Annual Report 2007/2008

What *moves* people.

CARL ZEISS MEDITEC

Highlights

195.5

Cash and cash equivalents in € million

Carl Zeiss Meditec has a comfortable amount of cash and cash equivalents at its disposal and is thus able to act quickly when worthwhile and viable growth opportunities present themselves.

13.9

Increase in consolidated net income after minority interest in %

Growth in consolidated net income after minority interest was thus significantly higher than revenue growth.

600.2

Revenue in € million

Consolidated revenue increased by 5.4 % year-on-year to € 600.2 million.

0.66

Earnings per share in €

We achieved earnings per share of € 0.66 (previous year: € 0.61). This corresponds to an increase of more than 8 %.

62.0

Investments in research and development in € million ensure sustainability

These investments illustrate the importance attached to innovation within our Group, even in times of economic turbulence. The product pipeline resulting from research and development activities secures future earnings power.

0.18

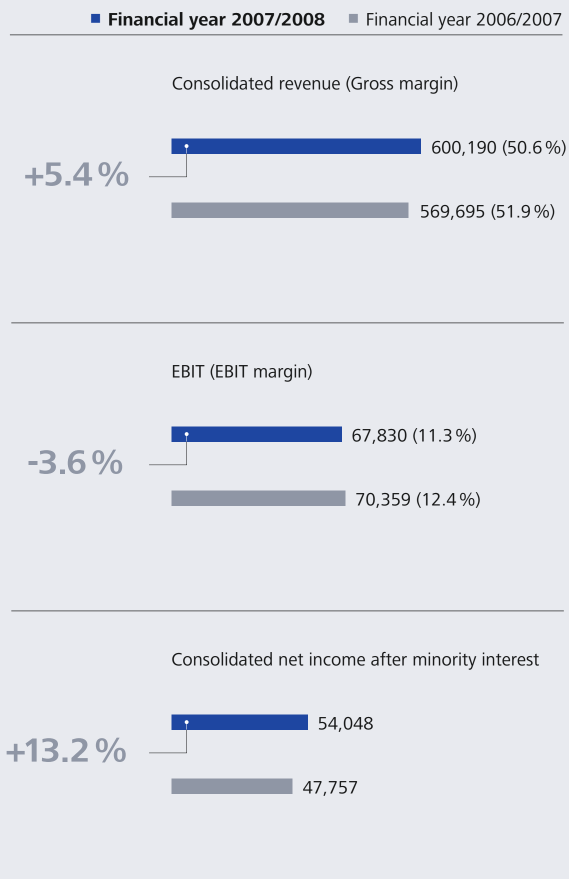
Dividend per share in €

Even in times of economic turbulence, Carl Zeiss Meditec continues to pursue its objective of a stable and profit-orientated dividend policy. We therefore intend to distribute a dividend of € 0.18 per share for financial year 2007/2008.

Business development

(Unless specified otherwise, figures in € ’000)

Revenue and net income



Key figures in balance sheet and cash flow statement

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What *moves* people.


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IN THE SERVICE OF GOOD HEALTH

In the field of medical technology we demonstrate impressively what it means to continually push the boundaries of what is possible. Our new developments are clearly oriented towards providing what our customers, predominantly physicians, expect from us: a combination of outstanding quality and a high degree of efficiency, helping them to achieve – in the most gentle way possible – maximum patient satisfaction. Our aim is to continue meeting these expectations in the future.

For over 160 years the ZEISS brand has stood for maximum precision and reliability. Building upon these solid foundations, our research work continues unabated. We invest 10 percent of our revenue each year in research and development. Together with leading ophthalmology, neurology, spine and ENT surgery experts we create solutions which lead to even better treatment results and permit the development of surgical techniques which offer even greater precision and simplify the complex procedures in practices and operating theatres.

Today, however, it no longer suffices simply to sell technology to our customers. Doctors have to take their patients' hopes and expectations fully into account. Furthermore, our priorities are ease of operation and optimised workflows in order to improve the treatment efficiency and to reduce costs. And it is these precise wishes and needs of the doctors which stimulate and motivate our staff to come up with one pioneering product after another. After all, our declared aim is to offer real support to those who devote themselves to obtaining the best possible results for their patients – by securing and maintaining the best quality of life for them, throughout their lives.

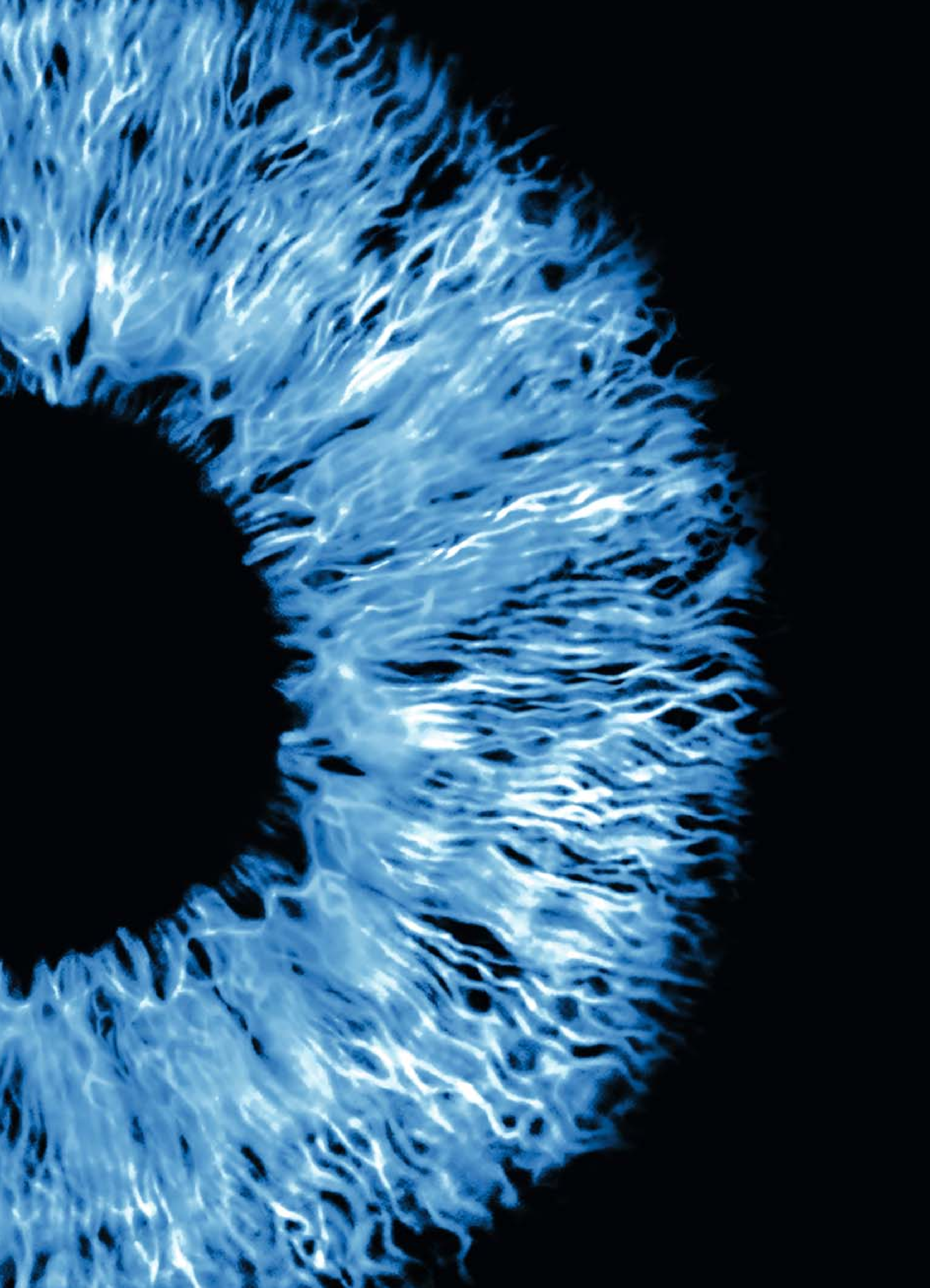
In the following pages we will show you just what is possible in the field of medical technology.

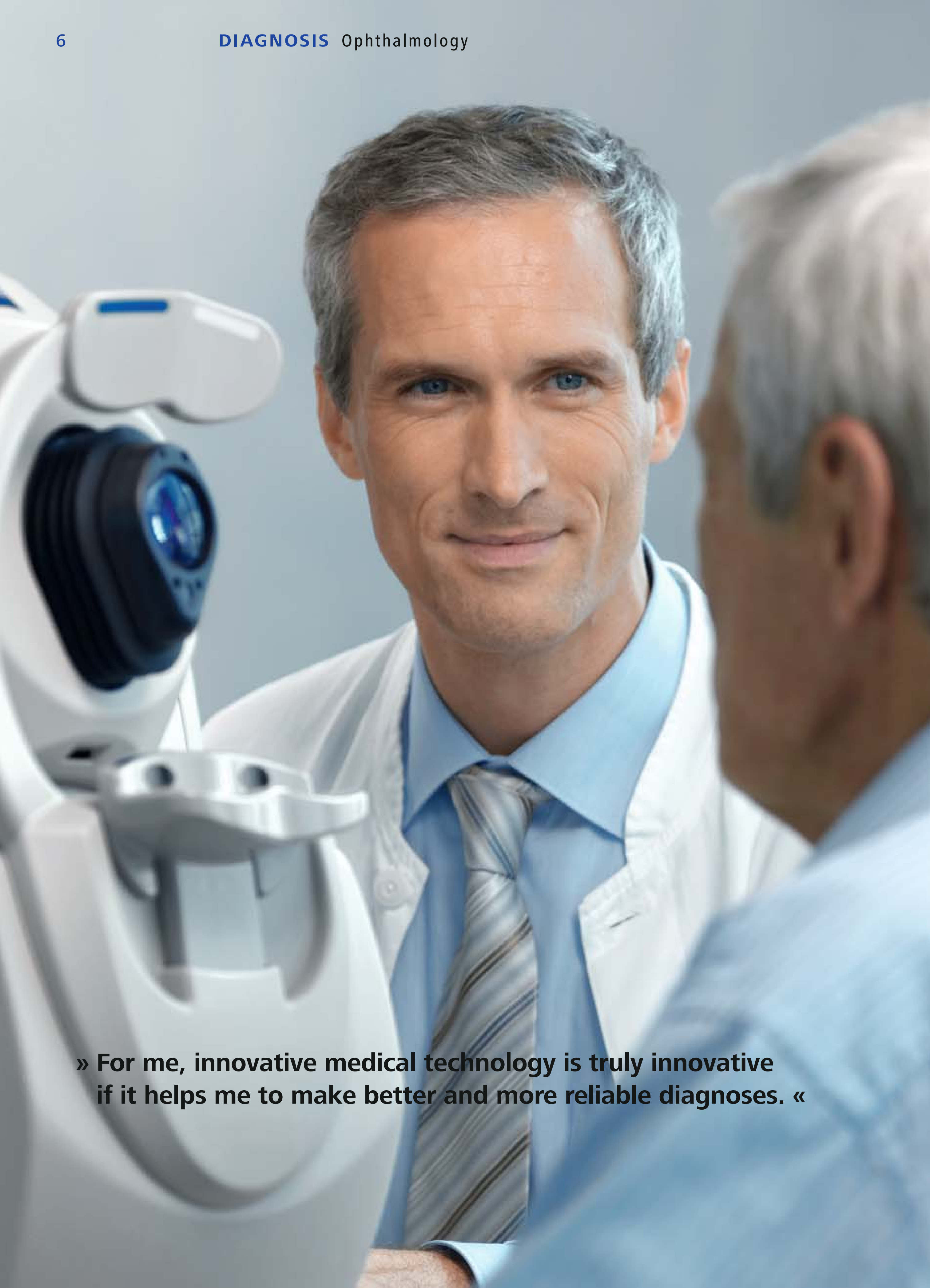
Dr. Michael Kaschke, President and CEO of Carl Zeiss Meditec

Figure: human iris

Eye to eye with the future

Ideas. Networking. Integration.





» For me, innovative medical technology is truly innovative if it helps me to make better and more reliable diagnoses. «

The earlier the diagnosis, the better the prospects for treatment success

Increasing numbers of people suffer from eye diseases, with older people tending to suffer most. In many cases, however, there are now safe and reliable diagnostic and treatment options for avoiding deterioration of eyesight, or even blindness. Regular preventive check-ups and early diagnosis improve chances for patients – preferably using the first-class devices of Carl Zeiss Meditec.

The number of people suffering from serious eye diseases is increasing significantly all over the world. In the industrialised countries this is mainly due to the aging population. As a consequence, greater numbers of patients with age-related disorders are turning to eye specialists. By 2050 two billion people worldwide will be 60 or older. In many cases the problems are exacerbated by an unhealthy lifestyle, lack of physical activity, excessive amounts of nicotine and alcohol and a poor diet. These all encourage the development of certain diseases even from an early age. Besides diabetic retinopathy, a further major disease of the retina is glaucoma, which can develop in adults over the age of 40. A further 20 percent of over-70s suffer from age-related macular degeneration (AMD).

An important factor in these eye diseases is early detection – to limit their progression as in the case of glaucoma or diabetic retinopathy. The medical technology which assists doctors and patients in these fields has seen major progress in the last decade.

In place of subjective assessments based of relatively imprecise manual or automatic measuring methods, modern optical coherence tomography devices such as Carl Zeiss Meditec's Cirrus™ HD-OCT now provide the doctor with objective data and comparisons to normal patients to help with accurate diagnosis.

The examination technique (optical coherence tomography, OCT) is easy on the patients and is principally comparable to an ultrasound scan. The difference is that light is used instead of sound waves, which significantly improves image quality. An OCT examination only takes a matter of seconds. Safe and painless, it is completely contact-free. Experts such as the Swiss eye surgeon Dr. Peter Maloca believes that, in the long term, OCT could potentially replace invasive fluorescence angiography on the eye in many cases.

An OCT examination can be repeated as often as necessary without any negative effects and offers great measuring precision. High reproducibility is essential in order to obtain meaningful information on the progress of glaucoma in a patient.

The Cirrus™ HD-OCT helps doctors not only in the early detection of glaucoma, but also precise monitoring of the therapy by providing direct and precise measurement of the nerve fibre layer in the retina of the eye. Deviations from the norm are detected at an earlier stage, namely before most of the nerve fibres are depleted, causing irreversible loss of function.

The Cirrus™ HD-OCT complements the HFA (Humphrey® Field Analyzer), which is used to regularly check field of vision. For diabetic retinopathy and AMD patients, the three-dimensional representation of the retinal layers permits a very detailed reconstruction of the retina and makes it easier for the doctor to explain the disease in visual terms. The images are very precise and can be clearly seen with the naked eye – not only by the doctor, but also by the patient, giving both parties greater confidence.

The OCT images also make it easier for the doctor to explain the diagnosis and therapy, making collaboration between doctor and patient much more efficient. Early detection is also decisive in the treatment of diabetic retinopathy. There is a very high risk of diabetes causing a deterioration of vision, or even blindness. However, if diabetic retinopathy is diagnosed early enough, the treatment can prevent further impairment of vision. OCT makes its easier to motivate diabetic patients in particular, to stick with their prescribed therapy because they can easily see the damage to their retinas. Laser treatment of the retina is the most successful laser application – not only in ophthalmology, but in medicine in general.

It has been utilized for retinal disorders for over three decades now. In laser coagulation, the doctor targets the diseased parts of the retina and treats them with precisely focused thermal energy. In some cases, however, it was observed that the laser also increased the temperature in the surrounding tissue, causing pain to the patients. For this reason Carl Zeiss Meditec pioneered photocoagulation – a new, less aggressive process.

The latest development in the glaucoma segment, the scanning laser polarimeter, was also

Glaucoma

Glaucoma is an eye disease which leads to progressive restriction of the field of vision. In industrialised countries, it is the second most common cause of blindness. This disease is often accompanied by increased intraocular pressure. The gradual loss of field of vision is characteristic of glaucoma. The consequence: patients can no longer recognise all details in the peripheral field of vision. The disease is often not noticed by sufferers until the field of vision problems are already well advanced. Some patients do not contact a doctor until they suffer a very painful glaucomatous attack, involving headache, eye pain, nausea and vomiting. In such cases it is not usually possible to reverse the damaged vision as the first noticeable symptoms are preceded by years of damage to the optic nerve, leading to a reduction of thickness in the nerve fibre layer.

Macular Degeneration

In age-related macular degeneration there is damage to the retinal cells at the area of sharpest vision which leads to a defect in the central field of vision. Common symptoms of macular degeneration are light sensitivity, impairment of contrast vision and reduced ability to read. Enough vision usually remains for orientation, however, since only central areas of the retina are affected by the disease.

Diabetic Retinopathy

The longer and stronger the increase in the blood sugar concentration, the more frequent the damage to the smallest blood vessels throughout the body, including the retina. After suffering from diabetes for 20 years, 80 to 90 percent of diabetic patients can expect to experience pathological changes to the retinal vessels. Bleeding may occur. New vessels may proliferate, causing damage to the eye. In extreme cases, detachment of the retina can lead to total loss of vision.

» The Cirrus™ HD-OCT is basically an extension of my eye. «

Dr. Peter Maloca, Lucerne (Switzerland)

designed in the context of further improving the early detection of glaucoma. Most recent studies have shown that in glaucoma it is not only the thickness of the retinal nerve fibre layer that changes, but also the micro-structures within it.

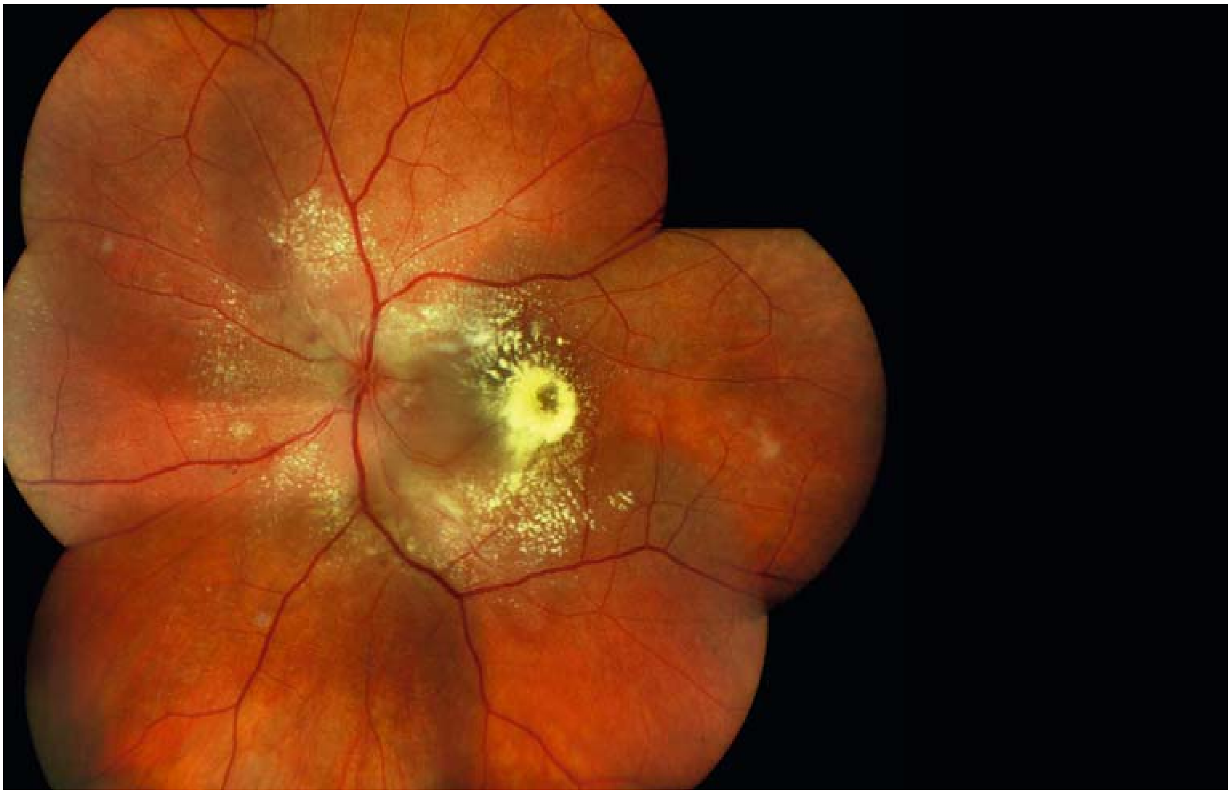
The new GDx™ is the only laser scanner in the world that takes the layer thickness of the nerve fibres and the change in the integrity of this layer into account. It is therefore possible to identify early damage clearly. The analysis of disease progression is used to show any statistically significant changes in the nerve fibre layer and to help make the right treatment decisions.

Outstanding diagnostic results thanks to first-class ZEISS optics.

Continuously developing new ideas at 12 locations worldwide.

Teamwork is the key to our success.

Development and testing of new devices subject to maximum quality requirements and safety standards.



Razor-sharp imaging of the entire fundus of the eye with new imaging procedure.

High-quality images for high-quality diagnosis

Diagnosis, progress and monitoring of retinal diseases are based primarily on the qualitative and quantitative evaluation of possible morphological changes to the retina. Such changes can result in altered form, vitality or structure. Carl Zeiss Meditec offers high-quality imaging systems for modern diagnosis, reliable analysis and precise documentation – which doctors and patients can rely upon.

Perimetry

The Humphrey® Field Analyzer, „Humphrey HFA™ II-*I*" from Carl Zeiss Meditec, featuring the latest GPA™ software, is backed up by decades of research and clinical experience and is the recognised clinical standard for functional glaucoma diagnosis. Carl Zeiss Meditec is pursuing the ongoing development of its GPA™ (Guided Progression Analysis) software specifically for the progression analysis of glaucoma. GPA™ software helps to individualise patient treatment and to monitor the success of different treatments.

Scanning Laser Polarimetry

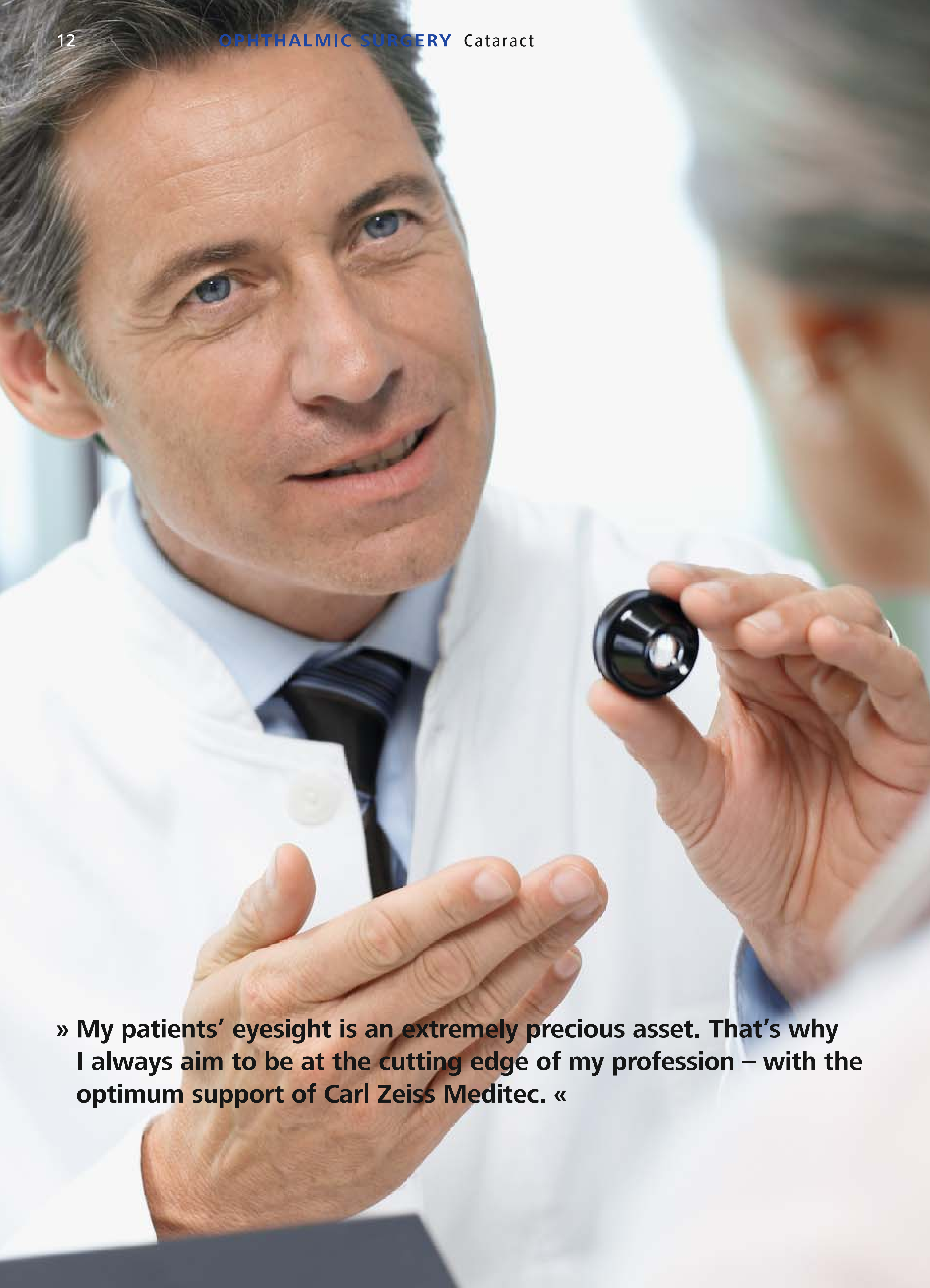
GDx™ allows precise analysis of the retinal nerve fibre layer (RNFL). The system calculates a special nerve fibre index (NFI) with the help of neuronal network processes to determine the probability of glaucoma.

Fundus Photography

The non-mydriatic fundus camera system VISUCAM *PRO NM* from Carl Zeiss Meditec produces pin-sharp two-dimensional images of the retina, even with very small pupils – without the inconvenience of having to apply dilatation drops.

Optical Coherence Tomography (OCT) – Cirrus™ HD-OCT

The Cirrus™ HD-OCT optical coherence tomography system provides unique views of the retina based on precise segmenting algorithms and high-quality 3D images, thereby forming the best possible basis for accurate diagnosis and treatment decisions and also progression monitoring for retinal and glaucoma disorders.



» My patients' eyesight is an extremely precious asset. That's why I always aim to be at the cutting edge of my profession – with the optimum support of Carl Zeiss Meditec. «

Maintaining quality of life

Formerly, cataracts were almost always removed surgically in order to avert the threat of blindness in patients. Cataract surgery – in which the natural lens of the eye is replaced by an artificial lens – is now being increasingly employed to enhance vision, thus rendering glasses superfluous. Cataract and refractive surgery (correction of vision defects) are thus gradually merging.

Today the diagnosis of a cataract is no longer necessarily a cause for concern in the patient. Since the 1970s lens replacement has been carried out relatively safely and painlessly when the lens is clouded by a cataract, usually as a result of the normal aging process. The clouded lens is removed and an artificial so-called intraocular lens (IOL) is inserted. It is a tried-and-tested, routine surgical procedure t performed worldwide about fifteen million times yearly. After creating a corneal incision, the surgeon opens the lens capsule. He uses an ultrasonic instrument to break up the clouded lens core and removes it by suction. This lens core liquefaction procedure is called phacoemulsification. The main body of the capsule sac is retained and serves as an anchor for the artificial lens.

Notwithstanding the routine which characterises the actual surgery today, the further

Cataracts: first-class treatment from one source

Opacity of the natural lens of the eye is referred to as a cataract. The most common cause is the natural aging process of the lens. It affects the majority of people over the age of 65. In 2025 this portion will rise to 10 percent of the world's population, and even 20 percent in Europe and North America.

If left untreated, cataracts can result in blindness. To date, all attempts to prevent age-related lens clouding have remained unsuccessful. However, the eyesight can be retained or restored by implanting a synthetic intraocular lens (IOL).

Carl Zeiss Meditec offers a complete portfolio of solutions for the entire treatment process. Prior to treatment, which is primarily carried out on an outpatient basis, the eye is precisely measured with the IOLMaster® (see box page 14). For the choice of lens, the company offers one of the most innovative and high-quality product ranges in the field of cataract, refractive and phakic IOLs (see box page 14), as well as the visco-elastic materials and innovative disposable injectors required for the procedure. For the most exacting demands in cataract surgery, Carl Zeiss Meditec developed the OPMI Lumera® surgical microscope (see box page 16). The new CALLISTO eye™ information and documentation system, developed specially for ophthalmology, also supports workflow management in the operating theatre. At the touch of a button CALLISTO eye™ clearly displays data relevant to surgery. The result is a reduced workload and more reliable information. In addition, the entire procedure can be recorded on video, so that each surgical step can be traced and reproduced. All relevant and up-to-date information is ready to enable those involved to make fast and safe decisions in critical situations.

Innovative intraocular lenses (IOL) enable first-class results in refractive cataract surgery – and in microincision surgery.

development of the intraocular lenses in the past few years has been downright turbulent. Professional teams such as Carl Zeiss Meditec's are continually working on improving the optical attributes, compatibility and quality of the lenses and perfecting their properties. Cédric Lesage, IOL developer at Carl Zeiss Meditec in La Rochelle, France, explains the line of approach: "A good intraocular lens should above all be biocompatible. In addition, it must be soft enough to be inserted by an injector through a tiny incision in the eye and it must sit firmly enough in the eye to retain its optical attributes." His German colleague Mario Gerlach, Head of Development for intraocular lenses, adds: "Frequently patients must continue to wear glasses or contact lenses after conventional cataract surgery, to compensate for the loss of accommodation ability (the ability to accommodate for different visual distances) or astigmatic refractive errors. For this reason we developed corrective intraocular lenses that make this unnecessary."

The improved patient care situation is one reason why many more of these procedures are being carried out today. Furthermore, not only are there more older people, but the demands of individuals in terms of quality of life into old age have increased significantly. Good eyesight is very important to everyone. It helps people maintain their mobility, ensures better road safety, and in-

Foldable IOLs for micro-incision surgery

Whereas only a few years ago cataract surgery meant that physicians inserted rigid IOL discs of polymethylmethacrylate (Perspex) into the eye, today flexible silicon or acrylic lenses which unfold within the eye are available.

State-of-the-art, foldable IOLs by Carl Zeiss Meditec enable minimally invasive micro-incision surgery. With special preloaded injectors such as the SkyJet system the synthetic lens must no longer be manipulated and can be inserted and implanted through an incision of only a few millimetres.

The AT.LISA® and AT.LISAtoric, the latest generation of intraocular lenses, are the world's first real micro incision lenses (MICS) due to their small incision size of 1.5 mm. The incision in the cornea is thus considerably smaller than before.

And the smaller the incision, the lesser the surgically induced corneal irregularity (astigmatism) and the greater the chance that the patient will no longer need glasses after refractive cataract surgery.

Fast and non contact selection of the ideal customised lens with the IOLMaster®

The aim of biometry is to precisely determine the refractive power of the intraocular lens to be implanted. For this purpose the refractive power of the lens for the eye to be treated is calculated using scientifically recognised formulae. The starting variables for the calculation of the IOL are the axial length of the eye, anterior chamber depth (the distance from the front of the cornea to the lens) and the anterior radius of corneal curvature. In contrast to the earlier methods of measuring the length of the ocular axis with ultrasonic scanning, the optical biometry with the IOLMaster® is completely without physical contact and is also more accurate. Over the past ten years the device has successfully established itself on the market. With far in excess of 10,000 devices in use, the IOLMaster® is the gold standard in biometry.

creases quality of life activities such as reading, watching TV and using a computer.

Increasing expectations from patients and the broad range of high-quality artificial lenses with widely differing characteristics mean that great care must be taken prior to surgery to determine exactly which lens is best for each individual patient. The patient may, for example, choose to continue using light reading glasses, as he/she has been accustomed to for many years. In contrast, some patients prefer to have their near vision corrected with the artificial lens. Others opt for a multifocal lens such as the AT.LISA®. It enables focused near and far vision, rendering glasses unnecessary after a cataract operation.

The Carl Zeiss Meditec IOLMaster® is used for measuring the patient's eyes is unmatched in precision and is indispensable for assisting the surgeon in selecting the ideal intraocular lens. The IOLMaster® enables all biometric measurements to be made with a single instrument. All parameters are determined for the calculation of the required individual IOL strength. The procedure, introduced by Carl Zeiss Meditec, employs an optical measuring procedure that results in significantly greater accuracy in lens calculation compared to conventional ultrasonic measurements. In most cases substantially improved vision can be achieved. This produces outstanding results and satisfied patients – the wish of every physician.

This type of preliminary examination, together with improved vision and improved patient comfort, has encouraged a growing number of people – including those of the middle age group – to undergo cataract surgery. But especially ultra-modern micro-incision technology requires a high degree of precision from both the surgeon and the technical equipment used. To ensure successful lens implantation the surgical microscope must have sufficient depth of focus, high resolution and maximum contrast. Since its recent market launch the OPMI Lumera® surgical microscope, developed for the most exacting demands, has met with a resoundingly positive response among experts. Thanks to the SCI™ technology, high-contrast details of the eye can be recognised with an unprecedented contrast. "I have been performing cataract operations for the past 25 years – and with the OPMI Lumera® i am suddenly discovering surprising details I never noticed before. The technology is amazing!" says Dr. David F. Chang, Clinical Professor, University of California, San Francisco. He was one of the selected surgeons who tested the new device prior to the market launch – and he was impressed from the very beginning: "Every ophthalmic surgeon has certain devices on his wish list. And just where we least expected it – in the surgical microscope sector – the OPMI Lumera® surfaces, a real innovation. Carl Zeiss Meditec has scored a direct hit with this series of microscopes!" adds Dr. Michael Kaschke, President and CEO of Carl Zeiss Meditec.

The entire surgical procedure can be monitored with Carl Zeiss Meditec's CALLISTO eye™ operating room management system. This software was specifically designed for the requirements

» The use of the OPMI Lumera® in cataract surgery is nothing short of a revolution! «

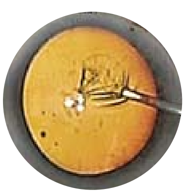
Dr. Howard Fine

OPMI Lumera® delivers images of unprecedented high quality.

of ophthalmic surgery. It enables the intelligent networking of OR systems, thus ensuring smooth processes and safe documentation during ophthalmic surgery procedures. Every step from the planning stage to the actual surgery is traceable and reproducible with the information and documentation system. For the physician this means more reliable information and a reduced workload. CALLISTO eye™ gives the physician complete control of the OR workflow at the touch of a button. The catchword is: efficient networking – in the OR and beyond. The user-friendly planning software allows OR plans to be conveniently created in the office or reception area and transmitted directly into the operating room via a network. Using a touch screen in the operating room, current OR plans can be displayed and amended, diagnostic data can be accessed (e.g. from the IOLMaster®), patient information can be retrieved, consumables recorded and surgeries documented on a patient basis. Used in conjunction with OPMI Lumera® i the system brings the following additional advantages: both the microscope and its integrated control of the video camera can be operated and configured via the touch screen. CALLISTO eye™ combines all relevant information and makes its available to everyone working in the OR via a large touch screen. All relevant and up-to-date information is ready to enable those involved to make fast and safe decisions in critical situations.

Revolutionary new sight with the OPMI Lumera®

Conventional microscope



OPMI Lumera®

Carl Zeiss Meditec is the only company to date to develop surgical microscopes with stereo coaxial illumination (SCI™). This new procedure enables a successful combination of a good, bright, homogeneous red reflex with excellent contrast. Red reflex (red eye effect), highly derided in amateur photography, is purposely strived for in ophthalmology and used to illuminate the anterior eye segments from the rear. With SCI™ the smallest details of the eye can be indentified in unprecedented quality – even in very dark, near-sighted eyes or patients with a small pupil. Residual tissue in the capsular bag can be accurately recognised and completely removed.

The OPMI Lumera® was designed to be employed in all ophthalmic procedures. In retina surgery it also provides the conditions for achieving optimum results; even the world's best surgeons can only treat what they actually see. Since its market launch in autumn 2007 the OPMI Lumera® has elicited enthusiastic responses from specialists. The unanimous vote: a real innovation that will revolutionise ophthalmic surgery.

A life without glasses

In her late 30s Susanne Grundmann was tired of wearing glasses and decided to have her eyes "lasered." Following a short surgical procedure with the Carl Zeiss Meditec VisuMax® and MEL 80™ she can enjoy her newly won freedom.

As a child her thick glasses had always been a pain in the neck, but she had to wear them at school due to short-sightedness. During her law studies Susanne experimented for the first time with contact lenses – without success. "The thing I hated most was inserting them and taking them out. I didn't like touching my eyeball," she explains about her year-long ordeal.

But this odyssey will soon be over. After lengthy deliberations, consultations with the head of a renowned laser clinic and the necessary preliminary examination, she decided to have her short-sightedness corrected for once and for all.

Having completed a final consultation and examinations, the surgeon bid the nervous patient into the operating theatre, where a comfortable couch was waiting for her. Following treatment with the aid of cutting edge laser technology, Susanne will at last have optimum eyesight without seeing aids.

First, a local anaesthetic is administered in the form of eye droplets. The first stage of the procedure can then begin: cutting the so-called flap, a razor-thin corneal lamella. This flap can be opened like the cover of a book. Because the thought of her eye being opened with a mechanical blade, a so-called microkeratome, was so unpleasant, Susanne selected a clinic equipped with the Carl Zeiss Meditec VisuMax® femtosecond laser. Within a few moments the high-tech device enables the operator to create a tiny microscopic laser incision in the cornea. A mechanical incision is therefore unnecessary, besides which the flap cut is now far more accurate and safe.

After the physician has rotated the patient by 180° on the swivelling bed beneath the MEL 80™

What does refractive surgery actually mean?

Refractive corneal surgery is, in short, the permanent correction of vision defects (refractive errors) by performing surgery on the cornea of the eye. We speak of vision defects when the cornea, pupil, lens and eyeball are not in perfect harmony, i. e. there is an imbalance between the refractive power of the cornea and lens and the ocular axis. These include short-sightedness (myopia), far-sightedness (hyperopia) and astigmatism. In all cases the image on the retina is out of focus.

This can be corrected with glasses or contact lenses. With suitable indications, refractive corneal surgery is a realistic alternative and offers a chance of life without vision aids. Besides refractive corneal surgery, a vision defect can also be surgically corrected by intraocular implant.

This can be indicated, in particular, by extremely severe vision defects.

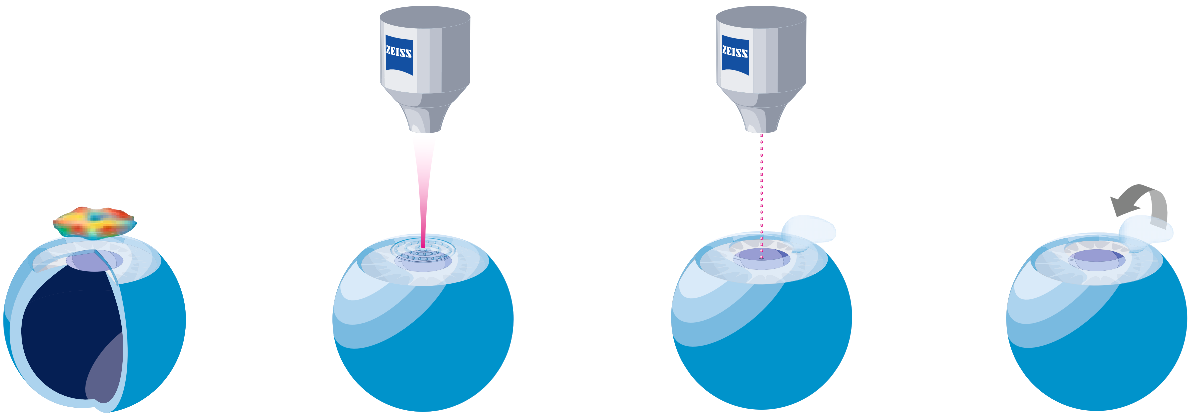
Operating with velvet gloves: three top products for perfect laser surgical procedures

The VisuMax® femtosecond laser in conjunction with the MEL 80™ excimer laser and CRS-Master® form a seamlessly integrated system chain for the diagnosis, treatment and aftercare in refractive opthalmic surgery. Thus equipped, every physician will be at the cutting edge of ophthalmic development.

The CRS-Master® is a modern tool for individual treatment planning. It integrates the data from wavefront diagnosis and corneal topography into the MEL 80™ and by additionally including patient-relevant data it prepares a complete individual optical profile.

The VisuMax® sets new standards with precise beam guidance and a balanced relationship of repetition rate and laser pulse energy for accurate and gentle treatment. This cutting-edge femtosecond system allows to operate more precisely, safely and, in particular, gently.

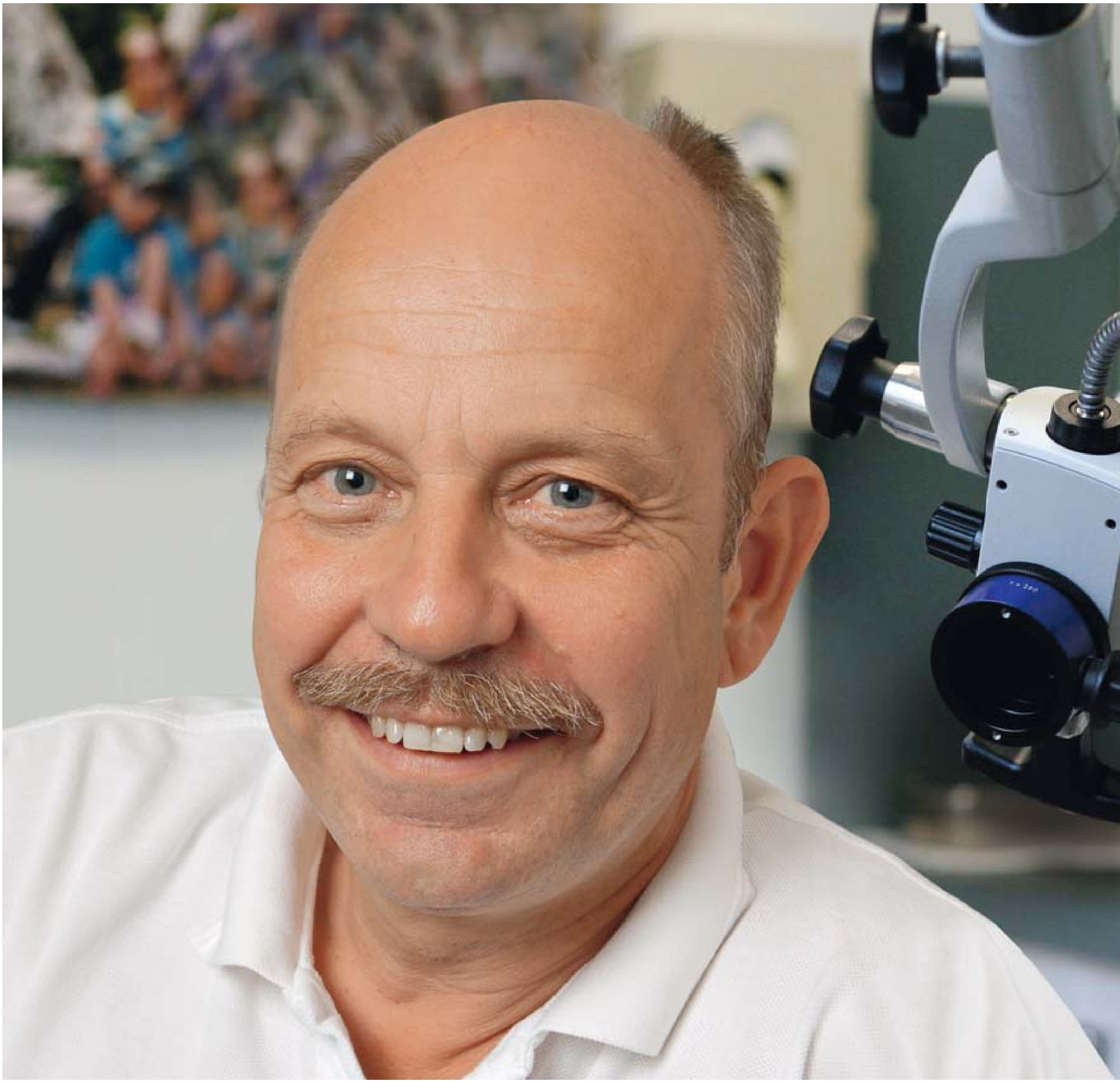
All of the parameters of the high-precision MEL 80™ excimer laser are designed for efficiency, best possible treatment results and fast visual recovery. In particular, this is thanks to the extremely high ablation rate in the sub-micrometre range, the powerful eye tracker system and cyclotorsion control.



Vision corrections with laser technology. The (femto-)LASIK procedure:
In the laser-in-situ keratomileusis procedure, in short LASIK, tissue is ablated by laser from the inner cornea. For this purpose a small flap is cut in the corneal surface and later replaced. In the LASIK method this procedure is performed with a precision knife (microkeratome). In the femto-LASIK method the flap is created by a femtosecond laser. LASIK and femto-LASIK are used to correct short- and far-sightedness and astigmatism.

(likewise from Carl Zeiss Meditec) the flap is opened to expose the corneal tissue beneath it. The second step – actual correction of the visual defect – can now be taken. With the excimer laser the laser specialist accurately removes corneal tissue by a computer-guided procedure according to the previously determined data and input. “Before I had a chance to be amazed, it was all over and time for the other eye. The procedure took only a few minutes. Simply unbelievable!” the 38-year-old enthuses.

Finally, the corneal flap is folded back and serves as the “body’s own sticking plaster,” as the physician called it.



