Annual Report 2008/2009

Precision.

Simplicity.

Outcomes.

CARL ZEISS MEDITEC

Highlights

640.1

Revenue in € million

Consolidated revenue increased by 6.6 % year-on-year to € 640.1 million.

11.5

Increase in earnings before interest and taxes (EBIT) in %

Earnings before interest and taxes (EBIT) thereby grew considerably more strongly than revenues.

200.0

Cash and cash equivalents in € million

Carl Zeiss Meditec has a comfortable liquidity situation and is thus able to act quickly when worthwhile and viable external growth opportunities present themselves.

0.62

Earnings per share in €

Earnings per share totalled € 0.62.

63.5

Investments in research and development in € million ensure sustainability

We claim to offer cutting-edge products leaving competitors trailing in our wake. We therefore also invest in our research and development activities during times of economic difficulty, thereby securing the Company’s future earnings power.

0.18

Dividend per share in €

Thanks to our strong growth we can also allow our shareholders to participate in the Company’s success during economically difficult times. We therefore plan to pay out a dividend of € 0.18 per share for financial year 2008/2009 and are thereby continuing to pursue a stable and earnings-oriented dividend policy.

Content

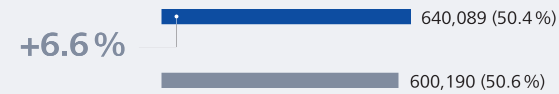
Business development

(Unless specified otherwise, figures in € ’000)

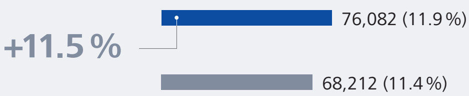
Revenue and net income

■ **Financial year 2008/2009** ■ Financial year 2007/2008

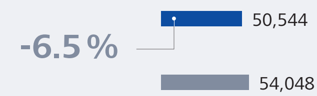
Consolidated revenue (Gross margin)



EBIT (EBIT margin)



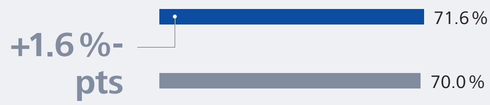
Consolidated net income after minority interests



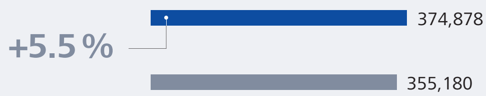
Key figures in balance sheet and cash flow statement

■ **30 September 2009** ■ 30 September 2008

Equity ratio

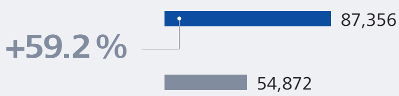


Working Capital



■ **Financial year 2008/2009** ■ Financial year 2007/2008

Cash flow from operating activities



Annual Report 2008/2009

Our innovations
create benefits
for doctors and patients

Ladies and Gentlemen,

I am glad to inform you that Carl Zeiss Meditec's business development for the difficult year 2008/2009 is very positive. Just to give you a quick overview of the key figures: revenue increased by 6.6 percent to € 640.1 million. We want to grow profitably – and this is what we have done yet again: earnings before interest and tax (EBIT) increased by 11.5 percent to € 76.1 million. Our EBIT margin increased accordingly from 11.4 percent to 11.9 percent in the period under review. Particularly encouraging is the development of cash flow from operating activities in financial year 2008/2009, which climbed almost 60 percent year-on-year and amounts to € 87.4 million (previous year: € 54.9 million).

That said, however, financial year 2008/2009 was undoubtedly one of the most difficult and challenging years in our history. Like other companies, we, too, had to survive the worst economic crisis in over 70 years. We did survive and even managed to meet or exceed our targets in these adverse conditions. Unlike many of our competitors, we sustained our excellent position in the market and even gained additional market shares, due to our broad portfolio of innovative products and our global presence.

At the same time, our financial basis is sound: we run our business prudently and with foresight – sustainable, profitable growth comes before rapid expansion and short-term profit-maximisation. Our strategic orientation is paying off: we focus on innovative products and sustainable growth. The strength of the ZEISS brand contributes to our customers' perception of us as a reliable partner – particulary given the current economic crisis.

Our success is also your success. We would like to thank you, our shareholders, for your faith in us. Despite the volatility in the markets, the Supervisory Board and the Management Board plan

Dr. Michael Kaschke
President and CEO

to propose a dividend of € 0.18 to the Annual General Meeting in 2010. We would like allow our shareholders to participate in the success of our Company and thereby honour our promise of a policy of sustainable, profitable earnings growth.

