property, plant and equipment

Property, plant, and equipment comprise:

€ '000	30 September 2001	30 September 2002
Standard software	-	267
Land, buildings and leasehold improvements	27,027	30,774
Plant and machinery	11,339	12,018
Other fixture and fittings, tools and equipment	10,234	12,747
Payments on account and tangible assets in course of construction	76	179
	48,676	55,985
Minus: accumulated depreciation and amortisation	20,489	22,060
Property, plant and equipment, net	**28,187**	**33,925**

Depreciation as of 30 September 2001 and 2002 amounted to € 4.202m and € 4.421m, respectively.

The posted property, plant, and equipment include leased assets with a net book value of approximately € 22.040m. Initial purchase costs amount to € 28.978m, accumulated depreciation to € 6.938m. Depreciation calculated on leased assets is included in the depreciation expense.

For the first time building construction costs include interest on borrowed capital (€ 2,000) as of 30 September 2002.

(7) Other intangible assets

Other intangible fixed assets include:

€ '000	30 September 2001	30 September 2002
Customer base	-	2,271
Patents	-	2,105
Technology	-	1,586
Trademarks / Tradenames	-	485
IP R&D	-	287
Software	222	-
Software according to SFAS 86	-	444
	222	7,177
Minus: accumulated depreciation and amortisation	193	640
Other intangible assets, net	**29**	**6,537**

Depreciation as of 30 September 2001 and 2002 amounted to € 1.199m and € 0.640m, respectively.

(8) Financial assets

This item comprises:

€ '000	30 September 2001	30 September 2002
Notes receivable / loans	-	4,874
Investments	-	129
Financial assets	**-**	**5,003**

(9) Accrued expenses

The accrued expenses/provisions comprise the following:

€ '000	30 September 2001	30 September 2002
Provisions for outstanding invoices and services	-	6,123
Provisions for personnel expenses	6,578	9,533
Provisions for taxation	-	756
Provisions for warranty payments	2,931	3,537
Provisions for licenses	-	1,389
Provisions for commissions	-	1,489
Other	2,534	3,148
Total accrued expenses	**12,043**	**25,975**

As of 30 September 2001 and 30 September 2002 the reserves included € 0.716m and € 0.684m respectively in personnel costs and pension reserves and reserves in connection with the '401 (k) Plan' (see the following notes).

(10) Pension obligations

Remuneration and length of service essentially determine the level of individual welfare benefits. Pension obligations and the expenditure necessary to cover these obligations are calculated by the prescribed projected unit credit method according to US GAAP (SFAS 87 'Employers' Accounting for Pensions'). Besides the pensions and acquired rights known on the effective date, this also reflects economic assumptions made according to realistic long-term expectations.

For the majority of its employees the US Group company is financing a savings scheme which is a defined contribution plan pursuant to Section 401(k) of the Internal Revenue Code. The plan enables participating employees to save a proportion of their pre- and post-tax income according to specified guidelines. The Group is currently contributing a percentage of employee contributions up to a certain limit. The 'matching contributions' of the Group for the '401(k) plan' amounted to € 1.168m in the 2002 financial year and to € 1.300m in the 2001 financial year.

A company pension scheme based on 'Versorgungsordnung 2000 (VO 2000)' was set up at Carl Zeiss Jena with effect from 1 January 2000. This pension scheme now also applies to Carl Zeiss Meditec. Future benefits are calculated from the total pension units purchased during the period of employment starting 1 January 2000, calculated as the product of an annual total contribution and an age-related pension factor. The annual total contribution for individual employees is calculated as the sum of a basic contribution (1%) and a profit-related contribution based on the company's success (between 0% and 3%), calculated as a percentage of the individual benefit-related income. The Group has committed itself to raising ongoing benefit payments by 1% each year. This guaranteed adjustment is taken into account in the valuation.

In addition, pension accruals of € 48,000 and € 14,000 for 30 September 2002 and 30 September 2001 respectively are shown for employee-financed commitments (postponed remuneration).

Pension obligations of VO 2000 in accordance with US GAAP were evaluated based on FAS 87 'Employers' accounting for pensions' using the projected unit credit method.

Pension expenditure is as follows:

€ '000	30 September 2001	30 September 2002
Service cost	60	94
Interest on the liability	25	33
Amortisation of actuarial profits/losses	-	1
Pension expenditure	**85**	**128**

The following table shows the funded status and the contributions which the Group discloses in the balance sheet as pension accruals:

€ '000	30 September 2001	30 September 2002
Non-forfeitable payments	386	161
Forfeitable payments	-	339
Accumulated obligations to pay	386	500
Future obligations to pay	422	550
Unrealised net profit / (loss)	(30)	(73)
Pension reserves	**392**	**477**

The Group does not draw on any external funds to finance its pension obligations.

A discount factor of 6 % has been applied as in the previous year. Future salary increases have been taken into consideration at 2.5%. The annual pension increase was 1.5%. Average fluctuation was set at 1 %. 65 was taken as the basic pensionable age.

(11) Short-term debt

Short-term debt comprised the following:

€ '000	30 September 2001	30 September 2002
Interim financing	-	1,176
Other short-term dept	-	192
Total short-term debt	**-**	**1,368**

Interim financing is subject to variable interest based on the 6-month EURIBOR.

The Group participates in the group cash management of the Carl Zeiss Group.

(12) Long-term debt

Long-term debt comprised the following:

€ '000	30 September 2001	30 September 2002
Annuity loan, repayable in quarterly instalments of € 123,719 including interest, term 18 years, interest rate of 6.24 % fixed for 10 years	-	5,203
Borrowings under revolving lines of credit	-	3
Total long-term debt	-	5,206
Less current portion of long-term debt	-	179
Long-term debt, net of current portion	**-**	**5,027**

Interest rates for long-term borrowing under revolving lines of credit range from 1.75% to 3% above the UK base rate.

Listed by due date, the Group's long-term debt as of 30 September 2002 were as follows:

Financial year to 30 September	Long-term debt € '000
2003	179
2004	186
2005	198
2006	211
2007	225
Thereafter	4,207
Total long-term debt	**5,206**

(13) Financial instruments and risk provisioning

The market value of a financial instrument is taken as the amount which can be obtained under current market conditions between a party wishing to enter into contract and an independent contract partner.

As of 30 September 2002 the Group had currency futures contracts with a total nominal value of € 2.599m.

The fair market value of the forward exchange deals was determined on the basis of the mean rate of exchange on the balance sheet date. In the case of currency options deals, the acknowledged models have been used to determine the option prices.

The Group is of the opinion that the credit risk for these transactions is minimal. The balance sheet value of the remaining financial instruments corresponds to the market value of these instruments as a result of their short terms.

(14) Commitments and contingencies

Leases and rental agreements

The Group leases office space, land and equipment under leasing and rental agreements which are limited or which may not be cancelled during the basic term. Lease and rental expenses for the 2001 and 2002 financial years amounted to € 1.412m and € 1.845m respectively.

The future minimum rental and leasing payments on the basis of non-cancellable lease and rental agreements are:

Financial year to 30 September	Leases and rental payments € '000
2003	2,594
2004	2,032
2005	1,279
2006	1,007
2007	503
Total minimum payments	**7,415**

Sale-and-lease-back

In the 2002 financial year sale-and-lease-back transactions were effected with excimer lasers. The lasers were sold to a leasing company for € 0.605m. These lasers were leased back from the leasing company to a group company in the 2002 financial year.

Further sale-and-lease-back transactions from previous years were adopted within the scope of the acquisition of Asclepion. These all have a term of 1-3 years. These devices were leased by the subsidiary to final customers. These transactions also have a term of 1-3 years. Payments of € 0.811m were made in the 2002 financial year. The resulting leasing claims are listed below.

€ '000	2002
Leasing claims	1,594
Minus current portion	599
Long-term leasing claims	**995**

The future leasing payments by final customers to the Group from these transactions are:

€ '000	Leasing claims
2003	599
2004	538
2005	457
2006	-
Leasing payments, net	**1,594**

On 28 September 1999 the Group sold land, buildings and leasehold improvements for approx. € 34.081m and contributed these into a long-term leasing agreement. This sale-and-lease-back arrangement for land, buildings and leasehold improvements in accordance with SFAS 98 'Accounting for leases' is a financial leasing whereby the land, buildings and leasehold improvements continue to be carried and depreciated on the lessee's books. The leasing agreement has a term of 20 years. Deferred unrealised profits from sale-and-lease-back transactions which are liquidated in such a way as to effect the current result over the period of the leasing contract are entered as deferred income.

The following table shows the leasing instalments for the excimer laser and the building to be paid each year. In the 2001 and 2002 financial years € 1.549m and € 2.904m have been paid respectively.

€ '000	Leasing payments
Leasing liabilities	
2003	3,623
2004	3,358
2005	3,134
2006	2,998
From 2007	45,065
Total leasing liabilities	58,178
Minus interest	(26,291)
Net leasing liability	31,887
Minus current portion	(1,314)
Long-term net leasing liability	**30,573**

Purchase obligations

The Group has purchase obligations relating to inventory and property, plant, and equipment totalling approximately € 33.161m as of 30 September 2002.

Guarantees

There are guarantees towards third parties amounting to € 3.925m.

Litigation

The Group is involved in two legal disputes in Canada and USA. Whereas the latter case is concerned with the possible cancellation of a sales contract for an aesthetic laser, the subject of the Canadian proceedings is alleged joint liability in a claim for material defects. Due to the circumstances, no provisions were set up.

Besides this, legal proceedings initiated by De Ceunynck & Co. NV for payment of damages for a prematurely cancelled agency agreement in 1999 are still pending. The likelihood of this sum being awarded cannot be forecast with any certainty, but the Group assumes that the resulting additional obligations will not have any essential negative impact on the net worth, financial position and earnings of the Group.

(15) Stock option plan

With the resolution adopted by Asclepion's extraordinary general meeting on 10 March 2000 the management board was authorised, subject to the approval of the Supervisory Board, to issue 400,000 option rights. The following conditions were applicable to the issue and exercising of the rights: the beneficiaries are the Management Board and the employees of the Carl Zeiss Meditec Group. The beneficiaries must be employed by a member company of the Carl Zeiss Meditec Group at the time the rights are issued. Of the 400,000 options approx. 300,000 were issued to established beneficiaries (beneficiaries employed through to 5 June 2000). The remaining 100,000 options are to be issued to persons who enter into an employment contract with the Carl Zeiss Meditec Group through to 1 October 2003. The purchase price for the established beneficiaries is the issue price; in the case of options issued afterwards the purchase price is the average of the Xetra closing prices on the five stock exchange trading days before and after the options are granted, minus a discount of 30%. The exercising of the options is divided into three tranches: Up to one third of the options received may be exercised after publication of the half-year report 2001/2002, up to two thirds after publication of the half-year report

2002/2003, and all the options after publication of the half-year report 2004/2005. Analogous regulations are applicable to the new beneficiaries. However, options may only be exercised if the reference price for Carl Zeiss Meditec shares for the first tranche has increased by at least 30% over the issue price (for new beneficiaries: the granting price). A 45% increase is required for the second tranche and a 60% increase for the third tranche. The reference price is the average of the Xetra closing prices on the five stock exchange trading days before and after publication of the respective half-year report.

The following shows the stock options of Carl Zeiss Meditec as of 30 September 2002. Since Carl Zeiss Ophthalmic had not initiated a stock option plan, the figures for Asclepion for the financial year ending 30 September 2001 were taken for comparison:

	2001		2002	
	Number of options	Average exercise price in euro	Number of options	Average exercise price in euro
Outstanding options at the beginning of the financial year	278,000		286,600	27.71
Granted (Total)	29,100		20,660	
Established beneficiaries	1,700	29.00	2,060	29.00
New beneficiaries	27,400	15.47	18,600	12.90
Terminated (Total)	(20,500)		(65,900)	
Established beneficiaries	(18,200)	29.00	(50,500)	29.00
New beneficiaries	(2,300)	18.20	(15,400)	18.33
Exercised	-	-	-	-
Outstanding options at the end of the financial year	**286,600**	**27.71**	**241,360**	**26.91**

The status of the stock options as of 30 September 2002 is as follows:

Issued	-
Average fair value of the options granted in the course of the year (per option)	17.52
Exercisable	-
Number of options	-
Average exercise price in euro	-

The Group has not posted any remuneration expenses pursuant to APB 25 since there was no intrinsic value as of the balance-sheet date due to the fact that the exercise hurdle was not surpassed.

The average fair value of the options granted during the year (per option) is divided among the beneficiaries as follows: (Figures for established beneficiaries, new beneficiaries I and II relate to the options issued in the financial year 2000; new beneficiaries III–VI relate to the quarters of the 2001 financial year):

Fair value in euro per option	
Established beneficiaries	16.26
New beneficiaries I	25.00
New beneficiaries II	21.35
New beneficiaries III	16.26
New beneficiaries IV	9.79
New beneficiaries V	9.30
New beneficiaries VI	4.69

The entire fair value of options granted in the financial year within the framework of the stock option plan was € 65,000, whereby the Black/Scholes option price model was applied with the following assumptions:

Expected volatility for stock options issued in 2000/2001	69.70 %
Expected volatility for stock options issued in 2001/2002	99.30 %
Expected dividend return	0 %
Risk-free interest rate for stock options issued in 2000/2001	4.83 %
Risk-free interest rate for stock options issued in 2001/2002	3.90 %
Expected term	4 years

The entire fair value of the options granted in the financial year ending on 30 September 2002 was calculated on the assumption that approx. 30% of the granted options would lapse before the exercise date.

The risk-free interest rate was set in accordance with the current yield for German treasury bonds *(Bundesanleihen)* with a term of 3-5 years.

Within the framework of the volatility calculation a peer group was formed as a comparative value. This peer group comprises various companies on the US market. The companies concerned belong to the same industry as Carl Zeiss Meditec. The volatilities of the peer group in the past 4 years, which corresponds to the expected term of the options, and the volatility of the Company's own shares since the initial public offering, have been included in the above volatility calculation at 50% each.

Had the method defined in SFAS 123 for the calculation of the remuneration expenses been applied to options granted under the plan, the net income for the year and the earnings per share would have been as follows:

€ '000	2001	2002
Net income/loss as posted	6,793	3,381
pro forma	6,793	3,316
Earnings per share (in Euro) as posted	0.35	0.16
pro forma	0.35	0.16

(16) Shareholders' equity

As of 30 September 2001 the share capital of Carl Zeiss Ophthalmic amounted to € 3.0m subdivided into 3,000,000 shares, each representing a pro rata amount of € 1.00 of the share capital. Asclepion disposed of share capital totalling € 6.2m, subdivided into 6,200,000 shares, each representing a pro rata amount of € 1.00 of the share capital. According to the exchange ratio fixed by the management boards of Asclepion and Carl Zeiss Ophthalmic on the basis of the independent assessor's evaluation, Asclepion granted Carl Zeiss Ophthalmic shareholders a total of 19,633,300 new Asclepion shares.