» **We strive for first-class performance and expect absolute dependability of the equipment. And if problems arise, customer service must be instantly available.** «

Dr. Gösta Strasding,
Specialist for ENT and plastic surgery

See more – treat more accurately

Patients place great confidence in the physician’s skills. For some patients surgery is their last hope. First-class surgical microscopes from Carl Zeiss facilitate even the most difficult procedures and contribute to increased safety and efficiency. Typical applications for these high-precision procedures are neuro-, spinal- and ENT surgery, as well as plastic and reconstructive surgery.

"In our fathers' generation procedures were quite different, but today we can hardly imagine our daily work without microscopes. Today we can prepare a diagnosis faster and more reliably, enabling us to help the patient more effectively," says Dr. Strasding. The specialist for ENT and plastic surgery has his practice in Frankfurt. Like many colleagues, he places his trust in the ZEISS brand, which has been a household word to him since his university studies. "In our profession there's simply no way around this brand."

Each day Dr. Strasding uses his OPMI® pico microscope countless times to examine his patients. It delivers such helpful information that the findings are actually photographed. For this reason, he is a little annoyed with himself for not purchasing an OPMI® pico with integral video camera at the outset. Especially since patients are becoming more "mature" and would like to see a picture of the findings for themselves.

In delicate procedures, for example the insertion of an implant in the region of the middle ear, work in the operating theatre without a surgical microscope would be simply inconceivable to Dr. Strasding.

In the hospital where Dr. Strasding operates twice a week, he has also observed a further trend: "Our surgical methods are increasingly geared to reducing the adverse effects of surgery to a minimum. Today patients have one major goal: to return to normal life as quickly as possible. This path to microsurgery has been prepared by surgical microscopes."

What applies to ENT surgery is particularly relevant to neurosurgery. Procedures on the spinal column (increasingly minimally invasive) and brain are particularly difficult and complex. Brain tumours such as non-encapsulated glioblastomas, which 25 years ago were considered inoperable, can be more reliably treated today thanks to special technologies.

Making the invisible visible I

For the neurosurgeon the intraoperative distinction between diseased and healthy tissue structure is fundamental to his decision. The BLUE 400 option, based on the fluorescence method, was developed in close cooperation with surgeons and assists in the safe and complete removal of certain brain tumours. The light red shimmer clearly identifies the tumour. Its edges are visible against the healthy, dark brain tissue.

The BLUE 400 thereby fulfils the wish of every surgeon for greater efficiency, safety for the patient and even more successful procedures.

Different types of tissue in the human body dispose of very specific enzymes or other key molecules. Each tissue thus has a specific metabolism.

Making the invisible visible II

A further fluorescence-supported option that can be seamlessly integrated into the OPMI® Pentero® supports surgeons, for example, in the treatment of aneurysms. These are bulges in the blood vessels of the brain that can lead to a cerebral haemorrhage. One in five narcoleptic attacks is attributable to such a haemorrhage. Due to the sharp increase in the number of cases, the World Health Organisation is already referring to strokes as the "epidemic of the 21st century".
In this brain surgery the blood circulation to the affected area is cut off with a vascular clamp (clip). The INFRARED 800 fluorescence option shows the flow of blood (angiography). During surgery it is thus possible to determine whether or not the clip is securely seated, or whether a correction must be made in order to avoid irreparable damage and preclude the need for a follow-up procedure.

» As a new integral support for the fluorescence-based tumour resection the BLUE 400 is a unique and indispensable tool for neurosurgeons. «

Prof. Dr. Volker Seifert, University of Frankfurt am Main

The glioblastoma is particularly malicious because it lacks a clear profile and can dispatch individual cells far into the surrounding tissue. Before each procedure, neurosurgeons are thus faced with a difficult decision. On the one hand they want to cause the least damage to healthy brain tissue, on the other hand they must cut deep enough to extend the life expectancy of their patient. It is easy to understand the enthusiastic reception given by surgeons to an innovative method that provides enormous support. The OPMI® Pentero® surgical microscope for ENT-, neuro- and spinal surgery with BLUE 400 fluorescence option enables brain tumours to be more clearly visualised and distinguished optically from healthy tissue.

Good opportunities for the best brains

Knowledge is the most valuable commodity any company owns. Therefore, Carl Zeiss Meditec offers its newcomers the best possible start to their career, and also the very best possibilities for further training. The motto here is: Get the best, keep the best! Yixuan Kunkel is one of four trainees who were offered a place at Carl Zeiss Meditec.

29-year old Yixuan Kunkel from Peking is the kind of well-educated young graduate whom companies are anxious to recruit. She studied international relations in Peking and Warsaw. Then she came to Germany where she completed an MBA at the European School of Business in Reutlingen. She gained her first professional experience in the diplomatic service and in the automotive industry, both in Germany and abroad. She is currently a trainee at Carl Zeiss Meditec, working her way through various departments for 15 months.

"The Trainee Programme set up in 2007 is attractive for talented young people who have the potential to go on to assume managerial responsibilities. They get a good overview of the company's key internal and external interfaces," explains Dr. Jens Werner, Head of Human Resources at Carl Zeiss Meditec.

Those who, like Yixuan Kunkel, were picked for one of the much sought-after positions, benefit from a highly attractive trainee programme: "I particularly appreciate the possibility to familiarise myself with all the different parts of an international company. I find the working atmosphere here very pleasant: there is plenty of mutual respect. What I really value is the trainee network and the regular meetings with Carl Zeiss group managers. But the real highlights for me are our

TOP ARBEITGEBER DEUTSCHLAND '08 AWARDED BY crf.com JUNGE Karriere 1. Platz Ranking

First Class: Carl Zeiss TOP Employer 2008

The survey, carried out by the Handelsblatt magazine "Junge Karriere" in conjunction with Corporate Research Foundation, an independent market research institute, crowned Carl Zeiss as Best Employer 2008. The survey assessed the working conditions for university graduates and young professionals in 88 companies based on the following categories: pay, market leadership, work-life balance, job security, promotion prospects and internal climate and culture.

Yixuan Kunkel and Fatih Özturk are using the attractive TOP Trainee Programme to jumpstart their career.

» Our employees are a crucial factor in our business success. In order to be world leaders we are reliant upon the performance, skills, enthusiasm and commitment of our staff. «

Dr. Michael Kaschke, President and CEO of Carl Zeiss Meditec

placements abroad," says Yixuan Kunkel, describing her impressions.

In order to attract and keep such high achievers as Yixuan, Carl Zeiss Meditec offers not only excellent starting packages, it also ensures opportunities for further professional and personal development as their careers progress. These include various programmes such as the MED Management Development Programme, a further training package for managers with people management responsibility, and, since 2005, the Global Mobility Programme which supports international work experience. The exchange of knowledge within cross-cultural innovation teams benefits both the employees themselves and also the company's market value.

The company's human resources policy has a long-term orientation which helps boost its profile as an attractive company – a crucial advantage in the face of the predicted shortages in specialist engineers and scientists in Europe and the USA. The excellent reputation which the company currently enjoys amongst young people has been confirmed by the Carl Zeiss Group's renewed nomination as a first class employer. Carl Zeiss was ranked first in the list of top employers in 2008. This is an assessment which trainee Yixuan Kunkel also shares. "I'm really glad that I chose this Trainee Programme – and I can recommend it for any university graduate. Here I work in an international environment and get to perform challenging tasks which really stretch me."

An eye on the future

Showing social commitment towards people in poorer regions of the world is a major concern for employees of Carl Zeiss Meditec. This sense of responsibility has been anchored at all levels of the company for many years now as a core element of the company's corporate responsibility.

"Everyone has the right to the best vision to see the world." This is a cause which Carl Zeiss Meditec actively supports – in many countries all over the world, but especially in the most disadvantaged and the poorest regions.

For years now the company has been committed to combatting preventable blindness. One of the supported projects is the "VISION 2020 – The Right to Sight" campaign. This global initiative of the World Health Organisation (WHO) and the International Agency for the Prevention of Blindness (IAPB) has set targets of helping all blind people with a curable affliction to see again and of protecting people from preventable blindness on a long-term basis.

The most common reason why someone in the world goes blind every five seconds is cataract, or clouding of the eye lens. A routine operation can completely restore vision in most cases. In Third World countries in particular, there are too few resources and facilities and not enough trained doctors and nurses.

Carl Zeiss Meditec has supported this cause right from the outset. At the instigation of Dr. Michael Kaschke, now President and CEO of Carl Zeiss Meditec, Carl Zeiss accepted the invitation of the IAPB to join VISION 2020 as the first corporate sponsor. He felt that this represented a good and meaningful partnership: "Carl Zeiss was founded on the basis of innovative science, maximum quality and precision, and social responsibility. This initiative represents the best way for us to apply our financial and technology support to maximum effect." Today the campaign is now supported by numerous companies and organisations. The joint efforts are also bearing their initial results. The number of blind people has already dropped by 15 percent in the last few years.

The social commitment of Carl Zeiss Meditec is based on the principle of helping others to help themselves. A good example of this sustainable form of active development aid is the company's commitment in India. Among other projects there, it supports the Centre of Excellence of the Avarind Clinic in the southern Indian city of Madurai which specialises in the treatment of glaucoma, the Sankara Nethralaya Hospital in Turinelveli with its retinal disease specialisation, and the LV Prasad Eye Institute in Hyderabad. This Indian therapy and training centre also functions as a springboard for setting up and expanding further eye clinics.

Since 2001 the Hyderabad-based institute has been collaborating, in a Carl Zeiss Meditec-sponsored project, with the Cicendo Eye Hospital in Bandung (Indonesia). As a result of this cooperation, a children's ward has been set up to treat eye diseases in Bandung.

Besides founding treatment centres and providing modern diagnosis and treatment equipment, Carl Zeiss Meditec sees one of its main tasks as training ophthalmologists and providing targeted support for young medical students. Accordingly, the company has committed itself

» Not everybody in the world enjoys such high quality health care as we do. Many children in poorer regions, for example, are unnecessarily blind. We want to do something about this. «

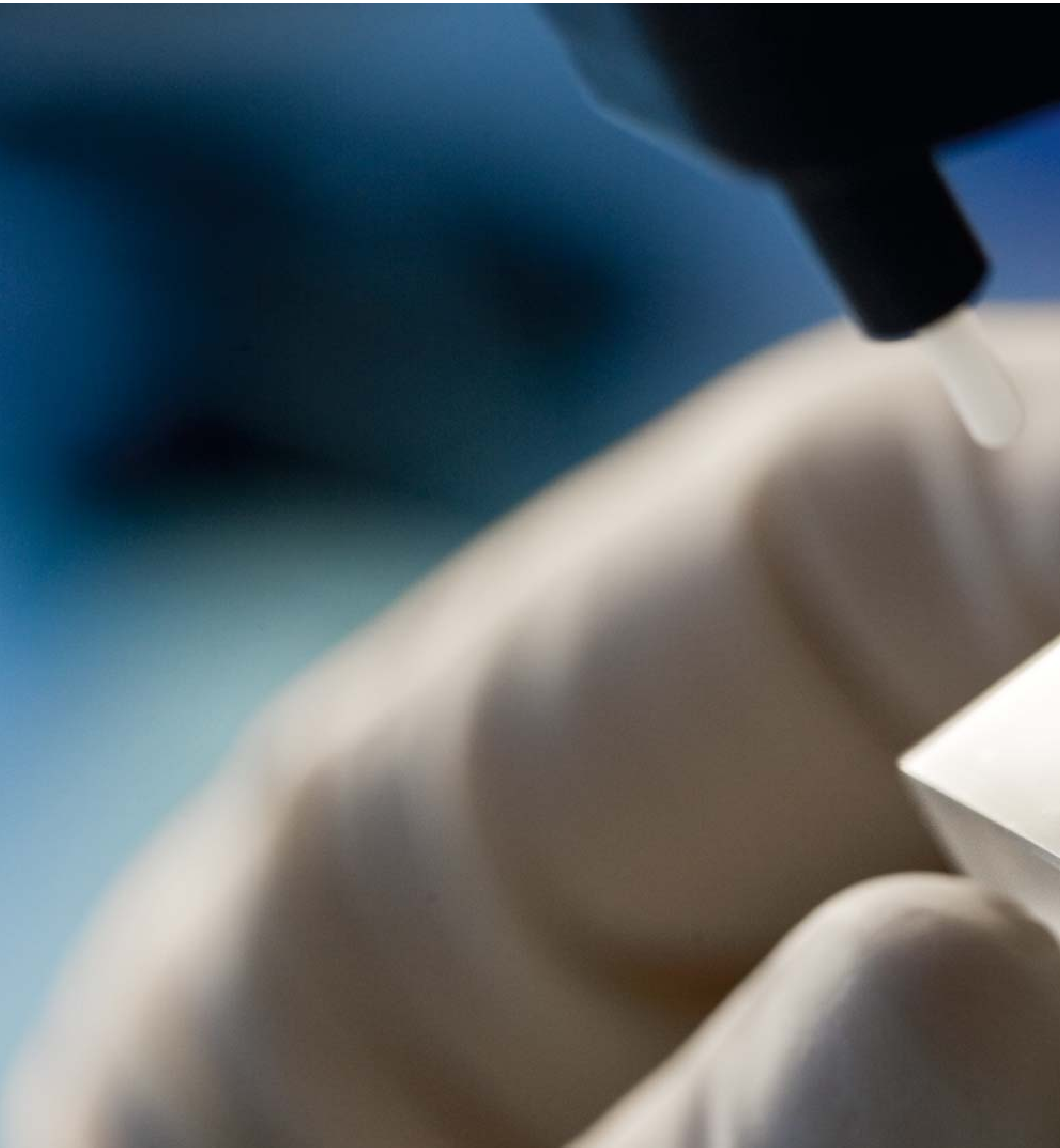
Ulrich Krauss, Member of the Management Board of Carl Zeiss Meditec

under the VISION 2020 initiative to setting up five ophthalmic training centres within five years. This began in the summer of 2007 with the training centre in the Cicendo Eye Hospital in Indonesia. "In this programme we strongly believe that we are making a major contribution to introducing global standards for eye treatment and to giving millions of people all over the world access to affordable, high quality eye treatment," said Dr. Kaschke in Bandung. A further training centre specialising in the insertion of artificial lenses in cataract operations opened on schedule in July 2008 in the Lions Eye Hospital in the Indian metropolis of Bangalore (population: 5 million). This represented a further milestone on the way to making the dreams of VISION 2020 reality.

Financial year 2007/2008

Facts and figures

Content



TO OUR SHAREHOLDERS

Dear Shareholders, Ladies and Gentlemen,

In summer 2008 we realigned and focused our Company. When one considers the deterioration of general economic conditions in the months that followed, it becomes clear that this focusing and reinforcement came at just the right time.

To get to the point: considering the economic turbulence and the downturn in the US economy at the beginning of the financial year, financial year 2007/2008 was a satisfactory year overall for Carl Zeiss Meditec.

Here are our key figures: revenue increased by 5.4 % year-on-year to € 600.2 million, although this growth was curbed by currency effects and the difficult conditions in the US market. Without these currency effects, consolidated revenue would have amounted to as much as € 627.4 million. In spite of all the outside influences, our operating result was almost on a par with the previous year, with EBIT reaching € 67.8 million in absolute terms, after € 70.4 million in the previous year. Our EBIT margin, on the other hand, decreased slightly from 12.4 % to 11.3 %. Consolidated net income after minority interest, however, improved significantly compared with the previous year, and increased at a greater rate than consolidated revenue, climbing 13.2 % to € 54.0 million. As a result, earnings per share rose from € 0.61 in the previous year to € 0.66. We therefore achieved the targets we set ourselves at the beginning of 2008.

Even in these harsh economic times, we still plan to let our shareholders participate in this growth: the Management Board and Supervisory Board of Carl Zeiss Meditec AG will thus propose to the General Meeting in May 2009 to increase the dividend per share from € 0.16 to € 0.18.

Carl Zeiss Meditec's success is founded on a good balance of strong organic growth driven by innovations, coupled with acquisitions to expand its portfolio. We took another important step in this respect at the beginning of financial year 2007/2008: the acquisition of ophthalmic surgery specialist Acri.Tec GmbH further consolidated our position in the ophthalmic surgery market. We now have what is regarded as one of the broadest and most innovative portfolios on the market right at our fingertips, which lays the foundations for our further growth in this area.

Nevertheless, the challenges of the future remain formidable. This is particularly true given that we are currently experiencing one of the most extensive financial crises of the last few decades, and the global economy has veered into troubled waters. Our customers have not come away unscathed either. More than ever their purchase decisions are driven by the need to improve the profitability of their technology investments, make their workflow management procedures more efficient, and become more diversified. As a longstanding and reliable partner for our customers

President and Chief Executive Officer of Carl Zeiss Meditec AG

Dr. Michael Kaschke

we are placing even more emphasis on the excellent quality of our products and our outstanding service and customer support.

Our aim is to support our customers on their way to an efficient and successful future. To do this, we are focusing on developing innovative technologies that give people a high quality of life, even in their old age. The best possible eyesight, mental health and mobility are a prerequisite for actively participating in society. The combination of a strong brand, a very good market position and a strong financial result currently sets us apart from the competition. In order to ensure the competitiveness of our company in future, too, we are facing the present economic challenges head on. We also plan to work on consistently realising our strategic objectives with the help of our RACE 2010 company programme, which we launched in September. This programme, which we developed and inaugurated in summer before the crisis, contains targeted activities that incorporate our five strategic priorities: acceleration of innovation, focused entry into new and developing markets, a stronger customer focus, global process excellence, and employee support and development.

The positive development of Carl Zeiss Meditec is founded on the constructive collaboration of all parties based on mutual trust. I would like to thank all employees of Carl Zeiss Meditec – also on behalf of my colleagues on the Management Board – for their commitment, their high level of flexibility and their desire for success. I would also like to thank Mr. James L. Taylor, who left the Company at his own request at the end of the financial year, after his many successful years as a member of the Management Board and CEO of our US subsidiary.

Finally, I would like to thank you, our dear shareholders, customers, suppliers and partners of Carl Zeiss Meditec, for your confidence, support and candour in the past financial year.

Going forward, we shall continue to actively shape the future and impress you with our services to ensure that Carl Zeiss Meditec remains an attractive investment long term.

Yours sincerely,

Dr. Michael Kaschke
President and Chief Executive Officer

The Management Board

Ulrich Krauss Dr. Ludwin Monz Dr. Michael Kaschke Bernd Hirsch

Dear Shareholders, Ladies and Gentlemen,

In the past financial year we carefully and regularly monitored the management activities of the Management Board and provided advice within this capacity with regard to the further strategic development of the Group and significant individual measures. To this end, the Management Board informed us regularly, promptly and comprehensively at Supervisory Board meetings and by way of additional written and verbal reports about business policy, all relevant aspects of corporate planning, including financial, investment and human resources planning, the course of business, the economic position of the Company and the Group (including the risk situation and risk management), the financial position and profitability of the Group, and about all important decisions and business transactions for the Group. We were involved at an early stage in all decisions of major significance for the Company.

Based on its supervisory activities the Supervisory Board is satisfied with the legitimacy, correctness and efficiency of the management of the Company and the Group, including the organisation of the Company and the Group as discussed with the Management Board, in the past financial year and, in this respect, has no cause to raise any objections. This also applies to the efficiency of the compliance system and risk management system.

Corresponding with the diversity and the underlying significance of topical issues for the Company's success, the Supervisory Board was also particularly challenged in the past financial year. In addition to the duties and responsibilities incumbent upon it by law and in accordance with the Articles of Association, the Supervisory Board also complied to a large degree with the heightened auditing and control obligations as stipulated by the legislator and as they have been more closely defined in legal practice in recent years.

As a result of the Company's economic success, we shall be able to continue with our dividend policy of previous years in financial year 2007/2008. This year the Management Board and Supervisory Board will propose paying a dividend of € 0.18 per share for financial year 2007/2008 at the General Meeting. This corresponds to about 30 % of Carl Zeiss Meditec's consolidated net income for the past financial year.

Examination of the work of the Management Board by the Supervisory Board

In accordance with the legal stipulations of Art. 90 Section 1, 2 AktG (German Stock Corporation Act), the Management Board of Carl Zeiss Meditec AG provided the Supervisory Board with regular, detailed and up-to-date verbal and written reports concerning relevant matters of corporate planning and strategy, the course of business and the Group's position, as well as the risk situation and opportunity and risk management.

1. Basic corporate planning issues pursuant to Art. 90 Section 1 No. 1 AktG were dealt with at the Supervisory Board meetings in the reporting period. Issues relating to business development and strategic planning were regularly discussed in detail on these occasions. Opportunities for external growth were also evaluated.
2. The annual financial statements for financial year 2006/2007 were discussed in depth at the Audit Committee meeting on 3 December 2007. In doing so, extensive preparations were made for the Supervisory Board's meeting on the same day on the adoption of the accounts. As a result, the financial statements of Carl Zeiss Meditec AG and the Carl Zeiss Meditec Group were the main items on the agenda of this Supervisory Board meeting. Pursuant to Article 90 Section 1 No. 2 AktG, the profitability of Carl Zeiss Meditec AG and the Carl Zeiss Meditec Group was discussed both at the Audit Committee's meeting mentioned earlier and at the Supervisory Board meeting. The discussion was based in each case on a detailed report prepared by the Management Board on the financial results for financial year 2006/2007. The profitability of the Company was presented using a system of key figures, the scope and content of which exceed legal requirements. Since Carl Zeiss Meditec is managed according to the Economic Value Added® (EVA®) principle,

this included, among other things, presentations on the development of working capital and the profitability of operating assets. Profitability trends at Carl Zeiss Meditec AG in financial year 2007/2008 were also the subject of the Audit Committee meeting and the Supervisory Board meeting to adopt the annual financial statements, both of which took place on 8 December 2008.

3. The Management Board of Carl Zeiss Meditec AG provides the Supervisory Board with regular, detailed written and verbal reports about the course of business. These reports, in accordance with the requirements of Art. 90 Section 1 No. 3 AktG, discuss the development of revenue and earnings, as well as the Company's general situation and the situation in individual business areas in particular. In addition, the Management Board gave a report during the aforementioned Supervisory Board meetings on the development of business in the respective preceding months.
   The Company's economic development in financial year 2007/2008 (reporting period 12 months) was on the agenda at both the Audit Committee meeting and the Supervisory Board meeting on 8 December 2008. Reports to the Supervisory Board always include a risk report, which discusses current developments recorded in the central risk management system of Carl Zeiss Meditec and its subsidiaries.
   The described reporting structure ensures that the Supervisory Board of Carl Zeiss Meditec AG is informed comprehensively at all times about all major aspects of the Company's business development. It also guarantees close cooperation between the Management Board and the Supervisory Board.
   Adherence to rules of conduct (compliance) is thus ensured by conformance to the Code of Conduct of the Carl Zeiss Group. Compliance is reviewed regularly.
4. The Supervisory Board was informed in advance or included in decision making, pursuant to legal requirements and the Articles of Association, about business transactions of major significance for the profitability or liquidity of Carl Zeiss Meditec AG within the meaning of Article 90 Section 1 No. 4 AktG. These included, for example, potential acquisitions or strategic measures which could have an effect on the profitability or liquidity of Carl Zeiss Meditec AG.
5. Insofar as business transactions and measures undertaken by the Management Board were subject to prior approval of the Supervisory Board, the Mangement Board obtained the approval of the Supervisory Board.

The Supervisory Board has not requested any separate reports about Company affairs in the sense of Art. 90 Section 3 AktG that go beyond the reporting described under points 1 to 5. The type and scope of the reports provided by the Management Board to the Supervisory Board and the discussion of additional matters have not given the Supervisory Board any cause to inspect or audit the books and publications of Carl Zeiss Meditec in accordance with Art. 111 Section 2 AktG.

In addition to the reports to the Supervisory Board described above, the Chairman of the Supervisory Board also engaged in regular exchanges of information and ideas with the Management Board outside of the Supervisory Board meetings. The main topics discussed on such occasions were the Company's current business outlook and aspects of strategic development. For his part, the Chairman of the Supervisory Board was engaged in a regular exchange of information with the other members of the Supervisory Board. This ensured close collaboration between the Management and Supervisory Boards.

Supervisory Board meetings and circular resolutions

The Supervisory Board held a total of four meetings during financial year 2007/2008. The Supervisory Board also passed six resolutions by way of written circulars. No resolutions were passed in this way by the General and Personnel Committee.

The Supervisory Board also resolved the remuneration system for the Management Board, including the main contractual elements. This system is reviewed by the Supervisory Board at regular intervals.

All members of the Supervisory Board were present at all four meetings.

Work of the Supervisory Board committees

In accordance with its rules of procedure, the Supervisory Board of Carl Zeiss Meditec is supported in its work by three committees.

1. The **General and Personnel Committee** advises the Management Board on matters of Company strategy. It assists the Chairman of the Supervisory Board between Supervisory Board meetings. It also shares responsibility for coordinating and preparing for the Supervisory Board meetings. In addition, this committee prepares the Supervisory Board's personnel decisions and passes resolutions – with the prior authorisation of the Supervisory Board – on the transactions requiring approval submitted by the Management Board. Finally, the Supervisory Board may pass a special resolution charging the committee with further responsibilities, where this is legally permissible.
   The General and Personnel Committee held two meetings in financial year 2007/2008.
2. The responsibilities of the **Audit Committee** mainly pertain to matters of accounting, risk management and compliance, as well as auditing issues, such as commissioning the audit assignment, the necessary confirmation of the auditor's independence, the definition of the focal points of the audit, and the retainer agreement.
   The Audit Committee held two meetings in the reporting period.
3. The **Nominating Committee** proposes suitable candidates for the Supervisory Board to put forward for election at the General Meeting.
   The Nominating Committee did not convene in the reporting period. After preliminary consultations by telephone the Nominating Committee passed one circular resolution. In this resolution the Nominating Committee proposed Dr. Reim as a Supervisory Board member, which the Supervisory Board approved. Dr. Reim was subsequently presented to the Annual General Meeting 2008 as a candidate.

The composition of the Supervisory Board and its committees, including the duties of their individual members, is shown in the following table. This composition applied until 21 July 2008. The applicable composition of the Supervisory Board and its committees from 22 July 2008 is presented below under "Composition of the Management Board and Supervisory Board".

Table 1: Composition of the Supervisory Board and its committees, by name and functions of the individual members (until 21 July 2008)

	Supervisory Board	**General and Personnel Committee**	**Audit Committee**	**Nominating Committee**
Dr. Michael Kaschke	Chairman	Chairman	Member	Member
Dr. Markus Guthoff	Deputy Chairman	–	Chairman	Member
Dr. Dieter Kurz	Member	Member	–	Chairman
Dr. Wolfgang Reim	Member	Member	–	–
Franz-Jörg Stündel	Member	–	Member	–
Wilhelm Burmeister	Member	–	–	–

None of the members of the Supervisory Board had a conflict of interests in the period under review.

Composition of the Management Board and Supervisory Board

The members of the Management Board changed as follows in financial year 2007/2008:

By way of a resolution of the Supervisory Board of Carl Zeiss Meditec AG on 5 October 2007 the Management Board was expanded to include Dr. Ludwin Monz, effective from 8 October 2007.

In order to accelerate the further strategic development of Carl Zeiss Meditec, the Supervisory Board, in its meeting on 21 July 2008, discussed and adopted a new management structure for the Management Board. With effect from 22 July 2008, therefore, Dr. Michael Kaschke assumed the position of CEO of Carl Zeiss Meditec AG. Dr. Kaschke's mandate on the Supervisory Board is suspended until further notice. Member of the Management Board James L. Taylor resigned from the Company's Management Board for personal reasons with effect from 22 July 2008. We would like to say a particular thanks to Mr. Taylor, who left the Company on 30 September 2008 by mutual consent, and commend him highly for his many years of very successful work at the Company. Mr. Taylor has been instrumental in turning Carl Zeiss Meditec into one of the leading companies in the field of ophthalmology in the past few years. Mr. Taylor shall continue to work for the Company as a consultant.

The new structure of the Supervisory Board is therefore as follows:[1]

Table 2: Composition of the Supervisory Board and its committees, by name and functions of the individual members (from 22 July 2008)

	Supervisory Board	General and Personnel Committee	Audit Committee	Nominating Committee
Dr. Markus Guthoff	Chairman	Chairman	Member	Member
Dr. Dieter Kurz	Deputy Chairman	Member	–	Chairman
Dr. Michael Kaschke	Member (mandate suspended)[1]	–	–	–
Dr. Wolfgang Reim	Member	Member	Chairman	Member
Franz-Jörg Stündel	Member	–	Member	–
Wilhelm Burmeister	Member	–	–	–

The departmental responsibilities of the members of the Management Board are as follows:

Table 3: Departmental responsibilities of the members of the Management Board of Carl Zeiss Meditec AG

	Departments
Dr. Michael Kaschke	SBU Surgical Ophthalmology, Neuro/ENT Surgery SBU, Strategic Business Development, Corporate HR, Corporate Communications
Bernd Hirsch	Corporate Finance, Corporate Affairs & Investor Relations, Business Process Excellence
Ulrich Krauss	Sales, Global Customer Service
Dr. Ludwin Monz	SBU Ophthalmic Systems

[1] Supervisory Board mandate of Dr. Michael Kaschke suspended pursuant to Art. 105 AktG

Corporate Governance

In keeping with the requirements of the German Corporate Governance Code in its version dated 6 June 2008, the Audit Committee dealt with questions of compliance at its meeting of 8 December 2008. Furthermore, in its role as supervisory body of the Company, the Supervisory Board monitored the progress of the implementation of Corporate Governance at Carl Zeiss Meditec. The Supervisory Board concluded that the Company complies with and will continue in future to observe, without restriction, the recommendations of the Code in its version dated 14 June 2007. With respect to the version dated 6 June 2008, which was published in the Federal Gazette *(Bundesanzeiger)* on 8 August 2008, the following exception applies:

Section 7.1.2 provides for half-yearly reports and any quarterly reports to be discussed by the Supervisory Board or its Audit Committee with the Management Board before publication. In the case of the nine-month report 2007/2008, which was published on 14 August 2008, it was not possible for the Company to implement this amendment to the Code. However, the Management Board and the Supervisory Board declare that Carl Zeiss Meditec AG has observed all recommendations of the Code in its version dated 6 June 2008 since its publication.

The declaration of the Management Board and the Supervisory Board of Carl Zeiss Meditec AG on the German Corporate Governance Code in accordance with Art. 161 AktG describes the status of the implementation of Corporate Governance at Carl Zeiss Meditec.

In accordance with its voluntary commitment to good Corporate Governance, Carl Zeiss Meditec not only implements the main recommendations of the Code; it also observes the majority of its "discretionary provisions". Further information on this can be found in the chapter entitled "Corporate Governance report" in this Annual Report. The Supervisory Board emphatically welcomes the concerns and objectives of the German Corporate Governance Code. We firmly believe that management geared towards long-term value enhancement and a transparent and fair communication policy are ultimately in the interest of all the Company's interest groups. This is the only way to create trust, which is the foundation for the Company's success.

Focus of the deliberations of the Supervisory Board

In addition to the regular and detailed discussion about the development of business at Carl Zeiss Meditec (see also section "Examination of the work of the Management Board by the Supervisory Board"), the Supervisory Board also discussed other issues in detail. These included, for instance, information on strategic projects, status reports on the development of individual business segments and product lines, research and development projects, as well as reporting on legal matters, including the associated risks.

Audit of the annual and consolidated financial statements

By way of a resolution of the Annual General Meeting on 7 March 2008, Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungsgesellschaft und Steuerberatungsgesellschaft ("BHP"), Stuttgart, was appointed as auditor for the annual financial statements of Carl Zeiss Meditec AG. Before making its proposal, the Supervisory Board obtained a declaration from the auditor, dated 29 October 2007, confirming that there are no private, professional, business, financial, or other relationships between the auditor and its executive bodies and audit managers, or between the Company and its executive body members. After election by the Annual General Meeting the Supervisory Board commissioned BHP, on 22 April 2008, with the task of auditing the annual financial statements 2007/2008 of Carl Zeiss Meditec AG and the report on relations with affiliated companies pursuant to Art. 312 AktG.

KPMG Aktiengesellschaft – Wirtschaftsprüfungsgesellschaft ("KPMG"), Stuttgart, was appointed as auditor for the consolidated financial statements of Carl Zeiss Meditec by the Annual General Meeting on 7 March 2008. Before making its proposal, the Supervisory Board obtained a declaration from the auditor of the consolidated financial statements, dated 21 December 2007, confirming that there are no private, professional, business, financial, or other relationships between the auditor and its executive bodies and audit managers, or between the Company and its executive body members. After election by the Annual General Meeting the Supervisory Board commissioned KPMG on 9 June 2008 with the task of auditing the consolidated financial statements 2007/2008 of Carl Zeiss Meditec.

The annual financial statements as of 30 September 2008 prepared by the Management Board, including the Company's management report for financial year 2007/2008, were audited by BHP. The auditor found the annual financial statements and management report to be in compliance with (i) the properly prepared accounts, (ii) legal provisions (iii) and the Articles of Association, and established that the management report presents a true and fair view of the risks to future development. The auditor confirmed this by issuing an unqualified audit certificate.

The single-entity and consolidated financial statements and the associated management reports, as well as the audit reports from the appointed auditors were submitted to all members of the Supervisory Board and discussed in detail at the meeting of the Supervisory Board's Audit Committee on 8 December 2008 in the presence of the auditor, in accordance with the requirements of Art. 171 Section 1 Sentence 2 AktG. The Management Board also presented the Supervisory Board Audit Committee with its proposal for the 2009 Annual General Meeting on the utilisation of net retained earnings. This proposes utilising the net earnings from financial year 2007/2008 of € 32,757,080.02 as follows:

1. Payment of a dividend of € 0.18 per no-par value share for 81,309,610 no-par-value shares: € 14,635,729.80.
2. Carryforward of residual profit to new account: € 18,121,350.22.

After a detailed examination of the financial statements and an in-depth discussion with the auditor, the Audit Committee of the Supervisory Board did not raise any objections to the Company's annual financial statements or management report for financial year 2007/2008. The Chairman of the Supervisory Board Audit Committee gave a report on this at the Supervisory Board meeting on 8 December 2008 and thus recommended that the Supervisory Board approve and adopt the annual financial statements. On this basis, and following a detailed discussion of the annual financial statements, the Supervisory Board inspected the annual financial statements as of 30 September 2008, as prepared by the Management Board, at its meeting on 8 December 2008, concluded that there were no objections to be raised and approved the annual financial statements. The annual financial statements are thus adopted. The Supervisory Board also agreed to the above proposal of the Management Board to distribute a portion of the Company's net earnings in the form of a dividend and to carry forward the residual net earnings to new account. The economic success of the Company in financial year 2007/2008 is a prerequisite for continuing the dividend policy of the previous years. On the other hand, by carrying forward some of its net earnings the Company is making adquate provision for the future.

The Supervisory Board's inspection also included the consolidated financial statements and the consolidated management report. The consolidated annual financial statements as of 30 September 2008 prepared by the Management Board, including the consolidated management report for financial year 2007/2008, were audited by KMPG. The consolidated financial statements of Carl Zeiss Meditec as of 30 September 2008 were prepared in accordance with International Financial Reporting Standards ("IFRS"), as they apply in the EU. All IFRS applicable on the balance sheet date were taken into consideration. The present version of the consolidated financial statements complies with the provisions of Art. 315a of the German Commercial Code *(Handelsgesetzbuch, "HGB").* It forms the legal basis for group accounting in accordance with international standards in Germany, in conjunction with the Regulation ("EC") No. 1606/2002 of the European Parliament and Council dated 19 July 2002 relating to the application of international accounting standards, and applies for financial years commencing on or after 1 January 2005. The auditor found the consolidated financial statements and consolidated management report to be in (i) compliance with the properly prepared accounts, (ii) legal provisions (iii) the accounting provisions according to IFRS and (iv) the Articles of Association, and established that the consolidated management report presents a true and fair view of the risks to future development. The auditor confirmed this by issuing an unqualified audit certificate.

After a detailed examination of the financial statements and an in-depth discussion with the auditor, the Audit Committee of the Supervisory Board did not raise any objections to the Company's consolidated financial statements or consolidated management report for financial year 2007/2008. The Supervisory Board's Audit Committee thus recommended that the Supervisory Board approve the consolidated financial statements. On this basis, and following a detailed discussion of the consolidated financial statements, the Supervisory Board, at its meeting on 8 December 2008, inspected the consolidated financial statements as of 30 September 2008, as prepared by the Management Board, concluded that it had no objections to raise, and approved the consolidated financial statements.

Pursuant to Art. 315a HGB, the present consolidated financial statements in accordance with the IFRSs exempt the Management Board from its obligation to prepare consolidated financial statements in accordance with German law.

Pursuant to Art. 312 AktG, the Management Board of Carl Zeiss Meditec AG, as a member of the Carl Zeiss Group, prepared a report on relations with affiliated companies in financial year 2007/2008, which states that – under the circumstances known to the Management Board at the time the legal transactions were concluded – Carl Zeiss Meditec AG received an appropriate consideration for each of the transactions listed and that reportable measures were neither implemented nor omitted in the financial year.

The auditor audited the report on relations with affiliated companies and issued it the following audit certificate:

"Following our duly completed audit and assessment, we confirm that

1. the information given in this report is correct,
2. the payments made by the Company for the transactions discussed in this report were not disproportionately high".

Both the report on relations with affiliated companies and the respective auditor's report were submitted to the Supervisory Board. The Audit Committee of the Supervisory Board and the Supervisory Board also reviewed the report on relations with affiliated companies and agree with the findings of the auditor. On completion of its audit the Supervisory Board has no objections to raise against the declaration of the Management Board at the end of the report on relations with affiliated companies.

Carl Zeiss Meditec's accounts have been duly prepared. This was also confirmed in a routine audit conducted by the German Financial Reporting Enforcement Panel *(Deutsche Prüfstelle für Rechnungslegung, "DPR")* during the last financial year. In this audit, the DPR examined Carl Zeiss Meditec AG's consolidated and annual financial statements and the accompanying managment reports for financial year 2006/2007 and raised no objections.

Final remarks

The Supervisory Board would again like to thank the entire Management Board and all employees of all Carl Zeiss Meditec companies for their commitment and outstanding performance in the past financial year.

Jena, 8 December 2008
For the Supervisory Board

Dr. Markus Guthoff (Chairman)

The Carl Zeiss Meditec share

Stock markets in free fall[1]

The financial crisis intensified further in the first few months of 2008 due to more multi-billion write-downs in the financial sector, the US monoline crisis and the distress sale of the fifth largest US investment bank, Bear Stearns. The US dollar fell continuously in the first months of 2008 and the credit markets came under considerable pressure. The weak US dollar drove commodities prices up to a new all-time high. Growing inflation concerns provoked a massive collapse of the global stock markets. There was a major sellout on the international stock markets mid-2008 – investors in Europe, in particular, feared a "strangling" of the economy. This downward trend was exacerbated by the persistently negative messages coming from the banking sector. After the collapse of the investment bank Lehmann Brothers the stock markets caved in completely in September 2008. Disappointing economic indicators escalated fears of a global recession and a number of profit warnings put additional pressure on the stock markets. An end to the dollar decline and a turnaround of commodities prices failed to halt the downswing of the stock markets.

Medical technology in the TecDAX

The targeted marketing of our share paid off again in the past financial year. In spite of its performance in financial year 2007/2008, which we found unsatisfactory, there was sustained interest in the Carl Zeiss Meditec share, which is also evident from the higher trading volumes and the high liquidity of the share. In the index for TecDAX companies on the German stock exchange Carl Zeiss Meditec AG's ranking for liquidity improved from 31st place in December 2007 to 25th place in October 2008. The liquidity of a share is a crucial investment criterion for many investors, since they do not wish to adversely affect the share price by purchasing or selling larger blocks of shares. On average, around 113,000 shares were traded each trading day, compared with around 98,000 the previous year.

In terms of market capitalisation, Carl Zeiss Meditec AG moved up from 20th to 17th place (as of October 2008) in the TecDAX index of the German stock exchange.

The Carl Zeiss Meditec share is currently listed in the following stock market indices:

- TecDAX
- HDAX
- CDAX overfall index
- DAX International Mid 100
- DAXsector All Pharma & Healthcare
- Mid Cap Market Index
- Prime Allshare Index
- Classic Allshare Index
- Technology All Share Index
- HealthShare Composite Index

Carl Zeiss Meditec share in the maelstrom of the financial crisis

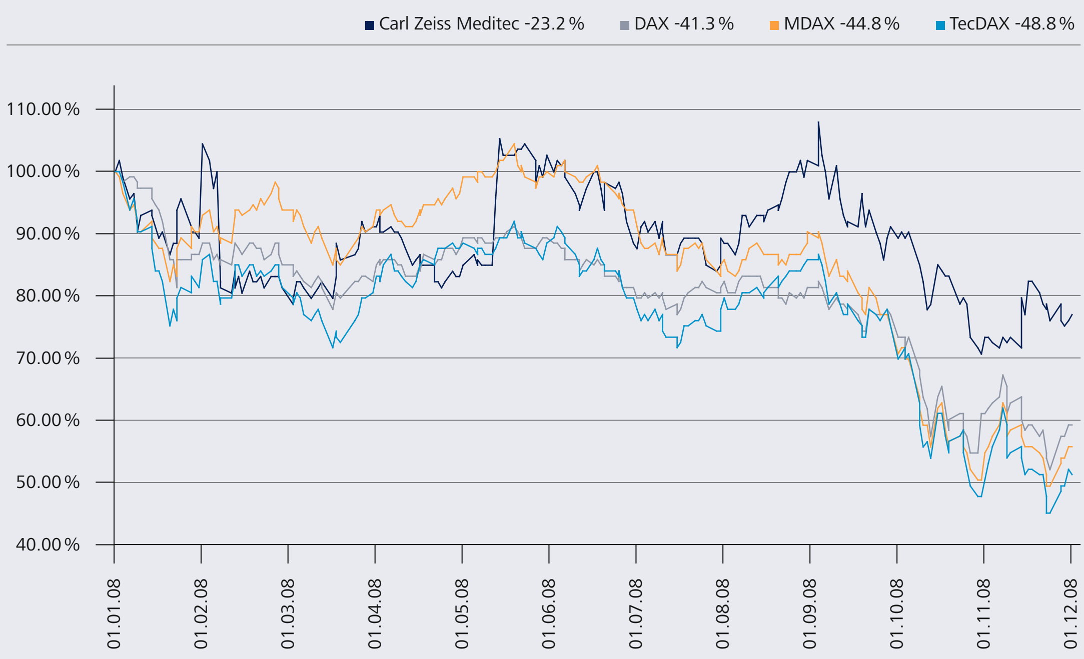
At the beginning of financial year 2007/2008 the situation on the global financial markets shaped the price performance of the Carl Zeiss Meditec share. In particular the uncertainties publicly discussed at the time of publication of the annual figures for 2006/2007, in December 2007, regarding the further development of the US market were thus the cause of dramatic share price decreases for the Carl Zeiss Meditec share in the ensuing weeks. After the publication of the six-month figures 2007/2008 and the positive development of business our share price rose again towards the middle of the year. However, even the Carl Zeiss Meditec share was unable to entirely escape the effects of the financial crisis, which has continued to worsen since summer 2008, and the partial sellout on the global stock markets in the coming months, despite the share

[1] Commerzbank AG, Corporates & Markets, October 2008

holding its own better than the market as a whole.

The fall in value of the TecDAX and MDAX' in the period under review (1 January 2008 to 30 November 2008) was therefore significantly greater than that suffered by the Carl Zeiss Meditec share. This is yet again a sign for us that, particularly in times of capital market crisis, there is a demand from investors for growth stocks with substance.

Figure 1: Relative performance of Carl Zeiss Meditec share compared with the DAX, MDAX and TecDAX (period 1 January 2008 to 30 November 2008)[2]



[2] Source: Factset

The Carl Zeiss Meditec share as seen by the capital market

Broad research coverage

The coverage of our share remained nearly constant in the past financial year 2007/2008, in spite of the financial crisis. Of the now 14 brokerage houses which regularly report on Carl Zeiss Meditec, eight studies make a "buy" recommendation. The other six studies make a "hold" recommendation (as of 30 November 2008).

Regular research coverage:

- Berenberg Bank
- Cazenove
- CAI Cheuvreux
- Commerzbank
- fairesearch under the label of Close Brothers Seydler
- Deutsche Bank
- DZ Bank
- Equinet
- HSBC Trinkaus & Burkhardt
- Jefferies
- Landesbank Baden-Württemberg
- Nord LB
- Sal. Oppenheim Research
- UniCredit (HVB) Equity Research

The current price target for our share, according to analysts following its performance, is an average of € 11.00.

For an up-to-date overview of the current evaluations of the individual analysts please visit the Carl Zeiss Meditec AG website at **www.meditec.zeiss.com/ir**.

In regular contact with capital market players

In order to support the development of Carl Zeiss Meditec, various investor relations activities were again carried out in the past financial year: roadshows in key financial centres, participation in investor conferences, numerous one-to-one meetings and conference calls with investors. Analysts and investors were also kept continually updated by telephone, in person and by e-mail about current developments at Carl Zeiss Meditec.

One of the highlights was our Investor Day in September 2008. This event gave investors and analysts the opportunity to meet new President and CEO, Dr. Michael Kaschke, personally for the first time. At the event during the European Congress for Ophthalmology ESCRS (European Society of Cataract and Refractive Surgeons) we presented our corporate strategy in detail gave a more detailed description of our individual business segments. As part of a "guided tour" provided by our booth participants were able to get an impressive overview of our product range and gain insights into the effectiveness and benefits of our devices and systems.

In the past financial year our Annual General Meeting on 7 March 2008 was the best-attended shareholder event of Carl Zeiss Meditec AG. A total of around 300 shareholders, who represented about 77 % of the Company's capital, participated. All of the agenda items submitted were passed with an over 99 % majority. A distribution of profits for financial year 2006/2007 was also confirmed. Accordingly, Carl Zeiss Meditec paid a dividend of € 0.43 per share, consisting of a regular dividend of € 0.16 and a special dividend of € 0.27.