Particular thanks goes to our employees, whose innovation and outstanding level of commitment have been vital to making our Company into the success it is today. All our employees, senior executives and the Management Board have personally helped to cut costs within the Company by foregoing part of their salary. Another main factor in our success was our RACE 2010 programme, which we have been consistently implementing since I assumed the Chair of the Management Board in summer 2008.

The achievements in the financial year just ended include:

- Carl Zeiss Meditec launched three new comprehensive solutions (ZEISS Toric Solution, ZEISS Data Management and ZEISS Refractive Laser Solution), which have been met with enthusiasm from the market. We also have some development projects in the pipeline for a number of promising products for the next financial year. (Strategic initiative: Innovation).
- The Asia/Pacific region achieved the highest amount of growth in financial year 2008/2009 and compensated for the restrained development in the "Americas" region. We shall continue to expand further into the markets of the coming decade in future, too (Strategic initiative: New markets).
- A particular focus in the area of human resources was the development of the skills of up-and-coming talent, for which we set up a special mentoring programme in 2009 and which we also support through targeted development measures, such as our Junior Leadership Programme (Strategic inititative: Employees).

Ulrich Krauss
Member of the Management Board

Dear shareholders: as you will see from reading this year's annual report, Carl Zeiss Meditec has remained true to its principles. Those who run a sustainable business and make optimum use of entrepreneurial scope, and keep their feet firmly on the ground, will be able to operate in the most difficult of circumstances on a solid foundation, with innovation, flexibility and success.

Our development is based on our three guiding principles – Precision, Simplicity and Outcomes. We manufacture not only individual products for our customers, but, above all, intelligent solutions that offer real value-added to the attending physicians and their patients. Thus, the visualisation for which the ZEISS brand has been renowned for over a hundred years has now been enhanced in the digital era with the networking of data and equipment in medical practices and hospitals. This significantly improves workflows, clinical outcomes and efficiency.

This is exemplified by the three new solutions launched in the past financial year: firstly, the comprehensive ZEISS Ophthalmic Data Management Solution, a platform for the integrated management of all diagnostic and treatment data, and images. Secondly, the ZEISS Refractive Laser Solution, the most comprehensive application spectrum on the market for the laser correction of the retina. And, thirdly, the ZEISS Toric Solution, a combination of devices and applications that are synchronised with each other to help surgeons perform cataract surgery more efficiently.

In terms of the future, we believe that Carl Zeiss Meditec is in an excellent position to continue generating revenue growth and gain market shares in the coming years. We shall also continue to act prudently but assertively in future, avoiding risks, but seizing opportunities. Carl Zeiss Meditec is well equipped even for difficult times – strategically, operationally and financially, and this is particularly attributable to its many committed and competent employees who work for Carl Zeiss Meditec all over the world and contribute to the further growth of the Company with their ideas and suggestions. I would like to take this opportunity to thank them all for that.

Dr. Ludwin Monz
Member of the Management Board

I would also like to thank my colleagues on the Management Board and the Supervisory Board for their very good cooperation. Management Board member Bernd Hirsch was responsible for the areas of Finance and Business Process Excellence. We would like to thank him for his many years of dedication and his outstanding commitment to our Company. Mr. Hirsch has decided, at his own request, and with the mutual consent of the Supervisory Board and the Management Board, to leave the Company as of 30 November 2009.

We intend to continue reaffirming the trust that you, our shareholders, and our customers put in us by working solidly and acting prudently. 2010 will be another particularly challenging year for us – and in no way easier than 2009. No one can predict how long the global economic crisis will persist or what drastic cuts it might still lead to. We shall deal with these realities and adapt our behaviour accordingly. Our optimism comes from having an experienced, reliable and highly committed team of employees. We plan to continue providing the same excellent quality and service.

I would be delighted if you would continue to accompany and support us on this journey.

Sincerely,
Michael Kaschke

Dr. Michael Kaschke, President and CEO

Precision We are sticklers for accuracy. When patients trustingly put their health into the hands of their doctor, we are there to support them with medical systems that work with the utmost of precision, display the smallest of structures, or make high-precision changes.