The legal take-over of Carl Zeiss Ophthalmic by Asclepion is presented in the capital consolidation as a 'reverse acquisition' whereby, in a deviation from the legal structure of the transaction, the legal transferor is the acquiring enterprise for accounting purposes. This is because the shareholders of the transferor entity will receive the majority of the voting rights in the merged company following the merger. The hidden reserves and the goodwill of the former Asclepion are then released and transferred to the consolidated equity of Carl Zeiss Meditec. The resulting consolidated equity of Carl Zeiss Meditec is then to be divided as follows as a reverse acquisition:

Share capital:	Share capital of Asclepion according to German Commercial Code (after acquisition date)
Retained Earnings	Retained Earnings of Carl Zeiss Ophthalmic according to US GAAP as of the acquisition date
Additional paid-in capital:	Remaining shareholder's equity

The equity of the transferor company (Carl Zeiss Ophthalmic) is shown as equity of the combined/merged company (Carl Zeiss Meditec). The share capital of the transferor company (Carl Zeiss Ophthalmic) was adjusted by the nominal amount of the transferor's outstanding shares for legal purposes (Asclepion), allowing for the shares issued within the scope of the acquisition.

The difference between the share capital of the transferor company (Carl Zeiss Ophthalmic) and the transferor's share capital for legal purposes (Asclepion) (shown as the share capital of the merged company Carl Zeiss Meditec) is recorded as an adjustment to additional paid-in capital of the merged company (Carl Zeiss Meditec).

For periods prior to the merger the equity of the merged company (Carl Zeiss Meditec) is the historic equity of the transferor company (Carl Zeiss Ophthalmic) prior to the merger; the latter has been adjusted by the number of shares received in the business combination. The retained earnings of the transferor company (Carl Zeiss Ophthalmic) were carried forward subsequent to the acquisition. Earnings per share (EPS) for periods prior to the business combination were restated to reflect the number of equivalent shares received by the acquiring enterprise.

Consequently, in the 2001 financial year the retroactively adjusted share capital belonging to Carl Zeiss Ophthalmic totals € 19.633m. On the effective date of acquisition the total share capital was increased to € 25.833m by the addition of the capital of Asclepion-Meditec AG (€ 6.200m).

Within the scope of the reverse acquisition the additional paid-in capital increased by € 57.214m.

A further change in the additional paid-in capital resulted from a capital contribution by Carl Zeiss Jena. The latter acquired all holdings in the shell company ABWIRT Erste Verwaltungsgesellschaft mbH under the sales and takeover agreement of 14 December 2001. The capital stock of ABWIRT at the time of acquisition amounted to € 25,000 and in the course of conversion and name change to Carl Zeiss Ophthalmic this was increased by € 25,000 plus a premium of 10%. The integration of the shell company was recorded as capital contribution from shareholders of € 52,000.

No separate tax declaration was prepared for Carl Zeiss Ophthalmic for the financial year ending 30 September 2001 since at that time the latter was a division of Carl Zeiss Jena and thus an integral part of Carl Zeiss, Heidenheim/Oberkochen for turnover, trade and corporation tax purposes. Intergroup reallocations were made to Carl Zeiss Jena for corporation and trade tax. In addition, other expenses were on-debited to Carl Zeiss Jena as intergroup reallocations. The other expenses and tax on earnings paid during this period by Carl Zeiss was recorded as fictitious capital contribution from shareholders.

Overall the Group's additional paid-in capital increased to € 67.389m in the 2002 financial year.

Under the German Stock Corporation Act (Aktiengesetz), the amount of dividends available for distribution to the shareholders is dependent upon the equity of Carl Zeiss Meditec as reported in its financial statements drawn up on a stand-alone basis in accordance with the German Commercial Code. Dividends may only be declared and paid from the retained earnings (after transfer to statutory reserves) as posted in the Company's annual German statutory financial statements. Such amounts differ from the total retained earnings as shown in the accompanying financial statements prepared in accordance with US GAAP. As of 30 September 2002, the financial statements of Carl Zeiss Meditec according to the German Commercial Code posted an accumulated deficit of € 32.782m.

(17) Taxes on income and earnings

Income (loss) before income taxes is attributable to the following geographic regions:

€ '000	Financial year ending 30 September 2001	Financial year ending 30 September 2002
Germany	6,956	649
Abroad	4,196	4,627
	11,152	**5,276**

Taxes on income and earnings are as follows:

€ '000	Financial year ending 30 September 2001	Financial year ending 30 September 2002
Current taxes:		
Germany	(2,804)	73
Abroad	(2,226)	(2,850)
	(5,030)	(2,777)
Deferred taxes:		
Germany	339	26
Abroad	332	856
	671	882
	(4,359)	**(1,895)**

Since 1 January 2001 a uniform tax rate has been applied for taxing the income of joint stock corporations under German Corporate Tax Law (Körperschaftsteuergesetz). In accordance with the tax law applicable in the 2001/2002 financial year, the Company's income was subject to a corporate tax rate of 25% plus a solidarity surcharge of 5.5%. The total tax rate including solidarity surcharge amounts to 26.4%. The law raising corporation tax to 26.5% for the calendar year 2003 was announced in September 2002. As of 30 September 2002 the Company was affected by the amended law, since deferred taxes were recorded which are expected to be utilized in 2003.

The majority of German companies are liable to two types of income tax: trade earnings tax and corporation tax. The trade earnings tax of the Company in Jena amounted to 15.96% for each of the financial years ending on 30 September 2001 and 2002. Trade taxes are deductible for the purpose of computing corporate income taxes. Together with the trade earnings tax of 15.96% the tax burden for the Company in 2001 and 2002 was 38.13%.

A reconciliation of the expected income tax benefit (expense), based on income (loss) before income taxes of € 11.152m and € 5.276m and statutory rates of 38.13% for the financial years ended 30 September 2001 and 2002 respectively, to income tax expense is as follows:

€ '000	Financial year ending 30 September 2001	Financial year ending 30 September 2002
Expected tax expense (benefit) at statutory rate	(4,252)	2,012
(Increase) / Decrease in deferred tax assets Valuation allowance	-	263
Non-deductible expenses	-	69
Tax-exempt earnings	-	(398)
Effect of change in statutory tax rate	145	26
Adjustment of prior-year taxes	-	(189)
Foreign tax rate differential	(294)	141
Other	43	(29)
Income tax benefit (expense)	**(4,359)**	**(1,895)**
Effective tax rate	39.08 %	35.91 %

Deferred tax assets and liabilities are made up of the following:

€ '000	Financial year ending 30 September 2001	Financial year ending 30 September 2002
Loss carried forward	-	8,547
Fixed assets	5,285	5,177
Accounts receivable	550	965
Accrued expenses	977	1,638
Inventories	3,114	4,286
Deferred income	2,468	641
Other current assets	331	282
Other long-term assets	252	16
Notes receivable / loans	-	2,278
Liabilities	-	253
Deferred tex assets	12,977	24,083
Valuation allowance	-	2,366
Deferred tax assets (net)	12,977	21,717
Fixed assets	131	305
Intangible assets	-	2,487
Loans to subsidiaries	-	2,485
Accounts receivable from subsidiaries	-	1,259
Accounts receivable	3	-
Inventories	63	146
Other assets	-	346
Acrued expenses	152	-
Liabilities	-	255
Deferred tax liabilities	349	7,283
Deferred tax assets (net)	**12,628**	**14,434**

Deferred tax assets and liabilities were recorded in the consolidated balance sheet as of 30 September 2001 and 2002 as follows:

€ '000	Financial year ending 30 September 2001	Financial year ending 30 September 2002
Deferred tax asset, current	7,009	6,960
Deferred tax asset, non-current	5,968	7,878
Deferred tax liabilities, current	349	8
Deferred tax liabilities, non-current	-	396
	12,628	**14,434**

The consolidated financial statement in the 2002 financial year included a valuation allowance of € 2.366m for deferred taxes. This valuation allowance reduced the deferred tax asset to a net amount which the Group believed more likely than not that it would realise, based on the Group's estimate of future earnings and the expected timing of temporary difference reversals. As of 30 September 2002 the Group had a tax credit of € 8.547m from loss carryforwards, of which about € 0.333m can be carried forward to 2012, € 1.281m to 2022 and € 6.933m treated as unlimited carryforwards. This relates to the United Kingdom, USA and Germany.

(18) Segment information

The Group reports by division and geographical region in accordance with the provisions of SFAS 131 'Disclosures about segments of an enterprise and related information'. Segment reporting must correspond to the internal organisation and reporting structure of the Group and serve as the basis for evaluating performance.

Carl Zeiss Meditec and its subsidiaries operate in the segment of medical laser equipment instruments and related equipment.

Geographic information

Revenues are attributed to geographical regions based on the location of the customers:

€ '000	Financial year ending 30 September 2001	Financial year ending 30 September 2002
Germany	12,991	18,121
Abroad:		
Europe, not including Germany	30,155	35,275
Americas	116,846	119,607
Asia/Pacific region*	33,299	31,559
	193,291	**204,562**

**including Africa*

Long-lived assets are shown by geographical region based on the location of the headquarters of the Group and its Group companies. Long-lived assets by region are as follows:

€ '000	Financial year ending 30 September 2001	Financial year ending 30 September 2002
Germany	919	47,815
Abroad:		
Europe, not including Germany	-	3,060
Americas	34,474	29,372
Eliminations		(7,664)
	35,393	**72,583**

Information on major customers

In the 2000/2001 and 2001/2002 financial years no single customer accounted for more than 10% of total sales.

(19) Transactions subject to reporting requirements during the period

On 19 August 2002 a close relative of a Supervisory Board member sold 3,700 shares in Carl Zeiss Meditec (Securities ID No./ISIN: 531370/ DE0005313704) at a price of € 11.00 per share.

(20) Events after the balance sheet date

Immediately after the balance-sheet date, on 9 October 2002, the Group announced the launch of direct sales in Japan.

Thus Carl Zeiss Meditec is also represented on the important Japanese market through its own subsidiary.

The Group company Carl Zeiss Meditec Ltd., Edinburgh/Scotland (formerly Asclepion-Meditec Ltd.), is to be re-structured. In Italy negotiations are currently being conducted on the

optimisation of the sales structure and, where appropriate, on the merger of the Group company Asclepion-Meditec S.R.L., Milan/Italy with Carl Zeiss S.p.A., Arese, Milan/Italy.

Following the balance sheet date Carl Zeiss Meditec filed a lawsuit concerning the bulk of the loans, and in this respect has already performed the appropriate valuation adjustments.

Special comments and mandatory disclosures pursuant to Art. 292a German Commercial Code (HGB)

Divergent accounting, valuation and consolidation methods

The consolidated financial statements of Carl Zeiss Meditec were prepared to Art. 292a HGB with an exemptive effect for HGB consolidated financial statements in compliance with the valid US American accounting principles, US GAAP, on the balance-sheet date.

In conformance with the interpretation of the German Accounting Standards Committee (DRSC) in DRS 1 the consolidated reporting of the parent company complies with Directive 83/349/EEC.

The applied accounting, valuation and consolidation methods in accordance with US GAAP essentially differ from the German Commercial Code (HGB) in the following respects:

Balance sheet layout

The consolidated balance sheet and income statement for the German annual financial statements was laid out in accordance with Art. 266, 275 HGB. US GAAP prescribes a different layout: The balance sheet items are ordered in accordance with their realisability – beginning with the short-term items. Furthermore, short-term components of the long-term assets and liabilities are posted separately.

Self-constructed software

According to HGB self-constructed software may not be recorded on the balance sheet, but the related costs are to be expensed as incurred.

Under US GAAP expenses for software developments may be capitalised in accordance with SFAS 86 'Accounting for the costs of computer software to be sold, leased or otherwise marketed' and amortised over the probable service life. Once feasibility has been proven, development

costs for software (attributable material and labour costs and overheads) for sale to third parties from the time of technical feasibility to market maturity are to be capitalised. The Group makes use of this regulation.

Business Combinations

According to German accounting rules, business combinations must be taken into consideration as of their effective date. A choice may be made between the book value method and the fair value (Art. 301 HGB). By the book value method capital is carried at an amount equal to the book value of the assets to be included in the consolidated financial statements. Hidden reserves may only be disclosed to the amount of the differential between the book value of participations and the calculated equity capital. By the revaluation method hidden reserves are disclosed independently of the proportional holding.

According to US GAAP the date the merger was recorded in the commercial register is relevant. Furthermore, in this case of a reverse acquisition the fair value of the assets and liabilities apportionable to the legal transferee at the time of acquisition must be recorded.

Goodwill

According to US regulations, goodwill accrued to subsidiaries which were included in the consolidated financial statements as at 30 June 2001 must be carried as an asset and at present it must be amortised over its anticipated useful life. In this case, the useful life depends on the type of business acquired. Offsetting against equity capital, as possible pursuant to German Commercial Code, is not permitted.

Starting 1 October 2002 the Group will adopt Statement of Financial Standards (SFAS) No. 142, 'Goodwill and other intangible assets', under which goodwill will not be amortised. According to this standard the carrying amount of goodwill is tested for impairment annually and carried at fair value as necessary.

Leasing

According to US accounting standards there is a fundamental difference between 'capital lease' and 'operating lease'. In the case of a capital lease, the lessee is the economic owner and capitalises the leasing object. In the case of an operating lease, the leasing object is attributed to the lessor.

There are special regulations for posting sale-and-lease-back agreements. The profit from the sale of the equipment is deferred and expensed pro rata temporis over the term of the agreement (see 14).

Unrealised profit/loss within the framework of valuation on the effective date

Under HGB only unrealised losses are disclosed (imparity principle). US GAAP, on the other hand, also takes into account any unrealised profit.

Accounts receivable and liabilities denominated in foreign currencies and which are not rate-hedged are valued under German accounting legislation at cost price or the lower exchange rate on the balance sheet date. Under American accounting standards (SFAS 52) all foreign currency accounts receivable and liabilities which are not rate-hedged are translated at the exchange rate on the cut-off date and unrealised exchange rate gains and losses reflected in the results.

The valuation of derivative financial instruments pursuant to HGB takes into account the principles of cost price, realisation and imparity and is performed by separating valuation units.

Under US GAAP these financial instruments are stated at their market value. Any resulting unrealised profit or loss is reflected in the results.

Deferred taxes

Pursuant to HGB deferred taxes are calculated for all different time horizons with effect on the contribution to earnings for tax-related income statements and for the consolidated income statement (timing concept). No deferred taxes were shown for losses carried forward. However, DRS 10, Deferred taxes in consolidated financial statements, requires that losses carried forward for financial years beginning after 31 December 2002 be disclosed if the tax advantage can be realised with a reasonable degree of certainty.

Pursuant to SFAS 109, however, deferred taxes must be calculated for all temporary differences between the fiscal values and those in the consolidated balance sheet (temporary concept). Deferred taxes on loss carryforwards are to be posted. In this respect the future rate of taxation is also applied.