For us, investor relations means maintaining an open and continuous exchange of information with all players on the capital market. Members of the Management Board and the Investor Relations team informed institutional investors about the Company's development and strategy at roadshows and capital market conferences in Germany, and in numerous one-to-one meetings in the rest of Europe.

We have always been committed to a transparent and fair communication policy, which is why we have made the information and presentations given on these occasions accessible to all interested parties and shareholders on our website.

Dividend policy crisis-proof

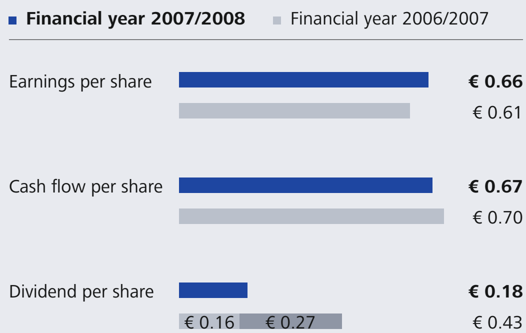
As before, we are continuing, even in times of economic turbulence, to pursue the objective of a stable and profit-orientated dividend policy. To this end, we are aiming for a payout ratio of about 30 % of Carl Zeiss Meditec's consolidated net income after minority interest. The Management Board and Supervisory Board will thus propose to the General Meeting in May 2009, the distribution of a dividend for financial year 2007/2008 of € 0.18 per share, i. e. € 14.6 million in total.

Prizewinning sustainability activities

Our efforts were also recognised by third parties last year: Carl Zeiss Meditec was awarded 2nd place in the first-ever "ESG Award" in the category "TecDAX companies". The DVFA (Society of Investment Professionals in Germany) and Wirtschaftswoche (German weekly business news magazine) award the prize to German companies for exceptional achievements in relation to environmental issues, social responsibility and corporate governance (ESG). The prize is awarded on the initiative of DWS Investments and Deutsche Asset Management on the basis of an extensive list of criteria in accordance with investor demands.

These awards are given to companies that proactively combine yield optimisation with environmental and social issues and investor-orientated corporate governance.

Figure 2: Selected key data relating to the Carl Zeiss Meditec shares



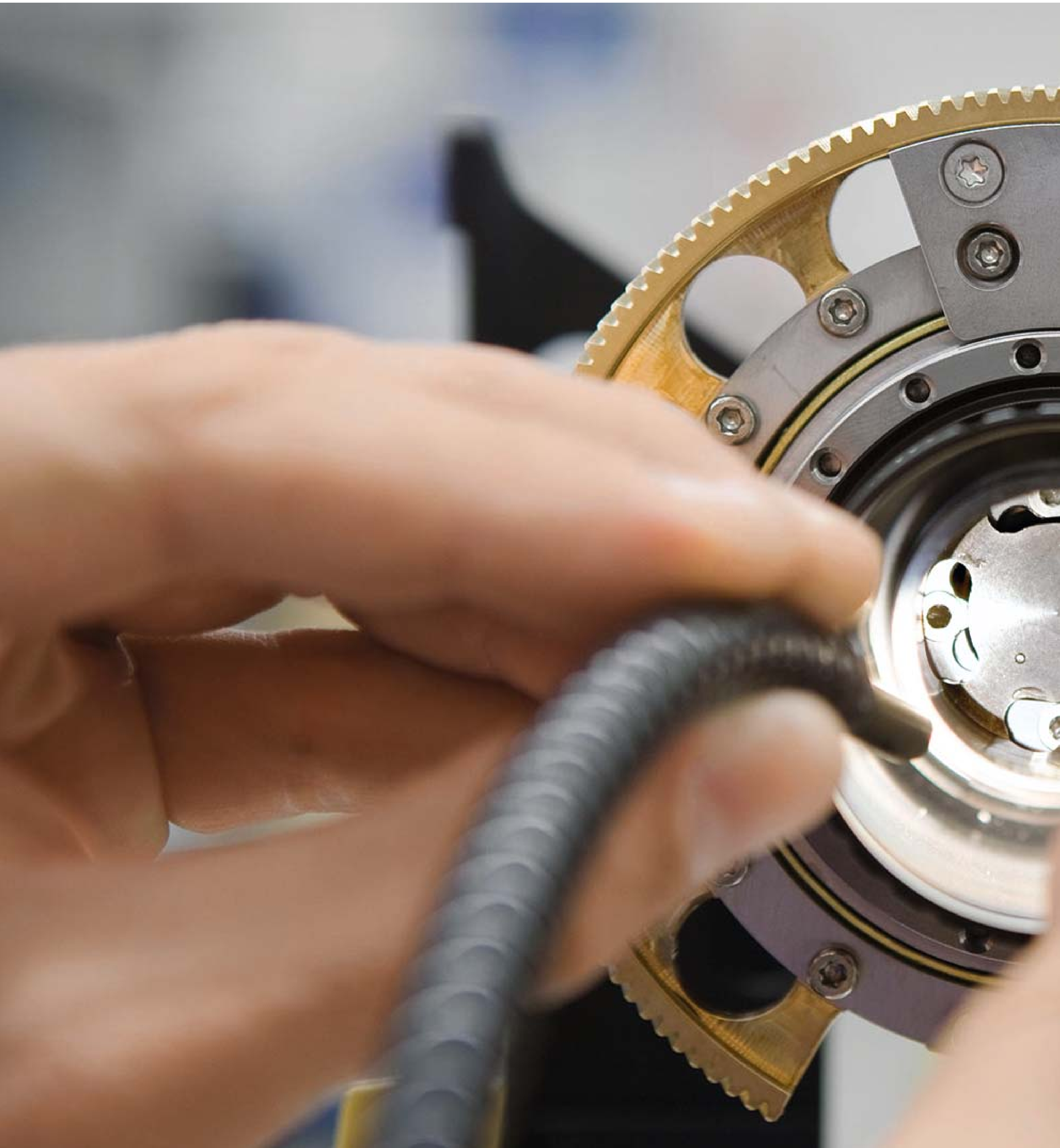
(The dividend quoted for financial year 2007/2008 corresponds to the profit utilisation proposal of the Management Board and Supervisory Board to the 2009 Annual General Meeting.)

Outlook

Our continued aim for financial year 2008/2009 is to maintain open and regular communication with investors and analysts. Particularly in a difficult stock market environment, we consider it one of our most important obligations to maintain open, consistent and fair dialogue with all players on the capital market, in order to sustain confidence in our Company.

Table 1: Carl Zeiss Meditec shares: key figures

Trading segment	**Prime Standard**	
Price performance:		
Share price at the beginning of financial year 2007/2008		€ 15.52
Share price at the end of financial year 2007/2008		€ 10.14
Share price on 30 November 2008		€ 8.66
Highest share price in financial year 2007/2008		€ 15.53
Lowest share price in financial year 2007/2008		€ 8.86
Shareholder structure		
Free float	35 %	
Carl Zeiss AG	65 %	
Management Board and Supervisory Board of Carl Zeiss Meditec AG	< 0.01 %	
Evaluation:		
Market capitalisation of share capital as of 30 November 2008	€ 704 million	
Market capitalisation of free float as of 30 November 2008	€ 246 million	
Designated sponsors:	Commerzbank, Morgan Stanley	



SINGLE ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

Content

Single entity financial statements of Carl Zeiss Meditec AG, Jena, financial year 2007/2008 (HGB)

The complete annual financial statements of Carl Zeiss Meditec AG, Jena, in accordance with the German Commercial Code *(Handelsgesetzbuch, HGB),* including the unqualified audit certificate, will be available for downloading from the Carl Zeiss Meditec Website **www.meditec.zeiss.com/ir.** Alternatively, it may also be requested in written form as an offprint from Carl Zeiss Meditec AG.

Table: Overview of key items in the single-entity financial statements (Figures in € '000)

Income statement	**Financial year 2006/2007**	**Financial year 2007/2008**	**Change**
Sales revenue	**140,427**	**147,624**	**+5.1 %**
Gross profit	51,189	46,569	- 9.0 %
Result from ordinary activities	**37,251**	**23,924**	**-35.8 %**
Net income/loss for the year	**35,882**	**19,134**	**-46.7 %**
Retained profits brought forward	24,087	48,586	+101.7 %
Net retained profit	**48,586**	**32,757**	**-32.6 %**

Balance sheet	**30 September 2007**	**30 September 2008**	**Change**
Fixed assets	585,759	572,136	-2.3 %
Current assets	226,208	224,911	-0.6 %
Of which: trade receivables	*5,192*	*5,431*	*+4.6 %*
Of which: cash and cash equivalents	*145,007*	*120,008*	*-17.2 %*
Equity	777,908	762,079	-2.0 %
Liabilities	13,944	15,300	+9.7 %
Total assets	**812,096**	**797,167**	**-1.8 %**

Proposal for the utilisation of net retained profits by the Management Board for financial year 2007/2008

Financial year 2007/2008 closes with a net income for the year of € 19,133,555.90. The Management Board proposes utilising the net earnings from financial year 2007/2008 of € 32,757,080.02 as follows:

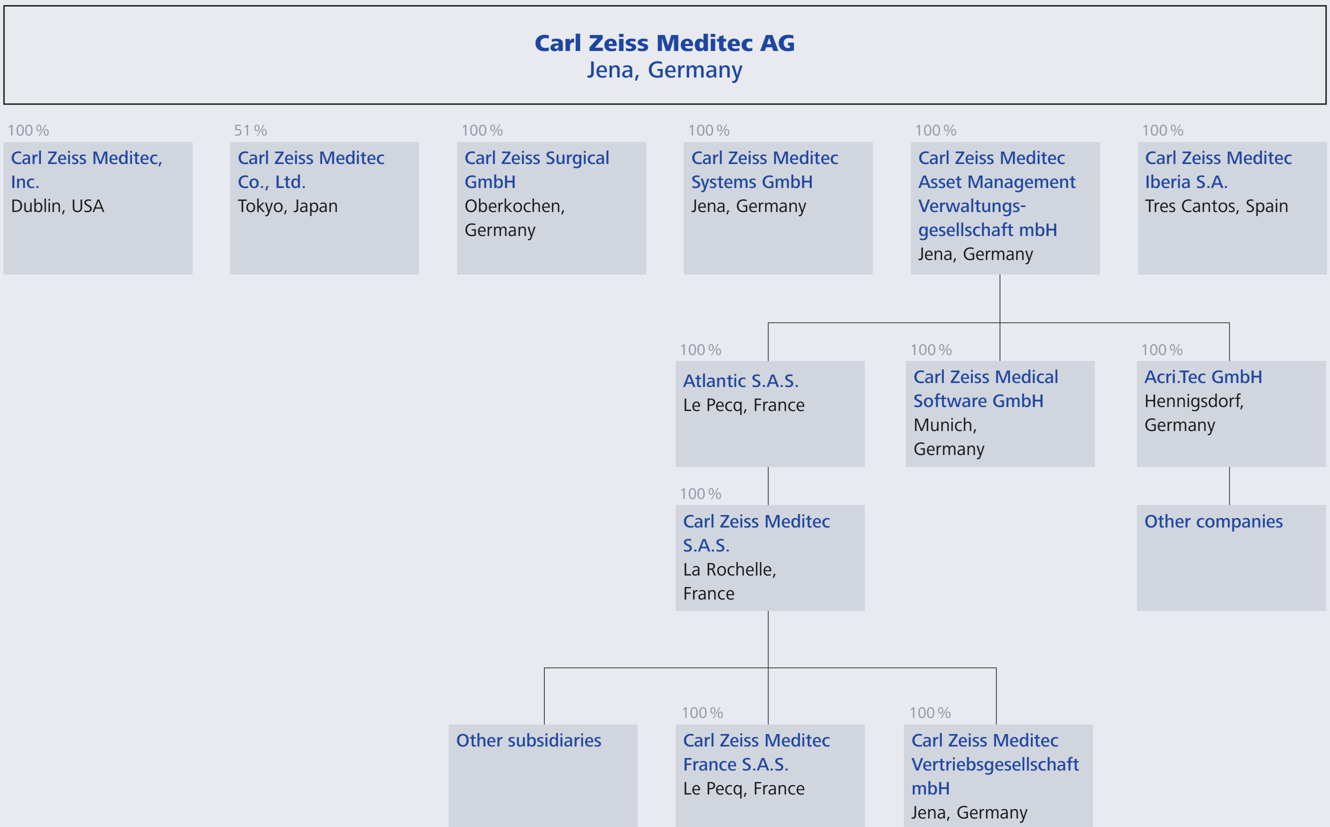
1. Payment of a dividend of € 0.18 per no-par value share for 81,309,610 no-par value shares: € 14,635,729.80
2. Carryforward of residual profit to new account: € 18,121,350,22

Consolidated management report for financial year 2007/2008[1]

1 Executive summary

Carl Zeiss Meditec AG, Jena, Germany, is the parent company of the Carl Zeiss Meditec Group ("Carl Zeiss Meditec", the "Group", the "Company"), which comprises additional subsidiaries. These are presented in the chart below which shows the subsidiary structure of the Carl Zeiss Meditec Group as of 30 September 2008.

Figure 1: Subsidiary structure of the Carl Zeiss Meditec Group as of 30 September 2008



[1] This management report contains certain forward-looking statements. Forward-looking statements are all statements contained in this management report that do not relate to historical facts or events, including information regarding the future net worth, financial position and results of operations of the Carl Zeiss Meditec Group, its strategy, plans, expectations and goals, as well as future developments and possible regulatory changes in its existing or anticipated markets. These forward-looking statements are based on the Company's current estimate, to the best of its knowledge, of its future prospects and financial development. Words such as "anticipate", "assume". "believe", "estimate", "expect", "intend", "can/could", "plan", "project", "should" and similar terms indicate such forward-looking statements. By their nature, such forward-looking statements involve risks, uncertainties, assumptions and other factors that may cause Carl Zeiss Meditec Group's actual results of operations, including its financial condition and profitability, to differ materially from or be more negative than those made or described in, or suggested by, these forward-looking statements. Furthermore, even if the Carl Zeiss Meditec Group's results of operations are consistent with the expectations contained in this Annual Report, those results may not be indicative of results in subsequent periods.

In financial year 2007/2008 Carl Zeiss Meditec posted **consolidated revenue** of € 600.2 million, corresponding to an increase of 5.4 % year-on-year (previous year: € 569.7 million). If compared on a similar basis with the previous year, i. e., adjusted for all acquisitions and assuming a constant exchange rate, like-for-like **revenue growth** amounts to 4.4 %. The development of consolidated revenue in the financial year was influenced by exchange rate fluctuation, and in particular by the increasing strength of the euro against the key currencies US dollars and Japanese yen, which persisted until shortly before the end of the financial year. In particular our new products were met with lively customer interest. With double-digit consolidated revenue growth rates, the regions "Europe, Middle East and Africa" and "Asia/Pacific" proved to be important growth drivers and have compensated as far as possible for the muted development of revenue in the US market. After a weak sales trend at the start of the financial year, revenue in the "Americas" region was almost on a par with the previous year in the last two quarters.

In spite of the planned investments and the volatile conditions in the US market, which impacted profitability significantly, particularly in the first quarter of the financial year, the operating result of the previous financial year has almost been reached. **EBITDA** totalled € 80.6 million in financial year 2007/2008, corresponding to a decline of 2.0 % year-on-year (previous year € 82.2 million). The **EBITDA margin** was 13.4 %, compared with 14.4 % the previous year. **EBIT** was € 67.8 million, compared with € 70.4 million the previous year. This corresponds to a decrease of 3.6 %. The **EBIT margin** decreased to 11.3 % (previous year: 12.4 %). **Consolidated net income after minority interest** improved significantly year-on-year, increasing more than consolidated revenue. It rose by 13.2 % from € 47.8 million to € 54.0 million in financial year 2007/2008. **Earnings per share after minority interest** thus increased accordingly in financial year 2007/2008 to € 0.66 (previous year: € 0.61), despite the higher average number of outstanding shares.

Even in times of economic turbulence the shareholders of Carl Zeiss Meditec are to participate in the Company's successful economic development. As in previous years, to this end, a dividend of around 30 % of Carl Zeiss Meditec's consolidated net income after minority interest is to be distributed to the shareholders of Carl Zeiss Meditec. The Management Board and Supervisory Board will thus propose to the Annual General Meeting 2009 the payment of a dividend of € 0.18 per share (previous year: € 0.16).

2 Structure of the consolidated financial statements

A number of changes arose with regard to the Group's reporting entity and the structure of its financial statements in financial year 2007/2008.

With effect from 1 October 2007 the Group acquired 100 % of the shares in Acri.Tec AG (now trading as Acri.Tec GmbH), which has its registered office in Hennigsdorf. This company specialises in innovative implants (intraocular lenses, IOL) and supplementary products (viscoelastic solutions and products for vitreoretinal surgery) for ophthalmic surgery. (For further details please refer to note "3. Business combinations" in the Notes accompanying the consolidated financial statements).

For the sake of simplicity, the date of first-time consolidation of Carl Zeiss Surgical was set as 1 November 2006. Accordingly, the transaction is included for eleven months in the comparative period of the previous year.

The internal management structure was also adjusted in financial year 2007/2008 to the broader structure of Carl Zeiss Meditec in the market. To this end, three strategic business units or "SBUs" were created.

3 Business report

3.1 Underlying conditions for business development

3.1.1 Macroeconomic conditions[2]

Up until the middle of 2008 the economy in many parts of the world proved to be remarkably robust, despite the weakness of the US economy. The Joint Economic Forecast project group *("Projektgruppe Gemeinschaftsdiagnose")* thus anticipates global growth of 2.5 % in real gross domestic product ("GDP"), compared with the previous year. This is again particularly attributable to the economic upswing in the developing and emerging countries – real growth in the People's Republic of China, for instance, amounted to 10.1 percentage points in the first half of 2008.[3]

The economy has cooled off significantly in many parts of the world in recent months: in Japan the project group is forecasting a slight growth in GDP of 0.8 % for 2008.[4] For the eurozone, the project group anticipates GDP growth of 1.4 % in 2008.[5] In the USA, private consumption has declined substantially in the past few months, thus the project group is projecting GDP growth here of 1.6 % for 2008.[6] In autumn 2008, the German economy is on the brink of a recession. Demand and production have decreased over the course of the year. Consequently, the project group is predicting GDP growth in Germany of 1.8 % for 2008.[7]

The trend on the international foreign exchange markets was influenced, particularly from the third quarter of 2008, by a perceptible strengthening of the US dollar. In the course of 2008 the euro fell by around 13 % against the US dollar.

In September, a number of large banks in the USA collapsed or were taken over by competitors with the assistance of government officials; major institutes in Europe also needed support. The latest dramatic escalation of the financial market crisis thus clouds the economic outlook for 2009.[9]

3.1.2 Industry development

Growth in the medical technology market was still relatively stable in 2008. Due to the deterioration of macroeconomic conditions described above, however, there was a significant drop in demand for non-essential medical treatments, such as refractive laser surgery.

The main growth drivers in medical technology are still sound, however. The global population is growing continuously. At the same time, the proportion of elderly people in the overall population is increasing. Since the incidence of many diseases increases with age, it can be assumed that the demand for diagnostic and therapeutic products will continue to grow in both ophthalmology and neuro/ENT surgery.

In addition, the expectations of doctors and patients in terms of treatment results, and the demand for state-of-the-art treatment methods, and thus innovative medical technology products that make such therapies possible, are rising – particularly in the industrialised countries.

As in ophthalmology, cost pressure in the healthcare sector is also a major determining factor in the neuro/ENT surgery market.

At the same time, a growing cost pressure in the health care sector in key national economies worldwide is forcing medical treatments to become more efficient. This tends to boost the demand for medical technology devices and systems that enable more efficient diagnoses and more effective treatments.

[2] *"Projektgruppe Gemeinschaftsdiagnose"* (Joint Economic Forecast project group) (editors): Autumn 2008 *"Deutschland am Rande der Rezession"* (Germany on the brink of recession), Gemeinschaftsdiagnose Autumn 2008, 10 October 2008, Halle/Saale

[3] Cf. ibid., p. 18

[4] Cf. ibid., p. 17

[5] Cf. ibid., p. 12

[6] Cf. ibid., p. 12

[7] Cf. ibid., p. 45

[8] Cf. ibid., p. 9

a) Market for ophthalmic products

The market for ophthalmic products in the broader sense includes ophthalmic pharmaceuticals, contact lenses, contact lens care products, consumables and implants for ophthalmic surgery, as well as devices and systems, with the exception of glasses and glasses frames. According to our estimates, this market had a global volume of around US-$ 24.7 billion (about € 18.6 billion) in 2007.

The Group's product range includes devices and systems, implants, consumables and instruments for ophthalmology and ophthalmic surgery. According to our estimates, these submarkets had a volume of around US-$ 6.9 billion, or around € 5.2 billion in 2007.

The sub-market for "ophthalmic devices and systems" is split into segments for various product classes. We estimate our share of the "devices and systems for ophthalmology" sub-market we address at about 20 % in 2007. In the sub-market for "implants, consumables and instruments for ophthalmic surgery", we estimate our market share in 2007 at about 2 %.

Overall in the year under review we estimate – based on our current information – that we at least sustained the market shares we had in the market segments addressed by us in 2007. As a result of the acquisition of Acri.Tec AG in October 2007 our market share in the sub-market for "implants, consumables and instruments for ophthalmic surgery" increased to around 3 %. A more accurate assessment of development in the competitive field will, however, only be possible when competitor companies have published their financial statements for 2008.

b) Market for products of neuro/ear, nose and throat surgery

Besides ophthalmology, the Company also operates in the market for neuro/ear, nose and throat surgery ("neuro/ENT surgery"). This segment offers a comprehensive portfolio of products for the diagnosis and treatment of diseases and disorders of the central and peripheral nervous system and surgical microscopes for use in ear, nose and throat medicine.

In neurosurgery our devices and systems are used to treat brain tumours and vascular diseases; in ENT surgery they are used, among other things, in middle and inner ear operations, e. g. implantation of cochlea implants and stapes prostheses.

In 2007 the overall neuro/ENT surgery market had an estimated volume of around US-$ 4.6 billion (around € 3.5 billion) worldwide and is divided into the three market segments "Implants", "Surgical instruments" and "Visualisation".

Carl Zeiss Meditec does not currently address the "Implants" or "Surgical instruments" market segments. According to the Group's estimates, the "Visualisation" market segment addressed by us, which includes the sub-segments "Surgical microscopes" and "Other visualisation", had a volume of about US-$ 760 million or around € 570 million in 2007. With a stable market share, which Carl Zeiss Meditec estimates to be around 20 %, the Company is thus the largest provider in this segment.

According to own estimates, the Carl Zeiss Meditec Group is still the global market leader in the sub-segment "Surgical microscopes" with a market share of more than 50 %.

3.2 Comparison of actual business development with forecast development

The uncertainties we spoke of when we published our 2006/2007 Annual Report regarding our outlook for 2008 unfortunately came true at the beginning of financial year 2007/2008.

Therefore we forecast revenue of € 600 – 620 million and an EBIT margin of between 11 % and 12 %. In spite of an in parts, difficult market environment, we still managed to reach our published revenue and earnings targets in financial year 2007/2008. Despite the challenging conditions and the devaluation of the US dollar which started after the announcement of these targets, our revenues amounted to € 600.2 million. The EBIT margin was 11.3 % in financial year 2007/2008.

3.3 Development of revenue

The Carl Zeiss Meditec Group generated revenue of € 600.2 million in financial year 2007/2008. This corresponds to an increase of 5.4 % year-on-year. The development of consolidated revenue in the past financial year was influenced by exchange rate fluctuation, and in particular by the growing strength of the euro against the key currencies US dollars and Japanese yen, and by consolidation effects. If compared on a similar basis with the previous year, i. e., adjusted for all acquisitions and assuming a constant exchange rate, like-for-like revenue growth amounts to 4.4 %.

3.3.1 Consolidated revenue by strategic business unit

In financial year 2007/2008 the strategic business unit **"Ophthalmic Systems"** accounted for 47.5 % (previous year: 51.2 %) and thus almost half of Carl Zeiss Meditec's consolidated revenue. The **"Surgical Ophthalmology"** SBU's share in consolidated revenue amounted to 12.3 % (previous year: 8.8 %). The **"Neuro/ENT Surgery"** SBU generated a share of 40.2 % (previous year: 40.0 %) of consolidated revenue.

Figure 2: Share of strategic busines units in consolidated revenue in financial year 2007/2008, in percent

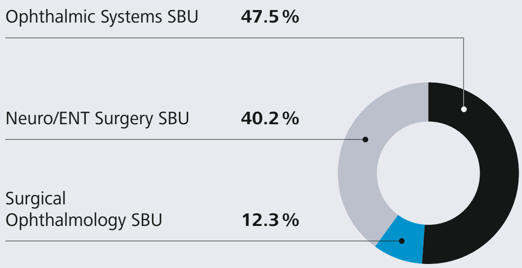
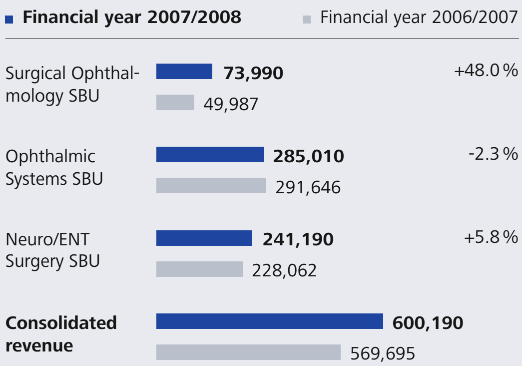


Figure 3: Consolidated revenue by strategic business unit (Figures in € '000)



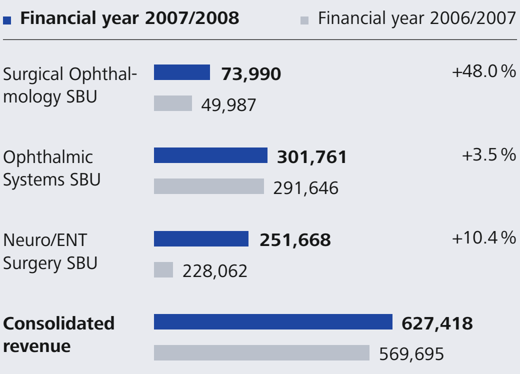
In the period under review consolidated revenue in the "Ophthalmic Systems" SBU was influenced by exchange rate fluctuations, notably the growing strength of the euro against the key currencies US dollars and Japanese yen. The persistently difficult economic conditions in the USA also impacted development. Primary sales drivers in this SBU were the diagnostic systems Cirrus™ HD-OCT, IOLMaster®, Stratus OCT™, Humphrey® Field Analyzer, and the VISUCAM family of fundus cameras.

In addition to the encouraging performance of new products such as XL Stabi ZO® and Invent ZO®, the revenue increase of 48.0 % in the "Surgical Ophthalmology" SBU is attributable, among other things, to the first-time consolidation of Acri.Tec GmbH, in which Carl Zeiss Meditec acquired 100 % of the shares with effect from 1 October 2007.

The positive development of revenue in the "Neuro/ENT Surgery" SBU is mainly due to its innovative products. The key sales drivers in this segment were the OPMI® Pentero® and OPMI® Vario surgical microscopes, which are used in neuro and spinal surgery, and the OPMI Lumera® surgical microscope, which is used in ophthalmic surgery.

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

Figure 4: Consolidated revenue by strategic business unit on the basis of constant exchange rates (Figures in € '000)



3.3.2 Consolidated revenue by region

The distribution of revenue by region in the period under review essentially reflects the trends described in the section "Macroeconomic conditions".

Figure 5: Consolidated revenue by region (Figures in € '000)

Thanks to a strong fourth quarter the **"Americas"** region remained the biggest generator of revenue in financial year 2007/2008. The development of consolidated revenue in financial year 2007/2008 in the "Americas" region was attributable to a considerable degree to the development of the exchange rate between the US dollar and the euro. The weak trend in the first quarter of 2007/2008, when revenue was down by about 20 % compared with the same period of the previous year, was largely offset in the remaining course of the year. Primary sales drivers in this region were the diagnostic systems Cirrus™ HD-OCT, Stratus OCT™, IOLMaster®, the Humphrey® Field Analyzer and the OPMI® Pentero® and OPMI Lumera®. The region's share of consolidated revenue decreased year-on-year to 35.4 % (previous year: 42.8 %), which was also due to the strong growth in the other two regions and to consolidation effects. Carl Zeiss Meditec achieved significant revenue in the **“Europe, Middle East and Africa”** (“EMEA”) region with the diagnostic systems Cirrus™ HD-OCT, IOLMaster®, Humphrey® Field Analyzer and the Excimer Laser MEL 80™, as well as the OPMI® Pentero®, OPMI® Vario and OPMI Lumera® surgical microscopes. Positive influences also resulted from the first-time consolidation of Acri.Tec GmbH. The proportion of consolidated revenue generated by this region increased from 29.7 % to 32.3 % year-on-year.

Carl Zeiss Meditec also generated significant revenues in the **“Asia/Pacrific”** region with the OPMI® VISU, OPMI® Pentero® and OPMI Lumera® surgical microscopes and the Humphrey® Field Analyzer, Cirrus™ HD-OCT and IOLMaster® diagnostic systems. The Japanese market was the main contributor to this trend. In total, the “Asia/Pacific” region accounted for a 23.1 % share of consolidated revenue in financial year 2007/2008, compared with 20.9 % in the previous year.

In **Germany** the increase of 44.7 % in consolidated revenue is mainly due to the first-time inclusion of Acri.Tec GmbH in Carl Zeiss Meditec’s reporting entity. The share of consolidated revenue generated by Germany as a regional market increased to 9.2 % (previous year: 6.6 %).

The chart below shows consolidated revenue by region based on constant exchange rates.

Figure 6: Consolidated revenue by region based on constant exchange rates (Figures in € ’000)

3.4 Production

3.4.1 Production plants

The Carl Zeiss Meditec Group has five main production plants, which are located in Jena, Oberkochen and Hennigsdorf (Germany), Dublin (USA) and La Rochelle (France). The Group also has a number of smaller sites belonging to subsidiaries of Carl Zeiss Meditec S.A.S. in Besançon (France), Edinburgh (Great Britain) and Mauritius. In Jena and Dublin, the Carl Zeiss Meditec Group manufactures devices and systems for ophthalmology; in Oberkochen it produces visualisation solutions for ophthalmology and neuro/ENT surgery; the plants in Hennigsdorf and La Rochelle mainly manufacture intraocular lenses. The site in Edinburgh also produces viscoelastics, which are primarily used in cataract surgery. The two remaining production facilities of Carl Zeiss Meditec S.A.S. manufacture various products for the treatment of ophthalmic diseases.

3.4.2 Production concept

The core competencies of the Carl Zeiss Meditec Group with regard to devices and systems include the development of new technologies, products and applications, as well as system integration. Accordingly, the production of devices and systems within the Carl Zeiss Meditec Group focusses on the assembly of system components. Intraocular lenses (IOL), on the other hand, are largely manufactured in-house, i. e., no pre-manufactured products are purchased from third-parties. Only a number of specific steps in the production process are outsourced to external companies.

Significantly more than half of the purchased preliminary product are purchased from external suppliers.

In order to reduce its dependency on individual suppliers, the Carl Zeiss Meditec Group strives to qualify additional suppliers for key components and vendor parts.

3.4.3 Production planning

Production planning is in principle based on the rolling forecast method used by Sales. Once a month Sales prepares a sales forecast for the following twelve months, which is subsequently use as a basis for orders of individual parts. In order to keep stocks to a minimum, products are usually assembled to customer orders (one-piece-flow concept). The rolling forecast method is also applied to the manufacture of intraocular lenses. However, limited quantities of the finished products are stockpiled, since customers expect the implants to be delivered very quickly. Furthermore, the Carl Zeiss Meditec Group operates consignment warehouses in clinics and hospitals which – depending on consumption – are continually restocked.

3.5 Net assets

3.5.1 Statement of net assets

The following chart summarises the development of key items in the consolidated balance sheet:

Figure 7: Structure of the consolidated balance sheet

Assets	30 September 2007	30 September 2008
Goodwill	103,733	**111,735**
Noncurrent assets*	84,900	**105,553**
Cash and cash equivalents	217,921	**195,473**
Current assets**	289,756	**303,063**
Consolidated balance sheet total	696,310	**715,824**

Liabilities	30 September 2007	30 September 2008
Equity	481,250	**500,731**
Noncurrent liabilities	62,567	**71,737**
Current liabilities	152,493	**143,356**
Consolidated balance sheet total	696,310	**715,824**

* excluding goodwill
** excluding cash and cash equivalents

ASSETS

Goodwill

As of 30 September 2008 goodwill amounted to € 111.7 million (30 September 2007: € 103.8 million). This increase is attributable to the acquisition of Acri.Tec GmbH on 1 October 2007. (For further information on this transaction please refer to note "(13) Goodwill" in the accompanying Notes to the consolidated financial statements.)

Other intangible assets

As of 30 September 2008 this item totalled € 32.9 million. Compared with 30 September 2007 (€ 21.9 million), this increase of 49.8 % is mainly the result of the purchase price allocation for the Acri.Tec acquisition.

Inventories

Compared with 30 September 2007 this balance sheet item increased by 17.9 % from € 101.2 million to € 119.3 million. This increase is due to the stockpiling of inventories for new products (OPMI Lumera®, Cirrus™ HD-OCT, VisuMAX™), the growth in business volume and the first-time consolidation of Acri.Tec GmbH. (For further information see note "(19) Inventories" in the Notes to the consolidated financial statements.)

Trade receivables

"Trade receivables" decreased by 5.1 % from € 98.2 million as of 30 September 2007 to € 93.2 million as of 30 September 2008.

Accounts receivable from related parties

As of 30 September 2008 this balance sheet item totalled € 20.3 million (30 September 2007: € 15.5 million).

Securities
During a public takeover offer Carl Zeiss Meditec AG tendered shares of Wavelight Laser Technologies AG to Alcon Inc., Hünenberg, Switzerland. This reduced the balance sheet item "Securities" to € 0.03 million (30 September 2007: € 5.1 million). (See note "(22) Securities" in the Notes to the consolidated financial statements for further information.)

Cash and cash equivalents
This balance sheet item declined by 10.3 % from € 217.9 million as of 30 September 2007 to € 195.5 million due to the acquisition of Acri.Tec GmbH and the dividend distribution to Carl Zeiss Meditec shareholders for financial year 2006/2007 (€ 35.0 million). Another reason for the decline in this balance sheet item was the repayment of the first half of a loan used to finance the acquisition of LDT in 2004. (For more information please refer to note "(23) Cash and cash equivalents" in the Notes to the consolidated financial statements.) Cash and cash equivalents which the Carl Zeiss Meditec Group does not directly require for its business operations are lodged with the Group treasury of Carl Zeiss AG at normal market conditions. (For more information on this see also note "(35) Related party disclosures" in the accompanying Notes to the consolidated financial statements). This balance sheet item increased to € 61.8 million in the financial year under review.

LIABILITIES AND EQUITY

Equity
Equity rose to € 500.7 million as of 30 September 2008 (30 September 2007: € 481.3 million). This increase is due to the positive development of Carl Zeiss Meditec's business in the financial year under review. The dividend distribution referred to above had a diminishing effect on equity.

Provisions for pensions and similar commitments
This balance sheet item rose to € 12.0 million as of 30 September 2008 (30 September 2007: € 11.3 million) due to the increase in the number of employees. (For more information on this please refer to note "(25) Pension obligations" in the Notes to the consolidated financial statements.)

Noncurrent financial liabilities
As of 30 September 2008 this balance sheet item totalled € 18.8 million (30 September 2007: € 13.1 million). The main reason for this increase is the inclusion of Acri.Tec GmbH in the reporting entity of Carl Zeis Meditec.

Current provisions
At € 28.1 million, this balance sheet item was below the previous year's figure. One reason for this decline was the settlement of tax liabilities.

Current portion of noncurrent financial liabilities
As of 30 September 2008 this balance sheet item totalled € 0.9 million (30 September 2007: € 10.1 million). This was mainly attributable to the repayment of the first half of a loan which was used to finance the acquisition of LDT in 2004.

Trade payables
"Trade payables" increased by 9.1 % from € 25.1 million as of 30 September 2007 to € 27.4 million as of 30 September 2008.

Other current liabilities
This balance sheet item increased to € 23.0 million as of 30 September 2008 (30 September 2007: € 21.4 million) mainly as a result of deferred income.

3.5.2 Key ratios relating to net assets

Table 1: Key ratios relating to net assets

Key ratio	Definition		30 September 2007	30 September 2008	Change
Equity ratio	Equity / Total assets		69.1 %	70.0 %	+0.9 %-pts
Rate of inventory turnover	Cost of goods sold / Ø Average inventories		3.5	2.7	-22.9 %
Days of sales outstanding (DSO)	Trade receivables including receivables from related parties / Consolidated revenue	x 360 days	71.9 days	68.0 days	-5.4 %

3.6 Financial position

3.6.1 Objectives and principles of financial management

Carl Zeiss Meditec operates a global financial management system that covers all of its subsidiaries and is centrally organised at Group level. Its financial activities are geared towards its operational business and to the Company's strategic orientation.

The prime objective of the financial management system is to provide the Group subsidiaries with the necessary liquidity for their operations and to limit the financial risks. Any liquidity that is not required is deposited at normal market conditions via the Group treasury of Carl Zeiss AG. As described above, Carl Zeiss Meditec has production sites in the USA and Europe. Consequently, only part of the Company's business is subject to direct currency risks, which are hedged with simple currency forward transactions. Details on these transactions can be found in notes "(2) (h) Financial instruments", "(30) Additional disclosures on financial instruments", "(2) (t) Related party disclosures" and "(35) Related party disclosures" in the accompanying Notes to the consolidated financial statements.

Other priorities are securing the necessary financial flexibility to continually expand the Company's business activities and, in future, further optimising our capital costs. The Management Board makes the main decisions relating to the financing structure of the Group.

3.6.2 Financial management

The debt ratio of Carl Zeiss Meditec, i. e., the ratio between debt and total assets, fell from 30.9 % as of 30 September 2007 to 30.0 % as of 30 September 2008.

Cash inflows generated from operating activities provide an important source of financing for Carl Zeiss Meditec. The Group can also create additional liquidity by issuing new shares on the capital market. Furthermore, the Company has the option of taking out loans either from the Group treasury of Carl Zeiss AG or from banks.

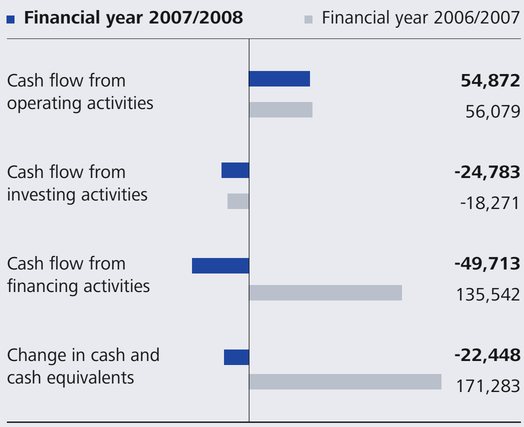
As part of the acquisition of US company LDT, the subsidiary Carl Zeiss Meditec Inc. concluded a loan agreement with Carl Zeiss Financial Services GmbH (Group treasury of Carl Zeiss AG), in the amount of US-$ 26.0 million (equivalent to € 19.6 million on the basis of the exchange rate on the date of acquisition). Further information on Carl Zeiss Meditec's noncurrent financial liabilities can be found in note "(27) Noncurrent financial liabilities" in the accompanying Notes to the consolidated financial statements.

Since Carl Zeiss Meditec possesses enough cash to finance its operating and strategic objectives, changes in interest rates and credit conditions are not having any material effect on the Group's financial situation at the present time. Carl Zeiss Meditec has no off-balance-sheet financing instruments.

3.6.3 Financial position

In the cash flow statement, which forms the basis for the presentation of the financial position, all items are adjusted for effects of the expansion of the reporting entity. Therefore, the only changes included are those made to individual items in the income statement and balance sheet after the respective date of first-time consolidation. In contrast, the consolidated balance sheet presents the figures as they stood on 30 September 2008. As a result, the statements in the analysis of the financial position may differ from the presentation of net asset position based on the consolidated balance sheet.

Figure 8: Summary of key ratios in the consolidated cash flow statement (Figures in € '000)



Cash flow from operating activities

Cash flow from operating activities amounted to € 54.9 million in financial year 2007/2008 (previous year: € 56.1 million). The improvement in consolidated net income and the positive interest income had positive effect on cash flow from operating activities. The stockpiling of inventories, among other things, as part of the expansion of marketing for new products VisuMax®, Cirrus™ HD-OCT and OPMI Lumera® had an opposite effect. When comparing with that of previous year, it should also be noted that the assumption of pension commitments for employees of the Japanese subsidiary in the previous year is included.

Cash flow from investing activities
Cash flow from investing activities increased in the reporting period from € -18.3 million to € -24.8 million, due particularly to the acquisition of Acri.Tec GmbH. The purchase price less cash and cash equivalents received totalled € 21.4 million. Carl Zeiss Meditec also received the redemption payment for a loan which Acri.Tec GmbH had granted to one of its former partners.

The sale of the shares in Wavelight Laser Technologies AG also brought Carl Zeiss Meditec additional cash of € 4.9 million.

Investments in property, plant and equipment amounted to € 7.6 million in the period under review (previous year: € 5.1 million). This figure is mainly attributable to investments in office equipment, fixtures and fittings at the subsidiaries, and the capitalisation of demo equipment.

Payments made for investments in property, plant and equipment during the reporting period are distributed across the subsidiary sites as follows (in € million).

Table 2: Distribution of payments made for investments in property, plant and equipment across the subsidiary sites (Figures in € million)

Germany	USA	Japan	Spain	France
3.1	2.2	0.01	0.1	2.2

Cash flow from financing activities
In financial year 2007/2008 cash flow from financing activities amounted to € -49.7 million (previous year: € 134.5 million). This cash flow is mainly attributable to the distribution of a regular and a special dividend (amounting to a total of € 35.0 million) and to the repayment of part of the loan used to finance the acquisition of Laser Diagnostic Technlogies in 2004. When making a comparison with the previous year, it should also be noted that the proceeds from the cash capital increase in October 2006 are included in financial year 2006/2007.

3.6.4 Investment and depreciation policy
The investments we make are made with the aim of further consolidating our excellent position in the medical technology market and developing areas in which we can achieve a leading position. We make a distinction in our investments between capacity expansions and replacement investments. These investments are usually financed from operative cash flow.

The production of devices and systems and visualisation solutions at Carl Zeiss Meditec is generally restricted to the integration of individual components to create system solutions, which means that the ratio of tangible fixed assets to total assets in this area is accordingly low, and investments in property, plant and equipment are comparatively small. An exception is the manufacture of intraocular lenses, which generally requires larger investments. Overall, however, the Group is only required to invest in property, plant and equipment to a relatively extent. This is illustrated by the development of the capex ratio, i. e., the ratio of total investments[9] in property, plant and equipment to consolidated revenue. This was 1.7 % in financial year 2007/2008, compared with 1.4 % in the previous financial year.

Intangible assets and property, plant and equipment are subject to scheduled, straight-line amortisation and depreciation, respectively, over their estimated useful lives. The goodwill arising from the acquisition of subsidiaries and intangible assets with an indefinite useful life are not subject to scheduled amortisation. For further information on this please refer to note “(2) (d) Goodwill and intangible assets with an indefinite useful life” in the Notes to the consolidated financial statements.

[9] In financial year 2007/2008 total investments in property, plant and equipment amounted to € 10.1 million, compared with € 7.8 million in the previous year.

3.6.5 Key ratios relating to financial position

Table 3: Key ratios relating to financial position (Figures in € '000)

Key ratio	Definition	30 September 2007	30 September 2008	Change
Cash and cash equivalents	Cash-in-hand and bank balances	217,921	195,473	-10.3 %
Net cash	Cash-in-hand and bank balances + treasury receivables from Group treasury of Carl Zeiss AG ./. Treasury payables to Group treasury of Carl Zeiss AG ./. Interest-bearing liabilities	223,745	210,398	-6.0 %
Net working capital	Current assets ./. Cash and cash equivalents ./. Treasury receivables from Group treasury of Carl Zeiss AG ./. Current liabilities excl. treasury payables to Group treasury of Carl Zeiss AG	87,542	105,511	+20.5 %
Working capital	Current assets ./. Current liabilities	355,184	355,180	±0 %

Table 4: Key ratios relating to financial position

Key ratio	Definition	Financial year 2006/2007	Financial year 2007/2008	Change
Cash flow per share	Cash flow from operating activities / Weighted average number of shares outstanding	€ 0.72	€ 0.67	-6.9 %
Capex ratio	Investment in property, plant and equipment / Consolidated revenue	1.4 %	1.7 %	+0.3 %-pts

3.7 Results of operations

3.7.1 Presentation of results of operations

Table 5: Summary of key ratios in the consolidated income statement (Figures in € '000)

	Financial year 2006/2007	Financial year 2007/2008	Change
Consolidated revenue	569,695	600,190	+5.4 %
Gross margin	*51.9 %*	*50.6 %*	*-1.3 %-pts*
EBITDA	82,180	80,557	-2.0 %
EBITDA margin	*14.4 %*	*13.4 %*	*-1.0 %-pts*
EBIT	70,359	67,830	-3,6 %
EBIT margin	*12.4 %*	*11.3 %*	*-1.1 %-pts*
Earnings before income taxes	76,113	75,732	-0.5 %
Tax rate	*34.8 %*	*25.7 %*	*-9.1 %-pts*
Consolidated net income after minority interest	47,757	54,048	+13.2 %
Earnings per share after minority interest	€ 0.61	€ 0.66	+8.2 %

3.7.2 Consolidated revenue

In financial year 2007/2008, Carl Zeiss Meditec's consolidated revenue increased by 5.4 % from € 569.7 million to € 600.2 million. In particular the products launched at the beginning of financial year 2007/2008 had a positive effect on the development of consolidated revenue.