Best prerequisites for optimal results

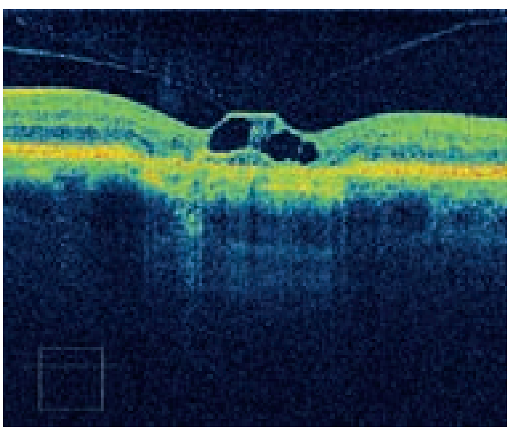
Thanks to its innovative illumination system, the OPMI Lumera® surgical microscope illuminates even the finest structures of the eye.

» Extremely precise functions and 100-percent reliability: this is what the ZEISS brand has stood for for over 160 years. We are continuing this tradition: our diagnostic and therapeutic products keep raising the bar just that little bit higher when it comes to precision, thus setting new standards. «

Dr. Ludwin Monz, member of the Management Board of Carl Zeiss Meditec AG

Pioneers of precision

Carl Zeiss pioneered optical coherence tomography technology, or OCT, in 1995 and revolutionised this technology again in 2007 with the introduction of three-dimensional scans. High-resolution optical coherence tomographs like the high-performance Cirrus™ HD-OCT system now delivers images of the retina and other structures of the eye in the micrometer range. This extremely high-precision, three-dimensional imaging capability improves the diagnosis of diseases and workflow management, as well as the planning of surgical interventions and aftercare. The newly launched Retina Workstation integrates OCT, the fundus camera VISUCAM, the FORUM® Archive and Viewer, and enables a full retinal examination in one procedure, without the need for multiple data entries and paper printouts.



First-class images for confident diagnoses
HD-OCT illumination provides a high-resolution cross-sectional view of the fundus of the eye, allowing even minute pathological details to be identified.

Committed to quality

Carl Zeiss Meditec developed the revolutionary surgical microscope OPMI Lumera® especially for the ophthalmic surgery operating room. The response from doctors was overwhelming from the start. Thanks to the groundbreaking new SCI (Stereo Coaxial Illumination) technology, surgeons can now visualise details of the eye rarely seen before. Particularly in complicated cases, such as cataract surgery with narrow pupils, advanced cataracts, the excision of tiny residual cell remains, or handling a capsular rupture, the precision of detail provided by the OPMI Lumera brings crucial clinical advantages. In the future, the successful OPMI Lumera series will be expanded by the OPMI LUMERA® 700 and the fundus imaging system RESIGHT, which will enable high-precision imaging of the retina.

Precision at the highest level

It is particularly important in neurosurgery to develop reliable, minimally invasive and efficient surgical procedures. When removing malignant brain tumours, the main difficulty is distinguishing between healthy tissue and the edges of the tumour. BLUE 400 makes the outline of tumours clearly visible. BLUE 400 is an add-on module for the surgical microscope OPMI® Pentero®, which enables even more precision in treatment. Unlike conventional microsurgery under white light, the malignant tissue shows up red using this fluorescence-assisted surgical technology. This enables the surgeon to work with much more precision and to remove the tumour completely, without compromising the vital functions of the brain.

Groundbreaking technology for cataract surgery
SCI technology (Stereo Coaxial Illumination) provides stable image quality and brightness for illuminating the patient's eye.