Provisions for pensions

Pursuant to both HGB and US GAAP provisions must be made for pension obligations. The value of the latter is to be based on anticipated discounted future payments. Pursuant to HGB, various insurance mathematical methods may be used. According to US GAAP the projected unit credit method must be applied (SFAS 87). Pursuant to SFAS 87, in the case of schemes financed by means of funds, certain qualified assets must be offset against the total obligation or capitalised.

Employee participation programme

In accordance with US GAAP there are two alternatives for the valuation of option plans for employees. Under APB 25 the difference between the option price at the point in time the options are exercised and the price on the cut-off date is recorded as expenses. Alternatively, SFAS 123 may be applied. By this method the market value of the options is determined with the aid of a statistical method (Black/Scholes option price model) and expensed over the period through to when the options are exercised. Carl Zeiss Meditec applies APB 25 to the consolidated financial statements. The result using SFAS 123 is shown in the notes as a pro forma figure.

There are no expenses for stock option plans from contingent capital pursuant to HGB.

Other mandatory disclosures pursuant to Art. 292 German Commercial Code (HGB)

Details on the executive bodies of Carl Zeiss Meditec

Management Board

The following persons were appointed to the Management Board in the 2001/2002 financial year and their names recorded in the commercial register:

- Dr rer. nat. Bernhard Seitz, Certified Chemist, Jena-Wogau, Chief Executive Officer, until 5 July 2002,
- Dr jur. Michael Dettelbacher, Certified Lawyer, Jena, Management Board member until 31 August 2002,
- Ulrich Krauss, M.B.A., banker, Essingen, Board spokesman since 8 July 2002, responsible for Sales, Marketing, Service and Personnel
- Bernd Hirsch, M.B.A., banker, Neuler, Management Board member since 8 July 2002, responsible for Finance, Investor Relations and Legal Affairs.
- Dr. rer. nat. Walter-Gerhard Wrobel, Physicist, Jena, Management Board member since 8 July 2002, responsible for Operations, Research and Development and Quality.

The appointment of Ulrich Krauss, Bernd Hirsch and Dr Walter-Gerhard Wrobel to the Management Board and the retirement of Dr Bernhard Seitz from the Management Board was recorded in the commercial register at the Gera local court on 18 September 2002.

The active members of the Management Board received a total remuneration of € 0.380m for the 2001/2002 financial year.

Salaries paid to retiring board members in the 2001/2002 financial year totalled € 0.599m.

Supervisory Board

On 1 October 2001 the Supervisory Board consisted of the following members:

- Alexander von Witzleben, Weimar, deputy chairman of the management board of JENOPTIK AG, Jena.
  Chairman of the Supervisory Board;
- Prof. Dr Dr Dr Michael Ungethüm, Tuttlingen, CEO of Aesculap AG & Co. KG, Tuttlingen
  Deputy Chairman of the Supervisory Board
- Dr Nikolaus Reinhuber, lawyer, Leipzig
  Member of the Supervisory Board

At the proposal of the Supervisory Board and with effect from the date the amendment of the articles of association becomes effective, a resolution was passed at the annual general meeting on 28 May 2002 to expand the Supervisory Board by recording the names of the following additional members in the commercial register:

- Dr Michael Kaschke, Oberkochen, member of the management board of the Carl Zeiss Stiftung, Oberkochen
- Dr Franz-Ferdinand von Falkenhausen, Jena, member of the management of Carl Zeiss Jena GmbH, Jena,
- Dr Manfred Fritsch, Kleinpürschütz/Jena, member of the management of Carl Zeiss Jena GmbH, Jena.

The decision to amend Art. 12 (Chairman of the Supervisory Board and Deputy) of the articles of association was recorded in the commercial register at the Gera local court on 4 July 2002. Subsequent to the formal conclusion of the merger on 4 July 2002 the Supervisory Board was reformed:

- Dr Michael Kaschke, Oberkochen, member of the management board of the Carl Zeiss Stiftung, Oberkochen
  Chairman of the Supervisory Board since 4 July 2002,
  other mandates:
  Member of the supervisory board of Carl Zeiss Semiconductor Manufacturing Technologies AG, Oberkochen; chairman of the Board of Carl Zeiss Meditec, Inc., Dublin/USA; chairman of the Board of Carl Zeiss Optical, Inc., Chester/USA; chairman of the board of Carl Zeiss India Pte. Ltd., Bangalore/Singapore; chairman of the Board of Carl Zeiss Australia Ltd., Camperdown/ Australia; chairman of the Board of Carl Zeiss Japan, Inc.,Tokyo/Japan; chairman of the Board of Carl Zeiss Surgical, Inc., Thornwood/USA.

- Alexander von Witzleben, Weimar, deputy chairman of the management board of JENOPTIK AG, Jena.
  Deputy Chairman of the Supervisory Board since 4 July 2002,
  other mandates:
  Chairman of the supervisory board of Analytik Jena AG, Jena; chairman of the supervisory board of JENOPTIK Photonics AG, Jena; deputy chairman of the supervisory board of DEWB AG, Jena; member of the supervisory board of KRONE GmbH, Berlin; member of the supervisory board of Meissner+Wurst Zander Holding AG, Stuttgart, member of the supervisory board of VOGT electronic AG, Erlau.

  Member of the supervisory board of DRAGOCO Gerberding & Co. AG, Holzminden; member of the administrative board of FEINTOOL INTERNATIONAL HOLDING AG, Lyss/Switzerland.

- Dr Franz-Ferdinand von Falkenhausen, Jena, management spokesman of Carl Zeiss Jena GmbH, Jena,
  Member of the Supervisory Board since 4 July 2002,
  other mandates:
  Member of the supervisory board of Carl Zeiss Semiconductor Manufacturing Technologies AG, Oberkochen; member of the supervisory board of FC Carl Zeiss Jena, Jena; member of the board and first vice president of Ostthüringen Chamber of Commerce, Gera; chairman of the Board of Trustees of the Fraunhofer Institute Jena (IOF), Jena; member of the Board of Trustees of Innovent Jena e.V., Jena; chairman of the advisory board of Thüringer Aufbaubank, Erfurt; advisory board member of ZSP Geodätische System GmbH, Jena (Trimble Group); advisory board member of AJZ Engineering GmbH, Jena.

- Dr Manfred Fritsch, Kleinpürschütz/Jena, member of the management of Carl Zeiss Jena GmbH, Jena
  Member of the Supervisory Board since 4 July 2002,
  other mandates:
  Member of the supervisory board of MAZet Mikroelektronik Anwendungszentrum Thüringen, Erfurt, Germany.

Prof Dr Dr Dr h.c. Michael Ungethüm and Dr Nikolaus Reinhuber, board members of the former Asclepion-Meditec AG, resigned on 4 and 8 July 2002 respectively.

As set forth in Art. 6 (Consequences of the merger for employees and their representatives) of the Merger Agreement of 16 April 2002 between Asclepion-Meditec AG, Jena, and Carl Zeiss Ophthalmic Systems AG, Jena, the two vacant seats on the Supervisory Board were voluntarily filled from the ranks of the employees of the former Asclepion-Meditec AG and the Carl Zeiss Group.

By resolution of the registry court of the Gera local court dated 16 August 2002 at the request of the Management Board of Carl Zeiss Meditec the following members were appointed by court to the Supervisory Board:

- Franz-Jörg Stündel, Jena
  Member of the Supervisory Board on behalf of the employees since 18 August 2002,
  no other mandates.
- Jürgen Dömel, Jena,
  Member of the Supervisory Board on behalf of the employees since 18 August 2002,
  other mandates:
  Member of the supervisory board of Carl Zeiss Jena GmbH, Jena

Salaries paid to retiring supervisory board members in the 2001/2002 financial year totalled € 34,000.

Salaries paid to active supervisory board members in the 2001/2002 financial year totalled € 14,000.

No advances or loans have been granted to members of the executive bodies. Carl Zeiss Meditec has not entered into any contingent liabilities in favour of members of the Management Board/Supervisory Board.

Personnel expenses

Personnel expenses for the 2001 and 2002 financial years comprised the following:

€ '000	Financial year ending 30 September 2001	Financial year ending 30 September 2002
Wages and salaries	45,355	46,521
Social security expenses	4,132	9,007
	49,487	**55,528**

The expenses for employee pensions amounted to € 1.3m and € 1.339m in the 2000/2001 and 2001/2002 financial years respectively.

As of the effective date 30 September 2002 the workforce totalled 869 plus 23 trainees. The average annual workforce was 871.

Cost of materials

The cost of materials for the 2001 and 2002 financial years was as follows:

€ '000	Financial year ending 30 September 2001	Financial year ending 30 September 2002
Raw materials and supplies	94,871	112,671
Purchased services	17,988	14,639
	112,859	**127,310**

Operating income and expenses not relating to the accounting period

Income not related to the accounting period (€ 0.508m) was due to the write-back of individual valuation allowances on trade accounts receivable (€ 0.404m) and other income not related to the period (€ 0.104m).

Details on shareholdings (fully consolidated companies)

Name and domicile of the company	Currency	Capital	Share of voting capital %	Shareholders' equity 30.09.2002 translated at the rate on the balance sheet date	Thereof result for the 2001/2002 financial year at the mean annual rate
Carl Zeiss Meditec,	USD '000	23,362		28,473	3,066
Inc., Dublin/USA	€ '000	23,717	100	28,906	3,344
Asclepion-Meditec S.R.L.,					
Milan, Italy	€ '000	290	100	(48)	(240)
Carl Zeiss Meditec, Ltd.,	GBP '000	1,041		(1,870)	(109)
Edinburgh/Scotland	€ '000	1,653	100	(2,970)	(172)
Asclepion-Meditec, Inc.,	USD '000	1		(382)	(224)
Coto de Caza/USA	€ '000	1	100	(388)	(228)

Independent Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Carl Zeiss Meditec AG, Jena, for the business year from October 1, 2001 to September 30, 2002. The preparation and the content of the consolidated financial statements in accordance with United States Generally Accepted Accounting Principles (US GAAP) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

With the exception of the following qualification, our audit did not lead to any objections: As described in section (2) of the notes to the consolidated financial statements of the Company, our opinion differs from that of the Management Board of the Company regarding the measurement date in connection with the accounting of the merger of Carl Zeiss Ophthalmic Systems AG and Asclepion-Meditec AG. In our opinion, this results in an increase of € 13.7million in the corporate value of Asclepion-Meditec AG and thus in a higher goodwill in the same amount.

With this qualification the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of Carl Zeiss Meditec AG for the business year in accordance with United States Generally Accepted Accounting Principles.

Our audit, which also extends to the Group management report prepared by the Company's management for the business year from October 1, 2001 to September 30, 2002, has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from October 1, 2001 to September 30, 2002 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Berlin, 2 December, 2002

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Hasenburg
Wirtschaftsprüfer

Zoeger
Wirtschaftsprüfer

Financial statements of Carl Zeiss Meditec AG, Jena (HGB)

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Management report

A Introduction

Carl Zeiss Meditec AG, Jena, ('Carl Zeiss Meditec', 'the Company') was created through the merger of Carl Zeiss Ophthalmic Systems AG, Jena, ('Carl Zeiss Ophthalmic') with the publicly-listed Asclepion-Meditec AG, Jena, ('Asclepion'). The former Carl Zeiss Ophthalmic comprised the Ophthalmology business division of Carl Zeiss Jena GmbH in Jena (Germany) and its subsidiary Carl Zeiss Ophthalmic Systems, Inc. in Dublin, California (USA).

Carl Zeiss Meditec develops, manufactures and sells products and systems in the field of ophthalmology. Furthermore, the Company provides service for diagnostic and therapy in this area of medical technology. The most important business unit is 'Vision', where the ophthalmic activities of Carl Zeiss Meditec are brought together. In particular in this area the activities of Asclepion and Carl Zeiss Ophthalmic are the ideal complement to one other. The merger rounds off the product portfolio of Carl Zeiss Ophthalmic in the field of laser systems for refractive surgery, one of the core competencies of Asclepion. Two other business units, Aesthetic and Dental, are concerned with medical applications for lasers.

According to Handelsgesetzbuch (German Commercial Code, referred to as HGB) the merger of Carl Zeiss Ophthalmic with Asclepion to form Carl Zeiss Meditec came into force with economic effect as of 1 October 2001.

B Content and structure of the individual financial statements

Under German Commercial Code (HGB) the assuming legal entity, Asclepion, records the transfer of assets associated with the merger as a current business transaction in its accounts for the 2001/2002 financial year. The inventory and valuation of the assets recorded by Asclepion as an addition to its accounts were determined following the final balance sheet of the transferring legal entity, Carl Zeiss Ophthalmic, as of 30 September 2001. Comparisons of the figures in the financial statements (HGB) of the Company with the previous year are only meaningful to a limited degree as the figures for Carl Zeiss Meditec for the 2001/2002 financial year are being compared with those of Asclepion in the previous year (2000/2001 financial year).

C Course of business

C.1 Major markets

The Vision business unit is the company segment at Carl Zeiss Meditec with the highest turnover: a sales figure of € 97.016m has been posted in this segment in the reporting period. This represents 81% of total sales of Carl Zeiss Meditec. The ophthalmic products cover the four major ophthalmic disease clusters:

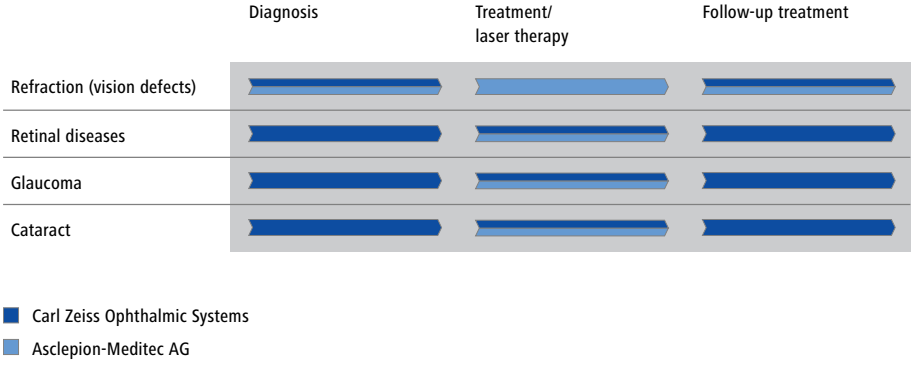
- **Refraction:** vision defects which can usually be corrected by glasses or contact lenses and which are increasingly being remedied using laser treatment.
- **Cataract:** an opacity and hardening of the lens which may culminate in blindness.
- **Glaucoma**: degeneration of the optic nerve which results in progressive reduction of the field of vision.
- **Retina:** diseases such as retinal detachment which result in loss of vision.

The value-added chain within the four disease clusters covers not only diagnosis, but also therapy and follow-up examinations.

Customer groups of the Company are ophthalmologists in eye clinics, eye specialists in private practice, optometrists, opticians and laser centres.