3.7.3 Gross profit

Gross profit amounted to € 303.4 million in financial year 2007/2008 (previous year: € 295.5 million). This corresponds to an increase of 2.7 %. The gross margin declined year-on-year from 51.9 % to 50.6 %. This is due, among other things, to currency fluctuations. A one-off effect of around € 1.0 million in connection with the purchase price allocation of the Acri.Tec acquisition, and higher service costs associated with the launch of new products also had a curbing effect on development. Programmes to optimise production costs had a positive effect, although these were unable to fully compensate for the negative influences.

3.7.4 Functional costs

Compared with financial year 2006/2007, functional costs increased in absolute terms from € 225.8 million to € 236.0 million. This absolute increase of 4.5 % year-on-year is mainly due to the incorporation of Acri.Tec and the consolidation of Carl Zeiss Surgical, which was included for the first time for the full year in the period under review, compared with just eleven months in the previous year.

- **Marketing and selling expenses:** Compared with the previous year marketing and selling expenses increased from € 134.4 million to € 141.8 million in financial year 2007/2008, due in particular to the intensification of marketing activities. These included the more targeted focus of activities on customer requirements in the area of intraocular lenses and in relation to the new products Cirrus™ HD-OCT, VisuMax® and OPMI Lumera®. Costs also increased due to the expansion of capacities of Carl Zeiss Meditec. The ratio of marketing and selling expenses to consolidated revenue remained constant with the previous year at 23.6 % in financial year 2007/2008.

- **General and administrative expenses:** Expenses in this area remained almost constant compared with the previous year (€ 32.1 million), at € 32.3 million. This corresponds to 5.4 % of consolidated revenue (previous year: 5.6 %).
- **Research and development expenses:** Expenses in the area of research and development (R&D) amounted to € 62.0 million in financial year 2007/2008 (previous year: € 59.2 million), corresponding to an increase of 4.6 % year-on-year. This increase is attributable, among other things, to greater investment in the area of IOLs, such as clinical trials, as well as further new developments in the strategic business units "Neuro/ENT Surgery" and "Ophthalmic Systems". (For more information see "4. Research and development" in the consolidated management report.) Research and development expenses in the financial year accounted for 10.3 % of consolidated revenue, remaining almost unchanged from the previous year (10.4 %).

3.7.5 Development of earnings

Financial year 2007/2008 illustrates that a solid earnings trend is possible even with sustainable investments and volatile market conditions.

EBITDA totalled € 80.6 million in financial year 2007/2008, corresponding to a decline of 2.0 % year-on-year (previous year € 82.2 million). The **EBITDA margin** was 13.4 %, compared with 14.4 % the previous year. **EBIT** was € 67.8 million, compared with € 70.4 million the previous year. This corresponds to a decrease of 3.6 %. The **EBIT margin** decreased to 11.3 % (previous year: 12.4 %).

As a result of the Company's good liquidity situation **interest income/interest expenses (net)** amounted to € 4.1 million (previous year: € 3.3 million) in financial year 2007/2008.

Other financial income (€ 3.8 million) mainly consists of the proceeds from the sale of the 5 % interest in Wavelight Laser Technologies AG.

The **tax rate** in financial year 2007/2008 was 25.7 % and was thus significantly lower than in the previous year (34.8 %). This is due, among other things, to the decreasing tax charges in Germany and the development of taxable income worldwide. This is added to a special effect totalling € 2.4 million, which resulted from the abolition of withholding tax on retained earnings in the USA.

Minority interest increased year-on-year from € 1.9 million to € 2.2 million. This is attributable to the encouraging performance of the Japanese subsidiary Carl Zeiss Meditec Co. Ltd. in financial year 2007/2008.

Consolidated net income after minority interest improved significantly year-on-year, increasing to a greater extent than consolidated revenue. It rose by 13.2 % from € 47.8 million to € 54.0 million in financial year 2007/2008. **Earnings per share after minority interest** thus increased accordingly in financial year 2007/2008 to € 0.66 (previous year: € 0.61), despite the higher average number of outstanding shares.

3.7.6 Key ratios relating to results of operations

The year-on-year development of key ratios relating to the results of operations reflects the continuous growth in the profitability of the Company's capital and assets.

Figure 9: Development of key ratios relating to results of operations

* Consolidated net income after minority interest/consolidated revenue
** Consolidated net income after minority interest/equity
*** RoA, consolidated net income after minority interest/total assets
*** ROCE, EBIT/average capital employed

3.8 Economic position of the Group at the end of the financial year

Carl Zeiss Meditec's current economic position can be described as good, due not least to the positive development of business during the reporting period 2007/2008, among other factors. This is demonstrated by a broad, diversified and innovative product portfolio, highly qualified and motivated employees, a strong market position and, consequently, a robust profitability and liquidity situation.

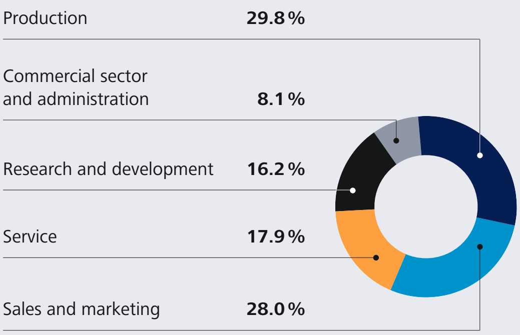
3.9 Orders on hand

As of 30 September 2008 the Group's orders on hand totalled € 66.8 million (previous year: € 57.4 million). It is the Group's general opinion that the trend observed in previous years of customers placing orders at short notice will continue, particularly with respect to systems and equipment for ophthalmology.

3.10 Employees

As of 30 September 2008 the Carl Zeiss Meditec Group employed a worldwide workforce of 2,152 (previous year: 1,929). The year-on-year increase in the number of employees is mostly due to the expansion of the reporting entity of Carl Zeiss Meditec due to the acquisition of Acri.Tec GmbH.

Figure 10: Personnel structure of the Carl Zeiss Meditec Group as of 30 September 2008



3.11 Events of particular significance

By way of a resolution of the Supervisory Board on 5 October 2007, the Supervisory Board of Carl Zeiss Meditec AG appointed the Managing Director of Carl Zeiss Surgical GmbH, Dr. Ludwin Monz, as an additional member of the Company's Management Board, effective from 8 October 2007.

Pursuant to a resolution by the Supervisory Board on 21 July 2008, Dr. Michael Kaschke assumed the office of President and CEO of Carl Zeiss Meditec AG, effective 22 July 2008. Ulrich Krauss, Bernd Hirsch and Dr. Ludwin Monz remain the other members of the Management Board. By mutual consent, James L. Taylor left the Company's Management Board for personal reasons. The former Deputy Chairman of the Supervisory Board, Dr. Markus Guthoff, assumed the position of Chairman of the Supervisory Board with effect from 22 July 2008.

4 Research and development report

4.1 Focus of research and development activities

The aim of our development activities is to further enhance the practical benefits of our devices and systems for the customer. We claim to offer cutting-edge products leaving competitors trailing in our wake. These products are predominantly solutions designed to reproduce the customer's workflows as fully and as efficiently as possible.

In the past financial year Carl Zeiss Meditec spent a total of € 62.0 million on research and development (previous year: € 59.2 million), corresponding to 10.3 % of consolidated revenue.

A total of 348 employees (previous year: 322 employees) Group-wide are engaged in developing our products and systems. This represents a share of 16.2 % (previous year: 16.7 %) of the total workforce of the Carl Zeiss Meditec Group, and is a further illustration of the importance attached to innovation within the Group. The product pipeline resulting from research and development activities secures future earnings power. At the present time, we are focussing on projects with particularly good prospects in order to achieve our ambitious targets.

4.2 Focus of research and development activities in the reporting period

Research and development at Carl Zeiss Meditec mainly focuses on:

- Examining new technological concepts to determine their clinical relevance and effectiveness
- The continuous development of the existing product portfolio
- The development of new products and product platforms based on available basic technologies and
- Networking systems and devices.

Some of the Carl Zeiss Meditec Group's research and development projects in financial year 2007/2008 were related to the launch of new products in the reporting period or immediately thereafter. These new products were as follows:

OPMI Lumera® i

Building on the very successful market launch of the OPMI Lumera® in the previous financial year, the main feature offered by the successor model, Lumera i, is the addition of new integrated workflow efficiencies designed specifically for the ophthalmic operating room environment. The most important feature of the Lumera series, Stereo Coaxial Illumination, has set a new milestone in the market for ophthalmic surgical microscopes, since it enables precise detail imaging in cataract surgery.

VISULAS® Trion

The range of therapeutic lasers was expanded with the VISULAS® Trion. This multi-wavelength solid-state laser can be used in a wide range of retinal procedures. The patented electronic micromanipulator of the VISULAS® Trion permits highly accurate guidance of the laser beam and slit lamp illumination – simultaneously. Innovative optional add-ons, such as the ACCENTO eyepiece and the ACCENTO footswitch give the ophthalmologist a high degree of safety and comfort when treating retinal anomalies.

The following table provides an overview of the objects of further research and development activities.

OPMI® Pentero® SW-Version 2.2

As part of the continuous further development of the neurosurgical high-end platform of the OPMI® Pentero®, development work on new functions and enhancements was completed. In particular the new light management function, the DICOM video function and the expanded system archive function have increased the scope of the systems for physicians.

Table 6: Other focal points of research and development activities in financial year 2007/2008

Focal point	Activities
Continuous development of the existing product portfolio	• Expansion of the portfolio in the area of fundus imaging with autofluorescence function • Expansion of the VISUPAC systems for integrating new camera types for the FF450+ • Further development of the femtosecond laser technology and expansion of the scope of application based on the existing VisuMax® platform • Preliminary development activities to develop new applications for femtosecond laser technology • Further development of microsurgical visualisation systems • Further development of the functionality of the Cirrus platform • Further development of the GDx systems for the early detection of glaucoma • Addition of new functions to the products IOLMaster®, Stratus OCT™, Visante® OCT and HFA2i through software packages • Further development of the hardware and software platform for video, imaging and treatment data networking in operating theatres
Development of new products and combination of diagnosis and treatment	• Extension of the ophthalmic surgery product range with innovative IOL designs to improve eyesight • Development of the yellow IOLs (including market launch of a minimally-invasive implantable lens), which filter violet light • Expansion of the range of implantation systems for modern micro-incision cataract surgery and pre-loaded injection systems • Further development of the integration of surgical microscopes in the surgical workplace and the hospital workflow • Further development of the microscope systems and visualisation functions, as well as intraoperative diagnostic functions • Further development of systems for intraoperative radiotherapy. Extension to postoperative treatment options
Basic research	• Ongoing investigation and evaluation of new technologies for application in medical technology • Activities to develop new applications for molecular imaging • Cooperation with external research partners, e. g. universities and institutes

4.3 Patents

The Company owns more than 700 patent families worldwide. It also owns more than 200 trademarks which are either registered or in the process of being registered (as of 30 September 2008). In addition to its own patents, the Company also has access to other technologies which are relevant to its business operations through license agreements.

Many products that have long been part of the Carl Zeiss Meditec Group's product range are based on principles that have been known in their basic form for decades. As a result, the protection provided by patents does usually not extend to the basic functionality of these products (basic patents), but rather to individual features and improvements that protect technically advantageous solutions. These patents can be essential to the success of the respective product on the market over its competitors.

5 Supplementary report

With effect from 5 November 2008 Carl Zeiss Meditec acquired all assets related to the production of two products for glaucoma diagnostics from its long-time OEM supplier, Welch Allyn. The acquired assets are mainly intellectual property rights, production rights and design know-how.

6 Remuneration report

6.1 Remuneration of the Management Board

6.1.1 Structure and amount of remuneration paid to the Management Board

The Supervisory Board's Personnel Committee decides on the amount and structure of remuneration to be paid to the Management Board. The remuneration paid to the Management Board of Carl Zeiss Meditec AG consists of a fixed and a variable portion. The variable portion is split into two components: the first component is contingent upon the achievement of certain targets for the respective financial year and the second bears a long-term incentive effect and risk elements.

For Management Board member Dr. Monz all payments and provisions in connection with the remuneration of the Management Board were shown at the subsidiary Carl Zeiss Surgical GmbH; for Management Board member Taylor they were shown at the subsidiary Carl Zeiss Meditec Inc.; in the case of Management Board member Dr. Kaschke they were charged to Carl Zeiss Meditec AG via group charges.

The **fixed portion** of the remuneration paid to the Management Board is not contingent upon the achievement of certain targets. It is paid monthly.

The **variable portion** of the remuneration, which relates to targets set for the respective financial year, is contingent upon the achievement of certain quantitative and qualitative targets. The quantitative targets, which bear the most weight, are revenue, EBIT and Economic Value Added® ("EVA®"). Strategic targets agreed individually between the Chairman of the Supervisory Board and the members of the Management Board are also taken into consideration. This portion of the remuneration is paid after the end of the respective financial year. The amount is contingent upon the degree of target fulfilment. A special case in financial year 2007/2008 was Management Board member Dr. Michael Kaschke, who was not paid any variable remuneration due to the fact that he had only been a member of the Management Board for a few weeks.

In addition to the two portions of Management Board remuneration described above, there is also a Long Term Incentive Program ("LTIP") for Management Board members Hirsch, Krauss and Dr. Monz. This programme first came into effect in financial year 2005/2006 and a new tranche is added each year. This LTIP consists of a **remuneration component with a long-term incentive effect and risk elements.** The annual tranches each have a term of three years. As part of the LTIP tranches Management Board members Hirsch, Krauss and Dr. Monz may, at the end of the respective three-year period, achieve an additional "target income" amounting to one third of their respective annual salaries, consisting of a fixed and a variable component. A key requisite for being entitled to this payment, however, is the achievement of a certain EVA® target for the respective three-year period set by the Supervisory Board, which will be evaluated at the end of each reporting period. The overachievement of this target is limited to a maximum of 200 %. In addition, the respective Management Board member's contract of employment must not have been terminated as of the end of the period. For the purposes of setting up appropriate provisions, an annual performance review is carried out at the balance sheet date at the end of each financial year during the three-year period for each tranche. The accrued amounts are not earned until the end of the period, however, and are only paid out at this time if the respective targets have been sufficiently met. In financial year 2007/2008 separate provisions of € 47 thousand were set up for Management Board members Krauss, Hirsch and Dr. Monz for the ongoing tranches of the LTIP.

The LTIP offered to Management Board member Taylor as part of his remuneration package with Carl Zeiss Meditec Inc. took the peculiarities of the US market into consideration. The degree of target achievement within the scope of the LTIP was gauged on the basis of fulfilment of annual targets. There was thus an indirect link to the variable remuneration, which was respecified each year. The only difference is that payment is only made if the beneficiary does not terminate his contract of employment during the period of the programme. The LTIP for Mr Taylor had a term of at least three years. In addition, the beneficiary had the option to extend it to a maximum term of five years. During the term of the programme the balance earned interest at a rate that increased with the beneficiary's length of service. Management Board member Taylor was paid remuneration entitlements totalling € 233 thousand (US-$ 350 thousand) upon his departure from the Company.

Table 7: Individualised breakdown of the remuneration paid to the members of the Management Board of Carl Zeiss Meditec AG (Figures in € '000)

	Remuneration for financial year 2007/2008		
	Fixed remuneration component	Variable remuneration (performance-related)	Total remuneration for financial year 2007/2008
Dr. Michael Kaschke[10]	22.5	0	22.5
Bernd Hirsch	198.0	91.0	289.0
Ulrich Krauss	203.0	85.0	288.0
Dr. Ludwin Monz[11]	194.0	96.0	290.0
James L. Taylor[12]	200.0	83.0	283.0

[10] Member of the Management Board since 22 July 2008
[11] Member of the Management Board since 8 October 2007
[12] Member of the Management Board until 21 July 2008

6.1.2 Pension scheme for members of the Management Board

The appropriation to provisions for pensions or pension funds is to be stated annually for pension commitments. Pursuant to IFRS there was neither an appropriation nor a reversal for Management Board member Hirsch, due to the increase in the actuarial interest rate in financial year 2007/2008; there was a reversal of € 29 thousand for Management Board member Krauss and a reversal of € 21 thousand for Management Board member Dr. Monz. The Company did not set up any pension provisions for Management Board member Dr. Kaschke nor did it set up any pension provisions for Management Board member Taylor. Instead, the US subsidiary is paying the employer's contribution of a savings scheme known as a defined contribution plan for him, as it does for the majority of its employees.

Projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amounted to € 203 thousand.

6.1.3 Departure of members of the Management Board

In the event of a premature termination of the employment relationship, the contracts for members of the Management Board do not contain any explicit promise of a severance payment. Severance payment may, however, ensue from a severance agreement concluded on an individual basis.

An agreement was concluded with Management Board member Taylor upon his departure from the Company pertaining to compensation for a comprehensive prohibition on competition. This agreement provides for compensation of € 220 thousand (US-$ 330 thousand) to be paid to Mr. Taylor. A provision in this amount was set up in the past financial year and will be paid out to Mr. Taylor in twelve monthly instalments, starting in October 2008.

6.2 Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is calculated according to Art. 19 Section 1 of the current version of the Articles of Association of Carl Zeiss Meditec AG. In accordance with the Articles of Association, the Supervisory Board itself decides how to distribute the performance-related remuneration amongst its members. This decision on the remuneration takes account of the Chair and Deputy Chair of the Supervisory Board and committee membership (see the "Report of the Supervisory Board" in this Annual Report for further information). The amount to be paid is determined firstly on the basis of the varying fixed remuneration for the Chairman of the Supervisory Board and his Deputy as laid down in the Articles of Association. Secondly, functions on Supervisory Board committees are taken into account for the distribution of the variable remuneration. The table below shows an individualised breakdown of the remuneration paid to the Supervisory Board:

Table 8: Individualised breakdown of the remuneration paid to the Supervisory Board of Carl Zeiss Meditec pursuant to Art. 19 Section 1 of the Carl Zeiss Meditec AG's Articles of Association (Figures in € '000)

	Fixed remuneration component	Variable remuneration (performance-related)
Dr. Michael Kaschke[13]	16.1	43.2
Dr. Markus Guthoff[14]	16.0	48.3
Dr. Dieter Kurz[15]	11.0	45.8
Dr. Wolfgang Reim	10.0	38.4
Franz-Jörg Stündel[16]	10.0	34.4
Wilhelm Burmeister[16]	10.0	27.5

[13] Supervisory Board mandate suspended since 22 July 2008
[14] Chairman of the Supervisory Board since 22 July 2008
[15] Deputy Chairman of the Supervisory Board since 22 July 2008
[16] Employee representative legally appointed to the Supervisory Board on a voluntary basis

The Company did not pay members of the Supervisory Board any additional remunerations or benefits for personally rendered services (in particular advisory and agency services) in financial year 2007/2008.

7 Risk report

7.1 Risk management system

The term "risk" refers to all circumstances and developments within and outside the Company which could have a negative effect on the attainment of business targets and budgets within a defined period of assessment.

The Carl Zeiss Meditec Group is, by its nature, exposed to a large number of risks in the course of its business activities. Regulating and controlling these risks within the usual bounds of risk-taking is a basic prerequisite for the Company's success. Effective risk management is therefore an important success factor for the sustained protection of corporate value. As a stock corporation, Carl Zeiss Meditec is subject to the rules and standards applicable for listed companies.

Risk management is an integral part of corporate management at Carl Zeiss Meditec and is based on three major components:

- **Risk management system:** In order to be able to identify risks in good time, evaluate them and take the appropriate countermeasures, the Group has set up a risk management system. This is a clearly structured feedback loop which encompasses all corporate activities and comprises a systematic and ongoing process. The following phases are defined: Identification – Evaluation – Control – Documentation. A key component of this is a database-assisted software solution, which is used to regularly record, systematise and evaluate risks, their estimated probability of occurrence and their damage potential.
- **Controlling instruments:** The Controlling department at Carl Zeiss Meditec regularly updates the Management Board, the Managing Directors of the subsidiaries and all responsible decision-makers within the Carl Zeiss Meditec Group about potential risks based on key ratios, thereby supplementing the information provided by the risk management system. Continuous risk prevention is ensured by direct and regular contact between the individual functional areas using standardised procedures.
- **Certified quality management:** A vital part of early risk detection is the Group's certified quality management system. Clearly structured and documented quality management processes ensure not only transparency, but are now a prerequisite in most markets for obtaining regulatory approval for medical products. The quality assurance system employed by Carl Zeiss Meditec was certified by *DQS GmbH Deutsche Gesellschaft zur Zertifizierung von Managementsystemen* and complies with the US standard for "Good Manufacturing Practice" ("GMP"), 21 C.F.R. part 820, Quality System Regulation. A key objective of these certified processes is risk prevention.

The risk management system is an integral part of the Company's overall controlling and reporting process and ensures the systematic recording and evaluation of risks. It also guarantees that the relevant information is immediately passed on to the responsible decision-makers. The main features of this system are as follows:

- Under the direction of a central risk manager, the responsible employees at the different sites regularly assess processes, transactions and developments for existing risks.
- Risks are identified and evaluated according to standard risk matrices.
- Regular risk reports are sent to the Management Board, the Managing Directors of the subsidiaries and other decision-makers within the Group on the basis of specified thresholds for relevant risks and in accordance with the classification using the risk matrices.
- On this basis, suitable steps are taken to avoid identified risks, reduce the probability of their occurrence and minimise the potential financial losses of such risks.

Like the internal reporting system, the risk management system is also subject to periodic auditing and ongoing development. The risk management system is also audited as part of the audit performed by the appointed auditor of Carl Zeiss Meditec AG.

7.2 Market and competition

The search for new treatment methods in the medical technology market has intensified as a result of global competition. Some competitors of the Carl Zeiss Meditec Group are larger than the Carl Zeiss Meditec Group in terms of their total revenue, and they have greater financial resources at their disposal to deal with competitive pressure. It is also possible for existing competitors to be bought up by large, financially stronger companies or for new competitors to enter the market. The resulting or heightened competitive pressure this causes can lead to lower selling prices, margin pressure and/or loss of market shares. The Carl Zeiss Meditec Group prepares for the potential risks of a changing market environment by continuously observing the market, in order to be able to react with the necessary foresight.

Other market and competition-related risks are also presented by possible benefit cuts in the health care sector, which could have an impact on growth opportunities. Health insurance funds, insurance companies or government health schemes reimburse the costs of certain medical treatments carried out using products of the Carl Zeiss Meditec Group. Changes in health and reimbursement policy in Germany or abroad could lead to the denial or reduction of reimbursement services. If reimbursement rates are too low, the profit margin of doctors and hospitals may fall, prompting them to suspend or restrict the performance of the respective treatments. In addition, there can be no guarantee that patients will be willing or able to cover all or some of the costs of the treatment carried out with products of the Carl Zeiss Meditec Group themselves. In the case of new products, it is also impossible to predict with any certainty whether health insurance funds, insurance companies or government health schemes will offer any reimbursement at all. The complete or partial cutback of reimbursements could diminish the demand for products of the Carl Zeiss Meditec Group.

Some products of the Carl Zeiss Meditec Group are mainly used for treatments for which patients receive no reimbursement from health insurance funds, insurance companies or government health schemes. This applies in particular to laser treatments for the correction of vision defects. The demand for such treatments may decline if the disposable income of private households decreases as a result of market conditions, or if there is uncertainty about the further development of income of private households. Demand behaviour may, however, also be influenced by other factors, such as press reports about the potential risks of such treatments, or changes in fashions or trends. A decline in the demand for such treatments may lead to a decrease in the Carl Zeiss Meditec Group's revenue, as physicians and treatment centres may no longer buy the same quantities of such devices.

On the other hand, the demographic trend in industrialised countries and economic development in the emerging markets, as well as the increasing requirements for medical devices for diagnosing and treating age-related diseases, present growth opportunities for the Company.

7.3 New technology and products

The markets in which the Carl Zeiss Meditec Group operates are characterised by a constant stream of technological innovations. A capacity for innovation and rapid product development are key competitive factors. New scientific findings may lead to shorter development and product cycles, alternative technologies or new pharmaceutical procedures. Whoever is first to launch innovative products for better treatment methods on the market may gain market shares from other suppliers. The success of the Carl Zeiss Meditec Group therefore depends heavily on the quick development of innovative and market-driven products, and on the timely recognition and conversion of new technology trends and new medical findings into new products. Should the Group lose touch with technological developments on the market, react too late to major technological developments, or fail to identify a market trend in due time or at all, this could have an impact on its competitive position.

There is also a risk of one or more products of the Group being entirely replaced by alternative technologies, pharmaceutical procedures or treatment methods. This could revenue or even completely eliminate demand for certain products in the future, resulting in losses in sales and earnings.

Carl Zeiss Meditec actively counters this risk by investing heavily in the research and development of products with a technological edge and unique selling points, as well as in the upstream areas of Market Intelligence, Strategic Business Development and Advanced Technology.

7.4 Personnel risks

The ability of the Carl Zeiss Meditec Group to develop new products and technologies or enhance existing ones and market these successfully, also depends on its ability to recruit well qualified employees and keep them with the Group long term. When looking for qualified employees, the Carl Zeiss Meditec Group has to compete with many other companies in the same sector. Should the Group fail to continue recruiting and retaining a sufficient number of qualified employees, this could limit the technical advancement and sale of the products and services it offers. Carl Zeiss Meditec counters this potential risk with active employee development and succession planning.

7.5 Product approval and political environment

In almost all of the countries in which the Carl Zeiss Meditec Group operates, business activities in the medical technology sector are subject to extensive government regulations. Particular attention must be paid to legal requirements concerning the manufacture and marketing of medical devices. In many countries, medical devices require explicit marketing approval or certification. Since the Group's products are intended for a global market, they must comply with the relevant legal requirements worldwide.

Although the relevant legal requirements are incorporated into all stages of development, production and distribution, there is no guarantee that products requiring approval will be granted regulatory approval at all or in time for their planned launch in the market, or that the various registrations of the Group will still exist or be renewed in the future. This could lead to losses in revenue. For instance, if the regulatory approval of a product is delayed, competitors may launch new products in the meantime and thereby win market shares, as a product whose market launch is delayed may, in some circumstances, not be met with (full) acceptance. It is also possible for a sales ban to be imposed on the products of the Carl Zeiss Meditec Group, or for the regulatory approval requirements to be tightened in future.

In order to be able to identify such developments in good time and react appropriately, the Group keeps a close eye on developments in this area and monitors approval procedures in great detail as part of its quality management system.

7.6 Dependence on affiliated companies and external suppliers

The Carl Zeiss Meditec Group and the Carl Zeiss Group have close contractual relationships in some areas. This relates in particular to the procurement of IT services and agreements with distribution companies of the Carl Zeiss Group to ensure the distribution of the Carl Zeiss Meditec Group's products in various countries where the latter is not represented by its own distribution staff.

No guarantee can be given that the conditions for the services provided by the Carl Zeiss Group and by external suppliers will not deteriorate in future. This presents the risk that the Carl Zeiss Meditec Group may be unable to quickly turn to other lower-cost providers.

The Carl Zeiss Meditec Group mainly uses components from external suppliers to manufacture its products. Cooperation with external suppliers is becoming progressively more intense due to general cost pressure and the complexity of the components being supplied, leading to mutual dependencies. Outsourcing contracts to third parties involves the risk of non-delivery or delivery delays if individual business or cooperation partners do not duly fulfil their contractual obligations. No guarantee can be given that external suppliers will not raise the prices of services rendered in the future. Furthermore, suppliers may decide, for various reasons, to terminate their business relationships with the Group. Qualifying new suppliers, which would be necessary in this case, may take a long time. In addition, the Carl Zeiss Meditec Group may be liable vis-à-vis its own customers for the breach of contractual obligations by its business and cooperation partners. This could have negative implications for the production, sales and the quality of the Group's products.

By implementing consistent supply chain measures, such as qualifying its suppliers, identifying secondary suppliers and preparing a strategic inventory plan, Carl Zeiss Meditec protects itself as best it can against supplier dependencies and changes on the commodities market.

7.7 Patents and intellectual property

The competitiveness of the Carl Zeiss Meditec Group depends on the protection of its technological innovations against exploitation of these innovations by third parties. Violations of intellectual property and patent protection may compromise their technological lead and thus their competitive advantage. In order to counter this risk, the Group protects its own inventions with patents, acquires or licences patents from third parties and endeavours to protect these patents and its other intellectual property. The expiry of property rights, particularly patents, as well as the geographical limitation of property rights could, however, result in new or existing competitors exploiting the inventions of the Carl Zeiss Meditec Group to enter the market or strengthen their market position.

Furthermore, in spite of the measures taken by the Group to protect its patents and other intellectual property, third parties may still attempt to copy or partly copy products of the Carl Zeiss Meditec Group, since the unauthorised use of intellectual property is generally difficult to monitor and copyright laws only provide for limited protection. In this context, the Carl Zeiss Meditec Group could become involved in lengthy and costly litigation proceedings. There is also no guarantee that the measures taken by the Group to protect its own intellectual property rights will successfully prevent the development and design of products or technologies that are either similar to or that could compete with the products of the Carl Zeiss Meditec Group. If its technological innovations cannot be sufficiently protected, the competitiveness of the Carl Zeiss Meditec Group may be impaired.

In order to avoid the above-mentioned legal disputes, patents and patent applications in the relevant fields are analysed by the patent department at regular intervals.

7.8 Loss of confidential data

The Carl Zeiss Meditec Group owns a large number of business secrets. No guarantee can be given that the confidentiality of these business secrets will be effectively protected and remain intact. If business secrets of the Carl Zeiss Meditec Group become known to competitors, this may have negative effects on the Group's competitive position. To limit this risk, ethical rules of behaviour were laid down in the Carl Zeiss Group's "Code of conduct" and brought to the attention of all employees.

In the sphere of IT solutions the Group has established a number of mechanisms for the protection of confidential data. Conformance to and the effectiveness of these measures is continuously monitored.

7.9 Product liability risk

There is an inherent risk of malfunctions in some of the medical devices and system solutions manufactured by the Carl Zeiss Meditec Group causing injuries to patients. This risk cannot be entirely excluded, even if the Carl Zeiss Meditec Group applies all reasonable quality control measures and complies with all legal requirements. Although no significant product liability claims have been made against the Group to date, no guarantee can be given that the Carl Zeiss Meditec Group will not be faced with such claims in the future. This may lead, on the one hand, to considerable legal costs, irrespective of whether a claim for damages ultimately materialises. On the other hand, it could damage the reputation of the Carl Zeiss Meditec group in the long term.

The Group covers itself against potential product liability claims by taking out product liability insurance. Potential product liability claims brought against the Group in the USA pose a particular risk, as the damages awarded by the courts there can be very high. Product liability cases may also require costly recall campaigns. The possibility cannot be entirely excluded that the Carl Zeiss Meditec Group's existing insurance coverage may not be sufficient for potential claims. Nor can it be guaranteed that the Carl Zeiss Meditec Group will be able to take out insurance policies against product liability risks at acceptable economic conditions in future.

7.10 Acquisition of businesses

Potential risks associated with acquisitions are carefully and systematically assessed in advance. In order to conclude transactions successfully, a standard process for mergers & acquisitions was established, which pays particular attention to due diligence. Each transaction is systematically assessed for maintenance of value and synergy potential. The transparency that this creates means helps the Company to make more confident decisions.

The goodwill that usually arises from the acquisition of other companies is instead regularly examined for impairment. To this end, an impairment test is carried out pursuant to IAS 36. In this test, the cash flows anticipated from the various acquired businesses, so-called cash-generating units (CGU), are determined and discounted to the balance sheet date. It is determined whether the carrying amount of the CGUs exceeds the recoverable amount of the same. An impairment is indicated if the recoverable amount is lower than the carrying amount. Carl Zeiss Meditec reviews its goodwill for impairment at least once a year. In the event of a deterioration in the net worth, financial position or results of operations of the acquired companies, it is possible that the Group will be obliged to recognise in its income an impairment of the goodwill entered in the balance sheet of its consolidated financial statements.

With effect from 1 October 2007 the Group acquired 100 % of the shares in Acri.Tec AG (now Acri.Tec GmbH), which has its registered office in Hennigsdorf. As a result of this and past acquisitions – the former Asclepion-Meditec AG by Carl Zeiss Ophthalmic Systems AG, the former hiko medical communication GmbH (now trading as Carl Zeiss Meditec Systems GmbH), the US company Laser Diagnostic Technologies Inc. and the French Carl Zeiss Meditec S.A.S. (previously Ioltech S.A.) – Carl Zeiss Meditec has reported goodwill totalling around € 111.7 million in its consolidated balance sheet as of 30 September 2008.

The impairment tests carried out in the current financial year did not give any indication of impairment of the assets allocated to these cash-generating units. On the basis of business trends, the Group anticipates positive results for subsequent tests. For the future, however, the possibility cannot be entirely ruled out that the net worth, financial position and results of operations of individual or all of the acquired companies referred to above may deteriorate. In such an event, Carl Zeiss Meditec may be forced to recognise income an impairment of the goodwill entered in the balance sheet of its consolidated financial statements.

In the future, the Group may achieve continued growth by acquiring other companies, among other things. When looking for suitable acquisition targets, the Carl Zeiss Meditec Group competes with other manufacturers. There is a risk that suitable target companies may not exist or be available at acceptable conditions. Acquisitions also bear the additional entrepreneurial risk of the acquired company not performing as well economically as expected in the market, or of the revenue and earnings targets being pursued with its acquisition not being reached, or of intended synergy effects not being achievable.

With regard to other companies that may be acquired in future, there is a fundamental possibility of it being impossible to fully integrate these companies into the Carl Zeiss Meditec Group. In such an event, this could have a negative impact on the net worth, financial position and results of operations of the Carl Zeiss Meditec Group. Further details on business acquisitions concerning Carl Zeiss Meditec can be found in note “(3) Business combinations” in the Notes to the consolidated financial statements.

7.11 Legal risks

Legal risks may arise due, among other things, to changes in general legal conditions in our relevant markets and to legal disputes with competitors, business associates or customers.

Within the scope of its business operations, the Carl Zeiss Meditec Group may be party to various litigation proceedings or may become involved in such proceedings in future. These could individually have a significant impact on the economic position of the Carl Zeiss Meditec Group. It is not possible to determine or predict the outcome of pending or threatened proceedings. Involvement in any litigation could lead to considerable costs for the Carl Zeiss Meditec Group, irrespective of the outcome. At the present time, there is no pending litigation that poses a substantial risk. Should it be necessary, adequate provisions will be set up as a precaution.

Further details on litigation and arbitration proceedings involving Carl Zeiss Meditec can be found in note “(31) Contingent liabilities and other financial commitments” in the accompanying Notes to the consolidated financial statements.

7.12 Economic environment

The worldwide distribution of Carl Zeiss Meditec’s products and system solutions and its research and production locations in Germany, France and the USA illustrate the global nature of the Company. Therefore, in addition to the types of risks described above, the general global political situation, major natural disasters, overall economic development and market trends in individual regions of the world may have many effects on Carl Zeiss Meditec Group's chances of success.

In particular the general situation in the global economy worsened in the period under review, which has led to greater economic risks. Leading financial institutes (see 9.4 General economic conditions in 9. Forecast report) are forecasting a significant decline in growth. The international financial market crisis and the shifts in currency relations have also increased the risks for Carl Zeiss Meditec.

Thanks to the early risk detection system established within the Carl Zeiss Meditec Group, these risks can be recognised in good time and countered accordingly. If, however, the current general economic situation does not improve and the economy deteriorates further, this could result, at least temporarily, in demand shortfalls and thus negative consequences for revenue and earnings.

7.13 Other disclosures in accordance with Art. 289 Section 2 No. 2 HGB, Art. 315 Section 2 No. 2 HGB

Price change risks can never be ruled out. However, Carl Zeiss Meditec counters these risks by focussing on product innovations and optimising its production costs with cost-cutting and efficiency-enhancing measures.

Potential risks arising from the loss of trade receivables are minimised by an active receivables management system. The Group also regularly sets up adequate provisions to cover such risks. On the whole, however, this can be regarded as a limited risk. The ratio of valuation adjustments of trade receivables to consolidated revenue was 1.4 % in the year under review (previous year: 1.6 %).

The financial situation of Carl Zeiss Meditec can be considered stable. Cash and cash equivalents amounted to € 195.4 million as of the balance sheet date 30 September 2008. These are added to credit of € 61.8 million, expressed as receivables from the Group treasury of Carl Zeiss AG. The Group also generated cash flow from operating activities of € 54.9 million in the period under review. The Group therefore has sufficient liquidity at the present time.

Carl Zeiss Meditec is not subject to any significant fluctuations in cash flow that would result, for example, from a distinct seasonality of its business.

As a company with global operations Carl Zeiss Meditec is exposed to the effects of exchange rate fluctuations. In order to hedge against this currency risk, Carl Zeiss Meditec concludes currency forward contracts based on planned transactions in foreign currency. These contracts generally have a term of up to one year.

7.14 Overall assessment of risks

With the exception of the global economic downturn there were no significant changes in the risk situation of the Carl Zeiss Meditec Group during the reporting period compared with the previous year. The assessment of the overall risk situation is the result of a consolidated consideration of all substantial individual risks. From today's perspective there are no perceptible risks which could – on their own or collectively – jeopardise the future operations of the Carl Zeiss Meditec Group.

8 Disclosures pursuant to Article 289 Section 4 and Article 315 Section 4 HGB

The share capital of Carl Zeiss Meditec AG amounts to € 81,309,610 and is composed of 81,309,610 no-par value ordinary bearer shares (no-par value shares). Each share entitles the bearer to one voting right and an equal share in Company profits.

Carl Zeiss Meditec is aware of the following direct and indirect holdings in the capital of Carl Zeiss Meditec AG in excess of ten percent of the voting rights. Carl Zeiss AG, Oberkochen, Germany, holds, both directly and indirectly, a total of 65.05 % of the voting rights in Carl Zeiss Meditec AG. This corresponds to 52,893,270 no-par value shares. Carl Zeiss AG also indirectly holds 7.47 % of the voting rights or 6,074,256 no-par value shares in Carl Zeiss Meditec AG via its second-tier subsidiary Carl Zeiss Inc., Thornwood, USA.

Employees of Carl Zeiss Meditec AG or its affiliated companies pursuant to Art. 15 et seqq. AktG, who participate in the Company via employee share plans relating to the share capital of Carl Zeiss Meditec AG, exercise their control rights directly like all other shareholders of the Company.

Pursuant to Art. 179 and Art. 133 AktG, an amendment to the Articles of Association requires a resolution by the General Meeting which, in turn, requires a simple majority of the votes cast and a majority comprising at least three quarters of the share capital represented at the time the resolution is passed. The Articles of Association may specify a different capital majority; in the case of an amendment to the purpose of the Company, however, only a larger capital majority may be specified. Art. 24 of Carl Zeiss Meditec AG's Articles of Association states that in cases for which the law requires a majority of the share capital represented at the time of resolution, a simple majority of the share capital represented is sufficient, provided that a greater majority is not mandatory by law. In accordance with Art. 27 of the Articles of Association of Carl Zeiss Meditec AG, the Supervisory Board is authorised to resolve amendments to the Articles of Association that only affect the version. This complies with Art. 179 Section 1 Sentence 2 AktG.

The legal provisions concerning the appointment and dismissal of members of the Management Board are set forth in Art. 84 and Art. 85 AktG. In compliance with this, Art. 6 Section 2 of the Articles of Association of Carl Zeiss Meditec AG stipulates that the Supervisory Board should be responsible for appointing and dismissing the members of the Management Board. Pursuant to statutory provisions, a member of the Management Board may only be dismissed for compelling reasons.

Pursuant to Art. 4 Section 5 of the Articles of Association of Carl Zeiss Meditec AG, the Company has an Authorised Capital I. Subject to the approval of the Supervisory Board, the Management Board is accordingly authorised to increase the share capital by up to € 39,654,800.00 through one or several issues in the period up to 9 March 2011. To this end, new no-par value bearer shares may be issued against cash or contributions in kind. The Management Board is authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders in the following cases:

- to balance out fractional amounts,
- if the capital increase is effected against cash contributions and the new shares, for which the subscription rights are excluded, are equivalent to no more than 10 % of the share capital, neither on the date the increase becomes effective, nor on the date this authorisation is exercised, and the issuing price of the new shares is not significantly lower than the market price of shares of the same type and structure already publicly quoted. Sales of treasury shares on the basis of other authorisations pursuant to Art. 186 Section 3 sentence 4 AktG must be taken into account in the limitation to 10 % of the share capital,

- for capital increases against contributions in kind to grant shares for the purpose of acquiring companies, parts of companies or equity interests in a company.

The Management Board is authorised, subject to the approval of the Supervisory Board, to specify the further details of the capital increase from Authorised Capital I.

In accordance with Art. 4 Section 6 of the Articles of Association of Carl Zeiss Meditec AG, Authorised Capital II continues to exist. This authorises the Management Board, subject to the approval of the Supervisory Board, to increase the Company's share capital, on one or several occasions until 18 March 2009, by a maximum of € 1,000,000.00 by issuing new no-par-value bearer shares against cash contributions and/or contributions in kind. The new shares will be issued to employees of Carl Zeiss Meditec AG and its subsidiaries. Shareholders' subscription rights are excluded. The Management Board is authorised, subject to the approval of the Supervisory Board, to specify the further details of capital increases from Authorised Capital II.

Based on the resolution of the General Meeting of Carl Zeiss Meditec AG on 7 March 2008, the Management Board is authorised to purchase treasury shares. This authorisation is valid until 6 September 2009. The shares may be acquired to:

- offer them for purchase to employees of the Company and affiliates of the Company as defined by Art. 15 et seqq. AktG, or
- use them for the purpose of mergers with companies or within the scope of purchasing companies, parts of companies or shares in companies, or
- to recall them.

This authorisation is limited to the acquisition of shares equivalent to share capital of € 8,130,000.00 or less than 10 % of the total existing share capital. The shares shall be purchased at the stock exchange. The consideration paid by the Company per share (excluding incidental purchase costs) may not be more than 10 % above or below the closing rate of the shares in Xetra trading (or an equivalent successor system to the Xetra trading system) at the Frankfurt Stock Exchange on the previous day of trading.

The Company has not entered into any significant agreements conditional upon a change of control following a takeover bid.

Nor has the Company concluded any compensation agreements with the members of the Management Board or employees for the event of a takeover offer.

9 Forecast report

9.1 Future selling markets

Carl Zeiss Meditec is a company with global operations. Our aim in the coming years is to continue to maintain as balanced a distribution of revenue as possible across our individual markets. At present, we still generate the largest proportion of our revenue in the "Americas" regions, closely followed by the region "Europe, Middle East and Africa". We also see potential in the "Asia/Pacific" region, which will become considerably more important in the medium and long term due to the demographic trends. Our plan for the future is therefore to continue to expand our activities in this region with regard to the marketing, procurement and production of our products on this basis.

9.2 Future research & development activities

The medical technology sector is characterised by a constant stream of technological innovations. A capacity for innovation and short times-to-market are major competitive factors. The Carl Zeiss Meditec Group intends to continue developing product innovations in future, which will enable our customers to achieve further increases in efficiency and the highest degree of safety in treatment methods. To this end, new technological and market trends will be systematically and continuously identified and evaluated, and the most promising concepts will be incorporated in new development projects.

Carl Zeiss Meditec also aims to sustainably and selectively expand the product portfolio in its three strategic business units in future. Carl Zeiss Meditec will also continue to invest around 10 % of its consolidated revenue in research and development.

9.3 Anticipated employee development

We will continue to face strong competition for qualified employees in future. By offering continuous human resources development programmes and lucrative career opportunities we position ourselves as an attractive employer and ensure that the Company will continue to have a sufficient number of suitable specialists and executive staff in future. Further and advanced training will continue to be a particular focus. Based on the development we have budgeted for we do not expect any significant change in the size of our workforce next year.

9.4 General economic conditions[17]

The global economy looks set to lose even more momentum in 2009, since the debts, particularly in the financial and property markets, are currently quite substantial. It is assumed that this will spread to the real economy. In light of this situation, the project group is forecasting a global growth in gross domestic product ("GDP") of 1.8 % year-on-year in 2009. In the current environment, the imponderables for the global economic forecast are great. The main uncertainties remain the extent and duration of the crisis on the international financial markets and the implications of these for the real economy.[18]

According to the project group, the temporary slowdown of the US economy will continue into 2009. The project group therefore anticipates a year-on-year increase of 1.0 % in this region's gross domestic product in 2009.[19]

The project group is forecasting an increase of 0.8 % in Japan's GDP in 2009 and thus a continuation of the economic slowdown there. GDP in Japan will thus be significantly lower than in previous years.[20] Overall, the dynamics of the economy in the emerging countries of East Asia are expected to suffer a further slowdown in the forecast period. It is predicted that this region's GDP will increase by 4.5 % in 2009. China's GDP is expected to increase by 9 % in the coming year, which would be the lowest growth rate there since 2001.[21]

It is becoming apparent that the economies of a number of countries in Europe are sliding into a recession in the second half of 2008; in other words, the economy has not grown or has even contracted over two consecutive quarters compared with the same quarters of the previous year. Support for the economic development, however, is the fact that the euro has fallen slightly since the middle of the year, which has thus reduced the influence of a major source of economic pressure in Europe. The eurozone economy is expected to expand by just over 0.5 % in 2009.[22]

The project group expects GDP in Germany to grow steadily in 2009.[23]

9.5 Five strategic priorities

We shall strive to consistently realise our objectives based on our RACE 2010 company programme. This contains the five strategic priorities:

- **Innovation:** We shall improve the efficiency of our product innovation process in order to serve our customers even faster and even more specifically with products and solution.
- **New markets:** We shall use our excellent market positions to accelerate our expansion into the markets of the next decade.
- **Customer care:** We shall improve our existing competitive position, which is based on strong, innovative products, by intensifying customer support and increasing the efficiency of our sales and distribution structures.
- **Process excellence:** We shall adapt important processes to uniform Company-wide standards, in order to speed up cross-departmental integration and make the organisation more efficient overall.
- **Employees:** We shall pursue a performance-orientated corporate culture that is shared by all of our committed and competent employees to ensure that we archieve our strategic targets.