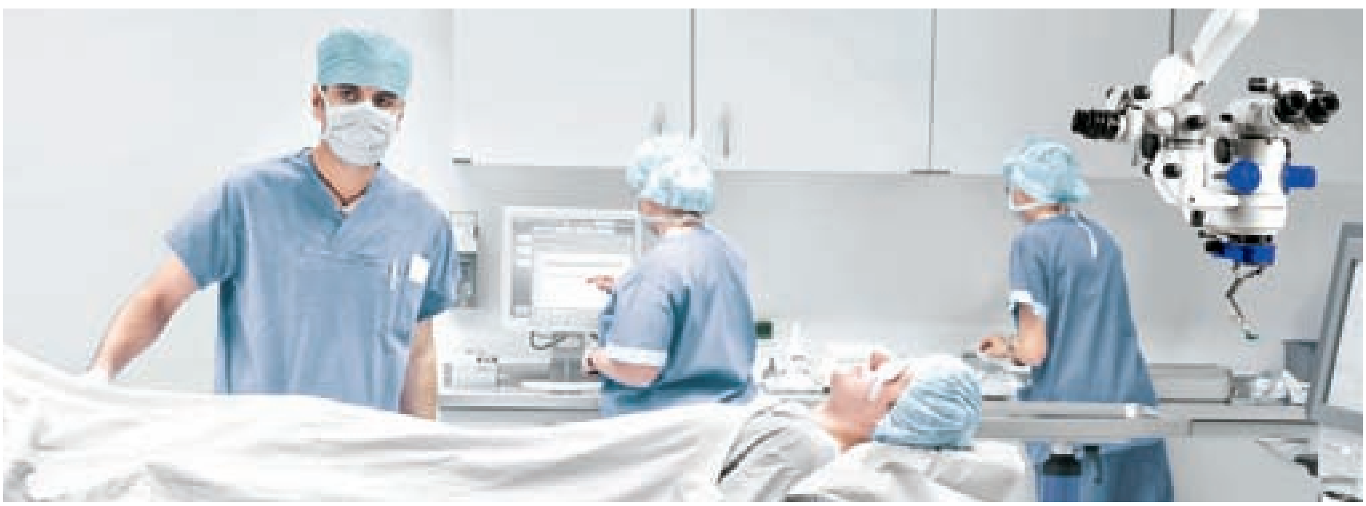
From idea to application

Carl Zeiss Meditec's developers, engineers and precision engineers are highly-qualified and very conscientious – just what is needed for optimal results.

Simplicity. The art of simplicity in medical technology is demonstrated by making increasingly more complex systems user-friendly and networking them so well with each other that physicians can devote more of their time and attention to their work and their patients.

» In view of the increasing demands of patients and the growing challenges in practice management, there is a need, now more than ever, for solutions which help to improve workflows, efficiency and clinical outcomes. «

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



Fast. Safe. Simple.
Based on the continuous flow of information, the CALLISTO eye® data management system integrates the planning, execution and documentation of operations into a homogeneous workflow.

Smooth procedures with FORUM®
Key patient data is available at all times, and throughout the entire network, at the push of a button. This saves time, reduces costs, increases transparency and generates trust.

Visualisation and networking

The digital revolution has changed people's lives immensely over the past few decades. The rapid growth of IT-assisted examination and treatment methods in medical practices and hospitals has brought continuous advancement in terms of quality, precision and efficiency. There is not one doctor today who would want to forego the advantages of imaging procedures and integrated networking. That said, however, many ophthalmologists, neurosurgeons and dentists now face the very complex task of processing the rapidly growing mass of diagnostic data as efficiently as possible, and managing it, so that they can use and apply it in the best way possible.

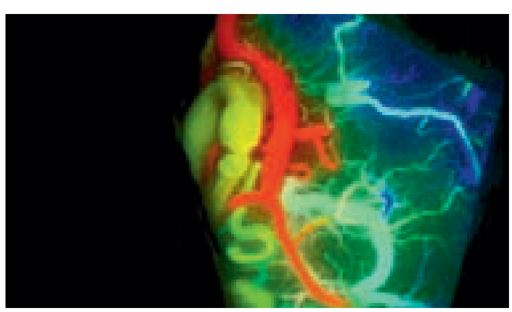
FORUM® for smooth workflows

The new data management solution FORUM® by Carl Zeiss Meditec is a state-of-the-art image and report management system that optimises workflow. FORUM® Archive and Viewer is at the heart of this user-friendly innovation. FORUM® stores all relevant patient information, diagnostic data and images in a central location and presents a clear overview of all necessary information at the point of care. Thanks to the DICOM standard, it is able to "communicate" with the examination devices and electronic medical record (EMR) systems in the relevant practice or hospital. For example, it enables patient master data and examination appointments to be quickly and easily transferred from the electronic medical record to the IOLMaster® for eye measurements, the optical coherence tomograph Cirrus™ HD-OCT, or the OR management system CALLISTO eye®.

Surprisingly simple and effective

When performing complex procedures such as aneurysm surgery, neurosurgeons are assisted by the surgical microscope OPMI® Pentero®. Carl Zeiss Meditec is continuously developing clinically relevant add-on functions, for instance, the INFRARED 800 module uses the fluorescence method, which makes it possible to visualise blood flow in the brain more precisely during vascular surgery, at the touch of a button. As an add-on, the analytical visualisation tool FLOW® 800 can be integrated to quickly and reliably make difficult-to-access information from fluorescence videos user-friendly – using a diagram function, visual maps and the intraoperative (before and after) comparison of different procedure sequences.