Carl Zeiss Meditec, which has been created through the merger, is excellently positioned on the market thanks to its extensive product portfolio in the field of devices and systems for ophthalmology, the size of this business and its global positioning. The following graphic shows how the product portfolios of Carl Zeiss Ophthalmic and Asclepion complement one another in the field of ophthalmology:

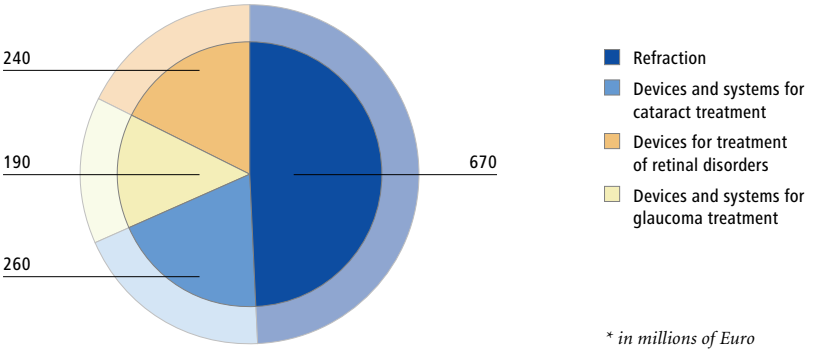
Product portfolio



The market for ophthalmic devices and systems in which Carl Zeiss Meditec operates had, in the estimation of the management, a global volume of some € 1.4 billion in 2001.[1] It can – analogous to the four disease clusters in ophthalmology – be broken down into four sub-markets in which the Company markets its products.[2]

In the opinion of Carl Zeiss Meditec these sub-markets each have the following annual volumes:

Annual market volume*



** in millions of Euro*

In addition to its core ophthalmology business, Carl Zeiss Meditec also develops, produces and markets laser systems for other medical applications. These are primarily applications in the field of dermatology. These activities are amalgamated in the Aesthetic business unit. The Company offers various lasers for the hair removal (epilation), sclerosis of superficial blood vessels, skin ablation, and the removal of benign pigmentation and tattoos. The annual global market volume for laser devices in the field of medical-cosmetic applications is about € 450m.[3] Furthermore, the Company is active to a limited extent on the dental laser market. These activities are amalgamated in the Dental business unit. The corresponding annual market volume is estimated by the Company to be € 40m to € 60m worldwide.[4] Moreover, Carl Zeiss Meditec offers a global customer service to the operators of its devices and systems. These activities are amalgamated in the Service business unit.

1 *Own estimates, based on independent market reports and compulsory publications by publicly-listed competitors – and in particular relating to the sales segmentation. The market reports include: Theta Reports 2002, Millenium Research Group: 'U.S. Markets for Ophthalmic Devices 2002','Global Industry Analysts, Ophthalmic Instrumentation - A Global Strategic Business Report', MarketScope, Nov 2001*

2 *The following presentation covers products from Carl Zeiss Meditec as well as products from the American subsidiary Carl Zeiss Meditec, Inc., Dublin/USA, which are also marketed by Carl Zeiss Meditec. The latter's products are all devices and systems with the trade name Humphrey® and the system STRATUSOCT™ . The economic development of Carl Zeiss Meditec, Inc. is not however part of the individual financial statements of Carl Zeiss Meditec to HGB.*

3 *John Wheeler in OLE, February 2002, page 27ff and own estimates*

4 *Own estimastes*

C.2 Framework conditions for economic development

The economic framework conditions in the 2001/2002 financial year were difficult. The global economy has not yet recovered from the terror attacks of 11 September 2001 and there has been an increase in uncertainty over further economic developments. The reasons for this lie in the ongoing conflict with Iraq and the associated possible rise in oil prices, as well as the fall in prices on the stock markets. For the industrialised nations it is expected that in a year-on-year comparison, gross domestic product (GDP) will only see moderate growth this year – on a global scale this figure is 1.3%, in the eurozone only 0.8%.[5]

C.3 Industry-specific situation

The competitive environment in ophthalmology has been shaped in the recent past by growth, intensive competition and a tangible consolidation process. This development has triggered two separate trends. The number of medical laser equipment manufacturers is declining due to mergers and acquisitions. Among the manufacturers of ophthalmic devices there is a trend towards expanding the technological basis and moving into new sales dimensions. The merger of Carl Zeiss Ophthalmic with Asclepion is to be seen against this strategic background.

C.4 Corporate situation

C.4.1 Sales development

In total the Company posted sales of € 119.278m in the 2001/2002 financial year (previous year: € 41.208m).

In Germany Carl Zeiss Meditec posted sales of € 25.841m in the reporting period (previous year: € 8.145m). The region with the strongest sales in the 2001/2002 financial year was Europe (without Germany) with a sum of € 47.341m (previous year: € 15.836m). In the Asia/Pacific region (including Africa) there were sales of € 27.336m in the 2001/2002 financial year (previous year: € 8.649m). Sales in the Americas in the 2001/2002 financial year were € 18.760m (previous year: € 8.578m).

5 *Weekly Report (Wochenbericht) 43/02 as of 18 October 2002 of the Deutsches Institut für Wirtschaftsforschung (DIW), Berlin*

With regard to the individual business units, sales were distributed as follows:

Business unit	2000/2001 financial year (€ '000)	2001/2002 financial year (€ '000)		
		Total	*thereof Jena-Lichtenhain site (former Ophthalmology division of Carl Zeiss Jena GmbH)*	*thereof Jena Göschwitz site (former Asclepion)*
Vision	25,025	97,016	76,832	20,184
Aesthetic	10,892	10,370	0	10,370
Dental	795	2,143	0	2,143
Service	4,496	9,749	4,174	5,575
Total	**41,208**	**119,278**	**81,006**	**38,272**

Sales of the laser system VISULAS™ 532s (retina disease cluster) developed well. The major sales markets for this product alongside Germany were Japan and the USA. The laser system MEL 70 G-Scan™ (refraction disease cluster) made a clear contribution to the Company's overall sales. In this respect the major sales markets were Asia and Europe. An important contribution to sales was also made by the IOLMaster® and the VISULAS™ YAG II plus laser system (cataracts disease cluster). About half of the sales with both products were attained in the regional markets USA, Germany and Japan.

Despite the contribution which the MEL 70 G-Scan™ refractive laser made to the Company's overall sales, it was not possible to tap the full business potential in this area. Against the background of the forthcoming merger of Carl Zeiss Ophthalmic with Asclepion, and also because the successor to the main product in this division (MEL 70 G-Scan™), the new refractive laser system MEL 80™ was launched immediately after the conclusion of the 2001/2002 financial year, a number of distribution partners displayed a certain reservation in their marketing endeavours. However, this development shall be more than compensated in the future by the global distribution of Carl Zeiss Meditec AG, or rather by its access to the global distribution network of the Carl Zeiss Group.

C.4.2 Orders on hand

As of 30 September 2002 orders on hand at Carl Zeiss Meditec amounted to € 11.854m. Of this sum € 8.359m was accounted for by the products of the former Ophthalmology division of Carl Zeiss Jena GmbH and € 3.495m by the former Asclepion. Orders on hand as of 30 September 2001 amounted to € 5.682m.

C.4.3 Production

a) Production planning and production

In the 2001/2002 financial year the Company had two production sites, Jena-Lichtenhain and Jena-Göschwitz.

At the Jena-Lichtenhain site production planning is based on the 'rolling forecast' method used by the sales partners. This means that these draw up rolling sales plans which form the basis for the ordering of individual items and component manufacturing. The final assembly at the Jena-Lichtenhain site is performed exclusively to customer orders so as to keep stocks as low as possible. Such a manufacturing method is also planned for the site Jena-Göschwitz, yet has not been implemented in the 2001/2002 financial year.

b) Development of manufacturing capacities

Carl Zeiss Meditec compensates for fluctuations in demand by employing loaned staff. In the 2001/2002 financial year loaned employees were deployed at the Jena-Lichtenhain site. The development of the manufacturing capacities at the Jena-Göschwitz site was shaped by the preparation of production of the new refractive laser system MEL 80™. In this respect, capacity utilisation in the second half of the year was not always optimal.

c) Quality management

Official registrations and approvals are, in the meantime, demanded by the majority of markets as a prerequisite for the marketing of medical products. The quality management system of Carl Zeiss Meditec has been certified to DIN EN ISO 9001:2000 and DIN EN ISO 13485. The Company's quality management system has been approved in line with the requirements of the directive 93/42 EEC. The Company is subject to EU monitoring under Annex II and Annex V in accordance with the above-mentioned directive. Thus, in accordance with the Medical Product Act (Medizinproduktgesetz) Carl Zeiss Meditec is entitled to make the declaration of conformity for its products and market these within the European Union with the CE symbol. Carl Zeiss Meditec manufactures its products in conformity with the American standard for 'Good Manufacturing Practice' (GMP), 21 C.F.R. part 820, QSR.

d) Registrations and approvals

The Company's products are fundamentally aimed at the global market. For this reason, with new devices and systems right from the outset the construction methods, the parts used and the necessary interfaces are all chosen so that they may be used worldwide.

With the exception of refractive lasers, with which registrations and approvals take longer, and above all in the USA und Japan, all the Company's products have approvals in all the major countries.

The Company reserves the right, however, on smaller markets which place high demands on the approvals procedure to forego applying for these approvals in individual cases – and thus to forego the development of the market – so as not to have to reveal its know-how to external auditors.

e) Product launches

In the 2001/2002 financial year a number of new products were launched on the market.

- **VISULAS™ 532s:** This is a new, extraordinarily compact and transportable photo-coagulation laser for the treatment of retinal diseases.

- **Visucam™ lite:** Visucam™ lite was launched on the market in February 2002 and is a mid-segment fundus camera for private ophthalmologists. The device is fully digital and has an easy-to-use image archiving software.

- **MEL 80™:** This system was launched on the market shortly after the conclusion of the financial year (end of October 2002). In contrast to its predecessor, the MEL 70 G-Scan™, the new system is more compact and also much faster thanks to its higher pulse rate. The MEL 80™ is of significance for Carl Zeiss Meditec inasmuch as that it rounds off the product portfolio of what was formerly Carl Zeiss Ophthalmic (see C.1 Major markets).

C.4.4 Procurement

As under C.4.3 Production and products, a) Production planning and production, the final assembly of the products at the site in Jena-Lichtenhain is exclusively to customer orders so as to keep stocks as low as possible. Accordingly the release orders for the corresponding components from suppliers are placed one to two months before the production date. The same procurement policy will be applicable to the production at the Jena-Göschwitz site from the 2002/2003 financial year onwards. The Company attaches great significance to long-term partnerships with its suppliers.

C.4.5 Investments

The Company's investments in the reporting period focused on office fittings and equipment.

As a result of the merger of Carl Zeiss Ophthalmic and Asclepion to form Carl Zeiss Meditec, investments in financial assets have decreased considerably over the previous year. In particular, thanks to the global positioning of Carl Zeiss Meditec, no major priority is being attached to investments in the development of distribution channels. The Company ensures its global sales coverage through subsidiaries and through access to the global sales channels of the Carl Zeiss Group.

C.4.6 Financing

The liquidity of Carl Zeiss Meditec continues to be guaranteed by existing credit lines and through integration of the Company into the group cash management of the Carl Zeiss Group. The inclusion of the entire Company came about with the coming into effect of the merger as of 4 July 2002; prior to this it had only applied to the Ophthalmology division of Carl Zeiss Jena GmbH.

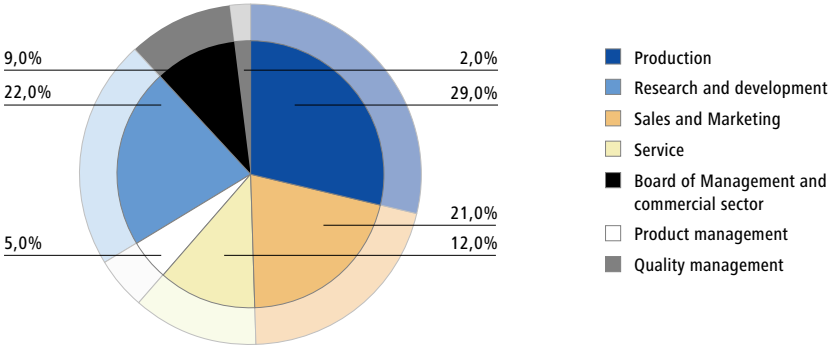
The main feature of the Company's financial management is that in its financing it avails to the greatest-possible degree of its own funds or of the group cash management of the Carl Zeiss Group. Accordingly there were no liabilities of Carl Zeiss Meditec due to banks in the reporting period, but exclusively liabilities due to the Treasury of the Carl Zeiss Group.

C.4.7 Personnel

As of 30 September 2002 the Company had 362 employees plus 26 trainees. The corresponding number for the previous year was 196 employees plus 13 trainees.

The following graphic provides an overview of the personnel structure at Carl Zeiss Meditec AG, Jena, as of 30 September 2002.

Personnel structure at Carl Zeiss Meditec



C.4.8 Environmental protection

Within the framework of its business activity the Company complies with all the relevant environmental protection provisions.

There is no direct or indirect risk to the environment from the Company's products or production methods.

D Business position

D.1 Net worth

The balance-sheet total under German Commercial Code (HGB) of Carl Zeiss Meditec as of 30 September 2002 amounts to € 190.897m. In a year-on-year comparison, and thus with the balance-sheet total of Asclepion, this corresponds to an increase of 164%.

As a result of the merger, the structure of the assets on the balance sheet has changed considerably. In particular the financial assets have increased considerably, to € 122.226m, with the inclusion of the shareholding in Carl Zeiss Ophthalmic Systems, Inc., Dublin/USA at market value. In the 2001/2002 financial year they amounted to 64% of the balance-sheet total, and to 30% in the previous year.

The opposite effect was seen in the 2001/2002 financial year with the unscheduled depreciation of the financial assets of Asclepion to the amount of € 14.137m. This depreciation had become necessary as a result of the ongoing losses at Carl Zeiss Meditec Ltd., Edinburgh/Scotland (formerly Asclepion-Meditec Ltd.) and at Asclepion-Meditec, Inc., Coto de Caza/USA, the strategic orientation of Carl Zeiss Meditec, which was created through the merger, and as a result of the insolvency of Asclepion's former co-operation partners and shareholdings.

The fixed assets as of 30 September 2002 were 66% of the balance-sheet total (previous year: 32%). The high levels for this asset structure ratio result from the contribution of the shares in Carl Zeiss Meditec, Inc., Dublin/USA, which is included in the balance-sheet item 'financial assets'.

Of the increase of € 12.280m in the net inventories to € 26.238m as of 30 September 2002 a sum of € 15.303m results from the inventories of Carl Zeiss Ophthalmic, which have been included in the annual financial statements for the first time ever. The inventories were reduced by the transfer to the assets of devices which have been transferred to customers on a long-term basis, as well as higher devaluations at Asclepion, which – as a result of the downturn in sales – were primarily performed for second-hand devices.

Compared to the previous year accounts receivable have – despite the additions from the merger – only risen by € 1.902m. This is due to much higher individual valuation adjustments at Asclepion performed to cover non-payment risks.