9.6 Planning assumptions

Given the deepening of the crisis on the financial markets and the resulting effects on further economic development, forecasts are subject to a high degree of uncertainty in the current environment.

The statements contained in the "9.7 Outlook" section below are based on the current assessments of the Management Board of Carl Zeiss Meditec. These are based on the forecasts for

[17] *"Projektgruppe Gemeinschaftsdiagnose"* (Joint Economic Forecast project group) (editors): Autumn 2008 *"Deutschland am Rande der Rezession"* (Germany on the brink of recession), Gemeinschaftsdiagnose Autumn 2008, 10 October 2008, Halle/Saale
[18] Cf. ibid., p. 10 et seqq.
[19] Cf. ibid., p. 17 et seq.
[20] Cf. ibid., p. 18 et seq.
[21] Cf. ibid., p. 19 et seq.
[22] Cf. ibid., p. 10 et seqq. , 26 et seqq.
[23] Cf. ibid., p. 42 et seqq.

macroeconomic development presented above, which comply with those of leading economic institutes. In summary, it can be concluded that the macroeconomic outlook has deteriorated significantly. It can be assumed that the financial crisis will spread to the real economy. In principle – due to fundamental trends, such as the aging population and the demand for diagnostic and therapeutic products, both in ophthalmology and in neuro/ENT surgery remaining stable – we expect the positive trend on the global market for ophthalmology and neuro/ENT surgery to persist for the next two years. Although the majority of Carl Zeiss Meditec's business is not directly dependent on the economy, no assurance can be given that the financial crisis will not have an effect on the investment decisions of our customers, the medical doctors. There is a possibility that investments may be postponed in the future.

Our further development in future also includes exploiting external growth opportunities in some areas. It is not possible at this point to gauge how feasible such opportunities might be.

Nevertheless, we shall continue to prove our innovative strength in future by expanding our portfolio, even in these challenging times, with the launch of new products, and by continuing to invest wisely, in spite of difficult general economic conditions.

9.7 Outlook

In spite of the challenges we are facing, we shall secure and further consolidate our current market position in the coming years and invest accordingly.

a) Strategic business unit "Ophthalmic Systems"

After the slight decline in revenue in the past financial year, which was mainly attributable to the development of the US dollar exchange rate and the perceptible reluctance to invest among our customers in the private practice sector in the "Americas" region, our aim in this business unit for financial year 2008/2009 is to protect our current market position and expand it further. We plan to achieve this with the products we have already launched on the market, as well as new products, which we are launching in the current financial year. One focus of this strategy will be system networking.

b) Strategic business unit "Surgical Ophthalmology"

We are expecting to expand our market position in this business unit in the coming year. One objective is to further increase the share of minimally invasive implantable lenses and AT.Lisa®. Our product portfolio – one of the most innovative on the market – serves as a basis for this.

c) Strategic business unit "Neuro/ENT Surgery"
We assume that we will be able to sustain the growth of this business unit in financial year 2007/2008 with regard to revenue and profitability. The focus here will be on the development of new, high-precision and innovative visualisation solutions. These are in particular innovative diagnostic solutions, which enable surgeons to further improve treatment precision and efficiency. Another main focus is the integration of our systems into existing hospital and medical practice networks.

We are expecting business development to be stable in the coming months, although this will also significantly depend on how the macroeconomic situation develops, thus, adding uncertainty.

In the medium term we shall aim to expand our market position in all our strategic business units and sustain the growth these have achieved so far. We plan to achieve an even further increased market penetration. Another focus will be on sales and distribution. We intend to cooperate even more closely with our customers in this area and also plan to market our products in our new markets.

Our overall objective in the near future is to stabilise the profitability we have already achieved and to improve it in the medium term, without foregoing any omitting investments.[24]

[24] In the interests of a high level of transparency the Carl Zeiss Meditec Group reserves the right to provide all its shareholders with further details on statements regarding business performance during the course of the year.

10 Final declaration of the Management Board on the dependent company report pursuant to Art. 312 Section 3 AktG

As a member of Carl Zeiss AG, Carl Zeiss Meditec AG has prepared a dependent company report pursuant to Art. 312 German Stock Corporation Act (AktG). In the light of the circumstances known to the Management Board at the time the legal transactions were concluded, the companies of Carl Zeiss Meditec AG received an appropriate consideration for each of the transactions listed in this report concerning relations to affiliated companies. No other reportable transactions pursuant to Art. 312 Section 1 Sentence 2 AktG were entered into by the Company.

Jena, 5 December 2008

Dr. Michael Kaschke
President and
Chief Executive Officer

Bernd Hirsch
Member of the
Management Board

Ulrich Krauss
Member of the
Management Board

Dr. Ludwin Monz
Member of the
Management Board

Consolidated income statement (IFRS) for the period from 1 October 2007 to 30 September 2008

(Figures in € '000)	Note	**Financial year 2007/2008** 1 October 2007 – 30 September 2008	**Financial year 2006/2007** 1 October 2006 – 30 September 2007
Revenue	(2p) (4)	**600,190**	**569,695**
Cost of goods sold		(296,754)	(274,176)
Gross profit		**303,436**	**295,519**
Selling and marketing expenses		(141,788)	(134,401)
General and administrative expenses		(32,269)	(32,130)
Research and development expenses	(34)	(61,962)	(59,235)
Other income	(5)	1,596	626
Other expense	(6)	(801)	(131)
Foreign currency gains/(losses), net	(2c) (30)	(382)	111
Earnings before interests, income taxes, depreciation and amortisation		*80,557*	*82,180*
Depreciation and amortisation		*12,727*	*11,821*
Earnings before interests and income taxes		**67,830**	**70,359**
Results from investments accounted for using the equity method	(8) (9)	(8)	–
Interest income	(9)	9,774	9,707
Interest expense	(9)	(5,710)	(6,391)
Other financial result	(9)	3,846	2,438
Earnings before income taxes	(10)	**75,732**	**76,113**
Income tax expense	(10)	(19,491)	(26,467)
Net income		**56,241**	**49,646**
Attributable to:			
Shareholders of the parent company		54,048	47,757
Minority interest		2,193	1,889
Profit/(loss) per share, attributable to the shareholders of the parent company in the current financial year (€): – Basic/diluted	(2r) (11)	**0.66**	**0.61**

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

Consolidated balance sheet (IFRS) for the year ended 30 September 2008

(Figures in € '000)	Note	30 September 2008	30 September 2007
ASSETS			
Goodwill	(2e) (13)	111,735	103,733
Intangible assets	(2f) (14)	32,859	21,942
Property, plant and equipment	(2g) (15)	38,410	31,523
Investments accounted for using the equity method	(16)	139	–
Investments	(17)	368	362
Deferred tax assets	(2i) (18)	30,286	28,688
Noncurrent trade receivables	(20)	2,604	1,587
Other noncurrent assets		887	798
Total noncurrent assets		**217,288**	**188,633**
Inventories	(2j) (19)	119,300	101,165
Trade receivables	(20)	90,577	96,638
Accounts receivable from related parties	(2t) (35)	20,271	15,505
Treasury receivables	(2t) (35)	61,839	59,167
Tax refund claims		3,677	3,105
Other current assets	(2h) (21)	7,370	9,108
Securities	(2h) (22)	29	5,068
Cash and cash equivalents	(2l) (23)	195,473	217,921
Total current assets		**498,536**	**507,677**
Total assets		**715,824**	**696,310**

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

(Figures in € '000)	Note	30 September 2008	30 September 2007
LIABILITIES AND EQUITY			
Share capital	(24)	81,310	81,310
Capital reserve	(24)	313,863	313,863
Retained earnings	(24)	115,489	96,404
Gains and losses recognised directly in equity	(2m)	(22,672)	(19,971)
Equity before minority interest		487,990	471,606
Minority interest	(24)	12,741	9,644
Total equity		**500,731**	**481,250**
Provisions for pensions and similar commitments	(2n) (25)	11,995	11,267
Other noncurrent provisions	(2o) (26)	6,936	4,023
Noncurrent financial liabilities	(27)	18,760	13,132
Noncurrent leasing liabilities	(2k) (31)	18,546	19,645
Other noncurrent liabilities		4,092	3,238
Deferred tax liabilities	(2i) (18)	11,408	11,262
Total noncurrent liabilities		**71,737**	**62,567**
Current provisions	(2o) (26)	28,137	34,531
Current accrued liabilities	(28)	40,130	33,772
Current financial liabilities	(2h)	2,140	617
Current portion of noncurrent financial liabilities	(27)	913	10,108
Current portion of noncurrent leasing liabilities	(2k) (31)	1,052	1,012
Trade payables		27,402	25,127
Current income tax liabilities		3,674	4,671
Accounts payable to related parties	(2t) (35)	9,227	11,850
Treasury payables	(2t) (35)	7,643	9,446
Other current liabilities	(29)	23,038	21,359
Total current liabilities		**143,356**	**152,493**
Total liabilities		**715,824**	**696,310**

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

Consolidated cash flow statement (IFRS) for the period from 1 October 2007 to 30 September 2008

(Figures in € ’000)	Note	Financial year 2007/2008 1 October 2007 – 30 September 2008	Financial year 2006/2007 1 October 2006 – 30 September 2007
Cash flows from operating activities:			
Net income		**56,241**	**49,646**
Adjustments to reconcile net income to net cash provided by/(used in) operating activities			
Income tax expenses	(10)	19,491	26,467
Interest income/expenses	(9)	(4,064)	(3,316)
Results from investments accounted for using the equity method	(8) (16)	8	–
Depreciation and amortisation	(14) (15)	12,727	11,821
Gains/losses on disposal of fixed assets		(254)	662
Result from sale of Ioltech Italia S.R.L., deconsolidation Ioltech Belgie B.V.B.A.		–	(53)
Interest received		7,413	9,397
Interest paid		(3,703)	(3,905)
Income tax reimbursement		3,459	3,105
Income taxes paid		(31,481)	(27,673)
Cash inflow from transfer of pension provisions to Carl Zeiss Meditec Japan		–	5,275
Changes in working capital:			
Trade receivables	(20) (35)	3,628	(7,525)
Inventories	(19)	(13,252)	(16,504)
Other assets	(21)	2,847	(2,019)
Trade payables		(5,337)	3,121
Provisions and financial liabilities	(25) (26) (28)	5,039	2,072
Other liabilities	(29)	2,110	5,508
Total adjustments		(1,369)	6,433
Net cash provided by operating activities		**54,872**	**56,079**
Cash flows from investing activities:			
Change of restricted cash		–	4,685
Investment in property, plant and equipment	(15)	(7,572)	(5,100)
Investment in intangible assets	(14)	(5,434)	(1,554)
Investment in plan assets pension fund	(25)	(2,097)	(3,195)
Proceeds from sale of property, plant and equipment		816	164
Repayment of loans		14	–
Investment in interests	(16) (17)	(152)	–
Sale of securities/investment in securities	(22)	4,933	(4,930)
Acquisition of the surgical business (Carl Zeiss Surgical GmbH, Carl Zeiss Surgical Inc.) against grant of shares		–	649
Acquisition of Carl Zeiss S.A., Spain		–	(3,756)
Acquisition of consolidated companies, net of cash acquired (2007/2008: Acri.Tec: € 21,404 thsd., 2006/2007: CZM SAS: € 5,096 thsd.)	(3)	(21,404)	(5,096)
Cash receipts from repayment of loans made to a former shareholder (Acri.Tec)	(3)	6,113	–
Sale of Ioltech Italia S.R.L.		–	(138)
Net cash used in investing activities		**(24,783)**	**(18,271)**
Cash flows from financing activities:			
Repayments of short-term debt		(1,536)	–
Repayments of noncurrent financial liabilities	(27)	(1,723)	(368)
Repayments from current loans from related parties	(35)	–	(1,788)
Repayments from noncurrent loans from related parties	(27) (35)	(8,823)	–
(Increase)/decrease in treasury receivables	(35)	111	(3,576)
Increase/(decrease) in treasury payables	(35)	(1,802)	(15,420)
Change of leasing liabilities	(31)	(977)	(871)
Proceeds from capital increase	(24)	–	174,584
Costs from capital increase (net of taxes)	(24)	–	(6,636)
Dividend payments to shareholders of Carl Zeiss Meditec AG	(12)	(34,963)	(11,383)
Net cash provided by financing activities		**(49,713)**	**134,542**
Effect of exchange rate fluctuation on cash and cash equivalents		(2,824)	(1,067)
Net increase/(decrease) in cash and cash equivalents		**(22,448)**	**171,283**
Cash and cash equivalents, beginning of reporting period	(23)	217,921	46,638
Cash and cash equivalents, end of reporting period	(23)	**195,473**	**217,921**

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

Consolidated statement of changes in equity (IFRS)

(Figures in € '000)	Share capital	Capital reserve	Retained earnings	Gains and losses recognised directly in equity	Equity before minority interest	Minority interest	Total equity
As of 1 October 2006	**32,524**	**141,909**	**60,579**	**(11,922)**	**223,090**	**10,083**	**233,173**
Fair value measurement of available-for-sale financial assets	–	–	–	1,436	1,436	–	1,436
Foreign currency translation	–	–	–	(9,478)	(9,478)	(713)	(10,191)
Changes in value recognised directly in equity	**–**	**–**	**–**	**(8,042)**	**(8,042)**	**(713)**	**(8,755)**
Net income	–	–	47,757	–	47,757	1,889	49,646
Sum of net income and changes in value recognised directly in equity	**–**	**–**	**47,757**	**(8,042)**	**39,715**	**1,176**	**40,891**
Capital increase against cash consideration	17,286	153,258	–	–	170,544	–	170,544
Changes in the reporting entity	31,500	18,696	(549)	(7)	49,640	(1,615)	48,025
Dividend payments	–	–	(11,383)	–	(11,383)	–	(11,383)
As of 30 September 2007	**81,310**	**313,863**	**96,404**	**(19,971)**	**471,606**	**9,644**	**481,250**
Sale of available-for-sale financial assets	–	–	–	(1,557)	(1,557)	–	(1,557)
Fair value measurement of available-for-sale financial assets	–	–	–	(104)	(104)	–	(104)
Foreign currency translation	–	–	–	(1,040)	(1,040)	904	(136)
Changes in value recognised directly in equity	**–**	**–**	**–**	**(2,701)**	**(2,701)**	**904**	**(1,797)**
Net income	–	–	54,048	–	54,048	2,193	56,241
Sum of net income and changes in value recognised directly in equity	**–**	**–**	**54,048**	**(2,701)**	**51,347**	**3,097**	**54,444**
Dividend payments	–	–	(34,963)	–	(34,963)	–	(34,963)
As of 30 September 2008	**81,310**	**313,863**	**115,489**	**(22,672)**	**487,990**	**12,741**	**500,731**

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

Notes to the consolidated financial statements for financial year 2007/2008 (IFRS)

General information, accounting and valuation principles

(1) The Company

(a) Description of operations

Carl Zeiss Meditec AG ("Carl Zeiss Meditec" or the "Company") and its subsidiaries are engaged in the business of developing, manufacturing and marketing medical laser and diagnostic systems, intraocular lenses and consumables for ophthalmology and visualisation solutions for neuro, ear, nose and throat surgery. The headquarters of the parent company, Carl Zeiss Meditec AG, are located in Jena, Germany's traditional centre of excellence for optical and optical-related technologies. The Company has major subsidiaries in the USA, France, Japan, Spain and Germany. Together, these form the Carl Zeiss Meditec Group (the "Group").

The Group's business activities focus on two core areas: ophthalmology and neuro- and ENT surgery. The Company's customers are physicians in various fields and hospitals worldwide.

Carl Zeiss Meditec AG is recorded in the commercial register at Jena Local Court under HRB 205623. The domicile of the Company is 07745 Jena, Germany, Goeschwitzer Straße 51–52. The consolidated financial statements may be obtained from the Company's headquarters and are published on the Internet.

(b) Basis of presentation

The consolidated financial statements of Carl Zeiss Meditec AG were prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), London, and take into account all accounting standards and interpretations adopted by 30 September 2008, for which application is mandatory, as they are to be applied in the EU. The present version of the consolidated financial statements complies with the provisions of Art. 315a of the German Commercial Code *(Handelsgesetzbuch, HGB)*. It forms the legal basis for the group accounting in accordance with international standards in Germany, in conjunction with the Regulation (EC) No. 1606/2002 of the European Parliament and Council dated 19 July 2002 relating to the application of international accounting standards, and applies to financial years commencing on or after 1 January 2005.

The financial year of Carl Zeiss Meditec and its subsidiaries ends on 30 September.

(2) Accounting and valuation principles

(a) Principles of consolidation

The consolidated financial statements comprise the statements of Carl Zeiss Meditec AG and all of its subsidiaries and joint ventures. Subsidiaries are all companies controlled by Carl Zeiss Meditec. A company is controlled if Carl Zeiss Meditec has the opportunity to determine the financial and business policy in order to generate benefits from the company's activities. Carl Zeiss Meditec holds the majority of voting rights in all of the companies it controls. Joint ventures are companies jointly managed with other companies. A full breakdown of the shareholdings of Carl Zeiss Meditec can be found in Note (42) "Additional mandatory disclosures pursuant to Art. 314 and Art. 285 (1) No. 10 HGB" in these notes to the consolidated financial statements.

All relevant intragroup transactions, balances and unrealised gains from transactions between Group companies are eliminated within the scope of consolidation. Minority interests in the net assets of consolidated subsidiaries were calculated and shown in the consolidated balance sheet separate from the liabilities and equity attributable to shareholders of the parent company.

(b) Business combinations

Capital consolidation takes place in accordance with the acquisition method pursuant to IFRS 3 "Business combinations". This means that the first-time evaluation values the identifiable assets and liabilities at their respective fair values on the date of acquisition. Minority interests are thus stated as a proportion of the attributable fair values of the assets and liabilities. The acquisition costs of the acquired interests are offset against the Group's share in the subsidiary's equity valued at fair value. Insofar as an asset-side difference remains after this offsetting, this is reported as goodwill under "Intangible assets". The figures for the subsidiaries acquired in the year under review are incorporated in the consolidated income statement according to their affiliation to the Group, i. e., from their effective date of acquisition (possibility to be controlled). A subsidiary is deconsolidated as soon as Carl Zeiss Meditec loses its control over the company. Third-party equity interests are recorded in the consolidated financial statements as part of consolidated equity under the item "Minority interest".

Jointly controlled entities within the meaning of IAS 31 "Interests in Joint Ventures" are reported according to the equity method of accounting pursuant to IAS 31.38. When applying the equity method pursuant to IAS 28 "Investments in associates", equity investments are initially recorded at cost in the balance sheet and are subsequently adjusted to reflect the Group's share in the equity (net assets) after acquisition and for losses due to impairment.

Investments of less than 20 % are reflected in the accounts using the historical cost method, if the Company is unable to exercise significant influence and the investee enterprise is not jointly controlled or listed on a stock exchange.

Intragroup business combinations, uniting of interests or similar transactions are regarded – both from the perspective of the superordinate parent company (Carl Zeiss AG) and from the perspective of the participating subsidiary (Carl Zeiss Meditec) – as "transactions under common control" which, pursuant to IFRS 3.3, are not to be classified as company acquisitions. Transactions under common control are treated in Carl Zeiss Meditec's balance sheet according to the principle of "predecessor accounting"[1], with the assumption that the consolidated financial statements of Carl Zeiss Meditec are to be regarded merely as an excerpt from the consolidated financial statements of the superordinate parent company, Carl Zeiss AG. The respective assets and liabilities are thus carried at book value.

(c) Foreign currency translation

The consolidated financial statements were prepared in thousands of euros (€ '000 or € thousand), as the majority of Group transactions are executed in this currency, and because the euro is the functional currency of Carl Zeiss Meditec. Unless there is a note to the contrary, all amounts are stated in € '000 or € thousand. Figures are rounded according to proper commercial standards; this may result in slight discrepancies.

The assets and liabilities of those foreign subsidiaries whose functional currency is one other than the euro are generally translated using the exchange rate as of the reporting date. Equity transactions are translated at historic rates of exchange on the date of the transaction. The figures in the income statement are converted at the average exchange rate for the financial year. Differences from currency translation are allocated to gains and losses recognised directly in equity.

[1] Cf. IDW RS HFA 2, side note 43; in accordance with IAS 8.12f this approach refers to the accounting according to US GAAP (SFAS 141 Appendix D. D11-D13, EITF 90-05).

Transactions conducted in foreign currencies are recorded using the rate of exchange in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency, such as cash and cash equivalents, trade receivables or payables, are revalued each reporting period until settlement. The resulting income or expenses are shown in the income statement under "Foreign currency gains/(losses), net".

The following table shows the exchange rates applied in the preparation of the consolidated financial statements:

	Exchange rate as of balance sheet date as of 30 September 2008	Exchange rate as of balance sheet date as of 30 September 2007	+/- %	Average exchange rate 2007/2008	Average exchange rate 2006/2007	+/- %
USD	0.6974	0.7049	-1.1	0.6650	0.7515	-11.5
JPY	0.0066	0.0061	8.9	0.0062	0.0063	-1.8

(d) Use of estimates

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain assumptions and estimates. These relate to the recognition and measurement of assets and liabilities, income and expenses, and the extent of contingent liabilities. The assumptions and estimates are mostly related to the stipulation of useful life, the determination of values in use of cash-generating units, the accounting and valuation of provisions, as well as the certainty of realising future tax relief. Actual values may vary in individual cases from the assumptions and estimates made. Changes are shown at the time the true value became known.

(e) Goodwill and intangible assets with an indefinite useful life

Goodwill and intangible assets with an indefinite useful life are not subject to scheduled amortisation but are reviewed regularly for impairment (impairment test). During impairment testing as stipulated by IAS 36, the Company assesses whether or not an asset has been impaired. In this regard, Carl Zeiss Meditec determines (i) the cash-generating units, (ii) the respective net assets of the cash-generating units and (iii) the recoverable amounts for the cash-generating units.

Insofar as the recoverable amount of the asset, which corresponds to the higher of the fair value less costs to sell and the value in use, falls below the carrying amount, an impairment will be made. If the reason for previous impairment no longer applies, assets, with the exception of goodwill, are written up to cost, at the most.

The recoverable amount for the cash-generating units is determined – as value in use – using cash flow forecasts. These forecasts are based on financial forecasts approved by the Company's management and modified to the current state of knowledge in each case. These financial forecasts, or management forecasts, relating to the development of revenue, costs and earnings, which are taken as a basis for the impairment test, are, in turn, based on a planning horizon of five years. They are determined based on internal and external sources of information, such as historical values, budget planning for the following year, the future strategic orientation of the business unit or cash-generating unit (medium-term planning), external information sources, such as market surveys (e. g. Market Scope), and results of market observations and publications. Sales planning is based on usual market growth in the relevant market according to industry surveys and in relation to company strategy. Cost planning also considers strategic aspects as well as price trends on the commodities markets. Pursuant to IAS 36.44, the cash flow projections resulting from the management's financial forecasts do not contain any cash flows from future restructuring measures. The estimates of future cash flows also contain no inflows or outflows of cash from financing activities or income tax revenues or payments (see IAS 36.50). The value in use of the cash-generating unit is derived from the sum of discounted future cash flows at a standard, risk-adjusted capitalisation interest rate. The capitalisation interest rate is calculated from the parameters risk-free base rate and risk premium (market risk premium and beta factor), and reflects the capital structure of the cash-generating unit. To extrapolate (perpetuity) the cash flow forecasts beyond the five-year period, the capitalisation interest rate is used without assuming a particular growth rate.

The carrying amount of a cash-generating unit includes all assets that stimulate the flow of cash, i. e., that contribute to the creation of saleable service. This means that all non-operating items and interest-bearing borrowings are excluded from the calculation. The discount rates applied for cash flow forecasts range between 11.7 % and 27.0 %. These interest rates conform to IAS 36.55.

Carl Zeiss Meditec reviews its goodwill for impairment at least once a year or at the onset of major events or changed circumstances which indicate that the fair value of a reporting unit of the Group has fallen below its carrying amount. Capitalised intangible assets with an indefinite useful life are also tested for impairment at least once a year, until it has been established that their useful life is no longer indefinite.

Carl Zeiss Meditec completed its annual impairment testing of goodwill and capitalised intangible assets with an indefinite useful life in the last quarter of financial year 2007/2008. The results of these tests did not give any indication of a need for impairment of goodwill or capitalised intangible assets with an indefinite useful life.

For details on the change in goodwill in financial year 2007/2008 and the previous year please refer to note (13).

(f) Intangible assets

Intangible assets acquired separately are valued at cost of purchase minus accumulated amortisation and impairment.

Research and development expenses are recorded as expenses in the period in which they arise.

A self-constructed intangible asset, which results from development activities (or from the developmental phase of an internal project), is recorded, if evidence can be provided that the criteria according to IAS 38.57 are fulfilled.

The amount at which a self-constructed intangible asset is first capitalised is equivalent to the sum of the expenses incurred from the date on which the intangible asset fulfils the above-mentioned conditions. If a self-constructed intangible asset cannot be capitalised, the development costs are recognised in income in the period in which they arise.

In subsequent periods, self-constructed intangible assets are valued in exactly the same way as individually acquired intangible assets – at cost less accumulated amortisation and impairment.

Intangible assets, which were acquired as part of a company merger are identified and recorded separately from goodwill as soon as they conform to the definition of an intangible asset and their fair value can be reliably determined. The acquisition cost of such intangible assets corresponds to their fair value at the date of acquisition. In subsequent periods intangible assets acquired as part of a company merger shall be valued in exactly the same way as intangible assets acquired individually – at cost less accumulated amortisation and accumulated impairment.

All intangible assets are amortised on a straight-line basis over a period of 2 – 10 years, unless an indefinite useful life is assumed (see note (14)). The amortisation amounts for intangible assets may be recognised in the income statement under both cost of goods sold and operative costs. Assets are each allocated individually with respect to their intended purpose or assignment to certain areas of the company. These assets are also reviewed regularly for impairment (impairment test). Please refer to (e) above with regard to the method applied in the impairment test.

(g) Property, plant and equipment

Property, plant and equipment are valued at cost, net of accumulated depreciation. In the case of property, plant and equipment acquired within the scope of a company merger, the acquisition costs correspond to their fair values at their date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful life of each asset. The following depreciation periods are applied:

- *Buildings and leasehold improvements* — *3 – 33 years*
- *Plant and machinery, other fixtures and fittings, tools and equipment* — *1 – 23 years*

Leasehold improvements are depreciated over their estimated useful life or the term of the rental or lease agreement, if shorter. Estimated useful life is evaluated regularly by the Company's management, taking ongoing technological development into account. Maintenance and repairs are expensed as incurred, while renewals and improvements that extend the useful life or increase capacity are capitalised if they fulfil the general criteria in accordance with IAS 16. Property, plant and equipment are also reviewed for impairment (impairment test), if indicated. Please refer to (e) above with regard to the method applied in the impairment test. Upon the sale or retirement of property, plant and equipment, the accounts are relieved of the cost and the related accumulated depreciation, and any resulting gain or loss is disclosed in the income statement. The depreciation amounts for property, plant and equipment may be recognised in the income statement under both the cost of goods sold and operative costs. Assets are each allocated individually with respect to their intended purpose or assignment to certain areas of the company.

(h) Financial instruments

Financial instruments are contracts which give rise to a financial asset at one entity and to a financial liability or equity instrument at another entity.

Financial assets and financial liabilities are taken into account in the consolidated balance sheet from the date on which the Group becomes a contracting party for the financial instrument. Financial assets acquired or sold at standard market conditions are generally accounted for on the settlement date.

Financial assets in the sense of IAS 39 are classified either as financial liabilities measured at amortised cost (FLAC), loans and receivables (LaR), held to maturity (HtM), available for sale (AfS) or financial assets / liabilities held for trading (FAHfT/FLHfT). The classification depends on the type and the intended purpose of the financial assets and occurs upon addition.

Primary financial instruments

The Company's primary financial instruments mainly consist of cash and cash equivalents, financial assets, treasury receivables (group cash management (Treasury) of Carl Zeiss Financial Services GmbH, Oberkochen), trade receivables and payables, current loans, noncurrent debts, securities and other financial assets and liabilities.

Loans and receivables as well as current and noncurrent financial liabilities are carried at amortised cost. These are mainly trade receivables and current and noncurrent assets and debt. The amortised cost of a financial asset or financial liability is the term used to describe that amount at which a financial asset or liability was valued when first recorded, less any repayments and loss for impairment.

The amortised cost of current assets and liabilities is generally equivalent to the nominal or repayment amount.

Trade receivables are disclosed at their nominal value, net of any allowance for accounts presumed to be uncollectible.

Carl Zeiss Meditec records appropriate valuation allowances against doubtful receivables and loans with discernible collection risks; unrecoverable receivables and loans are written off. This control measure takes into account historical bad debt losses, the size and adequacy of securities, as well as other relevant factors. Receivables and loans are written off against these valuation adjustments, if they are considered uncollectible. As a general principle, Carl Zeiss Meditec does not generate or purchase any receivables with the intention of selling them. Please refer to note (38) for further information on credit risks.

Existing investments assets are allocated to the category "financial assets available for sale" (AfS). Due to the fact that these minority interests are not listed on a stock exchange, meaning that their fair value cannot be reliably determined, these investments are carried at amortised cost.

Noncurrent, non-interest-bearing receivables and notes receivable are discounted based on market conditions; interest is shown as income according to the effective interest method.

Existing securities are allocated to the category "Financial assets available for sale" and are thus stated at their fair value. The fair value of primary financial instruments generally corresponds to their market or stock market value. The fair value of a primary financial instrument is estimated as the amount that could be obtained in a business transaction between independent contracting partners under prevailing market conditions. The fair values are calculated on the basis of market conditions as of the balance sheet date. Unrealised gains and losses were recorded with no effect on income, taking deferred taxes into account, under the item "Gains and losses recognised directly in equity". In the case of realisation through disposal or in the event of an expected long-term decline in the fair value to below cost, the changes in fair value will be reflected in income. Increases in fair value are always recorded with no effect on income, even if a devaluation recognised in income has occurred previously.

Derivative financial instruments and hedging
Carl Zeiss Meditec is a company with global operations, and as such it is subject to exchange rate fluctuations. In order to hedge against this currency risk, it concludes currency forward contracts based on planned transactions in foreign currency. Hedge accounting within the meaning of IAS 39 is not applied. These contracts generally cover a period of up to one year. Asset-side derivative financial instruments are shown under the balance sheet item "Other current assets" and liabilities-side derivative financial instruments are shown under the balance sheet item "Current financial liabilities". The sole purpose of the derivative financial instruments is currency hedging. Please refer to note (38) for further information on currency risks.

(i) Deferred income taxes
Deferred income taxes are computed annually according to the temporary concept pursuant to IAS 12 "Income taxes". All liabilities or claims relating to taxes on income and earnings arising during the financial year are reflected in the consolidated financial statements pursuant to the relevant tax laws. In order to take account of the tax effects of differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the corresponding tax bases, deferred taxes are calculated each year, based on enacted or soon-to-be-enacted tax rates, for the taxable income in the year in which these differences are expected to be offset. Deferred tax assets are written down as necessary to reflect the net amount that is likely to be realised. Income tax expense comprises the tax payable or refundable for the reporting period, plus or minus the change in deferred taxes. The effects of changes in tax rates on deferred tax assets and liabilities are recognised in income for the period in which the change was enacted.

(j) Inventories
Inventories are valued at the lower of cost or net realisable value. Costs are determined using the weighted-average cost method. Manufacturing costs include materials and labour, as well as direct manufacturing and material overheads, including depreciation. In addition, the costs of company retirement benefits, the Company's social establishments and the Company's voluntary social benefits are also included to the extent that these can be allocated to the production area. Administrative costs are taken into account to the extent that these are attributable to production. Production costs do not include any borrowing costs. In the case of inventories acquired within the scope of a business combination, the acquisition costs correspond to their fair values at their date of acquisition.

The net realisable value is the estimated selling price attainable in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Leasing
The Company has leased certain assets under long-term contracts. Leases are classed as finance leases if the lessee bears the majority of the risks and rewards associated with ownership. All properties under arrangements that qualify as finance leases are capitalised as noncurrent assets pursuant to IAS 17 "Leases" at the lower of fair value and the present value of minimum lease payments. The corresponding leasing obligations are carried as current or noncurrent liabilities according to their time to maturity. The lease payments to be paid are divided into a redemption component and an interest component. The redemption component reduces the liability, while the interest component is carried as an interest expense. The capitalised assets are amortised in conformance with IAS 16. IAS 36 is observed with regard to

possible impairment. The leasing obligations are carried at the present value identified on the respective balance sheet date.

Other leasing transactions are treated as operating leases; the total payments required under operating lease agreements are immediately recorded as an expense or are reported on a straight-line basis over the term of the lease.

(l) Cash and cash equivalents
Cash on hand and at the bank, together with all liquid securities with an original maturity of up to three months, are disclosed as cash and cash equivalents. This also includes current financial investments at Carl Zeiss Financial Service GmbH, which are secured by a declaration of pledge. Because of their short maturity, the carrying amounts of cash and cash equivalents basically correspond to their fair value.

(m) Gains and losses recognised directly in equity
The item "Gains and losses recognised directly in equity" includes the other changes in equity not reflected in income that are not associated with transactions with shareholders. In the case of Carl Zeiss Meditec, this currently relates to foreign currency translation and unrealised gains and losses on available-for-sale financial assets (see note (22)).

(n) Employee benefit obligations
The Company pension scheme comprises obligations at Carl Zeiss Meditec AG and various subsidiaries arising from current annuities and defined benefit obligations. It also includes liabilities-side provisions of the US company for post-employment benefit obligations for medical costs. The companies of Carl Zeiss Meditec maintain a number of pension schemes: a distinction is made between defined contribution plans and defined benefit plans.

Defined contribution pension plans
In the case of defined contribution benefit plans, the Company does not enter into any commitments other than paying contributions to funds with a specific purpose. The contributions are recognised under personnel expenses as due.

Besides a defined benefit plan, the US subsidiary maintains a savings scheme that is a defined contribution plan for the majority of its employees. The plan enables the participating employees to save a proportion of their income in accordance with the specified guidelines. The Company is currently contributing a percentage of employee contributions up to a certain limit.

Defined benefit pension plans
The Company offers defined benefit plans to certain employees. Such benefits are determined pri-

marily by the employee's remuneration and length of service. Benefits of this kind exist at Group companies both in Germany and abroad.

Defined benefit plans within Carl Zeiss Meditec are partly financed by provisions and partly by funds from external sources.

Provisions for pensions and similar commitments are determined at Group companies within Germany in accordance with actuarial principles based on the Heubeck Guideline Tables 2005 G devised by Prof. Dr. Klaus Heubeck. Provisions for pensions and similar commitments at foreign companies are determined according to country-specific accounting principles and parameters.

Pension obligations and related costs are calculated by the prescribed projected unit credit method in accordance with IAS No. 19 "Employee benefits". The projected unit credit method reflects economic assumptions based on long-term expectations, as well as the performance of assets legally set aside to fund future benefit payments.

Actuarial gains or losses that may arise from changes in the valuation premises or a deviation in actual circumstances from the evaluation basis are only shown as income if the balance of the accumulated actuarial gains or losses amounts to more than 10% of the present value of the defined benefit pension plans and the fair value of the plan assets. Any amount that lies outside this 10% corridor is posted to income over the average residual term of service of employees eligible for pensions, which at 30 September 2008 is estimated to be 15 years. The Company has made use of the transitional option offered by IFRS 1.20. This option allows a first-time adopter as of 1 October 2004 to recognise all cumulative actuarial gains and losses up to the date of transition to IFRS.

The pension provisions carried in the balance sheet correspond to the present value of the defined benefit obligation (DBO) on the balance sheet date less the fair value of the plan assets, adjusted for accumulated actuarial gains and losses not previously recognised in income.

(o) Provisions

Provisions are formed if the Group has a current (de facto or statutory) commitment as a result of a past event, the outflow of resources with an economic benefit to fulfil the commitment is probable and it is possible to reliably estimate the amount of the commitment. To the extent that the Group expects at least a partial reimbursement for a provision carried as a liability (as is the case, for example, in insurance policies), the reimbursement is only recorded as a separate asset if the reimbursement is as good as secure. Expenses for the formation of provisions are disclosed in the income statement after deduction of the reimbursement. If the interest impact is material, provisions are discounted using a pre-tax interest rate, which reflects the specific risks for the liability. In the event of discounting, the increase in the provision over time is carried as an interest expense.

Personnel and social commitments

The provisions for personnel and social commitments mostly relate to commitments for partial retirement and anniversary expenses, as well as for vacation not yet taken.

The provisions for partial retirement and anniversaries are measured using a projected unit credit method using actuarial surveys. The measurement parameters correspond to the economic assumptions for financing the pension commitments.

Commitments from ongoing operations
The Company furnishes the buyer with a warranty for the perfect functioning of sold products for the contractually guaranteed period of 15 months. For this purpose, provisions are formed on the basis of the average values of warranty claims made in the past. These provisions are regularly adjusted to reflect actual experience. These warranty provisions are recorded as cost of goods sold in the period in which the initial sale is recorded.

Other commitments
The provisions for other commitments relate to recognisable individual risks and uncertain commitments, mostly from litigation risks.

(p) Revenue recognition
The Company generates revenue from selling products on the basis of corresponding contracts. The sale takes place when all the parts of the product have been supplied, the risks have passed, the payment is agreed or can be determined and there are no major obligations towards the customers and the payment of the receivable is deemed probable. Services are recorded according to their percentage of completion.

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

Revenue is reflected net of trade discounts, customer bonuses and rebates. The Company presents freight costs charged to customers as a component of revenue and reflects the corresponding freight costs in the cost of goods sold. The freight costs not billed to customers are shown under selling and marketing expenses.

(q) Government grants
Pursuant to IAS 20 “Accounting for government grants and disclosure of government assistance”, government grants are only recognised if there is sufficient assurance that the associated conditions will be fulfilled and the grants will be allocated.

The Group received subsidies from various public bodies within the framework of state economic development programmes. Among other things these subsidies related to the construction of manufacturing facilities, research and development activities, advanced training programmes and reduction in interest charges.

Unrecognised investment premiums and investment grants are subtracted from the acquisition or production costs of the related assets. Investment subsidies, such as investment grants and tax-free investment allowances, are disclosed as income (as a reduction in depreciation of the subsidised property, plant and equipment).

Government grants received in financial years 2007/2008 and 2006/2007 are listed in note (34).

(r) Earnings per share
The basic earnings per share have been calculated by dividing the consolidated net income attributable to shareholders of the parent company by the weighted-average number of ordinary shares issued during each individual accounting period. There were no conversion or option rights in circulation.

(s) Borrowing costs
As a general rule, borrowing costs are booked as expenses in the period in which they arise.

(t) Related party disclosures
The parent company of Carl Zeiss Meditec AG is Carl Zeiss AG. Carl Zeiss AG, Oberkochen and its subsidiaries (the "Carl Zeiss Group") are regarded as related parties, and business transactions, such as revenue, receivables to and liabilities from these companies are disclosed separately.

Carl Zeiss Meditec sells some of its products through the distribution companies of the Carl Zeiss Group. For the purposes of furnishing the Company with short-term funds and investing surplus liquidity, Carl Zeiss Meditec co-operates with the group cash management system of Carl Zeiss Financial Services GmbH, Oberkochen. Loans granted or cash and cash equivalents invested within the scope of this business relationship are shown as liabilities due to or receivables due from treasury and usually are available at all times. Current financial investments with a term of no more than three months and secured by a declaration of pledge are recorded under cash and cash equivalents (see note (l)). Loans and receivables carry interest at a rate based on the 1-month EURIBOR and conform to normal market conditions.

In addition to financial services, the Company purchases various services from the Carl Zeiss Group. These include services for research and development, HR and administrative activities, as well as logistics, distribution and IT services provided on the basis of contractual agreements. Transactions with related parties are conducted under the same conditions as arm's length transactions.

(u) Recent pronouncements on accounting principles
In the financial year under review the Group applied IFRS 7 ("Financial instruments: Disclosures") and the associated amendment of IAS 1 ("Presentation of financial statements") for the first time. The application of IFRS 7 and the amended IAS 1 gave rise to additional disclosures on the financial instruments of the Group presented in these financial statements and the management of capital. Application of this standard did not have any effect on the Group's net assets, financial position and results of operations. The relevant comparative information (see Notes (30), (38) and (39)) relating to the additional disclosures was adjusted accordingly.

The International Financial Reporting Interpretations Committee (IFRIC) published five interpretations, which were to be applied for the first time in the financial year. These include: IFRIC 7 ("Applying the restatement approach under IAS 29"), IFRIC 8 ("Scope of IFRS 2"), IFRIC 9 ("Reassessment of embedded derivatives"), IFRIC 10 ("Interim financial reporting and impairment") and IFRIC 11 ("IFRS 2 – Group and treasury share transactions"). The application of these interpretations has not led to any changes in the Group's accounting and valuation methods.

The IASB has additionally issued the following standards, interpretations and revisions of existing standards. The application of these is not yet mandatory for Carl Zeiss Meditec, however. The Company has not applied these standards ahead of time:

IFRIC 12 "Service concession arrangements"
The IFRIC published IFRIC 12 on 30 November 2006. According to IFRIC 12, service concessions are agreements in which the public sector concludes agreements with private companies geared to fulfilling public duties, e. g. building roads, airports, prisons, etc. The public sector retains control of the assets. Conversely, the private company is responsible for construction, operation and maintenance. IFRIC 12 clarifies the issue of how the private company should account for rights and obligations arising from these agreements.

IFRIC 12 is applicable for financial years beginning on or after 01 January 2008. Carl Zeiss Meditec does not expect the mandatory application of

IFRIC 14 from financial year 2008/2009 to have any effect on the accounting methods used by the Group.

IFRS 8 "Operating segments"
The IASB published IFRS 8 on 30 November 2006. IFRS 8 will supercede the previous standard IAS 14 "Segment reporting" and bring the existing regulations into line with US GAAP.

IFRS 8 includes, in particular, reporting on the growth of the segments' business based on a management approach. Operating segments are deemed to be parts of a company for which the operating result is regularly monitored by a chief operating decision maker, and which are used as a basis for making decisions on the allocation of resources and controlling income, and for which separate financial information is available.

In addition, the information required in the notes has been expanded.

IFRS 8 is effective for financial years beginning on or after 1 January 2009. The mandatory application of IFRS 8 from financial year 2009/2010 may lead to changes in the composition of Carl Zeiss Meditec's segments; from today's perspective, however, these changes will not be material, since the future division into operative segments shall take place in parallel with the segmentation by strategic business unit according to the secondary reporting format. Additional information will also be required in the notes.

IAS 23 "Borrowing costs"
On 29 March 2007, the IASB published a revised version of IAS 23 "Borrowing costs". The revision mainly involves the elimination of the option to record outside capital costs for certain assets as an expense.

The amendments to IAS 23 are effective for financial years beginning on or after 1 January 2009. Carl Zeiss Meditec does not expect the mandatory application from financial year 2009/2010 to have any effect on the accounting methods used by the Group.

IFRIC 13 "Customer loyalty programmes"
The IFRIC published IFRIC 13 on 28 June 2007. IFRIC 13 addresses accounting by entities that grant loyalty award credits, such as loyalty points or air miles to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligation to provide free or discounted goods or services to customers who redeem award credits.

This interpretation requires that an entity allocate some of the proceeds of the sale to the award credits as a liability (its obligation to provide the awards). The entity may recognise the deferred portion of the proceeds as revenue only when it has fulfilled its obligations. It may fulfil its obligations either by supplying the awards itself or by engaging (and paying) a third party to do so.

IFRIC 13 is applicable for financial years beginning on or after 1 July 2008. Carl Zeiss Meditec does not expect the mandatory application of IFRIC 14 from financial year 2008/2009 to have any effect on the accounting methods used by the Group.

IFRIC 14 "IAS 19 – Limit on a defined benefit asset, minimum funding requirements and their interaction"
The IFRIC published IFRIC 14 on 5 July 2007. This interpretation essentially addresses the interaction between an obligation existing as of the balance sheet date to pay additional contributions into a pension fund, and the regulations set forth in IAS 19 with respect to a positive balance between plan assets and defined benefit obligation.

IFRIC 14 is applicable for financial years beginning on or after 1 January 2008. Carl Zeiss Meditec does not expect the mandatory application of IFRIC 14 from financial year 2008/2009 to have any effect on the accounting methods used by the Group.

IAS 1 "Presentation of financial statements"
The IASB published the revised version of IAS 1 "Presentation of financial statements" on 6 September 2007. The aim of the amendments is to simplify the analysis and comparability of financial statements. The main feature of the revised standard is the classification of other comprehensive income to changes from transactions with shareholders in their capacity as shareholders, such as dividends and share buybacks, and changes not associated with shareholders.

These can either be presented in a single statement that summarises the income statement and other comprehensive income, or in two separate statements (income statement and statement of other comprehensive income).

IAS 1 is applicable for financial years beginning on or after 1 January 2009. Carl Zeiss Meditec does not expect the mandatory application of this standard from financial year 2009/2010 to have any material effect on the accounting methods used by the Group.

IFRS 3 (revised 2008) "Business combinations"
The IASB published a revised IFRS 3 (revised 2008) on 10 January 2008.

This standard is, among other things, the result of the second phase of the project implemented in cooperation with the Financial Accounting Standards Board (FASB) to reform the accounting of business combinations. Pursuant to IFRS 3 (revised 2008), the acquisition method shall continue to be applied for all business combinations. In particular, the scope and accounting of step acquisitions shall be amended and an accounting policy choice introduced: the holdings of the non-controlling interest (NCI) may be measured at fair value or at the NCI's proportionate share of net assets of the acquiree. Depending on which of these two options a company chooses, any goodwill existing within the scope of the acquisition shall either be recognised in full or only the majority owner's percentage of goodwill shall be recognised.

The first-time application of this standard from financial year 2009/2010 may lead – in the event of a step acquisition – to a change in the Group's accounting method for business combinations.