Faster examinations
The INFRARED 800 fluorescence option allows blood flow to be visualised during the operation.



Greater clarity
The analytical visualisation tool FLOW® 800 helps you to interpret the video sequences generated with INFRARED 800.

We believe in user-friendliness

Carl Zeiss Meditec develops its innovations in close collaboration with doctors. This generates solutions offering real ease of use.

Outcomes. Our solutions help physicians achieve the best diagnostic and therapeutic results. If the patient is satisfied, the physician’s work is done. This treatment success is the benchmark for the efficacy of our devices.

New-generation intraocular lenses
Thanks to the attributes of the multifocal artificial lens AT LISA, 90 % of patients no longer require glasses following a cataract operation.

» AT LISA is, for many reasons, my preferred multifocal IOL for microincision surgery, and I use them largely. Quite simply, my patients tolerate these IOLs better. «

Dr. Jorge L. Alió, Vissum Institute for Ophthalmology, Alicante, Spain

Pioneer for more quality of life

Carl Zeiss Meditec's innovations are intended to make the lives of many people more worth living. All human beings have the right to sight, mobility and an active, self-determined way of life – their whole life long. In order to meet the high expectations of patients, for whom, ultimately, only the outcome of treatment or surgery counts, doctors and surgeons need to have the best possible support for diagnostics and treatment decisions. In addition, the high-performance products and tailored solutions of Carl Zeiss Meditec bring the cost/benefit ratio of the health care sector into balance.

Patients with artificial lenses are highly satisfied

Cataracts and severe defective vision can impact quality of life significantly. Ninety percent of the patients who have been fitted with the multifocal artificial lens AT LISA by Carl Zeiss Meditec no longer require glasses after surgery. The new-generation AT LISA lens has a high-performance optical characteristic that enables both near and distance vision, as well as intermediate vision. Day and night-time reading and driving are also possible without the need for visual aids. The lens also stands out due to its high level of compatibility and can remain in the eye for life. According to a survey carried out, 100 % of those treated are very satisfied with the result.

High level of patient comfort in corneal surgery

The new VisuMax® femtosecond laser system allows ophthalmic surgery to be performed quickly and with extreme precision, and is thus particularly gentle on the eye. With an increased pulse frequency of 500 kHz, the VisuMax® by Carl Zeiss Meditec brings new vitality and efficiency to corneal surgery. The more precise the beam control of the laser and the more balanced the ratio of frequency and energy input, the greater the precision in customised corneal correction. Aside from the significantly shorter treatment time of just a few seconds, patients find the contact lenses used in the surgery, which are adjusted to fit the natural curvature of the corneal surface, to be very comfortable. Thanks to a new add-on module for therapeutic corneal surgery, the VisuMax® can now also be used in corneal transplantation.

A life without glasses after just a few minutes
The VisuMax® femtosecond laser system offers speed, maximum comfort and the highest patient safety in corneal surgery.

__Greater quality of life__

All human beings have the right to sight, mobility and an active, self-determined way of life – their whole life long. Carl Zeiss Meditec's innovations are designed to live up to this principle.

Investment in the future

Qualified specialists are a company's most valuable resource. Carl Zeiss Meditec shall continue to live up to its reputation in the future as an attractive, international employer by following a systematic and individually tailored human resources policy.

Advancement through knowledge

Carl Zeiss Meditec is globally successful. This is only possible because the Company is able to cope with the rapid market changes and the challenges that come with these. The knowledge and the motivation of our employees are key to securing our success long term: Carl Zeiss Meditec's excellent range of solutions is attributable in great part to its highly qualified employees, who give their best with a massive amount of commitment and enthusiasm, to actively and efficiently shape progress in the medical technology sector – along the entire production chain: from development, through production, to service and distribution.

Targeted employee development

Forward-looking human resources policy emphasises sustainable development and the targeted support of the potential of all employees. At Carl Zeiss Meditec, this is an important element of the Company program RACE 2010 (Rapid Achievement of Company Excellence). A particular focus of this program is the strategic development of young talent. In addition to the existing qualification measures that are in place, such as the Junior Leadership Programme, which ultimately leads to managerial responsibilities at a management level in a multi-stage process, Carl Zeiss Meditec also established a mentoring program in 2009. This trusting, personal exchange with experienced members of staff offers up-and-coming talent not only the opportunity to gain specialised knowledge, but also support in overcoming new challenges and complex work situations, along with professional career planning.