Accounts receivable from affiliated companies as of 30 September 2002 amounted to € 13.14m (previous year: € 4.492m). These are essentially accounts receivable from Asclepion-Meditec S.R.L., Milan/Italy to the amount of € 5.008m and from sales partners of the Carl Zeiss Group. All the accounts receivable have a term of less than one year, and are thus of short-term character.

In accordance with the resolution on the performance of the merger as adopted by the annual general meeting on 28 May 2002 the capital stock was increased from € 6.2m to € 25.833m. The capital reserves increased from € 63.08m as of 30 September 2001 to € 162.488m with the contribution of Carl Zeiss Ophthalmic in the course of the merger. Of particular significance in this respect is the subsidiary Carl Zeiss Ophthalmic Systems Inc., Dublin/USA.

The equity capital ratio of Carl Zeiss Meditec as of 30 September 2002 amounted to 82% (previous year: 86%).

In the reporting period Carl Zeiss Meditec had no liabilities due to banks. There were major liabilities to Treasury of the Carl Zeiss Group (€ 9.875m). Total liabilities in the 2001/2002 financial year were € 20.779m (previous year: € 4.866m). The ratio of liabilities to equity capital is approx. 1:8.

A detailed view of the net worth is given above all by a portrayal of the individual cover ratios.

Cover ratio A (equity capital as a ratio of fixed assets) amounted to 126% as of 30 September 2002 (previous year: 270%). Cover ratio B (equity capital plus long-term borrowed capital as a ratio of fixed assets) amounted to 126% as of 30 September 2002 (previous year: 270%). As of 30 September 2002 the cover ratio for medium-term and long-term tied assets (equity capital plus medium-term and long-term borrowed capital as a ratio of fixed assets plus accounts receivable with a term of more than one year) was 123% (previous year: 223%). In all cases there is sufficient equity capital coverage. Thus the net worth of the Company may be regarded as solid and viable in the long term.

D.2 Financial position

As of 30 September 2002 the liquid funds amounted to € 3.392m, as of 30 September 2001 to € 9.870m. This reduction essentially results from the outflow of funds from operating activities to the amount of € 2.355m, from investing activities to the amount of € 0.895m and from financing activities to the amount of € 3.288m.

It has become clear that the net loss for the year of € 24.458m has only affected payments to a minor degree. This is due to the fact that the result for the year has essentially been caused by the amortisation of financial assets and the devaluation of accounts receivable, as well as by transfers to the provisions.

In the 2001/2002 financial year there were investments of € 0.801m in fixed assets and intangible fixed assets. The outflow of funds from financing activity results essentially from payments for the redemption of loans.

The financing of the Company continues to be guaranteed through integration of the Company into the group cash management of the Carl Zeiss Stiftung, Heidenheim an der Brenz/Jena.

D.3 Earnings position

The gross result on sales as a ratio of sales at Carl Zeiss Meditec amounted to 33% in the 2001/2002 financial year, following on from 52% in the previous year. The change is due to a shift in the sales model of Carl Zeiss Meditec from that used by Asclepion.

The result of ordinary operations in the 2001/2002 financial year was -€ 24.520m (previous year: -€ 9.027m).

This development is essentially due to the following reasons:

- In the wake of the merger the necessary integration of the sales structures led to a delay in individual sales.

- Sales of the MEL 70 G-Scan™ was impacted by the forthcoming launch of the new refractive laser MEL 80™ at the end of the financial year, as well as the reticence towards its predecessor on the part of some of Asclepion's sales partners in view of the merger.

- The ratio of selling costs to sales has decreased from 40% in the previous year to 27% in the 2001/2002 financial year. This is due to the change in the sales structure at Carl Zeiss Meditec. Nevertheless, in the past financial year there were considerable one-off expenses. These arose in connection with the merger of Carl Zeiss Ophthalmic with Asclepion, and cover the devaluation of claims against the Asclepion subsidiaries Asclepion-Meditec, Inc., Coto de Caza/USA and Carl Zeiss Meditec Ltd., Edinburgh/Scotland. The increase in selling costs also results from an increase in individual valuation adjustment on accounts receivables performed to cover non-payment risks and from the return of devices sold last year.

- Furthermore, as the merger of the companies only became legally effective with its entry on the commercial register in the last quarter of the past financial year (on 4 July 2002) it has not yet been possible to realise savings on function costs in the past financial year to a notable degree.

Other operating income of € 5.226m (previous year: € 2.903m), which mainly resulted from the reversal of individual and lump-sum valuation adjustments, the release of provisions no longer required, currency gains, gain from the sale of the former Asclepion site at Floss i.d. Opf. and other operating expenses of € 2.396m (previous year: € 2.414m), influenced the operating result.

With a total of € -14.611m (previous year: € -5.753m), the amortisation of financial assets had the most significant impact on the result from ordinary activities for the 2001/2002 financial year. This amortisation includes depreciation and valuation adjustments which have already been communicated within the framework of the pro forma 9-month statements. These valuation adjustments had become necessary at Asclepion in the wake of the merger and as a result of the insolvency of debtors in the course of the financial year. The individual items affected were essentially:

- Amortisation of loans to the former Asclepion co-operation partners Icon Laser Eye Centers Inc. and their successor companies, and to U.S. Medical Inc., as well as a depreciation of the Asclepion shareholding in U.S. Medical Inc. with a total volume of € 5.482m

- Amortisation of loans to the Asclepion subsidiaries Carl Zeiss Ltd., Edinburgh/Scotland, and Asclepion-Meditec, Inc., Coto de Caza/USA, with a total sum of € 6.52m

- Depreciation of the value of a shareholding in the Asclepion subsidiaries Asclepion-Meditec Ltd., Edinburgh/Scotland with a total sum of € 2.135m.

The depreciation of the loans to the Asclepion subsidiaries Carl Zeiss Meditec Ltd., Edinburgh/Scotland, and Asclepion-Meditec, Inc., Coto de Caza/USA, as well as the depreciation on the book value of the shareholding Carl Zeiss Meditec Ltd., Edinburgh/Scotland, have arisen from the sustained negative development of the earnings position of these companies and the strategic orientation of Carl Zeiss Meditec, which was created through the merger of Carl Zeiss Ophthalmic with Asclepion. In Carl Zeiss Meditec, Inc., Dublin/USA the Company now has a subsidiary which is excellently positioned on the market. In Great Britain Carl Zeiss Meditec will avail of the successful sales channels of the Carl Zeiss Group.

Thus the net loss for the 2001/2002 financial year totals € 24.458m, following on from a net loss of € 8.324m in the previous year. Taking into account the loss-carryforward from the previous year, there is a balance-sheet loss of € 32.782m for the reporting period (previous year: € 8.324m).

E Risks in future development

Within the framework of its operating activity (development, manufacture and marketing of devices and systems for diagnosis and treatment in ophthalmology as well as the development, manufacture and marketing of laser systems for dermatological and dental applications) Carl Zeiss Meditec is naturally exposed to a number of risks which are inseparably intertwined with the entrepreneurial activity.

a) Market and competition

The market for medical technology products is a dynamic market. Among the factors affecting the dynamism of the market are the opportunities offered by new applications and methods, and the impact of new clinical findings. Such findings may have a negative impact on existing methods and products and also on new methods and products on which the business success of the Company is founded.

Competition on the market for medical technology will continue to increase; in this respect it is above all the impact of the changes to the social system by the government, especially in countries, in which the treatment of eye diseases is financed to a considerable extent by the health system which could have a negative effect on business developments and earnings position of the Company. If budgets were cut, or the reimbursement of treatment costs were withdrawn for certain types of treatment, this could have a negative impact on the net worth, financial position and earnings of the Company.

Additional uncertainty and potential risks arise from the ongoing weakness of the global economy. This could, above all, be noticeable in the field of privately-financed medical applications such as refractive surgery, and lead to a deterioration in the creditworthiness of our customers and to lost sales which could have a negative impact on the net worth, financial position and earnings of Carl Zeiss Meditec.

b) Product cycles and dependency on suppliers

Medical technology is seeing rapid development in many areas. New scientific findings lead to shorter development and product cycles.

The success of Carl Zeiss Meditec is determined to a great extent by the development of new, innovative products in the fields of ophthalmology and laser medicine and by recognising new technology trends at an early stage and turning these into appropriate products. Should the Company lose touch in technological terms, fail to react in time to a technological development, not identify a market trend in good time or should a development end in a technological dead-end, this could have a negative impact on the competitive position of the Company.

The ever-closer co-operation with suppliers in the wake of general cost pressure and the complexity of the constituent parts leads to new dependencies, which could have a negative impact on the production and sale of the Company's products, as well as on their quality.

c) Patents and intellectual property

The Company is not aware that it violates patent rights or other industrial property rights of any third parties. It cannot be excluded, however, that a third party might assert claims against the Company for the violation of industrial property rights. Such a violation could under certain circumstances cause delays in the delivery of products or, in the event of a court deciding against the company, oblige the Company to enter into agreements on fees and licence payments. Such copyright and license agreements could, under certain circumstances, only be available at unacceptable conditions. A law suit against the company due to the violation of industrial property rights could therefore have a considerable negative impact on the net worth, financial situation and earnings of the Company.

The competitive position of Carl Zeiss Meditec depends on securing its technological innovations. So as to guarantee these, the Company acquires patents for its own and third-party inventions and takes measures to protect its business secrets. The expiry of proprietary rights and patents could lead to new competitors entering the market or existing rivals gaining in strength.

d) Approval of products

In the medical technology and the health service sectors there are strict approval procedures; these vary greatly from country to country. If necessary approvals are not granted for the Company's products this can have a negative impact. There is no guarantee that the numerous registrations of the Company will continue to be valid in the future, nor renewed and attained in good time for new products. Furthermore, it cannot be excluded that the registration requirements will not become stricter in the future. This could reduce sales and the future growth of the Company, which would have a negative impact on the earnings of Carl Zeiss Meditec.

e) Risk of product defects, product liability risk

The products manufactured and marketed by Carl Zeiss Meditec are used for medical and cosmetic purposes with the effect that any erroneous functioning on the part of the devices could lead to patients and/or customers incurring injuries. Despite the use of all justifiable measures in quality control, sources of errors cannot be excluded in full. Although the Company has to date not been obliged to pay any important compensation claims arising from product liability, it cannot be excluded that it will not face such claims in the future. A particular risk is posed by potential product liability claims brought against the company in the USA as the damages awarded by the courts there may be very large indeed. It cannot be excluded that the existing insurance cover for the Company does not ensure sufficient cover for potential warranty claims in the USA.

f) Risks arising from integration

In order to obtain the full benefit of synergies from the merger of Carl Zeiss Ophthalmic Systems AG and Asclepion Meditec AG the new Company needs to integrate quickly and successfully numerous and hitherto largely separate activities such as procurement, research and development, logistics, marketing, sales and service. If this is not successful, or is only partially successful, it will only be possible to achieve the desired synergies to a limited extent or not at all, despite the efforts and costs involved in integration.

g) Development of exchange rates

Our global presence and distribution to virtually every country in the world leads to global supplier and buyer relationships involving payment flows in various different currencies. The purchase of goods and services is predominantly conducted in euro. One exception to this is the purchase of products by the American subsidiary Carl Zeiss Meditec, Inc., Dublin/USA, which are conducted in US dollars. Likewise deliveries to this subsidiary are also invoiced in US dollars. Any resulting fractions as well as larger claims against third parties in foreign currencies are recorded on a regular basis and hedged using suitable financial instruments such as forward currency transactions. This has already been the case to date with accounts receivable in foreign currencies.

h) Subsidiaries

Through its subsidiaries Carl Zeiss Meditec is indirectly exposed to the respective risk environment of the subsidiary. The relationships to our subsidiaries can lead to statutory and contractual liabilities.

In particular there is a potential risk regarding the book value of the shareholding Carl Zeiss Meditec, Inc., Dublin/USA, which was recorded at its fair value, in the event of a permanent deterioration in the net worth, earnings and financial position of this company.

In order to identify and appraise the stated risks in good time, and so as to counter the risks and comply with the Act on Control and Transparency in Stock Corporations (KonTraG), a uniform, pan-group risk management system has been launched in accordance with the regulations of the Carl Zeiss Group. The risk management system is an integral part of the entire controlling and reporting process and ensures the systematic recording, evaluation and communication of risks.

The essential features of the risk management system are:

- Retention of existing responsibilities and regular monitoring by a central 'Risk Manager'
- Risk identification and evaluation in risk matrices
- Risk reporting on the basis of given thresholds for relevant risks
- Initiation of measures to avoid and/or lower risks

F Research and development

The expenses for research and development prior to grants, allowances and subsidies amounted to € 13.944m (previous year: € 7.847m). Taking into account these grants, in the 2001/2002 financial year the Company spent a sum of € 12.873m on research and development (previous year: € 6.746m). For the 2001/2002 financial year this corresponds to a ratio of 11% of sales (previous year: 16%).

One of the key research and development activities has been the conclusion of development work on the new, compact, portable VISULAS™ 532s coagulation laser. It can be used either in operating theatres or for outpatient treatment. With its globally unique VISULINK™ 532 slit lamp adapter it can easily be used with both Zeiss and Haag Streit slit lamps without the need to change any of the optics.

Of major significance in this field was the research and development work on the new MEL 80™ refractive laser system, which was presented to the public for the first time ever after the conclusion of the financial year at the American Academy of Ophthalmology (AAO) trade fair, which took place at the end of October 2002. In contrast to its predecessor, the MEL 70 G-Scan™, the new system is more compact and also much faster thanks to its higher pulse rate. The new refractive laser system is of significance for Carl Zeiss Meditec inasmuch as that it rounds off the product portfolio of what was formerly Carl Zeiss Ophthalmic.

The Company plays a major role in a number of inter-company future projects. To this end the global network and competence of the Carl Zeiss Group is used on an intensive basis. Thus Carl Zeiss Meditec is co-operating with other companies and institutes in a major alliance on a new process for the correction of vision defects with the aid of ultra short-pulsed lasers (femto-second lasers).

The Company's innovation pipeline is extremely well stocked with numerous other development and research projects. These projects range from minimally-invasive, intraocular operations, through extensive biometric and functional measurement of the eye, to complete diagnostics for the retina and the development project SaveDent/PAD in the Dental business unit has to be mentioned as well.

G Events after the balance-sheet date

Immediately after the balance-sheet date, on 9 October 2002, the Company announced the launch of direct sales in Japan. Thus Carl Zeiss Meditec is also represented on the important Japanese market through its own subsidiary.

The subsidiary Carl Zeiss Meditec Ltd., Edinburgh/Scotland (formerly Asclepion-Meditec Ltd.), is to be re-structured; the corresponding valuation adjustments on the book value of the shareholding and the loans were conducted in the past financial year.

In Italy negotiations are currently being conducted on the optimisation of the sales structure and, where appropriate, on the merger of the subsidiary Asclepion-Meditec S.R.L., Milan/Italy with Carl Zeiss S.p.A., Arese, Milan/Italy.