IAS 27 (revised 2008) "Consolidated and separate financial statements under IFRS"
The IASB published a revised IAS 27 (revised 2008) on 10 January 2008.

This standard is, among other things, the result of the second phase of the project implemented in cooperation with the Financial Accounting Standards Board (FASB) to reform the accounting of business combinations. The IASB's revised IAS 27 amends the requirements for the accounting of transactions between non-controlling and controlling shareholders of a group of companies and the accounting in the event of the loss of control over a subsidiary. Transactions where a parent company changes its holding in a subsidiary, without losing control over that subsidiary, are in future to be accounted for as equity transactions with no gain or loss being recognised in income. The standard also regulates how to calculate a gain or loss on deconsolidation and how to measure any residual holding in the former subsidiary.

The first-time application of this standard from financial year 2009/2010 may lead – in the event of relevant transactions being concluded – to a change in the Group's accounting and presentation methods for investments in subsidiaries.

IFRS 2 "Share-based payment"
The IASB published amendments to IFRS 2 on 17 January 2008.

The amendments clarify that vesting conditions are restricted to service conditions and performance conditions. The standard further regulates that the provisions for cancellation during the vesting period apply, irrespective or whether the cancellation was effected by the company or the employee.

Carl Zeiss Meditec does not expect the mandatory application from financial year 2009/2010 to have any effect on the accounting methods used by the Group.

IAS 32 "Financial instruments: Presentation" and IAS 1 "Presentation of financial statements"
The IASB published the amendments to IAS 32 and IAS 1 on 14 February 2008. The IASB made these amendments in response to the criticism that corporate capital must be classified as a liability due to holders' rights of cancellation. The revised version allows puttable financial instruments and obligations arising on liquidation to be treated as equity in certain circumstances.

Carl Zeiss Meditec does not expect the mandatory application from financial year 2009/2010 to have any effect on the accounting methods used by the Group.

IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and separate financial instruments"
The IASB published the amendments to IFRS 1 and IAS 27 on 22 May 2008. These amendments serve the objective of simplifying the valuation of investments in single-entity financial statements being prepared according to the IFRS for the first time.

Carl Zeiss Meditec does not expect the mandatory application from financial year 2009/2010 to have any effect on the accounting methods used by the Group.

"Improvements to IFRSs"
The IASB published its "Improvements to IFRSs" – a collective standard amending various International Financial Reporting Standards – on 22 May 2008. Carl Zeiss Meditec does not expect mandatory application of these improvements from financial year 2009/2010 to have any material effects on the accounting methods used by the Group.

IFRIC 15 "Agreements for the construction of real estate"
The IFRIC published IFRIC 15 on 3 July 2008. This interpretation standardises accounting practice across jurisdictions for the recognition of revenue by real estate developers for sales of units, such as apartments or houses, "off plan" (i. e., before construction is complete) and provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 "Construction contracts" or IAS 18 "Revenue" and, accordingly, when revenue from the construction should be recognised.

Carl Zeiss Meditec does not expect the mandatory application from financial year 2009/2010 to have any effect on the accounting methods used by the Group.

IFRIC 16 "Hedges of a net investment in a foreign operation"
The IFRIC published IFRIC 16 on 3 July 2008. This interpretation clarifies uncertainties relating to the hedging of a foreign operation, which results within the scope of the two standards IAS 21 "The effects of changes in foreign exchange rates" and IAS 39 "Financial instruments: recognition and measurement". This interpretation clarifies what is to be considered a risk when hedging a net invest-

ment in a foreign operation and where within the group the hedging instrument may be held to minimise this risk.

Carl Zeiss Meditec does not expect the mandatory application from financial year 2008/2009 to have any effect on the accounting methods used by the Group.

IAS 39 "Financial instruments: recognition and measurement"

The IASB published amendments to IAS 39 on 31 July 2008. These amendments are summarised in a document entitled "Eligible hedged items". This document clarifies how to apply the principles contained in IAS 39 for two specific hedge accounting issues: a one-sided risk in a hedged item and inflation in a financial hedged item.

Carl Zeiss Meditec does not expect the mandatory application from financial year 2009/2010 to have any effect on the accounting methods used by the Group.

(v) Calculation of fair values

A large number of the group accounting principles and notes to the financial statements require a definition of the fair values of the respective financial and non-financial assets and liabilities involved. The fair values are calculated in accordance with the methods described below. If required, additional information on the assumptions made for the calculation of the fair values is provided in the specific notes to the respective items described in the balance sheet and income statement.

Property, plant and equipment

The fair values of property, plant and equipment, which were acquired within the scope of business combinations, are based on market prices. The market price of land and buildings is determined based on the estimated value at which the respective asset could prudently and reasonably be exchanged without coercion between two independent partners based on normal market conditions. The market prices of other items of property, plant and equipment, such as plant and machinery, as well as leasehold improvements and equipment are based on quoted prices on the market for similar goods of the same kind.

Intangible assets

The fair values of trademark, patent and technology rights or similar, which were acquired within the scope of a business combination, are determined according to the relief from royalty method. In this method an analogy is used, whereby the financial contributions (cash flows) of an intangible asset due to royalties are estimated, which the owner of this asset is then spared from paying, contrary to the alternative of licensing a similar asset with an equivalent use. The method thus calculates the fictitious licensing fees that would have to be paid if the respective intangible asset were to be owned by a third party. The fair values of intangible assets consist of customer relationships acquired within the scope of a business combination are determined according to the multi-period excess earnings method. Customer relationships generally only generate cash flows in conjunction with other tangible or intangible assets. The planning of excess earnings is thus based on a collection of assets. The calculation of the relevant excess earnings received thus regards ficticious payments made for these "supporting" assets as ficticious user fees. It is assumed that the supporting assets are ficticiously rented or leased by a third party to the extent necessary to generate the cash flows.

Inventories

The fair value of inventories, which were acquired within the scope of a business combination, are based on the estimated selling price attainable in the normal course of business, less the estimated production and selling costs, as well as a profit margin, which adequately takes into consideration the necessary selling and production resources.

Trade receivables and other receivables
The fair value of trade receivables and other receivables is calculated as the present value of future cash flows, discounted by a standard market interest rate. The fair value of current trade receivables and other receivables basically corresponds to their nominal value, since they are non-interest-bearing.

Equity interests and securities
The fair value of financial assets, which are valued at fair value through profit or loss, classified as available for sale, and of financial investments held to maturity is based, if an active market exists, on listed stock prices.

Derivative financial instruments
The fair value of derivative financial instruments is based on the prevailing market or stock market value. The market value of a financial instrument is estimated as the amount that could be obtained in a business transaction between independent contracting partners under prevailing market conditions. The market values are calculated on the basis of market conditions as of the balance sheet date – interest rates, currency rates, commodity prices – and the evaluation methods described below.

If there is no active market, the fair value is identified using financial mathematics methods, e. g. by discounting the estimated future cash flows using the market interest rate or by applying recognised option pricing models, and through confirmation by the banks that process the transactions.

The Group exclusively holds currency forward contracts as financial instruments. The financial assets held for trading are carried at fair value, although changes in market value are recognised in income in the income statement. The market value of currency forward transactions is calculated based on the average spot exchange rate at the balance sheet date, adjusted for forward premiums and discounts for the respective residual term of the contract, compared with the contracted forward exchange rate.

Financial liabilities
The fair value of financial liabilities is calculated based on the present value of future capital and and interest payment flows – discounted by a standard market interest rate – as of the balance sheet date.

(3) Business combinations

Acri.Tec GmbH, Hennigsdorf, Germany
With effect from 1 October 2007 the Group acquired 100 % of the shares in Acri.Tec AG, which has its registered office in Hennigsdorf. This company, which was reorganised into the legal form of a limited liability corporation (Gesellschaft mit beschränkter Haftung, GmbH) with effect from 16 April 2008, specialises in innovative implants (intraocular lenses, IOL) and supplementary products (viscoelastic solutions and products for vitreoretinal surgery) for ophthalmic surgery.

The fair values of the identified assets and liabilities of Acri.Tec GmbH at the date of acquisition and the corresponding carrying amounts immediately prior to the date of acquisition were as follows:

(in € '000)	Acri.Tec GmbH	
	Fair value	**Book value**
Intangible assets	11,039	319
Property, plant and equipment	4,279	4,279
Other noncurrent assets	111	214
Current assets	15,393	14,222
Noncurrent liabilities	10,204	7,865
Current liabilities	7,129	7,187
Net assets	**13,489**	3,982
Goodwill from acquisition	8,111	
Total costs of acquisition	**21,600**	
Acquired cash and cash equivalents		196
Outflow cash and cash equivalents due to purchase price payment		(21,600)
Net capital outflow		**(21,404)**

The identified goodwill from the acquisition of Acri.Tec GmbH is mainly attributable to the anticipated synergy effects of the company's integration into the existing surgical ophthalmology business. In addition, research and development expenses were not capitalised separately from goodwill, since these did not meet the criteria according to IAS 38.34 at the date of acquisition. The total acquisition costs associated with the acquisition amounted to € 21,600 thousand and comprise the purchase of all shares for a cash payment of € 21,517 thousand and incidental costs directly attributable to the acquisition amounting to € 83 thousand. The company newly acquired at the beginning of the financial year is carried in the consolidated financial statements with revenue of € 22,691 thousand and net income for the year of € 2,042 thousand.

Pro forma account of acquisitions
Assuming that the presented acquisition had already been completed as of 1 October 2006, the following pro forma figures would apply:

(in € '000, excluding earnings per share)	Pro forma values Financial year 2007/2008	Pro forma values Financial year 2006/2007
Revenue	600,190	602,169
Earnings before interest and income taxes	68,997	70,363
Net income for the year	54,887	47,455
Earnings per share	0.66	0.57

These pro forma figures are for comparison purposes and contain the acquistions made in financial year 2006/2007, as well as certain adjustments, such as additional amortisation expenditure on the acquired intangible assets and corresponding deferred taxes. The pro forma results are not necessarily indicators for possible business development if the acquisition had ensued at an earlier date. Above all, it should be noted that these figures do not account for the actual short and medium-term effects of the individual acquisitions on revenue and profits. Nor do the figures necessarily reflect future development.

Notes to the consolidated income statement

(4) Revenue

Group earnings for financial year 2007/2008 mainly consist of revenue. The table below shows a breakdown of revenue:

(in € ’000)	Financial year 2007/2008	Financial year 2006/2007
Income from the sale of merchandise	555,166	524,141
Income from the provision of services (incl. sale of replacement parts)	45,024	45,554
Total	**600,190**	**569,695**

(5) Other income

Other income for financial years 2007/2008 and 2006/2007 was as follows:

(in € ’000)	Financial year 2007/2008	Financial year 2006/2007
Rent	483	435
Project subsidies	456	–
Income from the sale of buildings	135	–
Reversal of other provisions	132	–
Income from damages	116	–
Other service income	65	–
Other	209	191
Total	**1,596**	**626**

(6) Other expenses

Other expenses for financial years 2007/2008 and 2006/2007 were as follows:

(in € '000)	Financial year 2007/2008	Financial year 2006/2007
Appropriation to other provisions	435	77
Integration costs	238	–
Penalties for non-fulfilment	20	50
Other	108	4
Total	**801**	**131**

(7) Personnel expenses

Personnel expenses for financial years 2007/2008 and 2006/2007 were as follows:

(in € '000)	Financial year 2007/2008	Financial year 2006/2007
Wages and salaries	124,492	120,287
Social security expenses	22,105	16,947
Pension costs	3,221	4,127
Total	**149,818**	**141,361**

The total of all defined contribution plans in the current financial year amounted to € 1,729 thousand (previous year: € 2,072 thousand). As of the balance sheet date 30 September 2008, the workforce totalled 2,152 (previous year: 1,929), plus 26 trainees (previous year: 15). On an annual average the Company employed a total of 2,112 staff (previous year: 1,933). In addition, as of the balance sheet date 30 September 2008, 1 employee – on annual average 1 – was employed in a new joint venture founded during this financial year under review (See note (16)).

(8) Results from investments accounted for using the equity method

This item in Carl Zeiss Meditec's income statement shows for the first time this financial year the proportionate earnings of a joint venture, which was included in the consolidated financial statements according to the equity method.

(9) Financial result

The financial result comprises the following:

(in € '000)	Financial year 2007/2008	Financial year 2006/2007
Interest income	9,774	9,707
Interest expenses	5,710	6,391
thereof interest expense pensions	2,175	2,124
Interest income	**4,064**	**3,316**
Results from investments accounted for using the equity method	(8)	–
Investment income	**(8)**	**–**
Anticipated return on plan assets	2,117	1,968
Other financial result	1,729	470
Other financial result	**3,846**	**2,438**
Total financial result	**7,902**	**5,754**

The interest expense for pensions must be considered in conjunction with the anticipated return on plan assets shown under "Other financial result". The balance of these two values gives the Group's net financing expense for pensions.

(10) Income taxes

Earnings before income taxes are attributable to geographical regions as follows:

(in € '000)	Financial year 2007/2008	Financial year 2006/2007
Germany	55,949	46,580
Rest of world	19,783	29,533
Total	**75,732**	**76,113**

Income taxes are comprised as follows:

(in € '000)	**Financial year 2007/2008**	**Financial year 2006/2007**
Current taxes:		
Germany	14,517	15,575
Rest of world	9,603	12,458
	24,120	28,033
(thereof prior-period)	(718)	(1,539)
Deferred taxes:		
Germany	(2,823)	3,544
Rest of world	(1,806)	(5,110)
	(4,629)	(1,566)
Total	**19,491**	**26,467**

The following current and deferred taxes result from items directly attributable to equity:

(in € '000)	**Financial year 2007/2008**	**Financial year 2006/2007**
Expenses from capital increase	–	2,597
Revaluation of securities (available for sale)	26	27
Total	**26**	**2,624**

In accordance with the tax law applicable in financial year 2007/2008, the Company's income is subject to corporation tax at a rate of 15 % (previous year: 25 %). Taking into account the solidarity surcharge and the varying trade income tax rate, companies in Germany are subject to a tax rate of between 27.73 % and 32.97 % (previous year: 37.25 % to 39.02 %). The nominal tax rates applicable outside Germany in the financial year range between 30.36 % and 42.10 % (previous year: 33.33 % and 42.10 %).

The nominal tax rate of the parent company, Carl Zeiss Meditec AG, Jena, of 30.35 % (previous year: 39.02 %), which applied in the past financial year, is the tax rate used for the tax reconciliation account. Deferred taxes on interim profits are calculated in each case using the current or future tax rate applicable for the receiving Group company. This results in a tax rate that fluctuates between 27.73 % and 42.10 %. For the sake of simplicity, other deferred taxes are calculated using the applicable nominal tax rate for the parent company, Carl Zeiss Meditec AG, Jena, of 30.35 % (previous year: 30.35 %). The reconciliation of the expected income tax expense in relation to earnings before income taxes to the actual income tax expense is as follows:

(in € '000)	Financial year 2007/2008	Financial year 2006/2007
Expected income tax expense	22,985	29.699
Non-deductible expenses	1,259	489
Tax-free income	(1,576)	(2,434)
Effects of changes in the tax rate	–	959
Taxes previous years	(718)	(1,539)
Foreign tax rate differential	1,061	(1,118)
Net retained earnings from subsidiaries intended for disbursement	(2,424)	1,438
Recognition & evaluation of deferred tax assets	(963)	(861)
Other	(133)	(166)
Actual income tax expense	**19,491**	**26,467**
Effective tax ratio	25.74 %	34.77 %

(11) Earnings per share

The following table shows the calculation of earnings per share:

	Financial year 2007/2008	Financial year 2006/2007
Net income attributable to shareholders of the parent company (€ '000)	54,048	47,757
Weighted average of issued shares	81,309,610	77,968,119
Earnings per share (€)	**0.66**	**0.61**

(12) Dividend

During the period under review, a dividend of € 0.43 per share (previous year: € 0.14 per share) was paid to the shareholders of Carl Zeiss Meditec AG for financial year 2006/2007:

	Financial year 2007/2008		Financial year 2006/2007	
	€ Cent per share	**€ '000 Total**	**€ Cent per share**	**€ '000 Total**
Dividend paid	**43**	**34,963**	**14**	**11,383**

Notes to the consolidated balance sheet

(13) Goodwill

The Group's goodwill for financial years 2007/2008 and 2006/2007 developed as follows:

(in € '000)	**Goodwill**
As of 1 October 2007	103,733
Additions	8,111
Currency effects	(109)
As of 30 September 2008	**111,735**
As of 1 October 2006	101,380
Additions	3,577
Currency effects	(1,224)
As of 30 September 2007	**103,733**

The allocation of existing goodwill to cash-generating units conforms to IAS 36.80. Accordingly, the relevant goodwill is allocated within the Group independently of individual assets and liabilities; rather, it is allocated to the smallest cash-generating unit, which is expected to benefit from the synergy effects of the business combination. The cash-generating unit is determined based on the Group's internal reporting system. The carrying amounts of the goodwill are allocated to the following strategic business units:

(in € '000)	**30 September 2008**	**30 September 2007**
Surgical Ophthalmology SBU	86,205	78,094
Ophthalmic Systems SBU	25,530	25,639
Total	**111,735**	**103,733**

The change in the goodwill of the cash-generating unit "Surgical Ophthalmology" SBU results from the allocation of the goodwill which arose after the purchase price allocation of the assets from the acquisition of Acri.Tec GmbH, Hennigsdorf (see note (3)). The change in the goodwill of the "Ophthalmic Systems" SBU results from the currency effects of the conversion of US dollars to euros.

(14) Intangible assets

Intangible assets developed as follows in financial years 2007/2008 and 2006/2007:

(in € '000)	Brand names and trademarks	Software	Licenses	Patents and other industrial property rights	Develop-ment expense	Other intangible assets	Total
Acquisition and production costs as of 1 October 2007	**7,729**	**4,699**	**3,384**	**12,186**	**817**	**12,299**	**41,114**
Additions acquisitions	464	356	–	4,523	–	6,105	11,448
Additions	–	514	32	1,399	319	3,850	6,114
Reclassifications	–	(3)	(1,928)	3,445	–	(1,514)	–
Disposals	–	(660)	–	(2)	–	–	(662)
Currency effects	(9)	(8)	–	(220)	–	69	(168)
As of 30 September 2008	**8,184**	**4,898**	**1,488**	**21,331**	**1,136**	**20,809**	**57,846**
Amortisation as of 1 October 2007	**3,417**	**3,650**	**1,983**	**2,245**	**426**	**7,451**	**19,172**
Additions acquisitions	–	266	–	17	–	126	409
Additions	655	764	242	2,345	194	1,842	6,042
Reclassifications	–	–	(1,931)	3,445	–	(1,514)	–
Disposals	–	(644)	–	(2)	–	–	(646)
Currency effects	–	(1)	–	–	–	11	10
As of 30 September 2008	**4,072**	**4,035**	**294**	**8,050**	**620**	**7,916**	**24,987**
Net carrying amount as of 30 September 2008	**4,112**	**863**	**1,194**	**13,281**	**516**	**12,893**	**32,859**

(in € '000)	Brand names and trademarks	Software	Licenses	Patents and other industrial property rights	Develop-ment expense	Other intangible assets	Total
Acquisition and production costs as of 1 October 2006	**7,631**	**2,853**	**801**	**17,731**	–	**9,523**	**38,539**
Additions acquisitions	–	188	–	101	484	–	773
Additions	–	420	147	82	347	1,568	2,564
Reclassifications	531	1,462	2,436	(5,257)	–	2,290	1,462
Disposals	(333)	(113)	–	(471)	(14)	(399)	(1,330)
Currency effects	(100)	(111)	–	–	–	(683)	(894)
As of 30 September 2007	**7,729**	**4,699**	**3,384**	**12,186**	**817**	**12,299**	**41,114**
Amortisation as of 1 October 2006	**2,001**	**1,607**	**280**	**4,239**	**–**	**4,747**	**12,874**
Additions acquisitions	–	125	–	101	304	–	530
Additions	1,416	1,131	52	1,541	122	1,785	6,047
Reclassifications	–	973	1,651	(3,165)	–	1,514	973
Disposals	–	(103)	–	(471)	–	(392)	(966)
Currency effects	–	(83)	–	–	–	(203)	(286)
As of 30 September 2007	**3,417**	**3,650**	**1,983**	**2,245**	**426**	**7,451**	**19,172**
Net carrying amount as of 30 September 2007	**4,312**	**1,049**	**1,401**	**9,941**	**391**	**4,848**	**21,942**

Other intangible assets include assets identified via purchase price allocations (PPA) for customer relationships with a carrying amount of € 32 thousand (previous year: € 42 thousand) and for technology with a carrying amount of € 2,208 thousand (previous year: € 3,784 thousand).

With the exception of the legally protected trademark with a book value of € 836 thousand (previous year: € 846 thousand), which was capitalised within the scope of the PPA of LDT[2], Carl Zeiss Meditec does not have any other intangible assets which are not subject to scheduled amortisation.

[2] Laser Diagnostics Technologies Inc., San Diego, USA, was taken over by way of a 100 % acquisition of shares by Carl Zeiss Meditec Inc. with effect from 2 December 2004 and integrated into the Company. See previous company reports for more details.

(15) Property, plant and equipment

Property, plant and equipment changed as follows in financial years 2007/2008 and 2006/2007:

(in € '000)	Land, buildings and leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment	Construction in progress	Total
Acquisition and production costs as of 1 October 2007	**27,920**	**13,187**	**25,814**	**636**	**67,557**
Additions acquisitions	–	5,313	1,234	237	6,784
Additions	812	3,358	4,601	1,363	10,134
Reclassifications	(389)	(134)	948	(425)	–
Disposals	(70)	(309)	(1,607)	(2)	(1,988)
Currency effects	(311)	(28)	50	15	(274)
As of 30 September 2008	**27,962**	**21,387**	**31,040**	**1,824**	**82,213**
Depreciation as of 1 October 2007	**11,623**	**8,477**	**15,934**	**–**	**36,034**
Additions acquisitions	–	1,663	842	–	2,505
Additions	1,251	2,242	3,192	–	6,685
Reclassifications	(402)	(357)	759	–	–
Disposals	–	(97)	(1,244)	–	(1,341)
Currency effects	(84)	(49)	53	–	(80)
As of 30 September 2008	**12,388**	**11,879**	**19,536**	**–**	**43,803**
Net carrying amount as of 30 September 2008	**15,574**	**9,508**	**11,504**	**1,824**	**38,410**

(in € '000)	Land, buildings and leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment	Construction in progress	Total
Acquisition and production costs as of 1 October 2006	**29,344**	**12,798**	**16,367**	**1,244**	**59,753**
Additions acquisitions	3	1,150	7,360	5	8,518
Additions	202	2,574	5,042	–	7,818
Reclassifications	526	(1,455)	(207)	(326)	(1,462)
Disposals	(25)	(811)	(1,840)	(223)	(2,899)
Currency effects	(2,130)	(1,069)	(908)	(64)	(4,171)
As of 30 September 2007	**27,920**	**13,187**	**25,814**	**636**	**67,557**
Depreciation as of 1 October 2006	**11,043**	**8,421**	**10,424**	**–**	**29,888**
Additions acquisitions	1	759	4,900	–	5,660
Additions	1,524	1,599	2,651	–	5,774
Reclassifications	163	(700)	(436)	–	(973)
Disposals	(3)	(725)	(1,018)	–	(1,746)
Currency effects	(1,105)	(877)	(587)	–	(2,569)
As of 30 September 2007	**11,623**	**8,477**	**15,934**	**–**	**36,034**
Net carrying amount as of 30 September 2007	**16,297**	**4,710**	**9,880**	**636**	**31,523**

The reported amounts of property, plant and equipment include leased assets with a net carrying amount of € 9,516 thousand (previous year: € 10,646 thousand).

(16) At-equity investments

Since 23 June 2008 the Group has held a 49 % share of the voting rights in Advanced Research Institute GmbH – a joint venture pursuant to IAS 31 – which has its registered office in Hennigsdorf. This company is included in the consolidated financial statements according to the equity method under IAS 31.38.

The table below provides a summary of financial data relating to the at-equity investment based on a 100 % holding:

(in € '000)	**30 September 2008**
Total assets	**288**
noncurrent	–
current	288
Equity	**283**
Total liabilities	**5**
noncurrent	–
current	5
Revenue	**–**
Result	**(16)**

(17) Investments

The table below shows the changes in investments in financial years 2007/2008 and 2006/2007:

(in € '000)	**Financial year 2007/2008**	**Financial year 2006/2007**
As of 1 October	362	362
Additions	6	–
As of 30 September	**368**	**362**

The balance sheet item "Investments" includes the minority interests carried at amortised cost in Elsia S.A.S., La Rochelle, France (€ 240 thousand) and Polymerexpert S.A., Bordeaux, France (€ 122 thousand). Carl Zeiss Meditec S.A.S. holds 13.8 % of the shares in Elsia S.A.S. and 8 % of the shares in Polymerexpert S.A.

This balance sheet item also increased by the minority interest carried at amortised cost in S&V Technologies AG, Hennigsdorf (€ 2 thousand) and due to a proprietary interest – held via Acri.Tec GmbH – of € 5 thousand in the cooperation network *"oabb-optic alliance brandenburg berlin"* GbR.

(18) Deferred taxes

Deferred tax assets and liabilities are broken down into the following balance sheet items:

(in € '000)	30 September 2008	30 September 2007
Loss carryforwards	1,661	3,308
Intangible assets	137	164
Fixed assets	4,917	5,288
Investments	100	191
Inventories	11,352	9,521
Trade receivables	1,102	1,304
Other assets	–	1,093
Provisions	10,168	8,434
Other liabilities	3,935	4,268
Deferred tax assets	**33,372**	**33,571**
Intangible assets	7,000	5,564
Fixed assets	752	661
Inventories	97	–
Trade receivables	120	63
Other assets	3,078	4,183
Provisions	832	310
Trade payables	50	62
Other liabilities	825	1,132
Retained earnings	1,740	4,170
Deferred tax liabilities	**14,494**	**16,145**
Deferred tax assets (net)	**18,878**	**17,426**

After netting according to IAS 12, the consolidated balance sheet includes deferred tax assets totalling € 30,286 thousand (previous year: € 28,688 thousand) and deferred tax liabilities totalling € 11,408 thousand (previous year: € 11,262 thousand).

Deferred tax liabilities are carried in the amount of € 1,740 thousand (previous year: € 4,164 thousand) for net retained earnings from subsidiaries intended for disbursement in the amount of € 114,686 thousand (previous year: € 100,534 thousand). This amount comprises foreign withholding taxes totalling € 0 thousand (previous year: € 2,594 thousand) and additional German tax expense due upon disbursement totaling € 1,740 thousand (previous year: € 1,570 thousand).

The Group did not carry as liabilities deferred tax liabilities of € 2,131 thousand (previous year: € 1,741 thousand) on retained earnings of subsidiaries of € 61,906 thousand (previous year: € 57,295 thousand) because, from today's perspective, these earnings are to remain permanently invested.

Deferred tax assets for tax losses carried forward are carried at the amount at which the associated tax benefits are expected to be realised as a result of future tax profits. As of 30 September 2008, Carl Zeiss Meditec had tax credits from loss carryforwards in the amount of € 4,652 thousand (previous year: € 1,065 thousand) for which no deferred taxes had been formed. The loss carryforwards of € 3,073 thousand can be carried forward indefinitely.

The table below shows the reconciliation of deferred taxes.

(in € '000)	
Deferred tax assets (net) as of 30 September 2006	**10,679**
Effects recognised in income	1,566
Effects recognised directly in equity	27
Changes in the reporting entity	7,051
Currency effects	(1,897)
Deferred tax assets (net) as of 30 September 2007	**17,426**
Effects recognised in income	4,629
Effects recognised directly in equity	26
Changes in the reporting entity	(3,327)
Currency effects	124
Deferred tax assets (net) as of 30 September 2008	**18,878**

As in the previous year, the Company's consolidated financial statements do not show any valuation allowance for deferred taxes in financial year 2007/2008.

(19) Inventories

Inventories comprise the following:

(in € '000)	30 September 2008	30 September 2007
Raw materials and supplies	36,138	31,600
Work in progress	17,081	16,647
Finished goods	85,073	70,617
Total inventories, gross	**138,292**	**118,864**
Valuation allowances	(18,992)	(17,699)
Total inventories, net	**119,300**	**101,165**

Inventories were written up/down as follows:

(in € '000)	Financial year 2007/2008	Financial year 2006/2007
Beginning of financial year	17,699	10,859
Additions recognised as expenses	4,938	4,477
Currency effects	(104)	(643)
Changes in the reporting entity	725	10,391
Reclassifications	(110)	(170)
Reversals/utilisation	(4,156)	(7,215)
End of financial year	**18,992**	**17,699**

The carrying amount of inventories carried at their net realisable value totalled € 62,432 thousand as of 30 September 2008 (previous year: € 71,824 thousand). Reversal of write-downs of € 764 thousand (previous year: € 2,424 thousand) were recognised in income.

The cost of materials totalled € 286,146 thousand and € 260,527 thousand, respectively, in financial years 2007/2008 and 2006/2007.

(20) Trade receivables

Trade receivables comprise the following:

(in € '000)	30 September 2008	30 September 2007
Current trade receivables	99,057	105,842
Noncurrent trade receivables	2,604	1,654
Trade receivables, gross	**101,661**	**107,496**
Valuation allowances	(8,480)	(9,271)
Trade receivables, net	**93,181**	**98,225**

(21) Other current assets

Other current assets comprise the following:

(in € '000)	30 September 2008	30 September 2007
Prepaid expenses	2,820	3,511
Receivables from the tax office	1,098	1,303
Accounts receivable from R&D subsidies	342	142
Subsidies	740	790
Loans to employees	71	68
Derivative financial instruments	774	1,414
Other receivables	1,525	1,880
Other current assets	**7,370**	**9,108**

Receivables from the tax office mainly include receivables from advance VAT payments.

(22) Securities

The Group reports securities classified as available for sale pursuant to IAS 39. This item consists exclusively of listed shares, which are carried at fair value in the consolidated balance sheet. The relevant stock market price was used to determine the fair values of the listed shares at the balance sheet date. In the financial year under review valuation adjustments in the amount of € 104 thousand (previous year: € 1,436 thousand) were recognised with no effect on income under "Gains and losses recognised directly in equity". In the previous financial year 2006/2007 the Company also reported shares which were tendered and transferred in this financial year 2007/2008 as part of a takeover offer. As of the balance sheet date in financial year 2006/2007 the share price for the respective offering was taken as the fair value of these shares.

(23) Cash and cash equivalents

The cash and cash equivalents at the end of the financial year, as they are presented in the cash flow statement, can be reconciled to the relevant items in the balance sheet as follows:

(in € ’000)	30 September 2008	30 September 2007
Cash and cash equivalents	15	8
Bank balances	30,357	27,913
Deposits with Carl Zeiss Financial Service GmbH (secured by declaration of pledge)	165,000	190,000
Short-term time deposits	101	–
Cash and cash equivalents	**195,473**	**217,921**

(24) Equity

Share capital

As a result of the capital increase against cash and contribution in kind at the beginning of the previous financial year 2006/2007 – which was entered in the commercial register on 26 October 2006 – the share capital of Carl Zeiss Meditec AG increased by € 48,785,766 in the previous reporting period, due to the issue of 48,785,766 new no-par value ordinary bearer shares (no-par value shares). Since then the share capital of Carl Zeiss Meditc AG has consisted of 81,309,610 no-par value shares bearing equal rights with a theoretical value of € 1 per share. Ownership of the shares is linked to voting rights at the general meeting and profit participation rights for resolved disbursements.

	in thousands	€ ’000
As of 30 September 2006	32,524	32,524
Capital increase, registered on 26 October 2006	48,786	48,786
As of 30 September 2007	**81,310**	**81,310**
As of 30 September 2008	**81,310**	**81,310**

Authorised capital

Pursuant to a resolution by the General Meeting in financial year 2005/2006 and the entry in the commercial register in the previous financial year 2006/2007 dated 26 October 2006, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company, on one or several occasions until 9 March 2011, by up to a maximum of € 39,655 thousand by issuing new no-par value bearer shares against cash and/or contributions in kind (Authorised Capital I). The Management Board is authorised, subject to the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in certain cases.

Furthermore, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the share capital of the Company by a maximum of € 1,000 thousand in the period to 18 March 2009 through one or more issues of new no-par value bearer shares against cash and/or contributions in kind (Authorised Capital II).

Capital reserves

Capital reserves contain the amounts obtained in excess of the theoretical value from the share issue. In the course of the capital increase against cash and contributions in kind implemented in financial year 2006/2007 capital reserves increased in the previous reporting period by € 171,954 thousand to € 313,863 thousand and remained unchanged until the balance sheet date 30 September 2008. The capital increase in financial year 2006/2007 also led to the deduction of € 4,039 thousand after taxes as transaction costs of the capital reserve.

Retained earnings

Under the German Stock Corporation Act *(Aktiengesetz),* the dividend available for distribution to the shareholders is dependent upon equity as reported in the single-entity financial statements of Carl Zeiss Meditec AG in accordance with the German Commercial Code (HGB). Dividends may only be declared and paid from any retained earnings (after transfer to statutory reserves). The net profit disclosed in the single-entity financial statements (HGB) of Carl Zeiss Meditec AG is, as a rule, different from the accumulated net profits in these consolidated financial statements ("IFRS"). As of 30 September 2008, the single-entity financial statements of Carl Zeiss Meditec AG showed a net profit of € 32,757 thousand (previous year: € 48,586 thousand).

In the course of the complete acquisition of the shares in Carl Zeiss Meditec Iberia in the previous financial year, the purchase price paid in excess of the net carrying amounts of the acquired assets amounting to € 549 thousand was offset against retained earnings.

Minority interest

The item minority interest comprises the holdings of other shareholders in the equity of Carl Zeiss Meditec Co. Ltd., Tokyo.

At the beginning of financial year 2006/2007 the "Minority interest" item also included the holdings of the minority shareholders in Ioltech S.A. After the required shareholding threshold of 95 % was reached in financial year 2005/2006 to implement a squeeze-out of the minority shareholders in return for cash compensation, Carl Zeiss Meditec completed the full acquisition of Ioltech S.A. (now operating under the name Carl Zeiss Meditec S.A.S.) with effect from 15 November 2006 by way of a squeeze-out. This transaction resulted in a decline in "Minority interest" of € 1,512 thousand.

(25) Pension obligations

In previous financial years the Group introduced a Contractual Trust Arrangement (CTA) in Germany. By 30 September 2008 100 % of the benefit obligations towards all active employees of Carl Zeiss Meditec AG, Carl Zeiss Surgical GmbH and Carl

Zeiss Medical Software and 85 % of those of Carl Zeiss Meditec Vertriebsgesellschaft mbH had been contracted out via the CTA to a legally independent trust. The Company's benefit commitments to employees and pensioned employees remain in force unchanged. As part of the CTA, plan assets were transferred to the trust to cover pension claims. These assets are invested long term.

The amount disclosed in the balance sheet on the basis of the Company's obligation from defined benefit plans is based on the following:

(in € '000)	**30 September 2008**	**30 September 2007**
Present value of defined benefit obligation (DBO)	41,562	44,620
Fair value of plan asset	36,345	39,974
Net obligation	**5,217**	**4,646**
Unrecognised actuarial net losses	5,008	4,304
Other accrued pension costs	1,770	2,317
Reported net liability from defined benefit obligation	**11,995**	**11,267**

The following amounts are recognised in the income statement for defined benefit plans:

(in € '000)	**Financial year 2007/2008**	**Financial year 2006/2007**
Current service cost	2,304	2,483
Interest expense	2,175	2,124
Anticipated return on plan assets	(2,117)	(1,968)
Recognised actuarial (gains)/losses	158	(520)
Past service cost	–	–
Employer contributions	–	–
Net expenditure in the financial year	**2,520**	**2,119**
Actual return on plan assets	(4,888)	2,782

The ongoing annual expense of € 2,520 thousand (previous year: € 2,119 thousand) is included under both "Cost of goods sold" and "Functional costs".

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

(in € ’000)	Financial year 2007/2008	Financial year 2006/2007
Defined benefit obligation (DBO) at beginning of financial year	44,620	3,645
Current service cost	2,304	2,483
Interest expenses	2,175	2,124
Benefit payments	(149)	2,943
Actuarial (gains)/losses	(7,573)	(6,509)
(Income)/expenses plan changes	–	(1,596)
Changes in the reporting entity	–	42,524
Currency translation differences from foreign plans	185	(994)
Defined benefit obligation (DBO) at end of financial year	**41,562**	**44,620**

The changes in the fair value of the plan assets are as follows:

(in € ’000)	Financial year 2007/2008	Financial year 2006/2007
Fair value of plan assets at beginning of financial year	39,974	1,750
Actual return on plan assets	(4,888)	2,782
Employer contributions	2,097	3,189
Pension payments from plan assets	(629)	(17)
Changes in the reporting entity	–	33,122
Currency translation differences from foreign plans	(209)	(852)
Fair value at end of financial year	**36,345**	**39,974**

For the coming financial year the Group intends to pay a contribution of € 2,892 thousand (previous year: € 2,265 thousand) into the defined benefit plans.

The main investment categories of the plan assets were as follows at the balance sheet date:

(in € '000)	Financial year 2007/2008	Financial year 2006/2007
Assets which cannot be offset	–	16
Equity instruments	6,681	13,521
Debt instruments	19,659	15,977
Cash	8,452	5,877
Other	1,553	4,583
Total plan assets	**36,345**	**39,974**

The anticipated total earnings from plan assets are calculated on the basis of the market prices currently valid for the period in which the obligation is fulfilled.

The following average valuation factors were used to determine benefit obligations:

(in %)	Germany Financial year		Rest of world Financial year	
	2007/2008	**2006/2007**	**2007/2008**	**2006/2007**
Discount factor	6.40	5.25	1.50–7.50	1.70–6.25
Long-term salary increase	3.00	3.00	3.50–3.80	3.50–3.80
Future pension increase	2.00	1.75	3.80–4.00	3.80–4.00
Cost trend medical care	–	–	9.00	8.50
Anticipated return on plan assets	5.00	5.00	8.00	8.00

The calculation of pensions is linked to employee turnover, The retirement age was generally assumed to be 65. As in the previous year, domestic benefit obligations were calculated based on Prof. Klaus Heubeck's 2005 G life expectancy tables.

A change of 1 % would have the following effect, assuming the current cost trends in terms of post-employment benefit obligation for medical costs:

(in € '000)	**Increase**	**Decrease**
Effect on total current service cost and interest expense	9	(9)
Effect on defined benefit obligation	142	(124)

The table below shows the development of historical adjustments:

(in € '000)	**Financial year 2007/2008**	**Financial year 2006/2007**	**Financial year 2005/2006**
Present value of defined benefit obligation	41,562	44,620	3,645
Fair value of plan asset	36,345	39,974	1,750
Plan surplus/deficit	**(5,217)**	**(4,646)**	**(1,895)**
Experience adjustments of plan liabilities as of the balance sheet date	(7,573)	(6,510)	(45)
Experience adjustment of plan assets as of the balance sheet date	(7,005)	725	–

The above disclosures are presented prospectively from financial year 2005/2006 pursuant to the transitional requirements with respect to the amendments to IAS 19 "Employee benefits" from December 2004.

(26) Provisions

The table below shows the development of current and noncurrent provisions:

(in € '000)	Personnel and social	Ongoing operations	Other	Total
As of 1 October 2007	10,648	17,744	10,162	38,554
Additions	6,711	12,193	3,075	21,979
Interest yield	5	–	–	5
Reclassifications	(1,234)	(1,496)	(617)	(3,347)
Reversals	(183)	(2,830)	(2,792)	(5,805)
Utilisation	(6,470)	(6,339)	(4,274)	(17,083)
Currency effects	73	73	(24)	122
Changes in the reporting entity	256	56	336	648
As of 30 September 2008	**9,806**	**19,401**	**5,866**	**35,073**
Current provisions	6,115	16,156	5,866	28,137
Noncurrent provisions	3,691	3,245	–	6,936
Provisions as of 30 September 2008	**9,806**	**19,401**	**5,866**	**35,073**
Current provisions	6,625	17,744	10,162	34,531
Noncurrent provisions	4,023	–	–	4,023
Provisions as of 30 September 2007	**10,648**	**17,744**	**10,162**	**38,554**

(27) Noncurrent financial liabilities

Noncurrent financial liabilities comprise the following:

(in € '000)	30 September 2008	30 September 2007
Annuity loan	3,968	4,207
Loans from related parties	9,413	18,985
Other loans	6,292	48
Total noncurrent loans	**19,673**	**23,240**
Less current portion of noncurrent financial liabilities	913	10,108
Noncurrent financial liabilities, net of current portion	**18,760**	**13,132**

The Company's annuity loan has a term of 18 years and is redeemed in quarterly instalments of € 124 thousand each including interest. The loan bears interest at a rate of 6.24 % p. a.; this rate is fixed until the end of the term in 2019.

In order to finance the acquisition of LDT[3], a loan in the amount of US-$ 26,000 thousand was taken out with the Group Treasury in financial year 2004/2005. The loan has a total term of five years, with the first half of the total amount due after three years and the second half after five years. Due to the repayment of the 1st part of the loan in the amount of US-$ 13,000 thousand in financial year 2007/2008, this amount was reported in the previous financial year 2006/2007 under "Current portion of noncurrent financial liabilities". The interest rates are fixed for the term and total 3.94 % p.a. for the first tranche (3-year term) and 4.5 % p.a. for the second tranche (5-year term).

The item "Other loans" mainly consists of a mezzanine loan to Acri.Tec GmbH, which is subject to an interest rate of 7.93 %. This loan has a total term of seven years. At the end of the last financial year the loan had a remaining term of five years.

As of 30 September 2008 the Company's noncurrent liabilities had the following maturities:

(in € '000)

Financial year ending 30 September	Accounts payable
2009	913
2010	9,472
2011	288
2012	306
2013	6,170
2014	347
Thereafter	2,177
Noncurrent liabilities, total	**19,673**

[3] Laser Diagnostics Technologies Inc., San Diego, USA, was taken over by way of a 100 % acquisition of shares by Carl Zeiss Meditec Inc. with effect from 2 December 2004 and integrated into the Company. See previous company reports for more details.

(28) Current accrued liabilities

Current accrued liabilities include the following items:

(in € '000)	30 September 2008	30 September 2007
Outstanding invoices	10,506	8,460
Christmas bonus and special payments	5,785	5,352
Severance payments/redundancy plans	146	246
Other personnel liabilities	9,761	7,777
Commissions/bonuses	9,605	8,156
Year-end costs	357	362
Consultancy fees	130	293
Other accrued liabilities	3,840	3,126
Current accrued liabilities	**40,130**	**33,772**

(29) Other current liabilities

Other current liabilities comprise the following:

(in € '000)	30 September 2008	30 September 2007
Deferred income	12,196	10,638
Liabilities from social security	1,954	1,950
Liabilities from taxes not related to income	1,861	2,325
Advance payments received on account of orders	2,875	3,207
Wage withholding tax	1,022	960
Other liabilities	3,130	2,279
Other current liabilities	**23,038**	**21,359**

(30) Additional disclosures on financial instruments

The following table shows the book values, carrying amounts and fair values by valuation category of the Company's finanancial instruments as of 30 September 2008 and 30 September 2007:

(in € '000)	30 September 2008 Recognition and measurement in balance sheet acc. to IAS 39							
	Classification acc. to IAS 39	Book value	Amortised cost	Fair value taken directly to equity	Fair value recognised in income	Recognition cash reserves	Recognition balance sheet IAS 17	Fair value
Primary financial instruments								
Assets								
Trade receivables	LaR	**93,181**	93,181	–	–	–	–	**93,181**
Accounts receivable from related parties	LaR	**20,271**	20,271	–	–	–	–	**20,876**
Treasury receivables	LaR	**61,839**	61,839	–	–	–	–	**61,839**
Investments	AfS	**368**	368	–	–	–	–	**368**
Securities	AfS	**29**	–	29	–	–	–	**29**
Long-term loans to employees	LaR	**4**	4	–	–	–	–	**4**
Other noncurrent financial assets	LaR	**91**	91	–	–	–	–	**91**
Other current financial assets	LaR	**243**	243	–	–	–	–	**243**
Financial assets which cannot be allocated to any category within the meaning of IAS 39:								
Cash		**195,473**	–	–	–	195,473	–	**195,473**
Liabilities								
Trade payables	FLAC	**27,402**	27,402	–	–	–	–	**27,402**
Accounts payable to related parties	FLAC	**9,227**	9,227	–	–	–	–	**9,042**
Treasury payables	FLAC	**7,643**	7,643	–	–	–	–	**7,643**
Loans from related parties	FLAC	**9,413**	9,413	–	–	–	–	**9,413**
Loans from banks	FLAC	**4,566**	4,566	–	–	–	–	**4,765**
Other financial liabilities	FLAC	**5,846**	5,846	–	–	–	–	**5,846**
Financial liabilities which cannot be allocated to any category within the meaning of IAS 39:								
Leasing liabilities		**19,598**	–	–	–	–	**19,598**	**23,169**
Derivative financial instruments								
Assets								
Currency hedging contracts	FAHfT	**774**	–	–	774	–	–	**774**
Liabilities								
Currency hedging contracts	FLHfT	**1,988**	–	–	1,988	–	–	**1,988**
Thereof aggregated by valuation category pursuant to IAS 39								
Loans and Receivables (LaR)		**175,629**	175,629	–	–	–	–	**176,234**
Available-for-Sale Financial Assets (AfS)		**397**	368	29	–	–	–	**397**
Financial Assets Held for Trading (FAHfT)		**774**	–	–	774	–	–	**774**
Financial Liabilities Measured at Amortised Cost (FLAC)		**64,096**	64,096	–	–	–	–	**64,110**
Financial Liabilities Held for Trading (FLHfT)		**1,988**	–	–	1,988	–	–	**1,988**

(in € '000)		30 September 2007 Recognition and measurement in balance sheet acc. to IAS 39						
	Classification acc. to IAS 39	Book value	Amortised cost	Fair value taken directly to equity	Fair value recognised in income	Recognition cash reserves	Recognition balance sheet IAS 17	Fair value
Primary financial instruments								
Assets								
Trade receivables	LaR	**98,225**	98,225	–	–	–	**–**	**98,225**
Accounts receivable from related parties	LaR	**15,505**	15,505	–	–	–	**–**	**15,505**
Treasury receivables	LaR	**59,167**	59,167	–	–	–	**–**	**59,167**
Investments	AfS	**362**	362	–	–	–	**–**	**362**
Securities	AfS	**5,068**	–	5,068	–	–	**–**	**5,068**
Long-term loans to employees	LaR	**15**	15	–	–	–	**–**	**15**
Other noncurrent financial assets	LaR	**93**	93	–	–	–	**–**	**93**
Other current financial assets	LaR	**880**	880	–	–	–	**–**	**880**
Financial assets which cannot be allocated to any category within the meaning of IAS 39:								
Cash		**217,921**	–	–	–	217,921	**–**	**217,921**
Liabilities								
Trade payables	FLAC	**25,127**	25,127	–	–	–	**–**	**25,127**
Accounts payable to related parties	FLAC	**11,850**	11,850	–	–	–	**–**	**11,850**
Treasury payables	FLAC	**9,446**	9,446	–	–	–	**–**	**9,446**
Loans from related parties	FLAC	**18,985**	18,985	–	–	–	**–**	**18,985**
Loans from banks	FLAC	**4,256**	4,256	–	–	–	**–**	**4,489**
Other financial liabilities	FLAC	**112**	112	–	–	–	**–**	**112**
Financial liabilities which cannot be allocated to any category within the meaning of IAS 39:								
Leasing liabilities		**20,657**	–	–	–	–	**20,657**	**25,876**
Derivative financial instruments								
Assets								
Currency hedging contracts	FAHfT	**1,414**	–	–	1,414	–	**–**	**1,414**
Liabilities								
Currency hedging contracts	FLHfT	**505**	–	–	505	–	**–**	**505**
Thereof aggregated by valuation category pursuant to IAS 39								
Loans and Receivables (LaR)		**173,885**	173,885	–	–	–	**–**	**173,885**
Available-for-Sale Financial Assets (AfS)		**5,430**	362	5,068	–	–	**–**	**5,430**
Financial Assets Held for Trading (FAHfT)		**1,414**	–	–	1,414	–	**–**	**1,414**
Financial Liabilities Measured at Amortised Cost (FLAC)		**69,776**	69,776	–	–	–	**–**	**70,009**
Financial Liabilities Held for Trading (FLHfT)		**505**	–	–	505	–	**–**	**505**

The abbreviations of the valuation categories according to IAS 39 are explained in note (2(h)). The following reclassifications should be noted for a comparison with the balance sheet:

Balance sheet item	Category acc. to IFRS 7
• Other noncurrent assets	• Loans to employees • Other noncurrent financial assets
• Other current assets	• Other current financial assets • Asset-side currency hedging contracts
• Cash and cash equivalents	• Cash
• Noncurrent financial liabilities • Current portion of noncurrent financial liabilities • Current financial liabilities	• Loans from related parties • Loans from banks • Liabilities-side currency hedging contracts
• Other current liabilities • Noncurrent financial liabilities	• Other financial liabilities
• Noncurrent leasing liabilities • Current portion of noncurrent leasing liabilities	• Leasing liabilities

As of 30 September 2008 the Company had currency hedging contracts with a total nominal value of € 70,545 thousand (previous year: € 48,916 thousand). Gains and losses from the valuation of derivative financial instruments not yet due in the amount of € 1,176 thousand (previous year: € 357 thousand) are recorded in the income statement under "Foreign currency gains/(losses), net".