» In a company with global operations such as Carl Zeiss Meditec, a great emphasis is placed on one's own initiative. From the very beginning I had the opportunity to come up with my own ideas and assume responsibility for their implementation. «

Andreas Negele, Mechatronics/Optics department at the Oberkochen site

Attractive as an employer

Good ideas come about where the climate promotes innovation. Carl Zeiss Meditec therefore focuses on intercultural rounds of innovation, a strong team orientation and fair treatment of each other. Since 2005 the exchange of information in the global network has also been purposefully expanded and promoted through international secondments as part of the Global Mobility Program.

Clear values and loyalty that can be seen in practice

The capability and commitment of our employees are the cornerstone of our Company's success. Carl Zeiss Meditec therefore takes its social responsibility to people very seriously and follows a clear canon of values. This deep-rooted corporate culture has been proudly upheld and demonstrated by the entire workforce for many years.

Sustainably committed to our social responsibility

A good standard of medical care cannot be taken for granted. This is why Carl Zeiss has dedicated itself for many years to helping as many people in the world as possible in the fight against ophthalmic diseases and blindness.

Social commitment is an inherent part of our corporate culture
Carl Zeiss was one of the inaugural sponsors and has been a corporate sponsor of the initiative since 2002. For more information visit: http://www.v2020.org

Helping people to help themselves

The support of Carl Zeiss recently enabled the Kilimanjaro Christian Medical Centre in Tanzania to set up a training centre for optometrists and ophthalmologists. In the future, this centre will train certified specialists in a wide range of courses. Besides the establishment of treatment centres and the provision of state-of-the-art diagnostic and treatment equipment, medical staff training is a key prerequisite for sustainably improving ophthalmic care in developing countries.

Setting and achieving goals

In keeping with the mission of "helping people to help themselves", the training centre in the Cicendo Eye Hospital in Indonesia was set up in 2007; another training centre was set up in the University College Hospital in Nigeria in 2008. This long-term commitment, which is focused on sustainability, makes Carl Zeiss the first company sponsor to support the Vision 2020 initiative, inaugurated in 1999, in its endeavour to achieve an ambitious goal: since, if no action were taken, around 76 million people would be unnecessarily blind by the year 2020, according to estimates by the World Health Organisation (WHO). Preventing avoidable blindness is the cause being promoted by the Vision 2020 initiative.

Small cause, big effect

This goal can only be achieved if the prevention and treatment of blindness in developing countries can be integrated across the board into the various national health care systems – a worthwhile investment in the future that can achieve much with relatively little effort. With a functioning health care system, cataract surgery, a routine operation, could enable tens of thousands of people every year to resume responsibility for their lives and their families.

Global social commitment
Hospital in Tanzania – equipped with medical technology from Carl Zeiss Meditec.

» We want to take our knowledge and our technological expertise to where it is needed most thus establishing a global network of ophthalmic care at a high level. «

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

Financial Year 2008/2009

We run our business prudently and with foresight

▸ INFORMATION TO THE SHAREHOLDERS

Dear Shareholders, Ladies and Gentlemen,

During the past financial year we advised the Management Board and monitored its management of the Company on an ongoing basis. The Management Board provided us with regular, up-to-date and comprehensive written and verbal reports about all major developments.

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 the risk management system; the Supervisory Board also firmly believes that the Management Board has taken appropriate measures – in particular, it has set up a monitoring system – to ensure that any developments threatening the continued existence of the Company are recognised early.

Supervisory Board meetings and resolutions

In the past financial year the Supervisory Board convened at six meetings. The Supervisory Board also passed five resolutions by way of written circulars. One resolution was passed in this way by the General and Personnel Committee. All members of the Supervisory Board were present at five meetings. One member was unable to attend the Supervisory Board meeting on 16 July 2009.

Focus of the deliberations and audits of the Supervisory Board

The focal points of the supervisory and advisory activities of the Supervisory Board were strategy-related decisions as well as investments in the Company's business units, including their financing. At each meeting the Management Board of Carl Zeiss Meditec AG provided the Supervisory Board with a transparent overview of the development of revenue and earnings, the financial position of the Group and the development of business in the individual strategic business units, and gave a comprehensive explanation of the decisions and developments. In addition, the Supervisory Board addressed all other business transactions of importance for the Company and, after a close examination, raised no objections or doubts concerning the legitimacy or correctness of the management by the Management Board.