Following the cut-off date the Company filed a lawsuit concerning the bulk of the 'Other loans', and in this respect has in advance performed the appropriate valuation adjustments.

H Outlook

The market for medical technology products has not been left unaffected by the 'fragile state of the global economy'[6] and a number of deflationary factors. As a result of the rise in predatory competition, and above all at the expense of smaller providers, and on the basis of new products, the Company expects the sales figures in the field of diagnosis in the Vision business unit to rise further, with prices remaining relatively stable. Although the Laser division (including refractive surgery) only expects a minor recovery for the 2002/2003 financial year, the new product MEL 80™ holds the promise of an improvement in market shares in those countries for which approval has been received in the 2002/2003 financial year. The Company assumes that in the 2002/2003 financial year, and also in the years thereafter, the Vision business unit will make a significant contribution to the further improvement of the Company's earnings. Furthermore, the Company believes it is well positioned internationally thanks to the level of awareness of the 'Zeiss' brand and its global sales presence.

6 *Weekly Report (Wochenbericht) 43/02 as of 18 October 2002 of the Deutsches Institut für Wirtschaftsforschung (DIW), Berlin*

Considerable competitive pressure is to be expected in the Aesthetic and Dental divisions in the coming financial year. However both divisions should stabilise thanks to the streamlining of their existing product portfolios and their excellent technology positions.

The general economic data have also impacted on the expected earnings at Carl Zeiss Meditec. Thus for the 2002/2003 financial year the Company assumes that this year's turnover and sales can be surpassed. At the same time, attaining the earnings targets requires decisive measures to reduce costs, as well as an increase in sales activities. The Vision business unit, and above all with refractive systems, will have the greatest percentage growth. All in all the Company expects positive net income for the 2002/2003 financial year.

The seven-point plan presented at the end of the 2002 financial year is being implemented as scheduled. A number of successes have already been attained. These include the market launch of two new products, one of which is the refractive laser MEL 80™; the bundling of activities in the field of research and development; as well as the integration of refractive laser systems into the direct sales activities of Carl Zeiss Meditec and the sales channels of the Carl Zeiss Group for major markets. Among the next milestones are the commencement of the approvals procedure for refractive lasers in the USA and Japan; the conclusion of the integration by 31 December 2002; the establishment of viable business models in the Aesthetic and Dental divisions by the end of the second quarter of the 2002/2003 business year; and the complete adoption of the German Corporate Governance Codex on the general meeting of Carl Zeiss Meditec AG on 12 March 2003.

I Final declaration to the dependency report

Declaration by the Management Board to Art. 312 Section 3 AktG

Carl Zeiss Meditec AG as a member of the Carl Zeiss Group has prepared a dependency report in accordance with Art. 312 German Stock Corporation Act (AktG). Under the circumstances known to the board of management at the point in time the transactions were concluded, the companies of Carl Zeiss Meditec AG group received a suitable counter-service for each of the transactions listed in this report on relationships to affiliated companies and were not disadvantaged by any of the measures adopted as stated in this report or by their omission.

Jena, 02 December 2002
Carl Zeiss Meditec AG

Ulrich Krauss President and CEO	Bernd Hirsch Member of the Board of Management	Dr Walter-Gerhard Wrobel Member of the Board of Management

Carl Zeiss Meditec AG, Jena
Income statement for the financial years 2000/2001 and 2001/2002

(in € '000)		2000/2001		2001/2002
1. Sales revenues		41,208		119,278
2. Cost of revenues		**-19,598**		**-80,209**
3. Gross profit		**21,610**		**39,069**
4. Selling and marketing expenses		-16,567		-32,121
5. General and administrative expenses		-3,513		-7,047
6. Research and development expenses	**-7,847**		**-13,944**	
minus government grants received	**1,101**	**-6,746**	**1,071**	**-12,873**
7. Other operating income		2,903		5,226
8. Other operating expenses		-2,414		-2,396
9. Operating interest and similiar income thereof from affiliated companies € 0,561m (previous year: € 0,523m)		1,464		779
10. Amortisation of financial assets – thereof due to affiliated companies € 0,525m (previous year: € 0m)		-5,753		-14,611
11. Interest and similiar expenses		**-11**		**-546**
12. Result from ordinary activities		**-9,027**		**-24,520**
13. Taxes on income and earnings		709		78
14. Other taxes		**-6**		**-16**
15. Net loss		**-8,324**		**-24,458**
16. Accumulated losses brought forward				-8,324
17. Accumulated deficit		**-8,324**		**-32,782**

Carl Zeiss Meditec AG, Jena
Balance sheet as of 30 September 2002

(in € '000)		30.09.2001		30.09.2002
Assets				
A. Fixed assets				
I. Intangible fixed assets				
Concessions, industrial property rights and similar rights and assets including licenses for such rights and assets		15		46
II. Property, plant and equipment				
1. Land and leasehold rights and buildings	593		7	
2. Plant and machinery	25		61	
3. Other fixtures and fittings, tools and equipment	794	1,412	2,666	2,734
III. Financial assets				
1. Shares in affiliated companies	2,435		116,182	
2. Loans to affiliated companies	8,099		1,023	
3. Investments	1,295		129	
4. Other loans	9,923	21,752	4,892	122,226
		23,179		125,006
B. Current assets				
I. Inventories				
1. Raw materials and supplies	3,200		8,943	
2. Work in progress	1,044		4,767	
3. Finished goods and goods for resale	9,714	13,958	12,528	26,238
II. Accounts receivable and other assets				
1. Trade accounts receivable – thereof with a term of more than one year: € 2.905m (2001: € 4.826m)	18,242		20,144	
2. Accounts receivable due from affiliated companies – thereof with a term of more than one year: € 0 (2000: € 0)	4,492		13,140	
3. Accounts receivable due from companies to which the company is linked by virtue of participation	0		44	
4. Other assets	2,498	25,232	2,652	35,980
III. Cash on hand and cash in banking accounts		9,870		3,392
		49,060		65,610
C. Prepayments and accrued income		140		281
		72,379		**190,897**

(in € '000)		30.09.2001		30.09.2002
Liabilities				
A. Shareholders' equity				
I. Share capital	6,200		25,833	
II. Additional paid-in capital	63,080		162,488	
III. Retained earnings				
Other retained earnings	1,558		1,558	
IV. Accumulated deficit	-8,324	62,514	-32,782	157,097
B. Accrued expenses				
1. Provisions for pensions and similiar obligations	0		735	
2. Provisions for taxation	20		70	
3. Other provisions	4,689	4,709	11,720	12,525
C. Liabilities				
1. Advances from customers	0		43	
2. Trade accounts payable thereof with a term of up to one year: € 3,245m (2001: € 1,227m)	1,227		3,245	
3. Due to affiliated companies thereof with a term of up to one year: € 13,946m (2001: € 0,464m)	529		13,977	
4. Other liabilities	3,110		3,514	
thereof with a term of up to one year: € 3,514m (2001: € 3,110m)				
thereof from taxes: € 0,394m (2001: € 0,161m)				
thereof from social security: € 0,470m (2001: € 0,217m)		4,866		20,779
D. Deferred income		290		496
		72,379		**190,897**

Fixed-asset movement schedule (gross presentation)

(in € '000)	Purchase/manufaturing cost					
	01.10.2001	Additions/ disposals through merger	Additions	Transfers (+/-)	Disposals	30.09.2002
Intangible fixed assets						
Software and patent	460	223	28		0	711
Fixed assets						
Land and leasehold rights and buildings including buildings on third-party land	704				688	15
Plant and machinery	55	93	16		3	161
Other fixtures and fittings, tools and equipment	2,525	2,867	2,369	58	467	7,352
Payments on account and tangible assets in course of construction		58		-58		
	3,284	**3,018**	**2,385**	**0**	**1,158**	**7,529**
Financial assets						
Shares in affiliated companies	2,435	115,882				118,317
Loans to affiliated companies	8,099		609		1,166	7,542
Investments	4,797					4,797
Loans to undertakings to which the company is linked by virtue of participation						0
Other loans	12,347	20	597		1,031	11,933
Advance payments on investments						0
	27,678	**115,902**	**1,206**	**0**	**2,197**	**142,589**
	31,422	**119,143**	**3,619**	**0**	**3,355**	**150,829**

Cumulated depreciation						Residual book value	
02.10.2005	Additions/ disposals through merger	Depreciation in FY	Disposals	Write-ups	30.09.2002	01.10.2001	30.09.2002
445	194	26			665	15	46
111		7	109		9	593	7
30	52	21	3		100	25	61
1,731	2,507	891	443		4,686	794	2,666
						0	0
1,872	**2,559**	**919**	**555**	**0**	**4,795**	**1,412**	**2,734**
		2,135			2,135	2,435	116,182
		6,519			6,519	8,099	1,023
3,502		1,166			4,668	1,295	129
					0	0	0
2,424		4,791	20	154	7,041	9,923	4,892
					0	0	0
5,926	**0**	**14,611**	**20**	**154**	**20,363**	**21,752**	**122,226**
8,243	**2,753**	**15,556**	**575**	**154**	**25,823**	**125,006**	**23,179**

Notes for the 2001/2002 financial year (HGB)

I. General information and notes to the financial statements

I. 1. Foundation, stock exchange listing

Carl Zeiss Meditec AG ('Carl Zeiss Meditec' or the 'Company') was founded on 4 October 1995 as Aesculap-Meditec GmbH with its head office in Jena within the scope of a joint-venture based on nominal capital of € 51,000 (DM 100,000). The partners were:

• AESCULAP AG & Co. KG, Tuttlingen	€ 31,000 (DM 60,000)
• JENOPTIK AG, Jena	€ 20,000 (DM 40,000)

On 10 November 1999 Aesculap-Meditec GmbH was transformed into a stock corporation and from this date onwards it bore the name Asclepion-Meditec AG ('Asclepion'). The Company went public on 22 March 2000 and was listed on the Neuer Markt at the Frankfurt Stock Exchange.

The initial public offering generated € 58.466m (gross € 63.8m) for Asclepion.

I.2 Merger of Asclepion-Meditec AG with Carl Zeiss Ophthalmic Systems AG to form Carl Zeiss Meditec AG

Pursuant to the Merger Agreement dated 15 April 2002 between Asclepion and Carl Zeiss Ophthalmic Systems AG ('Carl Zeiss Ophthalmic') the resolution of the general meeting of Carl Zeiss Ophthalmic on 21 May 2002 and the approving resolution of the general meeting on 28 May 2002 of Asclepion, Carl Zeiss Ophthalmic conveyed its assets in their entirety, together with all rights and obligations, by dissolution without winding up under the terms of Art. 2 No. 1 Transformation Act to Asclepion in exchange for the granting of Asclepion shares to the shareholders of Carl Zeiss Ophthalmic (merger through assumption). The inter partes acquisition of the assets of Carl Zeiss Ophthalmic by Asclepion shall become effective on 1 October 2001.

For the purpose of effecting the merger with Carl Zeiss Ophthalmic the ordinary general meeting of Asclepion adopted a resolution on 28 May 2002 to increase the share capital of Asclepion by € 19.633m from € 6.2m to € 25.833m, divided into 25,833,300 no-par-value bearer shares. The increase of the share capital has been completed. The new shares (19,633,300 shares) are endowed with full dividend rights as of 1 October 2001.

At the same time approval was given at the shareholders' meeting to the name change from 'Asclepion-Meditec AG' to 'Carl Zeiss Meditec AG' and to the following revised text of its business purpose:

"The business purpose of the Company is to develop, manufacture and sell medical technology products and systems for diagnosis and therapy, especially in the field of ophthalmology, plus provide accompanying services."

The merger became effective on the day it was recorded in the commercial register of Gera Local Court on 4 July 2002.

I. 3. Development of share capital and capital reserves in the 2001/2002 financial year

Total share capital rose from € 6.2m (30 September 2001) to € 25.833m due to the capital increase of € 19.633m on 30 September 2002.

Capital reserves of € 63.080m (30 September 2001) were increased by € 99.408m in the course of the merger to a total of € 162.488m.

The book value of other revenue reserves on 30 September 2002 remained unchanged at € 1.558m.

Due to the loss in the 2001/2002 financial year the balance sheet loss of €8.324m carried forward to 30 September 2001 increased from € 24.458m to € 32.782m. Shareholders' equity as disclosed on 30 September 2002 thus amounted to € 157.097m.

Following a resolution of the extraordinary general meeting of 10 March 2000 as recorded in the commercial register at the Gera local court on 14 March 2000 the share capital was increased by up to € 400,000 (contingent capital). The contingent capital increase serves to grant subscription rights to the holders of stock options issued by the Company on the basis of the authorisation granted by the general meeting on 10 March 2000. The contingent capital increase is utilised to the extent to which use is made of the subscription rights. The new shares are endowed with dividend rights with effect from the beginning of the financial year in which they are created through the exercising of the subscription rights.

No shares were subscribed from the contingent capital.

Furthermore, the general meeting resolved to eliminate the authorised capital of € 1.7m and empower the Management Board to increase the share capital by up to € 12.917m for a period of five years from the date of recording of the amendment of the articles of association in the commercial register at the Gera local court on 31 July 2002 by issuing 12,916,650 new no-par value bearer shares.

Following this resolution of the general meeting on 28 May 2002 the Management Board is authorised, with the consent of the Supervisory Board, to exclude the subscription rights of the shareholders. The exclusion of the subscription rights of the shareholders is only possible in the following cases:

- if the shares are issued to purchase non-cash contributions, especially companies, stakes in companies or parts of companies;
- to balance out fractional amounts;
- if the shares are issued at a price which is not significantly below the market price and the exclusion of subscription rights only relates to new shares, the theoretical share of the company's share capital of which does not exceed 10% of the share capital at the time of the authorisation taking effect by being recorded in the commercial register, i.e. € 2.583m.

I. 4. Annual financial statements to HGB, consolidated financial statements

The annual financial statements and the management report of Carl Zeiss Meditec AG for the financial year ending on 30 September 2002 have been prepared for the first time in € '000 in accordance with the provisions of Art. 264 et seq. of the German Commercial Code (Handelsgesetzbuch, HGB). The previous year's figures were converted at the official rate of DM 1.95583 = € 1.00.

Due to the merger of the former Asclepion and the former Carl Zeiss Ophthalmic which became effective on 1 October 2001, the figures for the 2001/2002 financial year relate to the business activities of both formerly independent companies which are now combined under the new company Carl Zeiss Meditec. Since they only relate to the former Asclepion the figures shown for the previous year 2000/2001 are only partly comparable to those of the 2001/2002 financial year.

The Company's annual financial statements are to be incorporated in the consolidated financial statements of the Carl Zeiss Stiftung, Heidenheim an der Brenz and Jena. The consolidated financial statements of the Carl Zeiss Stiftung will be published in the Federal Gazette (Bundesanzeiger) and deposited with the commercial registers at the Heidenheim an der Brenz and Gera local courts.

Furthermore, the Company will prepare its consolidated financial statements according to US Generally Accepted Accounting Principles (US GAAP).