Net results by valuation category

The following tables show the distribution of income from interest, the subsequent valuation of financial instruments at fair value, and from currency translation among the individual categories of financial instruments in the sense of IAS 39.

(in € '000)

30 September 2008	Interest effects	From subsequent valuation			Amortisation	Net income 2008
		at fair value	Foreign currency translation	Valuation allowance		
From loans and receivables	8,162	n. a.	2,413	(1,233)	n. a.	9,342
From available-for-sale financial assets and liabilities	–	n.a.	–	–	1,710	1,710
From held-for-trading financial assets and liabilities	–	(2,116)	–	–	–	(2,116)
From financial liabilities carried at amortised cost	(1,056)	n. a.	(511)	n. a.	n. a.	(1,567)

(in € '000)

30 September 2007	Interest effects	From subsequent valuation			Amortisation	Net income 2007
		at fair value	Foreign currency translation	Valuation allowance		
From loans and receivables	5,670	n. a.	(214)	(768)	n. a.	4,688
From available-for-sale financial assets and liabilities	–	n.a.	–	–	–	–
From held-for-trading financial assets and liabilities	–	(65)	(108)	–	101	(72)
From financial liabilities carried at amortised cost	(478)	n. a.	97	n. a.	n. a.	(381)

The interest from financial instruments is carried under "Interest income"; dividends are carried under "Other financial result" (see note (9)). Carl Zeiss Meditec records the other components of the net result under "Other financial result", with the exception of the valuation allowances on trade receivables attributable to the valuation category "Loans and receivables", which are carried under "Selling expenses".

Gains and losses amounting to € -104 thousand (previous year: € 1,436 thousand) were posted to equity in financial year 2007/2008 in connection with the recording with no effect on income of the changes in value of available-for-sale financial assets.

Other disclosures

(31) Contingent liabilities and other financial commitments

Operating leases and rental agreements
The Company leases buildings and equipment under leasing and rental agreements which may not be cancelled during the basic term. The leasing agreements have different conditions and extension and purchase options.

The main rental agreement is for the rental of property for Carl Zeiss Jena GmbH, Jena. The agreement, which was concluded in 2002, had an original term until 31 March 2007. Since then it has continued with no specific termination date, and can be cancelled by either party with notice of six months to 31 March of each year. There is no purchase option for this agreement.

Lease and rental expenses for financial years 2007/2008 and 2006/2007 amounted to € 8,263 thousand and € 7,352 thousand, respectively.

The future accumulated minimum rental and leasing payments on the basis of non-cancellable operating leases are:

(in € '000)	**Leasing and rental payments**
Up to 1 year	4,668
1 to 5 years	5,558
More than 5 years	1,852
Total minimum payments	**12,078**

Finance leases
On 28 September 1999 Carl Zeiss Meditec Inc. sold and leased back land, buildings and leasehold improvements in Dublin, USA, for € 34,081 thousand. This sale-and-lease-back arrangement is categorised as a finance lease pursuant to IAS 17, whereby the land, buildings and leasehold improvements continue to be carried and depreciated on the lessee's books. The lease agreement has a term of 20 years. After the original term of the lease expires in 2019, the lessee will have two options to extend the lease by five years in each case. The lease also includes a clause to increase the lease instalments by 13 % every five years.

In addition, the land and buildings of the French subsidiary Carl Zeiss Meditec S.A.S. (formerly Ioltech S.A.) in La Rochelle are financed via a finance lease. The lease agreement comprises three contracts. The basic lease agreement was concluded in 2001 and was extended in 2002 and 2003 by additional agreements. Each of these agreements has a term of 15 years. After the original term expires, the leased assets can be acquired for a price of € 1.00 each. The leases do not include any price adjustment clauses; however, they are subject to variable interest rates.

Finance leases also exist for company vehicles at Carl Zeiss Meditec S.A.S.

The following table shows the minimum lease payments payable each year under finance leases. Sums of € 2,322 thousand and € 2,389 thousand were paid in financial years 2007/2008 and 2006/2007, respectively.

(in € '000)	Financial year 2007/2008	Financial year 2006/2007
Total future lease payments		
Due within 1 year	2,414	2,446
Due within 1 to 5 years	10,311	10,125
Due after more than 5 years	16,363	19,139
	29,088	**31,710**
Interest portion included in future lease payments		
Due within 1 year	1,362	1,433
Due within 1 to 5 years	4,657	5,053
Due after more than 5 years	3,471	4,561
	9,490	**11,047**
Present value of future lease payments		
Due within 1 year	1,052	1,012
Due within 1 to 5 years	5,654	5,067
Due after more than 5 years	12,892	14,578
	19,598	**20,657**

Guarantees
There are guarantees to third parties amounting to € 4 thousand (previous year: € 93 thousand). Generally, these guarantees are standby letters of credit to banks for services rendered to customers and by suppliers.

No provision was formed for these guarantees, since a payment obligation is not likely to occur.

Purchase commitments
Carl Zeiss Meditec has purchase commitments with suppliers, mostly for inventories, in the amount of € 44,303 thousand (previous year: € 42,324 thousand). These are spread over several years.

Litigation and arbitration proceedings
With the exception of the proceedings described below, the Carl Zeiss Meditec Group is not currently involved in any litigation or arbitration proceedings which, in the Company's current estimation, could individually have a significant impact on the financial position of Carl Zeiss Meditec AG. Nor are such proceedings pending or to be expected to the Company's knowledge.

There is a risk of litigation from the lawsuit filed by a distribution partner of Asclepion-Meditec AG, which was taken over in 2002, for lost profits and the reimbursement of costs. An appeal against denial of leave to appeal of Carl Zeiss Meditec is currently pending before the Federal Court of Justice. Acri.Tec GmbH, which was acquired in the financial year under review, is being threatened with a number of isolated legal disputes in connection with the amendment or termination of dealers' agreements. To date, no Group company has been sued; however, active proceedings are being brought against a French dealer. In addition, a competitor of Acri.Tec GmbH has had the use of certain product trademarks interdicted. For its part, Acri.Tec GmbH has, among other things, filed an application for revocation against the competitor's trademark founding the claim and has won in the first instance. The appeal against denial of leave to appeal is currently under appeal.

(32) Securities

Assets pledged as security

Borrowings in the amount of € 5,289 thousand (previous year: € 4,579 thousand) are secured with land and buildings, plant and machinery.

Assets held as security

The Group does not hold any assets pledged as security.

(33) Segment reporting

According to IAS 14, segment reporting requires income and risks to be reported according to their origin, taking internal organisational structures and reporting systems into account.

Primary reporting – geographic regions

Carl Zeiss Meditec's primary segment reporting is based on the geographic regions of Germany, the USA, Japan and Europe, according to the domicile of the subsidiary that generates the revenue. Each segment essentially offers the same type of products and services.

(in € '000)

Financial year 2007/2008	Germany	USA	Japan	Europe	Total	Eliminations	Consolidated
External revenue	397,856	244,302	62,843	107,612	812,613	(212,423)	600,190
Internal revenue	155,361	45,190	17	11,855	212,423	–	212,423
Gross profit	158,316	91,279	24,020	38,276	311,891	(8,455)	303,436
Segment profit/loss	47,438	15,656	8,112	6,163	77,369	(9,539)	67,830
Segment assets	373,917	132,285	30,134	107,697	644,033	(24,518)	619,515
Segment liabilities	75,592	44,795	10,433	20,265	151,085	(127)	150,958
Scheduled depreciation and amortisation	3,605	3,816	77	2,142	9,640	3,087	12,727
Other non-cash expenses	14,254	7,241	2,398	1,501	25,394	–	25,394
Interest expenses	3,102	2,440	169	3,671	9,382	(3,672)	5,710
Capital expenditure	4,509	3,178	116	2,788	10,591	(457)	10,134
Goodwill	23,533	10,108	–	78,094	111,735	–	111,735

(in € '000)

Financial year 2006/2007	Germany	USA	Japan	Europe	Total	Eliminations	Consolidated
External revenue	339,059	254,684	55,034	99,122	747,899	(178,204)	569,695
Internal revenue	136,236	31,125	11	10,832	178,204	–	178,204
Gross profit	137,766	106,505	20,860	35,131	300,262	(4,743)	295,519
Segment profit/loss	44,522	18,780	6,630	3,929	73,861	(3,502)	70,359
Segment assets	302,156	129,081	25,731	164,038	621,006	(16,018)	604,988
Segment liabilities	75,125	43,567	8,834	17,640	145,166	–	145,166
Scheduled depreciation and amortisation	3,643	4,022	79	2,130	9,874	1,947	11,821
Other non-cash expenses	16,054	5,310	427	3,621	25,412	–	25,412
Interest expenses	10,112	4,116	148	5,667	20,043	(13,652)	6,391
Capital expenditure	3,382	3,345	24	1,523	8,274	(456)	7,818
Goodwill	15,422	10,217	–	78,094	103,733	–	103,733

Segment assets comprise the assets of the segments less deferred taxes (€ 30,286 thousand), income tax claims (€ 3,677 thousand), treasury receivables (€ 61,839 thousand), investments and loans (€ 507 thousand). Segment liabilities comprise current and noncurrent liabilities less deferred taxes (€ 11,408 thousand), tax liabilities (€ 3,674 thousand), treasury payables (€ 7,643 thousand), current and noncurrent loans (€ 21,813 thousand) and liabilities from finance leases (€ 19,598 thousand).

Revenue and income between the segments are based on standard market conditions (arm's length transactions).

Capital expenditure relates to the acquisition of property, plant and equipment.

Revenue is attributed to geographical regions based on the location of the customer as follows:

(in € '000)	Financial year 2007/2008	Financial year 2006/2007
Germany	54,797	37,859
Rest of world:		
EMEA	194,105	169,261
Americas	212,766	243,765
Asia/Pacific	138,522	118,810
Total	**600,190**	**569,695**

Secondary reporting – Strategic business units (SBU)

The following table contains information on the segments' revenues and assets according to the Group's strategic business units: The Ophthalmic Systems and Surgical Ophthalmology SBUs comprise the activities of Carl Zeiss Meditec in the ophthalmic market. Ophthalmic Systems include medical laser and diagnostic systems. The "Surgical Ophthalmology" segment combines the Company's activities in the field of intraocular lenses and consumables. The activities in the field of neuro, ear, nose and throat surgery are presented in the "Neuro/ENT Surgery" segment. Surgical visualisation solutions and activities in the area of intraoperative radiation are allocated to this SBU.

(in € '000)

Financial year 2007/2008	Opthalmic Systems	Surgical Ophthalmology	Neuro/ ENT Surgery	Total
External revenue	285,010	73,990	241,190	600,190
Capital expenditure	5,288	3,439	1,407	10,134
Assets	301,695	173,930	143,890	619,515

Financial year 2006/2007	Opthalmic Systems	Surgical Ophthalmology	Neuro/ ENT Surgery	Total
External revenue	291,646	49,987	228,062	569,695
Capital expenditure	4,316	1,315	2,187	7,818
Assets	347,771	133,319	123,898	604,988

Key customers
In the past two financial years, no individual customer accounted for more than 10 % of total revenue.

(34) Government grants

Grants allocated for the years ending 30 September 2008 and 2007 were as follows:

(in € '000)	Financial year 2007/2008	Financial year 2006/2007
Research and development subsidies	1,146	1,392
Other subsidies	188	–
Total	**1,334**	**1,392**

Subsidies received in the amount of € 43 thousand were deducted from the acquisition costs of the relevant property, plant and equipment.

Investment subsidies and investment grants are subject to a subsequent review; however, the Group has not identified any risks of repayment.

(35) Related party disclosures

The following receivables, liabilities and revenues result from various agreements with related parties:

(in € '000)	30 September 2008	30 September 2007
Accounts receivable	20,271	15,505
thereof Carl Zeiss AG	3,722	3,010
Accounts payable	9,227	11,850
thereof Carl Zeiss AG	4,354	5,159
Revenue	120,947	109,935
thereof Carl Zeiss AG	19	28

There were also receivables from and liabilities to Carl Zeiss Financial Service GmbH in the amount of € 61,839 thousand (previous year: € 59,167 thousand) and € 7,643 thousand (previous year: € 9,446 thousand), respectively. The balance sheet item "Noncurrent financial liabilities" also includes a loan to Carl Zeiss Financial Service GmbH in the amount of € 9,413 thousand (previous year: € 18,985 thousand) (see note (27)).

The Company also purchased goods and services as follows:

(in € '000)	30 September 2008	30 September 2007
Goods deliveries	44,162	50,148
thereof Carl Zeiss AG	17,969	20,903
Services	28,180	29,380
thereof Carl Zeiss AG	12,121	11,726

Purchased services include research and development costs of € 4,567 thousand commissioned at the Carl Zeiss Group in financial year 2007/2008 (previous year: € 3,234 thousand).

In addition, the following financing activities were carried out with the related parties in financial year 2006/2007: the acquisition of Carl Zeiss Surgical (see note (24)) was financed by way of a capital increase against contributions in kind, in which Carl Zeiss AG and Carl Zeiss Inc., Thornwood, USA – a subsidiary of Carl Zeiss AG – exercised the subscription rights from the capital increase – granted to them within the scope of the capital increase implemented by Carl Zeiss Meditec AG on 26 October 2006 – and, in return, brought the 100 % of the shares held respectively by them in Carl Zeiss Surgical GmbH, Oberkochen and Carl Zeiss Surgical Inc., Dublin, USA into Carl Zeiss Meditec AG. The value of this contribution in kind amounted to € 318,153 thousand.

Relationships with key personalities with a significant influence do not and did not exist.

(36) Employee participation programmes

In this financial year 20 free shares per person (previous year: 17) were issued to employees of the Group – each with a holding period of one year. An amount of € 175 thousand was recognised in income as a result of this employee share programme. An additional expense of € 18 thousand was recorded in this connection in this financial year under review. In financial year 2005/2006 an amount of € 145 thousand was recognised in income in connection with the employee share programme in the previous year 2006/2007. In the financial year just ended the Group also deferred income of € 130 thousand for the issue of employee shares in the next financial year. The Company did not issue any stock options in financial years 2007/2008 and 2006/2007.

(37) Notifiable transactions in the reporting period

In financial year 2007/2008 members of the Management Board and Supervisory Board executed notifiable securities transactions pursuant to Art. 15a of the German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG)*.

On 9 January 2008 Supervisory Board Member Dr. Wolfgang Reim purchased 10,000 shares with a total value of € 107,200. On 8 February 2008 Management Board Member Bernd Hirsch purchased 1,500 shares with a total value of € 14,805. On 12 February 2008 Management Board member Ulrich Krauss purchased 400 shares with a value of € 3,736. On 14 February 2008 Management Board member Dr. Ludwin Monz purchased 1,000 shares with a value of € 9,650. In addition, on 28 February 2008 Management Board member

Dr. Michael Kaschke acquired 500 shares with a value of € 4,860, 829 shares with a value of € 8,033.01, 171 shares with a value of € 1,658.70 and 1,000 shares with a value of € 9,700.

The details of the above-mentioned securities transactions were published immediately after their disclosure on the Company's website at **www.meditec.zeiss.com/ir** – Corporate Governance – Directors' Dealings in accordance with the legal requirements of Art. 15b WpHG. The publication documents and the relevant disclosures were forwarded to the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).*

(38) Financial risk management

The Group operates a global financial risk management system, which comprises all subsidiaries and is organised centrally at Group level. The prime objective of the financial risk management system is to provide the necessary liquidity for the operations of companies within the Group and to limit the financial risks.

Due to its use of a range of financial instruments, the Group is exposed to risks which arise particularly as a result of fluctuation in exchange rates, interest rates and changes in the creditworthiness of the contracting partners involved.

The Group's exposure to each of the risks listed above is described below. The Group's objectives, strategies and procedures for controlling, and methods for measuring the risks are also described. The risk report in the management report also contains information about the risk management system.

Market risk

Interest fluctuation risk

The Group mainly holds interest-bearing financial instruments via its short-term cash and cash equivalent investments, loans and treasury receivables – from the Carl Zeiss group cash management of Carl Zeiss Financial Services GmbH, Oberkochen (see note (2(h)). The Group also holds noncurrent, interest-bearing financial receivables and liabilities and leasing liabilities.

An interest sensitivity analysis is based on the following assumptions: changes in market interest rates on primary financial instruments with fixed interest rates will only have an effect on income if these are valued at fair value. Accordingly, fixed-interest financial instruments valued at amortised cost are not subject to any interest fluctuation risk in the sense of IFRS 7. Foreign currency derivatives are also not subject to any significant interest fluctuation risks and therefore have no effect on interest rate sensitivities. Variable-interest financial instruments with an original term of less than 91 days are not subjected to an interest sensitivity analysis, since the interest fluctuation risk of these financial instruments can be considered negligible, due to their short maturity. As in the previous year, the Group did not hold any fixed-interest financial instruments valued at fair value on the balance sheet date. It is therefore assumed that the Group is only exposed to interest fluctuation risks associated with variable-interest financial instruments with an original term of more than 90 days.

The table below shows the Company's interest-bearing, non-derivative financial instruments with a term of more than 90 days.

(in € '000)	30 September 2008	30 September 2007
Variable-interest financial assets	–	–
Fixed-interest financial assets	11	15
Total interest-bearing assets	**11**	**15**
Variable-interest financial liabilities	661	731
Fixed-interest financial liabilities	38,392	42,599
Total interest-bearing liabilities	**39,053**	**43,330**

A change in the average variable interest rate by 100 base points would have increased (decreased) the result as of the balance sheet date as follows. This analysis assumes that all other variables remained constant.

(in € '000)

30 September 2008	Book value	Effects of interest risks on Result		Effects of interest risks on Equity	
		+100BP	-100BP	+100BP	-100BP
Variable-interest financial instruments	661	(7)	7	–	–

(in € '000)

30 September 2007	Book value	Effects of interest risks on Result		Effects of interest risks on Equity	
		+100BP	-100BP	+100BP	-100BP
Variable-interest financial instruments	731	(8)	8	–	–

Other price risks

IFRS 7 requires that the presentation of market risks also includes information about the effects hypothetical changes in risk variables could have on the prices of financial instruments. Possible risk variables are in particular stock market prices or indices. As in the previous year, there were no material risks of this kind within the Group as of 30 September 2008.

Currency risk

The currency risk for the Group in the sense of IFRS 7 results from its financial instruments, which arose from its business operations and investing and financing activities. The Group counters a risk that remains after compensation of payments made and received in the same foreign currency mainly by concluding simple currency forward contracts. Most of these transactions relate to US dollars and Japanese yen. The Carl Zeiss Meditec Group and its subsidiaries are linked to the currency hedging processes of Carl Zeiss AG, Oberkochen via its treasury company, Carl Zeiss Financial Service GmbH. The treasury of Carl Zeiss AG proposes the hedge ratios per foreign currency on a monthly basis and these ratios are then reviewed and approved by the Management Board of Carl Zeiss Meditec. The total foreign currency payments made and received and reported to the treasury by the Group's subsidiaries on a monthly basis are thus hedged against the euro by means of a currency forward contract with a term of one year in the amount of the ratio fixed.

The book values of the Group's financial assets and liabilities denominated in foreign currencies reflect the level of risk exposure as of the balance sheet date. The tables below provide an overview of the Group's foreign currency financial instruments.

30 September 2008	**Total**	**thereof: in the following currencies – in EUR –**							
(in € '000)	EUR	EUR	USD	JPY	GBP	CAD	SEK	CHF	Rest
Assets									
Trade receivables	93,181	92,883	119	176	–	–	–	3	–
Accounts receivable from related parties	20,271	19,094	–	2	940	106	129	–	–
Asset-side currency hedging contracts	774	–	448	39	239	46	–	2	–
Total assets	**114,226**	**111,977**	**567**	**217**	**1,179**	**152**	**129**	**5**	**–**
Liabilities									
Trade payables	27,402	26,635	470	–	10	15	2	78	192
Accounts payable to related parties	9,227	7,663	–	–	734	279	46	501	4
Liabilities-side currency hedging contracts	1,988	–	919	933	22	86	–	28	–
Total liabilities	**38,617**	**34,298**	**1,389**	**933**	**766**	**380**	**48**	**607**	**196**

30 September 2007	**Total**	**thereof: in the following currencies – in EUR –**							
(in € '000)	EUR	EUR	USD	JPY	GBP	CAD	SEK	CHF	Rest
Assets									
Trade receivables	98,225	98,080	142	–	–	–	–	–	3
Accounts receivable from related parties	15,505	11,343	–	1,150	1,545	793	311	362	1
Asset-side currency hedging contracts	1,414	–	1,018	253	125	–	–	18	–
Total assets	**115,144**	**109,423**	**1,160**	**1,403**	**1,670**	**793**	**311**	**380**	**4**
Liabilities									
Trade payables	25,127	19,344	1,794	3,890	17	1	–	55	26
Accounts payable to related parties	11,850	11,830	8	–	2	7	–	–	3
Liabilities-side currency hedging contracts	505	–	163	199	5	138	–	–	–
Total liabilities	**37,482**	**31,174**	**1,965**	**4,089**	**24**	**146**	**–**	**55**	**29**

The following table shows the exchange rates for the relevant currencies at both balance sheet dates:

(Currency abbreviation)	**Exchange rate as of 30 September 2008**	**Exchange rate as of 30 September 2007**
USD	0.6974	0.7049
JPY	0.0066	0.0061
GBP	1.2561	1.4320
CAD	0.6662	0.7058
SEK	0.1021	0.1085
CHF	0.6335	0.6025

In order to better present the currency risks that exist, the effects of hypothetical fluctuations in the relevant currencies on net income for the year and equity are presented below based on a currency sensitivity analysis. If, hypothetically, the euro had been 10 % stronger (weaker) as of the balance sheet date against the main foreign currencies used by the Group – ceteris paribus – earnings before taxes and equity would have been affected as follows:

(in € '000)

30 September 2008	Book value	Effects of currency risks on Result		Effects of currency risks on Equity	
		+10 %	-10 %	+10 %	-10 %
Assets					
Trade receivables	93,181	(30)	30	–	–
Accounts receivable from related parties	20,271	(118)	118	–	–
Asset-side currency hedging contracts	774	135	(135)	–	–
Effect of financial instruments before taxes	**114,226**	**(13)**	**13**	**–**	**–**
Liabilities					
Trade payables	27,402	77	(77)	–	–
Accounts payable to related parties	9,227	156	(156)	–	–
Liabilities-side currency hedging contracts	1,988	(5,335)	5,335	–	–
Effect of financial instruments before taxes	**38,617**	**(5,102)**	**5,102**	**–**	**–**

(in € '000)

30 September 2007	Book value	Effects of currency risks on Result		Effects of currency risks on Equity	
		+10 %	-10 %	+10 %	-10 %
Assets					
Trade receivables	98,225	(14)	14	–	–
Accounts receivable from related parties	15,505	(416)	416	–	–
Asset-side currency hedging contracts	1,414	3,639	(3,639)	–	–
Effect of financial instruments before taxes	**115,144**	**3,209**	**(3,209)**	**–**	**–**
Liabilities					
Trade payables	25,127	576	(576)	–	–
Accounts payable to related parties	11,850	2	(2)	–	–
Liabilities-side currency hedging contracts	505	(493)	493	–	–
Effect of financial instruments before taxes	**37,482**	**85**	**(85)**	**–**	**–**

Credit risk

The Group is exposed to a default risk due to its business operations and financing activities. The following applies to all performance relationships underlying the primary financial instruments: depending on the type and level of the respective service, collateral is required, credit information/ references are obtained and historical data from the previous business relationship is used, in particular regarding payment behaviour, in order to minimise the default risk. To the extent that default risks can be identified for the individual financial assets, these risks are covered by valuation allowances. The management is regularly involved in such decisions on risk provisioning. The default risk from the derivative financial instruments used is not believed to be material, due to credit checks, among other things. It is not possible to ascertain any concentration of default risks from business relationships with individual debtors or groups of debtors. The maximum default risk is reflected by the book values of the financial assets carried in the balance sheet. It is assumed that default rates will not change significantly in the future.

The risks associated with trade receivables are adequately covered by valuation allowances. Valuation allowances developed as follows:

(in € '000)	**Financial year 2007/2008 Valuation allowance on trade receivables**	**Financial year 2006/2007 Valuation allowance on trade receivables**
Beginning of financial year	9,271	8,979
Changes in the reporting entity	159	408
Addition	1.562	897
Consumption	(2,081)	(991)
Reversal	(451)	(582)
Reclassifications	14	552
Exchange rate differences	6	8
End of financial year	**8,480**	**9,271**

The credit risks remaining after the individual valuation allowance for trade receivables are presented using the following age analysis:

(in € '000)

30 September 2008	Book value	thereof neither impaired nor past due as of the balance sheet date	thereof not impaired as of the balance sheet date, but past due in the following periods				
			up to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 360 days	more than 360 days
Trade receivables	93,181	31,054	8,656	4,484	2,573	304	62
Accounts receivable from related parties	20,271	19,353	153	56	16	–	693
Treasury receivables	61,839	61,839	–	–	–	–	–

(in € '000)

30 September 2007	Book value	thereof neither impaired nor past due as of the balance sheet date	thereof not impaired as of the balance sheet date, but past due in the following periods				
			up to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 360 days	more than 360 days
Trade receivables	98,225	40,017	7,125	2,348	604	516	3
Accounts receivable from related parties	15,505	15,505	–	–	–	–	–
Treasury receivables	59,167	59,167	–	–	–	–	–

Other current assets are only slightly reduced by the individual valuation allowance. The majority of the trade receivables result from sales with companies of the Carl Zeiss Group and public authorities. In addition, large orders are subject to an independent credit check. For this reason and from past experience it is assumed within the Group that there is no need for valuation allowances on non-overdue receivables.

Liquidity risk

In order to ensure solvency and financial flexibility within the Group, Carl Zeiss Meditec forecasts, within a fixed planning period, the funds it will require using a cash forecast and holds a corresponding liquidity reserve in the form of cash and unused lines of credit at the treasury of Carl Zeiss AG. Due to the high amount of cash and cash equivalents held within the Group and the Group's sound financing structure with an equity ratio of 70 %, the risk of insolvency is currently considered immaterial. As of 30 September 2008 the Group's financial liabilities had the following maturities.

(in € '000)

30 September 2008	**Book value**	**Total as of 30 September 2008**	**Statement of contractually agreed undiscounted cash outflows**				
			up to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 360 days	more than 360 days
Trade payables	27,402	27,402	22,378	5,024	–	–	–
Accounts payable to related parties	9,227	9,227	8,923	304	–	–	–
Loans from related parties	9,413	9,413	–	348	–	–	9,065
Liabilities to banks	4,566	6,161	179	183	212	405	5,182
Leasing liabilities	19,598	28,796	191	349	537	1,045	26,674
Other financial liabilities	5,846	8,159	1	120	117	239	7,682
Derivative financial instruments	1,988	1,988	118	275	333	1,262	–
Total	**78,040**	**91,146**	**31,790**	**6,603**	**1,199**	**2,951**	**48,603**

(in € '000)

30 September 2007	**Book value**	**Total as of 30 September 2007**	**Statement of contractually agreed undiscounted cash outflows**				
			up to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 360 days	more than 360 days
Trade payables	25,127	25,127	21,906	3,190	31	–	–
Accounts payable to related parties	11,850	11,850	9,760	2,090	–	–	–
Loans from related parties	18,985	19,946	–	9,947	–	–	9,999
Liabilities to banks	4,256	6,084	48	124	124	248	5,540
Leasing liabilities	20,657	31,336	245	421	597	1,122	28,951
Other financial liabilities	112	112	89	4	–	19	–
Derivative financial instruments	505	505	23	–	189	291	2
Total	**81,492**	**94,960**	**32,071**	**15,776**	**941**	**1,680**	**44,492**

(39) Additional disclosures on capital management

The Group manages its capital with the aim of minimising capital costs and, at the same time, maintaining the balance between cash flow volatility and financial flexibility. In order to achieve this goal, the ratio of equity to borrowed capital, among other things, must be optimised accordingly. The main decisions relating to the financing structure are made by the Management Board. The key ratios Equity ratio and Net debt are used as a control ratio for the ratio between equity and borrowed capital. Carl Zeiss Meditec calculates these key ratios regularly and informs the Management Board of them to allow the Management Board to introduce any measures necessary. The key ratio equity ratio is defined as the percentage ratio of equity, including minority interest, to total capital. Net debt is calculated from the Group's borrowed capital less cash and cash equivalents and treasury receivables (group treasury of Carl Zeiss AG). The table below shows the key ratios in the reporting period:

(in € '000)	**Financial year 2007/2008**	**Financial year 2006/2007**
Equity*	500,731	481,250
Borrowed capital	215,093	215,060
Total assets	**715,824**	**696,310**
Cash and cash equivalents	195,473	217,921
Treasury receivables	61,839	59,167
Equity ratio in percent	70.0 %	69.1 %
Net debt**	**(42,219)**	**(62,028)**

* including minority interest
** negative sign denotes credit

The Group's overall strategy with regard to capital management is the same as the previous year.

(40) Events of significance

Changes on the Management Board and Supervisory Board
By way of a resolution of the Supervisory Board on 5 October 2007, the Supervisory Board of Carl Zeiss Meditec AG appointed the Managing Director of Carl Zeiss Surgical GmbH, Dr. Ludwin Monz, as an additional member of the Company's Management Board, effective from 8 October 2007.

Pursuant to a resolution by the Supervisory Board on 21 July 2008, Dr. Michael Kaschke assumed the office of President and CEO of Carl Zeiss Meditec AG, effective 22 July 2008. Ulrich Krauss, Bernd Hirsch and Dr. Ludwin Monz remain the other members of the Management Board. By mutual consent, James L. Taylor left the Company's Management Board for personal reasons, effective immediately.

Dr. Markus Guthoff assumed the position of Chairman of the Supervisory Board with effect from 22 July 2008.

(41) Events after the balance sheet date

Acquisition of assets for glaucoma diagnostics from a supplier
On 5 November 2008 a company of the Carl Zeiss Meditec Group and the supplier Welch Allen, Inc. New York, USA concluded a purchase agreement which provides for the acquisition of all assets as-

sociated with the manufacture of two products for glaucoma diagnostics. A purchase price allocation had not been completed as of the date of publication of this Annual Report. The acquired assets are mainly intellectual property rights, production rights and design know-how.

Dividend payments
The Management Board and Supervisory Board propose a dividend payment of € 14,636 thousand (€ 0.18 per share). Based on financial year 2006/2007, a dividend of € 34,963 thousand (€ 0.43 per share) was proposed in the current financial year under review and distributed to the shareholders.

(42) Additional mandatory disclosures pursuant to Art. 314 and Art. 285 (1) No. 10 HGB

Information on executive bodies of the parent company
Management Board
The following were appointed as members of the Management Board of Carl Zeiss Meditec AG in financial year 2007/2008 and entered in the commercial register:

Name	Year of first appointment	Responsibilities/ Activities	Other mandates at other companies
Dr. Michael Kaschke, Physics graduate, BBA	2008	President and CEO (since 22.07.2008) Areas of responsibility: “Neuro/ENT Surgery”, “Surgical Ophthalmology” SBUs, strategic business development, Corporate functions (Personnel, Communication)	• Chairman of the Supervisory Board of Carl Zeiss Meditec AG, Jena (until 21.07.2008 (suspended mandate)) • Member of the Management Board of Carl Zeiss AG, Oberkochen • Chairman of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan • Chairman of the Board of Directors of Carl Zeiss Pte. Ltd., Singapore • Chairman of the Board of Carl Zeiss India Pte. Ltd., Singapore • Chairman of the Board of Directors of Carl Zeiss Co. Ltd., Seoul, South Korea • Chairman of the Board of Directors of Carl Zeiss Far East Co., Ltd., Kowloon, Hong Kong • Chairman of the Board of Directors of Carl Zeiss (Pty.) Ltd., Randburg, South Africa • Chairman of the Board of Directors of Carl Zeiss Australia Pty., Ltd. Camperdown, Australia • Chairman of the Supervisory Board of Carl Zeiss Financial Services GmbH, Oberkochen • Member of the Supervisory Board of Siltronic AG, Munich • Member of the Supervisory Board of Henkel AG, Düsseldorf
Ulrich Krauss, Dipl.-Kaufmann (MBA)	2002	Member of the Management Board (since 22.07.2008) President and CEO (until 21.07.2008) Area of responsibility: Sales, Service	• Managing Director of Carl Zeiss Meditec Vertriebsgesellschaft mbH, Jena • Chairman of the Supervisory Board of *Acri.Tec AG, Hennigsdorf (until 16.04.08) • Member of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena • Member of the Board of Directors of Carl Zeiss Meditec Co., Ltd., Tokyo, Japan • Member of the Board of Directors of Carl Zeiss India Pte. Ltd., Singapore • “Administrateur” of F.C.I. S.A., Paris, France

Name	Year of first appointment	Responsibilities/ Activities	Other mandates at other companies
Bernd Hirsch, Dipl.-Kaufmann (MBA)	2002	Member of the Management Board Areas of responsibility: Finance, Corporate functions (Investor Relations, Legal, Taxes), Business Process Excellence	• Managing Director of Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena • Managing Director of Carl Zeiss Meditec Systems GmbH, Jena • Président Directeur Générale of F.C.I. S.A., Paris, France (until 23.10.2008) • "Administrateur" of F.C.I. S.A., Paris, France • Président of Fransitec S.A., La Rochelle, France (until 20.03.2008) • Deputy Chairman of the Supervisory Board of *Acri.Tec AG, Hennigsdorf (until 16.04.2008) • Member of the Supervisory Board of Carl Zeiss Jena GmbH, • Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA • Member of the Board of Directors of F.C.I. Ophthalmic, Inc., Marshfield Hills, USA (until 02.07.2008) • Member of the Board of Directors of Hyaltech Ltd., Edinburgh, United Kingdom (until 01.08.2008) • Auditor of Carl Zeiss Meditec Co., Ltd., Tokyo, Japan (until 18.04.2008) • Member of the Board of Directors of Carl Zeiss Meditec Co., Ltd., Tokyo, Japan • Gérant of Ioltechnologie Production S.a.r.l., La Rochelle, France (until 13.03.2008) • Président of R.D.B. Laboratoires S.A.S., Bensançon, France (until 20.03.2008) • Member of the Supervisory Board of Carl Zeiss Suzhou, Suzhou, China • Member of the Supervisory Board of Carl Zeiss Financial Services GmbH, Oberkochen • Director of F.C.I. Sud, Quatre Bornes, Mauritius
James L. Taylor	2004	Member of the Management Board (until 21.07.2008) Area of responsibility: "Ophthalmic Systems" (until 30.09.2008)	• Chairman of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA (until 30.09.2008)
Dr. Ludwin Monz, Physics graduate, MBA	2007	Member of the Management Board (since 08.10.2007) Area of responsibility: "Ophthalmic Systems", "Neuro/ENT Surgery" (until 30.09.2008), "Surgical Ophthalmology" (until 30.09.2008)	• Chairman of the Board of Carl Zeiss Surgical GmbH, Oberkochen, Germany (until 30.09.2008) • Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA (until 30.09.2008) • Chairman of the Board of Directors of Carl Zeiss Meditec Inc., Dublin, USA • Member of the internal advisory board of Carl Zeiss GmbH, Vienna, Austria

The total remuneration of the active members of the Management Board amounted to € 1,173 thousand in financial year 2007/2008 (previous year: € 1,065 thousand). Details of this remuneration are contained in the remuneration report in the management report. Furthermore, there is a benefit obligation from the long term incentive programme which increased by € 141 thousand in this financial year (previous year: € 308 thousand). A total of € 233 thousand was paid out to former members of the Management Board from the long-term incentive programme in the financial year under review. Projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amounted to € 203 thousand (previous year: € 156 thousand). In addition, the expense for transfers to provisions for pensions of active Management Board members was € 0 thousand in finanical year 2007/2008 (previous year: € 67 thousand). As a result, pension provisions of € 50 thousand were reversed based on an actuarial calculation.

Supervisory Board

The Supervisory Board of Carl Zeiss Meditec AG had the following members in financial year 2007/2008:

Name **Position on the Supervisory Board**	**Main occupation**	**Other mandates at other companies**
Dr. Michael Kaschke Chairman of the Supervisory Board until 21.07.2008 – suspended mandate, Chairman of the General and Personnel Committee until 21.07.2008, Member of the Audit Committee until 21.07.2008, Member of the Supervisory Board since 2002	Member of the Management Board of Carl Zeiss AG, Oberkochen President and CEO of Carl Zeiss Meditec AG since 22.07.2008	• Chairman of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan • Chairman of the Board of Directors of Carl Zeiss Pte. Ltd., Singapore • Chairman of the Board of Directors of Carl Zeiss India Pte. Ltd., Singapore • Chairman of the Board of Directors of Carl Zeiss Co. Ltd., Seoul, South Korea • Chairman of the Board of Directors of Carl Zeiss Far East Co., Ltd., Kowloon, Hong Kong • Chairman of the Board of Directors of Carl Zeiss (Pty.) Ltd., Randburg, South Africa • Chairman of the Board of Directors of Carl Zeiss Australia Pty., Ltd. Camperdown, Australia • Chairman of the Supervisory Board of Carl Zeiss Financial Services GmbH, Oberkochen • Member of the Supervisory Board of Siltronic AG, Munich • Member of the Supervisory Board of Henkel AG, Düsseldorf
Dr. Markus Guthoff Member of the Supervisory Board, Chairman of the Supervisory Board since 22.07.2008, Deputy Chairman of the Supervisory Board until 21.07.2008, Chairman of the Audit Committee until 21.07.2008, Member of the Audit Committee since 22.07.2008, Chairman of the General and Personnel Committee since 22.07.2008, Member of the Nominating Committee since 22.07.2008, Member of the Supervisory Board since 2004	Independent management consultant	• Member of the Advisory Board of Poppe & Potthoff GmbH, Werther • Member of the Advisory Board of IKB Private Equity GmbH, Düsseldorf, Germany (until 15.10.2007) • Chairman of the Board of Directors of IKB Capital Corporation, New York, USA (until 15.10.2007) • Chairman of the Advisory Board of IKB Immobilien Management Gesellschaft mbH, Düsseldorf, Germany (until 15.10.2007) • Chairman of the Advisory Board of IKB Data GmbH, Düsseldorf, Germany (until 15.10.2007) • Chairman of the Administrative Board of IKB International S. A., Luxembourg (until 15.10.2007) • Member of the Advisory Board of Movesta Lease and Finance GmbH, Düsseldorf, Germany (until 15.10.2007)

Name Position on the Supervisory Board	Main occupation	Other mandates at other companies
Dr. Wolfgang Reim Member of the Supervisory Board, Member of the General and Personnel Committee, Member of the Nominating Committee since 22.07.2008, Chairman of the Audit Committee since 22.07.2008, Member of the Supervisory Board since 2007	Independent MedTech consultant	• Member of the Administrative Board of BB MedTech AG, Schaffhausen, Switzerland • Member of the Supervisory Board of GN Store Nord, Denmark
Dr. Dieter Kurz Member of the Supervisory Board, Deputy Chairman of the Supervisory Board since 22.07.2008, Member of the General and Personnel Committee, Chairman of the Nominating Committee since 22.07.2008, Member of the Supervisory Board since 2006	Member of the Management Board of Carl Zeiss AG, Oberkochen, Germany	• Chairman of the Supervisory Board of Carl Zeiss SMT AG, Oberkochen • Chairman of the Supervisory Board of Carl Zeiss IMT GmbH, Oberkochen • Chairman of the Supervisory Board of Carl Zeiss Jena GmbH, Jena • Chairman of the Supervisory Board of Carl Zeiss de Mexico S.A. de C.V., Sta. Catarina Coyoacán, Mexico • Chairman of the Supervisory Board of Carl Zeiss do Brasil Ltda., Sao Paulo, Brazil • Chairman of the internal advisory board of Carl Zeiss Argentina S.A., Buenos Aires, Argentina • Chairman of the Board of Directors of Carl Zeiss, Inc., Thornwood, USA • Chairman of the Board of Directors of Carl Zeiss IMT Corp., Minneapolis, USA • Auditor of Carl Zeiss Co., Ltd., Tokyo, Japan • Member of the Supervisory Board of Ravensburger AG, Ravensburg, Germany
Franz-Jörg Stündel Member of the Supervisory Board on behalf of the employees, Member of the Audit Committee, Member of the Supervisory Board since 2002	Service engineer at Carl Zeiss Meditec AG, Jena and member of the Works Council of Carl Zeiss Meditec AG	• none
Wilhelm Burmeister Member of the Supervisory Board on behalf of the employees, Member of the Supervisory Board since 2004	Team Manager Manufacturing Control and Chairman of the Works Council of Carl Zeiss Meditec AG, Jena	• none

The total remuneration of the active members of the Supervisory Board amounted to € 311 thousand in financial year 2007/2008 (previous year: € 270 thousand). Details of this remuneration are contained in the remuneration report in the management report. The remuneration of Supervisory Board members is governed by Art. 19 of the Articles of Association of Carl Zeiss Meditec AG.

Advances/loans and contingent liabilities in favour of members of executive bodies
No advances or loans were granted to members of the executive bodies. The Company did not enter into any contingent liabilities in favour of members of the Management Board or Supervisory Board.

Auditor's fee
In financial year 2007/2008, auditors' fees for the audit of the annual single-entity financial statements and the consolidated financial statements amounted to € 857 thousand (thereof € 328 thousand in Germany) and € 78 thousand for other services (thereof € 74 thousand in Germany).

In financial year 2006/2007, auditors' fees for for the audit of the annual single-entity financial statements and the consolidated financial statements amounted to € 853 thousand (thereof € 298 thousand in Germany) and € 221 thousand for other services (thereof € 30 thousand in Germany).