In accordance with the legal requirements of Section 90 (1) and (2) German Stock Corporation Act *(AktG),* the Management Board of Carl Zeiss Meditec AG provided the Supervisory Board with regular, comprehensive and up-to-date verbal and written reports concerning 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 Section 90 (1) No. 1 *AktG* were dealt with at all Supervisory Board meetings in the reporting period. Business development and strategic planning issues were regularly discussed in detail on these occasions. Opportunities for external growth were also evaluated.

2. The annual financial statements for financial year 2007/2008 were discussed in depth at the Audit Committee meeting on 8 December 2008. Extensive preparations were thus made for the Supervisory Board's meeting on the adoption of the accounts on the same day. 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 Section 90 (1) No. 2 *AktG,* the profitability of Carl Zeiss Meditec AG and the Carl Zeiss Meditec Group was discussed both at the Audit Committee meeting mentioned above and at the Supervisory Board meeting. The discussion at each of these meetings was based on a detailed report prepared by the Management Board on the financial results for financial year 2007/2008. The profitability of the Company was presented using a system of key figures, the scope and content of which exceed the legal requirements. Since Carl Zeiss Meditec is driven according to Economic Value Added® (EVA®), 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 2008/2009 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 10 December 2009.

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 prepared in accordance with the requirements of Section 90 (1) No. 3 *AktG* discuss the development of revenue and earnings, as well as the Company's situation in general and the situation in individual business areas in particular. The Management Board also gave a report at each of the aforementioned Supervisory Board meetings on the development of business in the months preceding the respective meetings.

   The Company's economic development in financial year 2008/2009 (reporting period 12 months) was on the agenda at both the Audit Committee meeting and the Supervisory Board meeting on 10 December 2009.

   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. Internal audit reports were also presented.

   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. This also ensures close cooperation between the Management Board and the Supervisory Board.

   Adherence to rules of conduct (compliance) is thus assured 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, regarding business transactions of major significance for the profitability or liquidity of Carl Zeiss Meditec AG within the meaning of Section 90 (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 required the prior consent of the Supervisory Board, the Management Board obtained the consent of the Supervisory Board.

6. The remuneration system resolved by the Supervisory Board for the Management Board, including all of the main contractual elements, was subject to routine monitoring. On 31 July 2009 the German Act on the Appropriateness of Executive Remuneration *(Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG)* entered into force. This has led, in a series of points, to changes in the remuneration regulations for the Management Board provided for under German stock corporation law. The new regulations do not apply to the Management Board contracts currently in existence. Most of these regulations are already included in the existing contracts. The Supervisory Board shall take the new law into account when extending existing Management Board contracts and when concluding new ones.

The Supervisory Board has not requested any separate reports about Company affairs in the sense of Section 90 (3) *AktG* that go beyond the reporting described under points 1 to 6. 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 Section 111 (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 lively exchange of information with the other members of the Supervisory Board. This ensured close collaboration between the Management Board and Supervisory Board.

Composition of the Management Board and the Supervisory Board and its committees

At the meeting on 12 November 2009 the Supervisory Board met the request of Mr. Hirsch, and agreed to amicably release him from his appointment to the Management Board prior to expiry of his contract, on 30 November 2009. The Supervisory Board would like to thank Mr. Hirsch for his outstanding services and his enduring and longstanding commitment to the Company.

The following changes took place on the Company’s Supervisory Board during the past financial year. On 22 July 2009 Dr. Michael Kaschke resigned from his already suspended Supervisory Board mandate (pursuant to Section 105 *AktG)*, to enable him to continue with his duties on the Management Board. Ulrich Hoffmann was appointed as his legal successor with effect from 31 July 2009.

Diligent work of the committees

In accordance with its rules of procedure, the Supervisory Board of Carl Zeiss Meditec AG 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 convened at three meetings in financial year 2008/2009.

2. The main duties of the **Audit Committee** concern the monitoring of the accounting process, the efficiency of the internal control system, the risk management system and the internal auditing system, as well as the auditing of the financial statements, including in particular the independence of the auditor and the additional services rendered by the auditor, including the conferral of the audit assignment, the specification of the focal points of the audit and the agreement of a fee.

   Pursuant to the requirements of German stock corporation law, at least one member of the Audit Committee must be competent in the areas of accounting or auditing, and must be independent.

   The Audit Committee convened at four 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 convened at one meeting in the reporting period.