I. 5. Exchange rate of DM for Euro

The Company used the official conversion rate € 1.00 = DM 1.95583.

II. Details and comments on accounting and valuation methods

II. 1. Fixed assets

II. 1. a) Intangible fixed assets

The intangible assets capitalised at acquisition costs have been depreciated by the straight-line method pro rata temporis for their respective useful life (three years for software and five years for patents).

Accruals from to the merger were carried at their net book value and depreciated over the residual term.

II. 1. b) Property, plant and equipment

Accruals are carried at the acquisition cost. Disposals are booked at acquisition costs minus accumulated depreciation at the time of their retirement.

The Company capitalised the transferred assets at their net book value.

Depreciation was calculated using the straight-line method on the basis of anticipated useful life. In contrast to Asclepion, at the former Carl Zeiss Ophthalmic depreciation on movable assets of property, plant and equipment was calculated by the sliding-scale method in conformance with fiscal provisions. A change was made from sliding-scale to linear depreciation as soon as this resulted in a higher amount of depreciation.

Depreciation on accruals in movable property in 2001/2002 was calculated by the former Asclepion pro rata temporis. At Carl Zeiss Ophthalmic additions of movable assets in the first half of the year are depreciated in full, additions in the second half of the year use half of the annual depreciation. In the following financial years – in conformance with the guidelines for group accounting of the Carl Zeiss Stiftung – the sliding-scale method of depreciation is to be used uniformly for all accruals in movable property.

The differing depreciation methods do not, however, have a significant effect on the Company's net worth, financial position and earnings.

Low-value assets are depreciated in full in the year of acquisition.

The new Tax Reduction Act limits sliding-scale depreciation on assets acquired or created after 31 December 2000 to twice the amount of linear depreciation and 20% of the current book value (new inventory). Existing inventory continues to be evaluated by the sliding-scale method at a maximum of 30% or three times the linear depreciation. This change in depreciation method has little or no effect on net worth, financial position and earnings.

II. 1. c) Financial assets

Shares in affiliated companies, loans to affiliated companies, holdings and other loans are shown at acquisition cost. Allowance was made for possible risks in the shareholding situation and loans in the form of reasonable depreciation.

II. 2. Current assets

II. 2. a) Inventories

Raw materials and supplies were valued at their acquisition cost or the lower market value.

Work in progress and finished goods were valued at manufacturing costs. These include the direct material costs, the direct manufacturing expenses, a suitable portion of the material and manufacturing overheads, as well as the pro rata value depreciation of the production assets. Inventory risks due to storage period or reduced marketability were taken into account by write-downs – in the case of the former Asclepion deductions for useful life and in the case of the former Carl Zeiss Ophthalmic a combination of lower-of-cost-or-market test, deductions for marketability and loss-free valuation. Both valuation methods produce similar results.

A lumpsum write-down of 25% is calculated on equipment loaned to customers.

The principle of loss-free valuation has been observed.

Trade goods and goods for sale were valued at acquisition costs or the lower market value on the cut-off date.

II. 2. b) Accounts receivable and other assets

Accounts receivable and other assets are stated at their nominal value. Recognisable individual risks are taken into account through the formation of suitable valuation allowances, the general credit risk from accounts receivable is covered by a general bad-debt allowance.

Outstanding debts with a residual term of over one year are discounted.

II. 3. Shareholders' equity

Share capital

The subscribed capital is divided into 25,833,300 no-par-value shares, each representing a pro-rata amount of the share capital of € 1.00.

This is stated at the nominal value.

II. 4. Accrued expenses and liabilities

II. 4. a) Accrued expenses

Provisions for pensions and similar obligations are valued at their actuarial cash value pursuant to Art. 6a EstG using the Heubeck Guideline Tables 1998 with an assumed rate of interest of 6%.

The formation of accrued expenses takes into account recognisable risks and uncertain liabilities. These are of an amount deemed necessary in accordance with prudent commercial judgement.

Accruals for employee-financed commitments (postponed remuneration) were equivalent to the asset values of the reinsurance at Gerling Lebensversicherungs-AG.

II. 4. b) Liabilities

Liabilities are stated at their individual repayment sum.

II. 4. c) Foreign currency conversion

Accounts receivable were converted at the acquisition exchange rate or at the lower conversion rate on the balance-sheet date or at the forward exchange rate/worst case with foreign exchange options respectively.

Liabilities were converted at the repayment exchange rate at the time of accrual of the liabilities or at the higher conversion rate on the balance-sheet date.

III. Particulars of balance sheet items

III. 1. Fixed assets

The development of individual fixed assets in the 2001/2002 financial year can be seen in the Appendix to these notes.

III. 2. Current assets

III. 2. a) Inventories

Inventories (€ 26.238m) include valuation allowances of € 6.337m.

III. 2. b) Accounts receivable and other assets

Accounts receivable on the balance-sheet date amounted to € 20.144m and included individual valuation adjustments and general bad-debt allowance of € 7.196m for doubtful debts.

The portion of accounts receivable with a residual term of over one year amounting to € 2.905m includes a discount of € 0.471m.

III. 2. c) Accounts receivable from/liabilities due to affiliated parties

The balances disclosed mainly comprise sales and services as well as the debt to the corporate treasury of the Carl Zeiss Group.

III. 2. d) Accounts receivable due from companies with which the Company is linked by virtue of participation

The disclosed receivable (€ 44,000) is a loan to a holding company.

III. 2. d) Other assets

Other assets include for the main part claims due from

- Biolase Europe GmbH, Floss from the sale of the dependent operating facility at Floss/Oberpfalz (asset deal), (€ 1.347m),
- Inland Revenue Office for accrued sales tax (€ 0.533m),
- Thüringer Aufbaubank from R&D cost subsidies (€ 0.352m),
- Employees from pre-paid travel expenses (€ 0.156m).

The item includes outstanding debts of € 48,000 with a residual term in excess of one year.

III. 2. e) Prepayments and accrued income

For the main part these consist of accrued holiday pay (€ 0.107m), prepaid rentals for exhibition stands (€ 58,000) and insurance premiums (€ 55,000).

III. 3. Shareholders' equity

III. 3. a) Share capital

Subsequent to the capital increase of € 19.633m, share capital now totals € 25.833m.

III. 3. b) Additional paid-in capital

In the course of the merger the additional paid-in capital was increased by € 99.408m from € 63.080m to € 162.488m.

III. 4. Accrued expenses

III. 4. a) Provisions for pensions and similar obligations:

These provisions were formed for the Carl Zeiss Group's pension obligations pursuant to the Benefit Regulations 2000 and the Pension Regulations 1982. The actuarial report for the assessment of pension obligations as at 30 September 2002 was prepared by Dr Dr Heissmann AG, Wiesbaden.

The item also includes a provision for employee-financed commitments (postponed remuneration € 48,000).

III. 4. b) Other provisions:

These comprise in particular provisions for:

- Warranties (€ 2.023m),
- Special payments and commissions to employees (€ 1.738m),
- Licence obligations (€ 1.388m),
- Outstanding invoices (€ 1.378m),
- Provisions for restructuring programme (€1.027m),
- Partial retirement (€ 1.012m),
- Compensation for termination of an agency agreement (€ 0.639m),
- Residual leave obligations (€ 0.448m),
- Legal and consulting fees (€ 0.442m),
- Anniversary payments (€ 0.205m),
- Risks ensuing from the obligation to support victims of the flood of August 2002 based on the report to the respective medical association (€ 0.200m),

III. 5. Liabilities

III. 5. a) Other liabilities

Other liabilities mainly include dealer commissions (€ 2.503m), social security (€ 0.470m), income and church tax (€ 0.394m).

III. 5. b) Deferred income

These mainly relate to deferred income for service and maintenance contracts (€ 0.283m) extending beyond the financial year.

III. 6. Balance sheet notes pursuant to Art. 251 HGB

III. 6. a) Liabilities from the issue and transfer of notes (notes payable)

There are no notes payable as of the balance sheet date.

III. 6. b) Liabilities from guarantees and warranty agreements

As of 30 September 2002 obligations of € 5.453m exist from guarantees and warranty agreements, thereof € 1.529m due to affiliated parties.

III. 6. c) Other financial obligations

III. 6. c1) There are the following financial obligations from rental agreements:

(in € '000)	30.09.2002
Due 2002/2003	**1.688**
- thereof to affiliated companies: € 1.668m	
Due 2003/2004	1.688
- thereof to affiliated companies: € 1.668m	
Due 2004/2005	1.688
- thereof to affiliated companies: € 1.668m	
Due 2005/2006	1.688
- thereof to affiliated companies: € 1.668m	
Due between 2006 and 2019	**9.776**
- thereof to affiliated companies: € 9.776	
	16.528

Financial obligations ensuing from rental agreements essentially relate to a building and yard at Göschwitzer Strasse 51-52 rented from Asset Management Verwaltungsgesellschaft mbH, Jena, and production and office floor space rented from Carl Zeiss Jena GmbH, Jena, Carl-Zeiss-Promenade 10.

III. 6. c2) The following financial obligations ensue from leasing and service agreements:

(in € '000)	30.09.2002
Due 2002/2003	431
- thereof to affiliated companies: ---	
Due 2003/2004	254
- thereof to affiliated companies: ---	
Due 2004/2005	86
- thereof to affiliated companies: ---	
Due 2005/2006	2
- thereof to affiliated companies: ---	
	773

The sums for leasing contracts were calculated using the earliest possible termination dates or the end of the contractual term.

IV. Particulars of the income statement

IV. 1. Layout of the income statement

The income statement was prepared using the operational format.

IV. 2. Sales in the 2001/2002 financial year by region with figures for the previous year

(in € '000)	2000/2001	2001/2002
Germany	8,145	25,841
Europe, not including Germany	15,836	47,341
Asia / Pacific region*	8,649	27,336
America	8,578	18,760
	41,208	**119,278**

**including Africa*

IV. 3. Cost of materials in the 2001/2002 financial year with figures for the previous year

(in € '000)	2000/2001	2001/2002
a) Cost of raw materials, consumables and supplies, and of purchased goods	17,518	**57,984**
b) Cost of purchased services	1,735	**16,255**
	19,253	74,239

IV. 4. Personnel expenses in the 2001/2002 financial year with figures for the previous year

(in € '000)	2000/2001	2001/2002
a) Löhne und Gehälter	8,733	18,046
b) Soziale Abgaben und Aufwendungen für Altersversorgung und für Unterstützung –	1,346	3,023
davon für Altersversorgung	*0*	*171*
	10,079	**21,069**

IV. 5. Other operating income

Other operating income (€ 5.226m) comprises for the main part currency gains (€ 1.395m), revenue from the write-back of accrued expenses (€ 1.301m) and other income not related to the accounting period (€ 1.863m).

Other income not related to the accounting period (€ 1.863m) was due to the write-back of individual valuation allowances on trade accounts receivable (€ 0.579m), the write-back of general bad debt allowance (€ 0.357m) and other income not related to the period (€ 0.501m).

IV. 6. Other operating expenses

Other operating expenses (€ 2.396m) mainly comprises restructuring expenses (€ 1.192m), currency losses (€ 0.880m) and costs for currency option trading (€ 0.181m).

IV. 7. Taxes on income and earnings

The earnings tax proceeds of € 78,000 for corporation tax and solidarity surcharge result from an adjustment of the anticipated corporation tax/solidarity surcharge made in the reporting year for the 1999/2000 financial year.

V. Other details

V. 1. Details of existing equity interests in the Company

In a letter dated 8 July 2002 the Carl Zeiss Stiftung, Oberkochen, notified the Company pursuant to Arts. 21 (1), 22 (1) Sentence 1 No. 1 WpHG that the portion of voting rights in the Company held by the Carl Zeiss Stiftung on 4 July 2002 had exceeded the threshold of 75% and now stood at 76%. This portion includes 38.76% and 37.24% of the voting rights which were respectively allocated to the Carl Zeiss Stiftung, Oberkochen, pursuant to Art. 22, para. 1, sentence 1, No. 1, para. 3 WpHG. The aforementioned 38.76% of the voting rights originate from Carl Zeiss Jena GmbH, Jena; the aforementioned 37.24% of the voting rights originate from Carl Zeiss Beteiligungs-GmbH, Oberkochen. The Carl Zeiss Stiftung does not hold a direct interest.

In a letter dated 12 July 2002 the Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG (DEWB), Jena, notified the Company pursuant to Art. 21 para. 1 WpHG that DEWB AG had fallen below the 25% threshold in voting rights in the Company and that its share of total voting rights in the Company as of 4 July 2002 stood at 8.84%.

In a letter dated 15 July 2002 JENOPTIK AG, Jena notified the Company pursuant to Art. 21 para. 1 WpHG that JENOPTIK AG had fallen below the 5% threshold in voting rights in the Company and that its share of total voting rights in the Company since 27 June 2002 stood at 0.20% (rounded up/down).

The Company published these notices on its Website at www.meditec.zeiss.com on 9 July 2002 (for Carl Zeiss Foundation, Oberkochen) and on 24 July 2002 (for Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG, Jena and JENOPTIK AG, Jena) and submitted the proof of publishing without delay to the Federal Supervisory Office for Financial Services (BAFin), Frankfurt am Main.

V. 2. Details on shareholdings

Name and domicile of the company	Currency	Capital	Share of voting capital %	Shareholders' equity 30.09.2002 translated at the rate on the balance sheet date	Thereof result for the 2001/2002 financial year at the mean annual rate
Carl Zeiss Meditec, Inc., Dublin/USA	USD '000 € '000	23,362 23,717	100	28,473 28,906	3,066 3,344
Asclepion-Meditec S.R.L., Milan/Italy	€ '000	290	100	-48	-531
Carl Zeiss Meditec, Ltd., Edinburgh/Scotland	GBP '000 € '000	1,041 1,653	100	-1,870 -2,970	-2,747 -4,397
Asclepion-Meditec, Inc., Coto de Caza/USA	USD '000 € '000	1 1	100	-382 -388	-809 -882
AM Asset Management Verwaltungsgesellschaft mbH, Jena/Germany	€ '000	25	100	695	940[1]
DENFOTEX Ltd., Wynham/UK	GBP '000 € '000	0.4(*) 0.7(*)	24.78	33(*) 52(*)	1(*) 2(*)

1 Result for the short financial year from 1 January to 30 September 2002

(*) The figures stated for DENFOTEX Ltd. correspond to those shown in the annual accounts available to the Company as of 31 October 2001.

AM Asset Management Verwaltungsgesellschaft mbH, Jena (AMAM), is a purpose-tied company for the construction and leasing of an office building with production facility at the Jena-Göschwitz location of Carl Zeiss Meditec AG. Carl Zeiss Meditec has leased the office building with production facility since 1 October 2001.

V. 3. Details on the staff

V. 3. 1. Number of employees

The Company's annual average workforce in the 2001/2002 financial year totalled 368 persons, of which 22 were trainees. The annual average number of employees in the following areas were:

Number of employees	
Management Board	3
Production	106
Sales and Service	122
Administration and Quality Management	40
Research and Development	97
Total	**368**

On the balance sheet date, 30 September 2002, there were 362 employees plus 26 trainees.