Information on shareholdings (consolidated companies)

Name and domicile of the company	Currency	Share in voting capital %	Equity as of 30 September 2008 translated at the exchange rate on the balance sheet date*	Thereof profit/loss for financial year 2007/2008 translated at the average annual exchange rate*
Carl Zeiss Meditec Inc., Dublin, USA (incl. CZ Surgical Inc.)	US-$ '000 € '000	100	122,357 85,326	14,575 9,693
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany	€ '000	100	51,854	89
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€ '000	100	3,799	69
Carl Zeiss Surgical GmbH, Oberkochen, Germany	€ '000	100	55,780	20,315
Carl Zeiss Medical Software GmbH, Munich, Germany	€ '000	100	45	17
Carl Zeiss Meditec Co., Ltd., Tokyo, Japan	¥ '000 € '000	51	3,572,437 23,728	718,213 4,444
Carl Zeiss Meditec Systems GmbH, Jena, Germany	€ '000	100	4,268	1,126
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Jena, Germany	€ '000	100	-1,932	-491
Acri.Tec GmbH, Hennigsdorf, Germany	€ '000	100	7,380	2,826
Advanced Research Institute GmbH, Hennigsdorf, Germany	€ '000	49	283	-17
Atlantic S.A.S., Le Pecq, France	€ '000	100	50,469	1,229
Carl Zeiss Meditec France S.A.S., Le Pecq, France	€ '000	100	2,235	-150
Carl Zeiss Meditec S.A.S., La Rochelle, France	€ '000	100	13,646	-1,320
HYALTECH Ltd., Edinburgh, United Kingdom	£ '000 € '000	100	11,768 14,782	2,640 3,457
IOLTECHNOLOGIE Production S.A.R.L., La Rochelle, France	€ '000	100	8,441	-526
FRANSITEC S.A.S., La Rochelle, France	€ '000	100	73	-36
Laboratoire R.D.B. S.A.S., Besançon, France	€ '000	100	1,536	181
F.C.I. SUD Ltd., Quatre Bornes, Mauritius	MUR '000 € '000	100	54,877 1,377	9,293 224
F.C.I. Ophthalmics Inc., Marshfield Hills, USA	US-$ '000 € '000	100	758 528	249 165
F.C.I. S.A., Paris, France	€ '000	99.5	10,249	1,459

* The figures show the values recognised under the respective national accounting standards.

Disclosures pursuant to Art 160 (1) No. 8 AktG

Carl Zeiss AG has held an indirect majority interest in the Company's voting capital since September 2003 below the threshold of 75 % pursuant to Art. 21 (1) WpHG (German Securities Trading Act).

Carl Zeiss AG, Oberkochen, Germany, informed the Company on 27 October 2006 that the share of the voting rights held by its second-tier subsidiary Carl Zeiss, Inc., Thornwood USA, in Carl Zeiss Meditec AG fell below the threshold of 10 % on 27 October 2006 and amounts to 7.47 % (6,074,256 ordinary shares) from this date.

Carl Zeiss AG, Oberkochen, Germany, informed the Company on 27 October 2006 that the share of the voting rights held by its subsidiary Carl Zeiss Beteiligungs-GmbH, Oberkochen, Germany in Carl Zeiss Meditec AG fell below the threshold of 10 % on 27 October 2006 and amounts to 7.47 % (6,074,256 ordinary shares) from this date. All of these voting rights are allocated pursuant to Art. 22 Section 1 Sentence 1 No. 1 WpHG.

Pursuant to Art. 21, Section 1 WpHG, Threadneedle Asset Management Limited, London, United Kingdom informed the Company on 9 October 2007 that the share of the voting rights held by the companies listed below in Carl Zeiss Meditec AG, fell below the threshold of 3 % on 5 October 2007.

According to the notification dated 9 October 2007 the share of the voting rights held by Threadneedle Asset Management Limited, London, United Kingdom in Carl Zeiss Meditec AG, Jena, Germany fell below the threshold of 3 % on 5 October 2007 and amounted to 2.931 % on this date, which corresponds to 2,383,174 voting rights. Pursuant to Art. 22 Section 1 Sentence 1 No. 6 WpHG, the voting rights are attributable in full to the Company.

According to the notification dated 9 October 2007 the share of the voting rights held by Threadneedle Asset Management Holdings Limited, London, United Kingdom in Carl Zeiss Meditec AG, Jena, Germany fell below the threshold of 3 % on 5 October 2007 and amounted to 2.931 % on this date, which corresponds to 2,383,174 voting rights. Pursuant to Art. 22 Section 1 Sentence 1 No. 6, Sentence 2 and 3 WpHG, the voting rights are attributable in full to the Company.

According to the notification dated 9 October 2007 the share of the voting rights held by Ameriprise Financial Inc., Minneapolis, USA in Carl Zeiss Meditec AG, Jena, Germany fell below the threshold of 3 % on 5 October 2007 and amounted to 2.931 % on this date, which corresponds to 2,383,174 voting rights. Pursuant to Art. 22 Section 1 Sentence 1 No. 6, Sentence 2 and 3 WpHG, the voting rights are attributable in full to the Company.

Ameriprise Financial Inc. is the parent company of Threadneedle Asset Management Holdings Limited, which, in turn, is the parent company of Threadneedle Asset Management Limited.

Massachussetts Mutual Life Insurance Company, 1295 State Street, 01111-0001 Springfield, Massachussetts, USA, informed the Company on 17 December 2007, pursuant to Art. 21 Section 1 WpHG that its share of voting rights in Carl Zeiss Meditec AG had fallen below the threshold of 3 % on 13 December 2007 and amounted to 2.84 % on this date, which corresponds to 2,307,537 voting rights. Pursuant to Art. 22 Section 1 Sentence 1 No. 1 WpHG, the voting rights are attributable in full to the Company.

All notifications of voting rights can be inspected on the Company's website at **www.meditec.zeiss.com/ir**, "Corporate Governance – Obligatory Disclosures".

German Corporate Governance Code/ Declaration according to Art. 161 of the AktG (Stock Corporation Act)

The declaration mandated under Art. 161 German Stock Corporation Act (AktG) was issued by the Management and Supervisory Boards and made available to the shareholders on the Company's website at: **http://www.meditec.zeiss.de.**

Clearance for publication

The Management Board of Carl Zeiss Meditec AG cleared these IFRS consolidated financial statements for submission to the Supervisory Board on 5 December 2008. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Jena, 5 December 2008

Carl Zeiss Meditec AG

Dr. Michael Kaschke	Bernd Hirsch	Ulrich Krauss	Dr. Ludwin Monz
President and Chief Executive Officer	Member of the Management Board	Member of the Management Board	Member of the Management Board

Responsibility statement pursuant

to Art. 264 Section 2 Sentence 3 HGB and Art. 289 Section 1 Sentence 5 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated annual financial statements of Carl Zeiss Meditec give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the consolidated management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunites and risks associated with the expected development of the Carl Zeiss Meditec Group.

Jena, 5 December 2008

Dr. Michael Kaschke	Bernd Hirsch	Ulrich Krauss	Dr. Ludwin Monz
President and Chief Executive Officer	Member of the Management Board	Member of the Management Board	Member of the Management Board

Auditor's report

We have audited the consolidated financial statements prepared by the Carl Zeiss Meditec AG, Jena, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from October 1, 2007 to September 30, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB *[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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

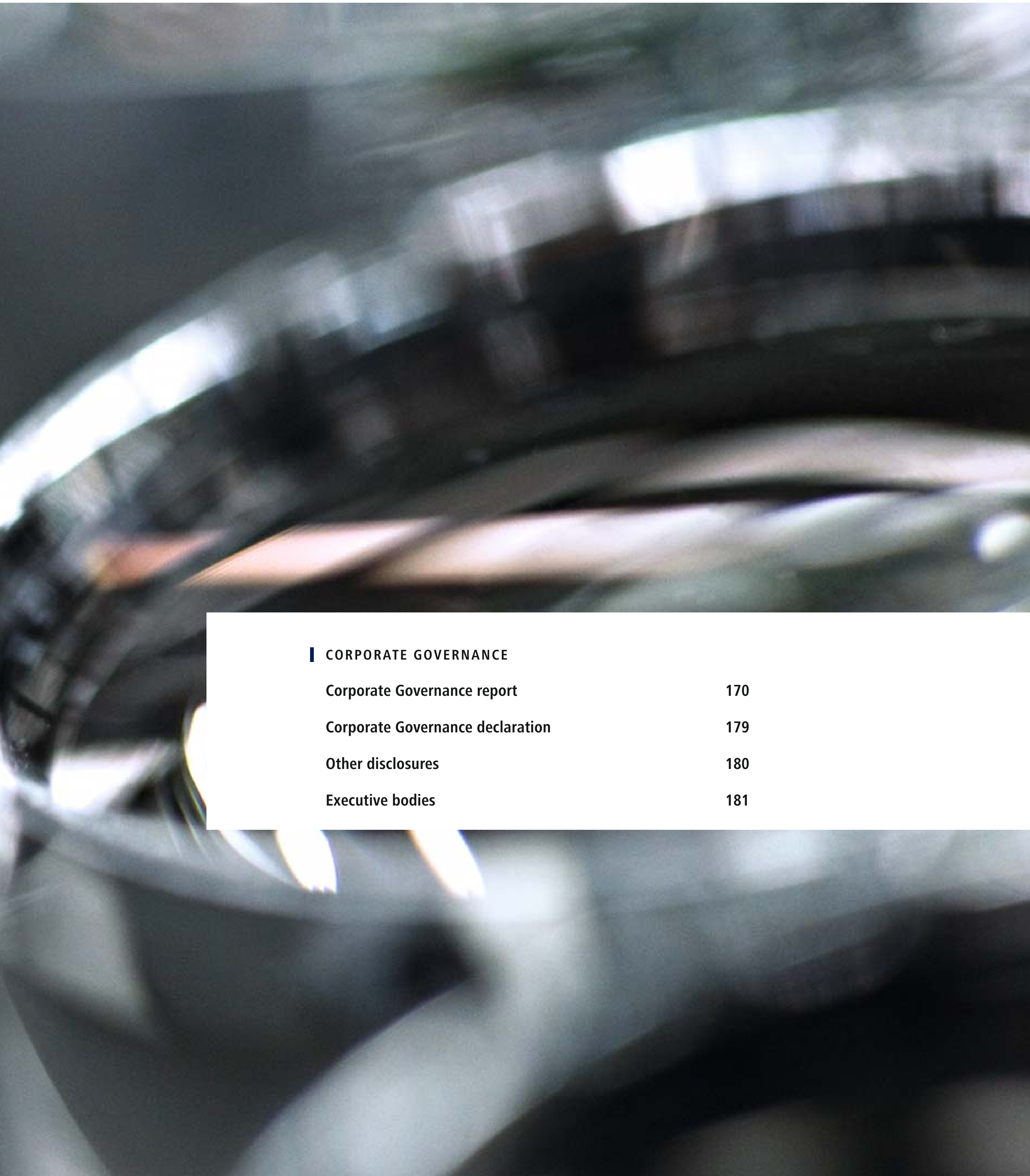
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Jena, 5 December 2008

KPMG Aktiengesellschaft –
Wirtschaftsprüfungsgesellschaft

Dr. Kursatz	Pülmanns
Wirtschaftsprüfer	Wirtschaftsprüfer


Carl Zeiss



CORPORATE GOVERNANCE

Corporate Governance report

in accordance with clause 3.10 of the current German Corporate Governance Code

Good corporate governance goes without saying at Carl Zeiss Meditec

We consider it our obligation to uphold the principles of good corporate governance and have made it our objective to continuously and sustainably reinforce the trust that investors, business associates, employees and the public place in our Company. With this in mind, the Management Board and Supervisory Board regularly review the prevailing principles of responsible, transparent and efficient corporate management with the aim of further developing corporate governance and achieving sustainable value-added. We also firmly believe that responsible corporate management, clear structures and reliable forecasts pay off in the long term. In order to anchor this point firmly in our daily business practices and in the minds of all our employees, we have adopted the Code of Conduct of the Carl Zeiss Group and follow it to the letter.

It is therefore only logical that the principles of good corporate governance should be vitally important at Carl Zeiss Meditec AG, not just today, but in the future, too[1]. In financial year 2007/2008, Carl Zeiss Meditec complied with the recommendations of both versions of German Corporate Governance Code[2,3] that were valid during this period, with just one exception. Section 7.1.2 of the new version of the Code, which became effective on 8 August 2008, provides for half-yearly and any quarterly financial reports to be discussed by the supervisory board or its audit committee with the management board before publication. In the case of the nine-month report 2007/2008, which was published on 14 August 2008, it was not possible for the Company to implement this amendment to the Code. This exception will no longer apply in the future, however, as we shall also be adhering to this new regulation from now on.

The Company also followed the vast majority of the Code's discretionary proposals.

[1] Hereinafter referred to as "Carl Zeiss Meditec" or "the Company".

[2] Hereinafter referred to as "the Code".

[3] These are the versions of the German Corporate Governance Code dated 6 June 2008, published in the electronic Federal Gazette *(Bundesanzeiger)* on 8 August 2008, and 14 June 2007.

I. Carl Zeiss Meditec follows all recommendations of the German Corporate Governance Code with just one exception, due to the late publication date

Shareholder rights: all Carl Zeiss Meditec shareholders have the same rights; each share entitles the bearer to one vote

The forum for shareholders to exercise their rights is the Annual General Meeting, and it is here that they exercise their voting right. Each Carl Zeiss Meditec share entitles its bearer to one vote. Shareholders have the opportunity at the Annual General Meeting to voice their opinions on agenda items and to ask relevant questions and make proposals. The Annual General Meeting is chaired by the Chairman of the Supervisory Board. The Management Board of Carl Zeiss Meditec AG presents the annual financial statements and the consolidated financial statements to the Annual General Meeting. Amendments to the Articles of Association and major corporate measures, such as affiliation agreements and changes in company form, the issue of new shares and other financial instruments, as well as the authorisation to acquire treasury shares, are resolved by the Annual General Meeting as an executive body of the Company.

To date, the Annual General Meeting has not been convened by electronic means, because the relevant approval requirements have not yet been met. Carl Zeiss Meditec will closely follow any developments in this respect and – if this method proves preferable to the existing procedure – will propose a corresponding amendment to the Articles of Association at a future General Meeting.

Close cooperation between Management Board and Supervisory Board

The Management Board and the Supervisory Board give a detailed progress report on the implementation of Corporate Governance at Carl Zeiss Meditec in the Company's annual report. This report has been a core part of Carl Zeiss Meditec's annual reports since financial year 2002/2003.

The Management Board develops the Group's strategic orientation, obtains the approval of the Supervisory Board, and organises its implementation. The Management Board continuously informs and promptly updates the Supervisory Board with comprehensive written and verbal reports on matters of corporate strategy and planning, business development and the development of risks, and the Group's risk management system and compliance. The Supervisory Board is directly involved in certain decisions that may have a significant effect on the Company's net assets, financial position and earnings. In order to ensure this flow of information to the Supervisory Board the CEO and Chairman of the Supervisory Board are in close contact. For further details on the cooperation between the Supervisory Board and the Management Board please refer to the "Report of the Supervisory Board".

This dual management system of Carl Zeiss Meditec AG is based, like the German Corporate Governance Code, on the provisions of the German Stock Corporation Act.

The Management Board and the Supervisory Board are bound by the basic rules of proper corporate management. Should duties of care be violated as a result of negligence, the members of these two executive bodies are liable to the Company. It shall not be considered a violation of duty, however, if the member of the Management Board or Supervisory Board was acting on the reasonable assumption, based on adequate information, that a business decision was in the interests of the Company (Business Judgment Rule).

Directors & Officers (D&O) liability insurance has been taken out for the members of the Supervisory Board and the Management Board. This insurance policy provides for an appropriate excess.

The Management Board

The Management Board of Carl Zeiss Meditec AG had four members as of 30 September 2008 and has a chairman (President and CEO).

The Management Board defines corporate objectives, the basic strategic orientation of the Company, corporate policy and the Group's organisation. The Management Board's responsibilities also include publishing quarterly and annual financial statements and filling key positions in the Company.

The Management Board of Carl Zeiss Meditec has set itself rules of procedure, which have been approved by the Supervisory Board. These relate in particular to the departmental responsibilities of the individual members of the Management Board, matters reserved for the Management Board as a whole and any transactions requiring the approval of the Supervisory Board. The rules of procedure also stipulate that Management Board resolutions must be passed with a simple majority. The members of the Management Board are all jointly responsible for conducting the Company's business affairs. The Management Board also regularly and promptly updates the Supervisory Board with comprehensive reports on all issues concerning planning, business development, risks and risk management.

The Chairman of the Management Board informs the Chairman of the Supervisory Board immediately about important events which are significant for assessing the current position of the Company as well as its future development and management. Furthermore, the Chairman of the Management Board informs the Chairman of the Supervisory Board immediately about possible deficiencies in our risk monitoring system. Transactions and measures that require the approval of the Supervisory Board are presented to the Supervisory Board in good time.

The members of the Management Board undertake to immediately disclose to the Supervisory Board and inform the other members of the Management Board of any conflicts of interest. Any secondary occupations require the consent of the Supervisory Board.

The contracts of the Management Board do not provide for any severance payments in the event of contract termination without just cause or in the event of a change in control.

The Supervisory Board

Dr. Wolfgang Reim, medtech consultant, ran for election at the Company's General Meeting in

March 2008. Dr. Wolfgang Reim was proposed as a candidate, since he had been a legally appointed member of the Company's Supervisory Board to date. The Company thus conforms to the Code recommendation in Section 5.4.3.

At its meeting on 21 July 2008 the Supervisory Board discussed and adopted a new management structure. With effect from 22 July 2008 Dr. Michael Kaschke moved from the Supervisory Board to the Management Board of Carl Zeiss Meditec AG and assumed the position of CEO. His mandate on the Supervisory Board is thus suspended until further notice in accordance with Art. 105 of the German Stock Corporation Act *(Aktiengesetz).* The resulting changes on the Supervisory Board are presented in detail in the "Report of the Supervisory Board". Supervisory Board member Dr. Markus Guthoff was appointed as the new Chairman of the Supervisory Board. In this role he is responsible for coordinating the work of this executive body of Carl Zeiss Meditec.

As of 30 September 2008 the Supervisory Board of Carl Zeiss Meditec AG had a total of six members. In its own estimation, the Supervisory Board has a sufficient number of independent members who have no business or personal relationship with Carl Zeiss Meditec AG or the Management Board. This means the Supervisory Board is able to advise and monitor the activities of the Management Board independently. Furthermore, no member of the Management Board has moved to the chair of the Supervisory Board or to the chair of a Supervisory Board committee since the foundation of Carl Zeiss Meditec in 2002.

Remuneration report

Remuneration of the Management Board

The German Act on the Disclosure of Executive Board Remuneration *(Vorstandsvergütungs-Offenlegungsgesetz)* and its resulting provisions in the HGB provide the basis for the publication of the remuneration paid to the Management Board. This specifies how to present both the total remuneration paid to the Management Board and the individual remunerations paid to the individual Management Board members. In conformity with the legal provisions the Management Board's remuneration is consistently presented and published in a remuneration report within the management report or consolidated management report. To avoid any duplication, this corporate governance report expressly adopts as its own the information contained in the remuneration report and in the management report or consolidated management report accompanying the financial statements for financial year 2007/ 2008 and makes reference to this. In summary, the presentation below merely shows an individualised breakdown of the remuneration paid to the Management Board, which consists of a fixed and a variable, i. e. performance-related, component. Information

Table 1: Individualised breakdown of remuneration paid to the members of the Management Board of Carl Zeiss Meditec (Figures in € '000)

	Fixed remuneration component	**Variable remuneration (performance-related)**	**Total remuneration for financial year 2007/2008**
Dr. Michael Kaschke[4]	22.5	–	22.5
Bernd Hirsch	198.0	91.0	289.0
Ulrich Krauss	203.0	85.0	288.0
Dr. Ludwin Monz[5]	194.0	96.0	290.0
James L. Taylor[6]	200.0	83.0	283.0

[4] Member of the Management Board since 22 July 2008
[5] Member of the Management Board since 8 October 2007
[6] Member of the Management Board until 21 July 2008

on additional salary components and a layman's description of the remuneration system can be found in the remuneration report at the location given above.

Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is calculated according to Art. 19 Section 1 of the current version of the Articles of Association of Carl Zeiss Meditec AG. In accordance with the Articles of Association, the Supervisory Board itself decides how to distribute the performance-related remuneration amongst its members. This decision on the remuneration takes account of the Chairman and Deputy Chairman of the Supervisory Board and committee membership (see the "Report of the Supervisory Board" in this Annual Report for further information). The amount to be paid is determined firstly on the basis of the varying fixed remuneration for the Chairman of the Supervisory Board and his Deputy as laid down in the Articles of Association. Secondly, functions on Supervisory Board committees are taken into account for the distribution of the variable remuneration. The table below shows an individualised breakdown of the remuneration paid to the Supervisory Board:

Table 2: Individualised breakdown of remuneration paid to the Supervisory Board of Carl Zeiss Meditec AG Art. 19 Section 1 of the Articles of Association of Carl Zeiss Meditec AG (Figures in € '000)

	Fixed remuneration component	**Variable remuneration (performance-related)**
Dr. Michael Kaschke[7]	16.1	43.2
Dr. Markus Guthoff[8]	16.0	48.3
Dr. Dieter Kurz[9]	11.0	45.8
Dr. Wolfgang Reim	10.0	38.4
Franz-Jörg Stündel[10]	10.0	34.4
Wilhelm Burmeister[10]	10.0	27.5

The Company did not pay members of the Supervisory Board any additional remunerations or benefits for personally rendered services (in particular advisory and agency services) in financial year 2007/2008.

Transparency: all interest groups are provided with regular, up-to-the-minute information about the Company's performance and any important changes to the business.

Given our international shareholder structure, and in order to achieve maximum transparency, we inform all shareholders and interest groups simultaneously and on equal terms in German and English about the Company's position and about any significant changes to the Company's business. The Management Board publishes insider information pertaining to Carl Zeiss Meditec immediately, provided it is not exempt from this obligation in individual cases. The Company also maintains an insider list containing the names of all persons with access to insider information. These insiders are kept regularly informed about all the legal obligations that this entails.

All capital market-related information is available on Carl Zeiss Meditec's website at **www.meditec.zeiss.com/ir.** We publish all our mandatory publications here, as well as a majority of the Company's additional investor relations publications. In ac-

[7] Supervisory Board mandate suspended since 22 July 2008 in accordance with Art. 105 of the German Stock Corporation Act
[8] Chairman of the Supervisory Board since 22 July 2008
[9] Deputy Chairman of the Supervisory Board since 22 July 2008
[10] Employee representative legally appointed to the Supervisory Board on a voluntary basis

cordance with new statutory regulations we also publish a number of other things online Europe-wide, including information on securities transactions executed by members of the Management Board or Supervisory Board in shares of the Company, once the total sum of the transactions exceeds € 5,000 in the calendar year. These disclosures also include notifiable changes in shareholdings, if an individual, by purchase, sale or other means, falls below or exceeds the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 or 75 % of the voting rights in Carl Zeiss Meditec AG, and all company law information subject to certain disclosure requirements, which the electronic companies register makes centrally accessible.

The annual financial statements including the associated annual management report are published much more quickly than within the required 90 days after the end of the financial year. In this regard, Carl Zeiss Meditec lives up to the 'fast closing' principle. Interim reports are published within 45 days of the end of the respective quarter.

Directors' dealings: notifiable securities transactions by members of the executive bodies of Carl Zeiss Meditec AG in financial year 2007/2008

In financial year 2007/2008 members of the Management Board and Supervisory Board executed notifiable securities transactions pursuant to Section 15a of the German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG).*

On 9 January 2008 Supervisory Board Member Dr. Wolfgang Reim purchased 10,000 shares with a total value of € 107,200. On 8 February 2008 Management Board Member Bernd Hirsch purchased 1,500 shares. The total value of this transaction was € 14,805. On 12 February 2008 Management Board Member Ulrich Krauss purchased 400 shares with a total value of € 3,736. On 14 February 2008 Management Board Member Dr. Ludwin Monz purchased 1,000 shares. The total value of this transaction was € 9,650. On 28 February 2008 Company President and CEO, Dr. Michael Kaschke, who was then still Chairman of the Supervisory Board, purchased 2,500 shares with a total value of € 24,251.71.

No member of the Management Board or Supervisory Board alone holds shares or related financial instruments that directly or indirectly comprise more than one percent of the issued shares of Carl Zeiss Meditec AG. Nor do the total holdings of all Management Board and Supervisory Board members exceed this value.

The details of all securities transactions conducted by members of the Management Board and Supervisory Board are published immediately after their disclosure on the Company's website at **www.meditec.zeiss.com/ir | Corporate Governance | Directors' Dealings** in accordance with the prevailing legal requirements of Art. 15b WpHG. The publication documents and the relevant disclosures are forwarded to the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin").*

Directors' holdings: shareholdings of members of the executive bodies of Carl Zeiss Meditec AG

Table 3: Directors' holdings – Number of Carl Zeiss Meditec shares held by members of the Company's executive bodies

		No. of Carl Zeiss Meditec shares (30 September 2008)
Management Board		
Dr. Michael Kaschke	Shares	9,000
Bernd Hirsch	Shares	6,500
Ulrich Krauss	Shares	1,650
Dr. Ludwin Monz	Shares	1,000
Supervisory Board		
Dr. Markus Guthoff	Shares	1,900
Dr. Wolfgang Reim	Shares	10,000
Dr. Dieter Kurz	Shares	–
Wilhelm Burmeister	Shares	1,267
Franz-Jörg Stündel	Shares	787
Company		
Carl Zeiss Meditec AG	Shares	–

Accounting and auditing: a sound financial structure – audited by independent auditors – guarantees solidity and reliability

Carl Zeiss Meditec has been preparing its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") since 1 October 2005, as legally prescribed. The Company observes the recommendations of the International Financial Reporting Interpretations Committee ("IFRIC"). Shareholders are also kept informed during the financial year by the half-yearly financial report and by quarterly financial reports in the first and second half of the year.

The legally prescribed single-entity financial statements of Carl Zeiss Meditec AG, which are relevant for taxation and the dividend payment, are prepared in accordance with the provisions of the German Commercial Code *(Handelsgesetzbuch, "HGB").* The financial statements are prepared by the Management Board, approved by the Supervisory Board and audited and certified by an independent auditor. The Annual General Meeting resolves upon the utilisation of profits.

The Supervisory Board has appointed KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("KPMG"), Stuttgart, as the auditor for the financial statements of the Carl Zeiss Meditec Group. Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH ("BHP"), Stuttgart, was appointed as auditor for the single-entity financial statements of Carl Zeiss Meditec AG, Jena. The basis for appointing both auditors was their selection by the Annual General Meeting 2008. Before submitting its proposal for the auditor, the Supervisory Board obtained declarations of independence pursuant to section 7.2.1 of the Code from both KPMG and BHP. In these declarations the two companies confirm that there are no professional, financial or other relationships between the respective auditor and its executive bodies and audit managers or between the Company and its executive body members.

The auditing agency for accounting and the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin")* are authorised to check the compliance of the annual financial statements and the consolidated financial statements (together with the respective accompanying management reports) with the applicable accounting standards (enforcement).

Carl Zeiss Meditec's accounts have been duly prepared at all points. This was also confirmed in a routine audit conducted by the German Financial Reporting Enforcement Panel *(Deutsche Prüfstelle für Rechnungslegung, "DPR")* during the last financial year. In this audit, the DPR examined Carl Zeiss Meditec AG's consolidated and annual financial statements and the accompanying management reports for financial year 2006/2007 and raised no objections.

Carl Zeiss Meditec does not run any stock option programmes or similar securities-oriented incentive systems. In financial year 2004/2005, however, due to the Company's economic success, and in recognition of the high level of personal commitment of the whole staff, the Management Board resolved to issue a special bonus to all employees in the form of a stake in the Company for the first time. The Company also plans to issue employee shares with an equivalent value of around € 250 (net) to all employees of Carl Zeiss Meditec AG and its wholly owned German subsidiaries for financial year 2007/2008.

II. Carl Zeiss Meditec also implements the relevant proposals of the German Corporate Governance Code

In accordance with its voluntary commitment to good corporate governance, Carl Zeiss Meditec implements not only the recommendations of the Code without restriction, but also observes any relevant "discretionary provisions" of the Code. The following table provides an overview of these.

Table 4: Implementation status of discretionary provisions of the Code by Carl Zeiss Meditec AG in financial year 2007/2008

No.	Recommendation	Observance by the Company
2.2.4	The meeting chairman should ensure that the annual general meeting proceeds quickly. He should follow the guideline that an ordinary general meeting should last no longer than 4 to 6 hours.	✓
2.3.3	Proxies nominated by the company should also be contactable during the annual general meeting.	✓
2.3.4	The company should allow shareholders to follow the annual general meeting via modern communication media (e. g. the Internet).	The Company doubts whether such a service would be used by many shareholders. However, Carl Zeiss Meditec will monitor relevant developments and respond quickly to any fundamental changes.
3.6	In supervisory boards with employee representatives, the shareholder and employee representatives should prepare for the supervisory board meetings separately, or together with members of the management board, where applicable.	Does not apply to the Company.
3.6	The supervisory board should meet without the management board where necessary.	Does not apply to the Company, as no requirement for financial year 2007/2008.
3.7	An extraordinary general meeting should be held where appropriate.	Does not apply to the Company, as no requirement for financial year 2007/2008.
3.10	The company can comment on the Code's suggestions in its corporate governance report.	✓

Table 4: Implementation status of discretionary provisions of the Code by Carl Zeiss Meditec AG in financial year 2007/2008

No.	Recommendation	Observance by the Company
4.2.3	The variable component of the management board's remuneration should include one-off and annually payable components linked to the company's performance, as well as components with a long-term incentive and risk elements.	✓
5.1.2	The supervisory board can commission a committee with the task of preparing for the appointment of management board members. This committee also specifies the contract details and the remuneration.	✓
5.1.2	When new management board members are appointed, the length of their contract should not exceed five years.	✓
5.2	The chairman of the supervisory board should not also be the chairman of the audit committee.	✓
5.3.2	The chairman of the audit committee should not be a former management board member.	✓
5.3.4	The supervisory board may delegate other issues to committees.	✓
5.3.5	The supervisory board can arrange for committees to prepare supervisory board meetings and to take decisions in place of the supervisory board.	✓
5.4.6	Remuneration of the supervisory board should also contain components based on the long-term success of the company.	✓
6.8	Company publications should also be produced in English.	✓

Declaration by the Management Board and the Supervisory Board of Carl Zeiss Meditec AG

on the German Corporate Governance Code in accordance with Art. 161 Stock Corporation Act (AktG)

Pursuant to Art. 161 AktG the Management and Supervisory Boards of Carl Zeiss Meditec AG are obliged to submit an annual declaration that the recommendations of the *Government Commission on the German Corporate Governance* Code have been complied with. This declaration must be made permanently accessible to shareholders.

The Management Board and Supervisory Board declare herewith

that since its last declaration of 3 December 2007, Carl Zeiss Meditec AG has conformed to all the recommendations of the Government Commission on the German Corporate Governance Code in its version dated 6 June 2008 and in its version dated 14 June 2007, as published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger)*.

With regard to the amendment of 6 June 2008, as published in the Federal Gazette *(Bundesanzeiger)* on 8 August 2008, the following exception shall be made:

Art. 7.1.2 stipulates that half-yearly and possible quarterly financial reports be discussed by the Supervisory Board or its audit committee with the Management Board prior to publishing. It was no longer possible for the Supervisory Board or audit committee to discuss these with the Management Board at a meeting on 14 August prior to publication of the 9-Month Report 2007/2008.

The Management Board and Supervisory Board additionally declare that Carl Zeiss Meditec AG will continue in future to observe all recommendations of the Code as amended on 6 June 2008.

Jena, 8 December 2008

On behalf of the Supervisory Board
(Dr. Markus Guthoff)

On behalf of the Management Board
(Dr. Michael Kaschke)

Explanatory report of the Management Board of Carl Zeiss Meditec AG

on the disclosures pursuant to Art. 289 Section 4 and 315 Section 4 HGB

As an introduction please refer to the disclosures pursuant to Art. 289 Section 4 and 315 Section 4 HGB in the consolidated management report for financial year 2007/2008, which are self-explanatory. In addition to these disclosures, the Management Board of Carl Zeiss Meditec AG is issuing the following explanatory report:

Classes of shares other than those described in the disclosures of the consolidated management report for financial year 2007/2008 as mentioned above do not exist. Nor are there restrictions on behalf of Carl Zeiss Meditec AG concerning the voting rights or transfer of shares. Furthermore, the Management Board is not aware of any other agreements concluded, for example, between individual shareholders.

The voting rights announcement last issued by Carl Zeiss AG pursuant to Art. 21 Section 1, Art. 22 Section 1 Sentence 1 No. 1 German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG)* is dated 15 February 2006. Another voting rights announcement in connection with Germany's Transparency Directive Implementation Act *(Transparenzrichtlinie-Umsetzungsgesetz, TUG)* by 20 January 2007 was not required due to Art. 41 Section 4a Sentence 2. The voting rights announcement pursuant to Art. 21 Section 1, Art. 24 WpHG, which was issued by Carl Zeiss AG on behalf of Carl Zeiss Inc., is dated 27 October 2006. All of the voting rights announcements mentioned above can be viewed on the Company's website at: **www.meditec.zeiss.com/ir**, "Corporate Governance – Obligatory publications".

The Company did not issue shares with special rights that grant supervisory powers.

Pursuant to Art. 179 and Art. 133 AktG, an amendment to the Articles of Association requires a resolution by the General Meeting, which, in turn, requires a simple majority of the votes cast and a majority that comprises at least three quarters of the share capital represented at the time the resolution is passed. The Articles of Association may specify a different capital majority; in the case of an amendment to the purpose of the Company, however, only a larger capital majority may be specified. Art. 24 of Carl Zeiss Meditec AG's Articles of Association states that in those cases for which the law requires a majority of the share capital represented at the time of resolution, a simple majority of the share capital represented is sufficient, provided that a greater majority is not mandatory by law. In accordance with Art. 27 of the Articles of Association of Carl Zeiss Meditec AG, the Supervisory Board is authorised to resolve amendments to the Articles of Association that only affect the version. This complies with Art. 179 Section 1 Sentence 2 AktG.

The legal provisions concerning the appointment and dismissal of members of the Management Board are set forth in Art. 84 and Art. 85 AktG. In compliance with these provisions Art. 6 Section 2 of the Articles of Association of Carl Zeiss Meditec AG stipulates that the Supervisory Board should be responsible for appointing and dismissing the members of the Management Board. According to the legal requirements it is only possible to dismiss a member of the Management Board for serious reasons. The Supervisory Board is responsible for concluding and terminating contracts of employment with the members of the Management Board.

Further details on the authorisation of the Management Board to repurchase own shares can be found in the Invitation to the Annual General Meeting 2008 under Agenda item 7 "Resolution on authorisation to purchase Company's own shares" and the related report of the Management Board. The invitation is available on the Company's website at: **www.meditec.zeiss.com/ir**, "Annual General Meeting 2008".

Executive bodies of the Company[1]

Members of the Management Board

Dr. Michael Kaschke
(Chief Executive Officer)

Bernd Hirsch
(CFO)

Ulrich Krauss

Dr. Ludwin Monz

Further information on the Management Board can be found in the Notes to the Consolidated Financial Statements under "Information on executive bodies of the parent company" on page 158.

Members of the Supervisory Board

Dr. Markus Guthoff
(Chairman of the Supervisory Board[2])

Dr. Dieter Kurz
(Deputy Chairman of the Supervisory Board[2])

Dr. Wolfgang Reim

Franz-Jörg Stündel[3]

Wilhelm Burmeister[3]

Dr. Michael Kaschke[4]

Committee Members[1]

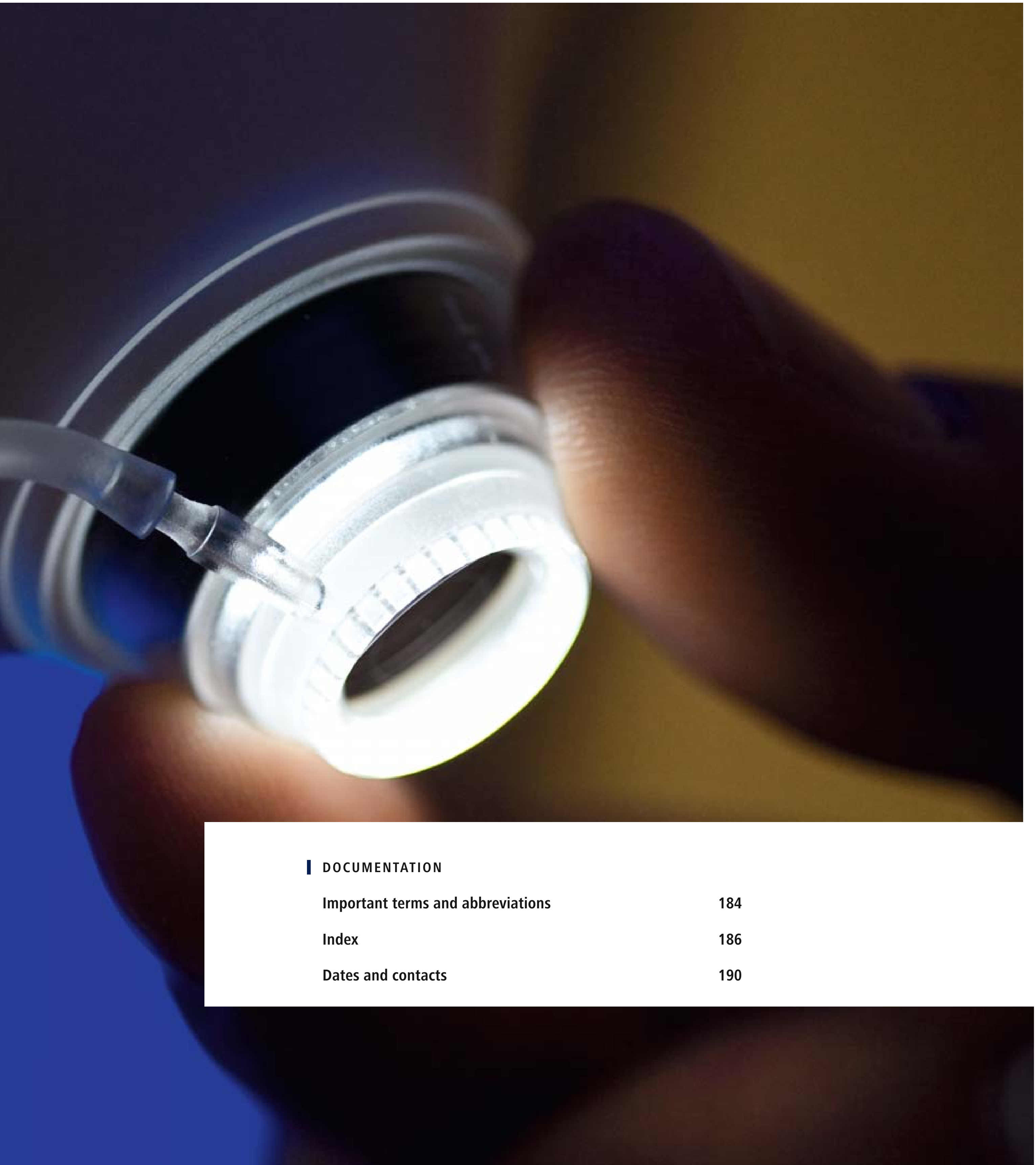
General and Personnel Committee
Dr. Markus Guthoff (Chairman)
Dr. Dieter Kurz
Dr. Wolfgang Reim

Audit Committee
Dr. Wolfgang Reim (Chairman)
Dr. Markus Guthoff
Franz-Jörg Stündel

Nominating Committee
Dr. Dieter Kurz (Chairman)
Dr. Markus Guthoff
Dr. Wolfgang Reim

Further information on the Supervisory Board can be found in the Notes to the Consolidated Financial Statements under "Information on executive bodies of the parent company" on page 160.

[1] as of 30 September 2008
[2] since 22 July 2008
[3] Employee representative legally appointed to the Supervisory Board on a voluntary basis
[4] Appointment as member of the Supervisory Board suspended pursuant to Art. 105 AktG



DOCUMENTATION

Financial glossary

Capex
Abbreviation for “Capital expenditure”

Indicates the level of investment in property, plant and equipment

Usually stated as the Capex ratio, i. e., investments in property, plant and equipment in the reporting period in relation to consolidated revenue for the same period.

Cash flow from operating activities
Also: operative cash flow

Shows the net change in the company’s cash and cash equivalents resulting from operating activities and is thus and indicator of the financial strength arising from this.

Calculation: usually an indirect calculation by adjusting the consolidated net income generated in a period by non-cash transactions from the income statement and cash transactions resulting from changes in individual items in the consolidated balance sheet; adjusted items are associated with the company’s operating activities – mainly depreciation and amortisation and changes in working capital.

DSO
Abbreviation for “Days of sales outstanding”

Number of days that customers take to pay an invoice

Earnings per share
Indicates the consolidated earnings per share that were generated

Calculation: consolidated net income divided by the weighted average number of outstanding shares in the reporting period

EBIT
Abbreviation for “Earnings before interest and taxes”

EBITDA
Abbreviation for “Earnings before interest, taxes, depreciation and amortisation”

Property, plant and equipment and intangible assets are depreciated and amortised, respectively, insofar as they have a limited useful life.

EMEA
Abbreviation for “Europe, Middle East and Africa”

Term to describe the economic area of Europe, consisting of Western and Eastern Europe, the Middle East and Africa

IFRS
Abbreviation for “International Financial Reporting Standards”, until 2001: “International Accounting Standards” or “IAS”

International accounting regulations developed and published by the London-based “International Accounting Standards Board” (“IASB”).

Pursuant to Art. 62 German Stock Exchange Regulations *(Börsenordnung, BörsO),* companies in Germany that are listed on the official or regulated market with extended admission criteria (Prime Standard), must prepare consolidated financial statements according to IFRS or US GAAP.

Working Capital
Calculated from the difference between current assets and current liabilities and thus reflects, in purely financial terms, the extent to which current liabilities are covered by current assets.

Working capital is also an indicator of how much capital generated from operating activities is tied up in the company, i. e., it indicates the portion of current assets not tied up to cover current liabilities and that therefore “work” in the procurement, production and selling process.

Technical glossary

Cataract
Deterioration of vision through opacity of the lens

Most common cause of blindness worldwide; typical disease among the elderly.

Cirrus™ HD-OCT
High-resolution diagnostic system for the structural examination of cross-sections and three-dimensional reconstructions of the fundus of the eye (e.g. for the early detection of glaucoma or the diagnosis of age-related macular degeneration).

Ear, nose and throat surgery
Abbreviation: "ENT surgery"
Also: Otolaryngology

Medical field concerned with the recognition and surgical treatment of diseases, injuries, malformations and malfunctions in the entire head and neck area.

Glaucoma
Ophthalmic disease which leads to increasing restriction of the field of vision, often caused by an increase in ocular pressure.

Second most common cause of blindness in industrialised countries.

Humphrey® Field Analyzer
System for static and kinetic measurement of the visual field for assistance with glaucoma diagnosis.

IOL
Abbreviation of "Intraocular lens"

Synthetic lens to replace the natural lens of the eye, used in cataract surgery.

IOLMaster®
Device for accurate and efficient non-contact measurement of the eye and calculation of the required intraocular lens prior to cataract surgery.

MEL 80™
Laser for fast and accurate treatment of vision defects (refractive errors).

Neurosurgery
Medical field concerned with the detection and surgical treatment of diseases, injuries and malformations of the central nervous system (brain, spinal cord, peripheral nerves).

OPMI Lumera®
Surgical microscope for ophthalmology, which uses Stereo Coaxial Illumination (SCI) to enable surgeons to visualise details of the eye that were previously extremely difficult to identify. (The use of this microscope can also lead to even better treatment results).

OPMI® Pentero®
Unique surgical microscope for neuro- and spinal surgery that accurately displays diseased tissue, e.g. brain tumours and vascular diseases.

Pioneering technologies, e.g. fluorescence diagnosis, that have been integrated in a surgical microscope for the first time, enable significantly less invasive treatment for the patient.

Stratus OCT™
Diagnostic system for examining the structure of the fundus (e.g. for the early detection of glaucoma and other ophthalmic diseases).

VisuMax®
Innovative femtosecond laser system used to create incision-like tissue perforations in the cornea. This high-precision incision technique is used in refractive surgery and other corneal surgery procedures.

Find your information quickly

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Financial calendar 2008/2009
Event calendar 2008/2009

Table 1: Financial calendar 2008/2009

Date	Financial year 2008/2009
13 February 2009	3-Month Report
13 February 2009	Telephone conference
14 May 2009	6-Month Report
14 May 2009	Telephone conference
19 May 2009	Annual General Meeting
13 August 2009	9-Month Report
13 August 2009	Telephone conference
14 December 2009	Annual Financial Statements 2008/2009
14 December 2009	Analysts' Conference, Frankfurt am Main

Table 2: Event calendar 2008/2009

Date	Financial year 2008/2009
6 – 8 February 2009	ESCRS Winter (European Society of Cataract & Refractive Surgery) (Ophthalmology), Rome, Italy
11 – 14 March 2009	BCC (Breast Cancer Conference) (Radiotherapy) St. Gallen, Switzerland
26 – 30 March 2009	MEACO (Middle East African Council of Ophthalmology) (Ophthalmology), Manama, Bahrain
23 – 27 March 2009	EBCC (European Breast Cancer Conference) (Radiotherapy) Barcelona, Spain
3 – 8 April 2009	ASCRS (American Society of Cataract and Refractive Surgery) (Ophthalmology), San Francisco, USA
2 – 7 May 2009	AANS (American Association of Neurological Surgeons) (Neurosurgery), San Diego, USA
24 – 27 May 2009	DGNC (Deutsche Gesellschaft für Neurochirurgie) (Neurosurgery) Münster, Germany
1 – 5 June 2009	IFOS (World Congress of Oto-Rhino Laryngology) (ENT) Sao Paulo, Brasil
18 – 21 June 2009	DOC (International Congress of German Ophtalmic Surgeons) (Ophthalmology), Nuremberg, Germany
30 August – 4 September 2009	WFNS (World Federation of Neurosurgical Societies) (Neurosurgery) Boston, USA
2 – 5 September 2009	FDI (World Dental Congress) (Dental) Singapore
12 – 16 September 2009	ESCRS Summer (European Society of Cataract & Refractive Surgery) (Ophthalmology), Barcelona, Spain

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www.meditec.zeiss.com/ir

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