V. 3. 2. Employee participation programme

The Management Board is authorised by the resolution adopted on the extraordinary shareholders' meeting on 10 March 2000, subject to the approval of the Supervisory Board, to issue in one or more tranches up to 400,000 option rights to purchase bearer shares in the Company from contingent capital to entitled employees and members of the Management Board of the former Asclepion Group – whose employment relationship has now passed over to the Carl Zeiss Meditec Group – within the framework of a stock option plan. Each option grants the right to buy one share in the Company at the "purchase price" (basic value).

The beneficiaries do not have to pay a fee for the option rights granted.

V. 4. Details on the executive bodies of the Company

V. 4. 1. Management Board

The following persons were appointed to the Management Board in the 2001/2002 financial year and their names recorded in the commercial register:

- Dr rer. nat. Bernhard Seitz, Certified Chemist, Jena-Wogau, Chief Executive Officer, until 5 July 2002,

- Dr jur. Michael Dettelbacher, Certified Lawyer, Jena, Management Board member until 31 August 2002,

- Ulrich Krauss, M.B.A., banker, Essingen, board spokesman since 8 July 2002, responsible for Sales, Marketing, Service and Personnel,

- Bernd Hirsch, M.B.A., banker, Neuler, Management Board member since 8 July 2002, responsible for Finance, Investor Relations and Legal Affairs.

- Dr. rer. nat. Walter-Gerhard Wrobel, Physicist, Jena, Management Board member since 8 July 2002, responsible for Operations, Research and Development and Quality.

The appointment of Ulrich Krauss, Bernd Hirsch and Dr Walter-Gerhard Wrobel to the Management Board and the retirement of Dr Bernhard Seitz from the Management Board was recorded in the commercial register at the Gera local court on 18 September 2002.

The active members of the Management Board received a total remuneration of € 0.380m for the 2001/2002 financial year.

Salaries paid to retiring board members in the 2001/2002 financial year totalled € 0.599m.

V. 4. 2. Supervisory Board

On 1 October 2001 the Supervisory Board consisted of the following members:

- Alexander von Witzleben, Weimar, deputy chairman of the management board of Jenoptik AG, Jena.
  Chairman of the Supervisory Board;

- Prof. Dr Dr Dr Michael Ungethüm, Tuttlingen, CEO of Aesculap AG & Co. KG, Tuttlingen
  Deputy Chairman of the Supervisory Board

- Dr Nikolaus Reinhuber, lawyer, Leipzig
  Member of the Supervisory Board

At the proposal of the Supervisory Board and with effect from the date the amendment of the articles of association becomes effective, a resolution was passed at the annual general meeting on 28 May 2002 to expand the Supervisory Board by recording the names of the following additional members in the commercial register:

- Dr Michael Kaschke, Oberkochen, member of the management board of the Carl Zeiss Stiftung, Oberkochen

- Dr Franz-Ferdinand von Falkenhausen, Jena, member of the management of Carl Zeiss Jena GmbH, Jena,

- Dr Manfred Fritsch, Kleinpürschütz/Jena, member of the management of Carl Zeiss Jena GmbH, Jena.

The decision to amend Art. 12 (Chairman of the Supervisory Board and Deputy) of the articles of association was recorded in the commercial register at the Gera local court on 4 July 2002. Subsequent to the formal conclusion of the merger on 4 July 2002 the Supervisory Board was reformed:

- Dr Michael Kaschke, Oberkochen, member of the management board of the Carl Zeiss Stiftung, Oberkochen, Chairman of the Supervisory Board since 4 July 2002,
  Other mandates:
  Member of the supervisory board of Carl Zeiss Semiconductor Manufacturing Technologies AG, Oberkochen; chairman of the Board of Carl Zeiss Meditec, Inc., Dublin/USA; chairman of the Board of Carl Zeiss Optical, Inc., Chester/USA; chairman of the board of Carl Zeiss India Pte. Ltd., Bangalore/Singapore; chairman of the Board of Carl Zeiss Australia Ltd., Camperdown/Australia; chairman of the Board of Carl Zeiss Japan, Inc.,Tokyo/Japan; chairman of the Board of Carl Zeiss Surgical, Inc., Thornwood/USA.

- Alexander von Witzleben, Weimar, deputy chairman of the management board of Jenoptik AG, Jena, Deputy Chairman of the Supervisory Board since 4 July 2002,
  Other mandates:
  Chairman of the supervisory board of Analytik Jena AG, Jena; chairman of the supervisory board of JENOPTIK Photonics AG, Jena; deputy chairman of the supervisory board of DEWB AG, Jena; member of the supervisory board of KRONE GmbH, Berlin; member of the supervisory board of Meissner+Wurst Zander Holding AG, Stuttgart, member of the supervisory board of VOGT electronic AG, Erlau.
  Member of the supervisory board of DRAGOCO Gerberding & Co. AG, Holzminden; member of the administrative board of FEINTOOL INTERNATIONAL HOLDING AG, Lyss, Switzerland.

- Dr Franz-Ferdinand von Falkenhausen, Jena, management spokesman of Carl Zeiss Jena GmbH, Jena, member of the Supervisory Board since 4 July 2002,
  Other mandates:
  Member of the supervisory board of Carl Zeiss Semiconductor Manufacturing Technologies AG, Oberkochen; member of the supervisory board of FC Carl Zeiss Jena, Jena; member of the board and first vice president of Ostthüringen Chamber of Commerce, Gera; chairman of the Board of Trustees of the Fraunhofer Institute Jena (IOF), Jena; member of the Board of Trustees of Innovent Jena e.V., Jena; chairman of the advisory board of Thüringer Aufbaubank, Erfurt; advisory board member of ZSP Geodätische System GmbH, Jena (Trimble Group); advisory board member of AJZ Engineering GmbH, Jena.

- Dr Manfred Fritsch, Kleinpürschütz/Jena, member of the management of Carl Zeiss Jena GmbH, Jena, member of the Supervisory Board since 4 July 2002,
  Other mandates:
  Member of the supervisory board of MAZet Mikroelektronik Anwendungszentrum Thüringen, Erfurt, Germany.

Prof Dr Dr Dr h.c. Michael Ungethüm and Dr Nikolaus Reinhuber, board members of the former Asclepion-Meditec AG, resigned on 4 and 8 July 2002 respectively.

As set forth in Art. 6 (Consequences of the merger for employees and their representatives) of the Merger Agreement of July 2002 between Asclepion-Meditec AG, Jena, and Carl Zeiss Ophthalmic Systems AG, Jena, the two vacant seats on the Supervisory Board were voluntarily filled from the ranks of the employees of the former Asclepion-Meditec AG and the Carl Zeiss Group.

By resolution of the registry court of the Gera local court dated 16 August 2002 at the request of the Management Board of Carl Zeiss Meditec AG, Jena, the following members were appointed by court to the Supervisory Board:

- Franz-Jörg Stündel, Jena
  Member of the Supervisory Board on behalf of the employees since 18 August 2002,
  no other mandates

- Jürgen Dömel, Jena,
  Member of the Supervisory Board on behalf of the employees since 18 August 2002,
  Other mandates:
  Member of the supervisory board of Carl Zeiss Jena GmbH, Jena

Salaries paid to retiring supervisory board members in the 2001/2002 financial year totalled € 34,000.

Salaries paid to active supervisory board members in the 2001/2002 financial year totalled € 14,000.

V. 4. 3. Advances/Loans and contingent liabilities for the benefit of members of executive bodies

No advances or loans have been granted to members of the executive bodies. The Company has not entered into any contingent liabilities in favour of members of the Management Board/Supervisory Board.

VI. Appropriation of profit for the 2001/2002 financial year

The 2001/2002 financial year closed with a net loss of € 24,457,520.37. The Management Board proposes that the total net loss be carried forward to new account.

Jena, 02 December 2002
Carl Zeiss Meditec AG

Ulrich Krauss President and CEO	Bernd Hirsch Member of the Board of Management	Dr Walter-Gerhard Wrobel Member of the Board of Management

Independent Auditors' Report

We have audited the annual financial statements, together with the bookkeeping system the management report of Carl Zeiss Meditec AG, Jena, for the business year from October 1, 2001 to September 30, 2002. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Berlin, December 2, 2002

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Hasenburg
German Public Auditor

Zoeger
German Public Auditor

Summary of medical and technical terms

Ablation	Removal of tissue by laser treatment in ⇒ refractive surgery; here: removal of corneal tissue.
Accommodation	Refocusing of the eye on close objects by contraction of the ciliary muscle.
Autorefractometer	Instrument for automatic testing of visual acuity ⇒ refraction.
Biometry	Measurement of the eye prior to cataract surgery in order to determine the refractive power of the ⇒ intraocular lens (IOL).
Cataract	Deterioration of vision through opacity of the lens, typical disease among older people, most common cause of blindness world-wide.
Coagulation laser	Laser for thermal sclerosis of tissue and blood vessels; used in ophthalmology for treatment of retinal disorders, in dermatology and cosmetic surgery for obliteration of superficial small blood vessels which are visible beneath the skin (so-called vascular skin changes).
Excimer laser	Type of laser, today's standard in ⇒ refractive surgery for ⇒ ablation of corneal tissue.
Eyetracker	Device that tracks movements of the eye being treated during ⇒ refractive laser surgery and adjusts the laser beam accordingly.
Femtosecond abbr. fs	Miniscule time unit: 1 fs = 10^{-15} seconds.
Field Analyzer	Device for ⇒ field of vision measurements in ⇒ glaucoma treatment.
Field of vision measurement also perimetry	Measurement to determine the areas at the back of the eye which are still functioning. Used in the diagnosis of ⇒ glaucoma.

Fundus camera

Special camera making a photograph or digital image of the back of the eye.

Glaucoma

Eye disease which leads to restriction of the field of vision, often caused by increased ocular pressure; in industrialised countries second most common cause of blindness.

Hyperopia
also farsightedness

Vision defect in which the focal point of the eye is behind the visual plane (i.e. the ⇒ retina), causing close objects to be out of focus.

Intraocular lens (IOL)

Synthetic lens to replace the natural lens of the eye. Used in ⇒ cataract surgery.

Laser
Acronym created from *light amplification by stimulated emission of radiation*

Device in which coherent light beams are generated through light amplification by means of induced emission.

LASIK
Acronym for *Laser in situ Keratomileusis (latin)*

Method of treatment in ⇒ refractive surgery, where a thin flap is cut and folded back, then the ⇒ excimer laser reshapes the underlying corneal tissue and afterwards, the flap is folded back over the treated tissue. Benefits of this method: more rapid wound healing and less pain.

Lens Analyzer

Instrument for automatic measurement of eyeglasses or contact lenses.

Macular degeneration, age-related

Retinal disease of the area of maximum visual acuity (macula) which leads to the loss of central vision; most common cause of age-related blindness in industrialised countries.

Myopia
also nearsightedness

Vision defect in which the focal point of the eye is in front of the visual plane, causing distant objects to be out of focus.

Optical Coherence Tomography (OCT)	Optical procedure which uses partially coherent light to generate virtual cross-sectional images (tomograms) of the underlying tissue structure using a contact-free technique.
Optometrist	An eyecare practitioner who has a specialised education for prescribing corrective lenses and limited authority to diagnose and treat eye disease. This profession is more common to Anglo-Saxon countries.
Patient-specific treatment of vision defects also Customized Ablation	Individual correction of ⇒ refractive defects of the eye in ⇒ refractive surgery.
Perimetry	⇒ Field of vision measurement
Phacoemulsification	Method of lens removal in surgical treatment of ⇒ cataracts; the cloudy nucleus of the lens (lens = Gr. phacos) is usually liquefied and evacuated, usually with ultra-sound devices.
Phacoemulsification devices also phacodevices	Appliances used in ⇒ phacoemulsification.
Photocoagulation	Heat treatment of affected areas of the eye by ⇒ lasers, e.g. in treatment of retinal diseases ⇒ retinal coagulation.
Photodisrupion laser	Laser used for treating secondary cataracts (⇒ post-cataract treatment) and removing tissue by ⇒ photodisruption.
Photodisruption	Selective destruction of tissue through laser-induced microexplosions.
Photodynamic therapy (PDT)	Treatment used for ⇒ age-related macular degeneration; an injected light-sensitive drug is selectively retained by the targeted tissue and activated by ⇒ laser to destroy the targeted tissue while causing minimum harm to the surrounding tissue.

Post-cataract membrane	Opacity of the rear capsule membrane; commonly following ⇒ cataract surgery ⇒ post-cataract treatment.
Post-cataract treatment	Treatment which is necessary after a ⇒ cataract operation if clouding of the rear lens capsule remaining in the eye occurs ('secondary cataract').
Presbyopia also age-related farsightedness or presbytia	Inability to focus on close objects, especially when reading, due to decreasing ability to ⇒ accommodate. The cause is age-related decreased elasticity of the lens of the eye.
Refraction, **refractive defect**	Optical performance of the eye's overall system; refractive defects lead to impairment of vision ⇒ myopia, ⇒ hyperopia.
Refractive surgery	Improvement of eyesight by surgical correction of ⇒ refractive defects, e.g. ⇒ ablation with the aid of ⇒ excimer lasers.
Retina	Light-sensitive membrane lining the inner wall of the back of the eye.
Retinal coagulation	Procedure for the treatment of retinal diseases, preferably with the aid of lasers ⇒ coagulation laser.
Spot	Area exposed to a laser beam.

Dates and Contact

Investor Relations Calendar

- **17-Dec-02** Publication of the Annual Report for the 2001/2002 financial year
- **17-Dec-02** Press conference, Frankfurt a. M.
- **17-Dec-02** Analyst presentation, Fankfurt a. M.
- **14-Feb-03** 3-month report
- **14-Feb-03** Telephone conference
- **12-Mar-03** Annual Shareholders Meeting
- **14-May-03** 6-month report
- **14-May-03** Telephone conference for journalists
- **14-May-03** Analyst presentation, Fankfurt a. M.
- **12-Aug-03** 9-month report
- **12-Aug-03** Telephone conference
- **11-Dec-03** Publication of the Annual Report for the 2002/2003 financial year
- **11-Dec-03** Press conference, Frankfurt a. M.
- **11-Dec-03** Analyst presentation, Fankfurt a. M.

Contact

Carl Zeiss Meditec AG
Jens Brajer
Director Investor Relations
investors@meditec.zeiss.com

Phone: +49 (0) 36 41 / 2 20 - 1 05
Fax: +49 (0) 36 41 / 2 20 - 1 02
www.meditec.zeiss.com

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Ulrich Krauss
President and CEO,
of Carl Zeiss Meditec AG, Jena/Germany

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Carl Zeiss Meditec AG
Goeschwitzer Str. 51-52
D-07745 Jena

Phone: +49 (0) 36 41 / 2 20 - 0
Fax: +49 (0) 36 41 / 2 20 - 1 12
www.meditec.zeiss.com