No conflicts of interest arose between members of the Supervisory Board in the period under review.

Corporate Governance and Declaration of Conformity

In the past financial year 2008/2009 the Supervisory Board took an intensive look at the standards of corporate governance practiced at Carl Zeiss Meditec AG and at the general capital market and company law situation in Germany. This review included in particular the revised German Corporate Governance Code in the version dated 18 June 2009.

Further information on this issue can be found in the chapter entitled "Corporate Governance" in this Annual Report. The Supervisory Board expressly welcomes the concerns and the guidance of the German Corporate Governance Code and firmly believes that management geared to increasing value long term and a transparent and fair communication policy are ultimately in the interests of all interest groups of the Company. This is the only way to create a basis of trust, which is the foundation for the Company's success.

Audit of the single-entity and consolidated annual financial statements

By way of a resolution of the Annual General Meeting on 19 May 2009, Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungsgesellschaft und Steuerberatungsgesellschaft ("BHP"), Stuttgart, was appointed as auditor for the single-entity annual financial statements of Carl Zeiss Meditec AG. Before making its candidate proposal, the Supervisory Board obtained a declaration from the auditor, dated 12 November 2008, confirming that there are no personal, 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 27 June 2009, with the task of auditing the single-entity annual financial statements 2008/2009 of Carl Zeiss Meditec AG and the dependent company report pursuant to Section 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 19 May 2009. Before making its candidate proposal, the Supervisory Board obtained a declaration from the auditor of the consolidated financial statements, dated 31 March 2009, confirming that there are no personal, 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 11 July 2009 with the task of auditing the consolidated financial statements 2008/2009 of Carl Zeiss Meditec.

The annual financial statements as of 30 September 2009 prepared by the Management Board, including the Company's management report for financial year 2008/2009, were audited by BHP. The auditor found the annual financial statements and management report to be in compliance with the properly prepared accounts, legal provisions 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 opinion.

The single-entity and consolidated financial statements and the associated management reports, as well as the audit reports prepared by 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 10 December 2009 in the presence of the auditor, in accordance with the requirements of Section 171 (1) Sentence 2 *AktG.* The Management Board also presented the Supervisory Board Audit Committee with its proposal for the 2010 Annual General Meeting on the utilisation of net retained earnings. This proposes utilising the net earnings for financial year 2008/2009 of € 35,383,338.88 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:	€ 20,747,609.08.

After a detailed inspection 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 2008/2009. The Chairman of the Supervisory Board Audit Committee gave a report on this at the Supervisory Board meeting on 10 December 2009 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 2009, as prepared by the Management Board, at its meeting on 10 December 2009, 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 retained 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 2008/2009 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 adequate provision for the future.

The Supervisory Board's inspection also included the consolidated financial statements and the consolidated management report. The consolidated financial statements as of 30 September 2009 prepared by the Management Board, including the consolidated management report for financial year 2008/2009, were audited by KMPG. The consolidated financial statements of Carl Zeiss Meditec as of 30 September 2009 were prepared in accordance with the International Financial Reporting Standards ("IFRSs"), as they apply in the EU. All IFRSs applicable on the balance sheet date were taken into consideration. The present version of the consolidated financial statements complies with the provisions of Section 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 compliance with the properly prepared accounts and the legal provisions, as well as the IFRSs and 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 opinion.

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 2008/2009. 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 10 December 2009, inspected the consolidated financial statements as of 30 September 2009, as prepared by the Management Board, concluded that it had no objections to raise, and approved the consolidated financial statements.

Pursuant to Section 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 Section 312 *AktG,* the Management Board of Carl Zeiss Meditec AG, as a member of the Carl Zeiss Group, prepared a dependent company report in financial year 2008/2009, 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 reviewed the dependent company report and issued the following audit opinion:

"Based on the results of our statutory audit and our judgement we confirm that
1. the actual information in the report is correct,
2. the Company's compensation with respect to the legal transactions listed in the report was not inappropriately high."

Both the dependent company report and the respective audit report were made available to the Supervisory Board. The Audit Committee of the Supervisory Board and the Supervisory Board also reviewed the dependent company report 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 dependent company report.

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 high level of personal commitment and their performance in the past financial year.

Jena, 10 December 2009

On behalf of the Supervisory Board

Dr. Markus Guthoff
(Chairman)

The Carl Zeiss Meditec share

A difficult year on the stock markets and the consequences

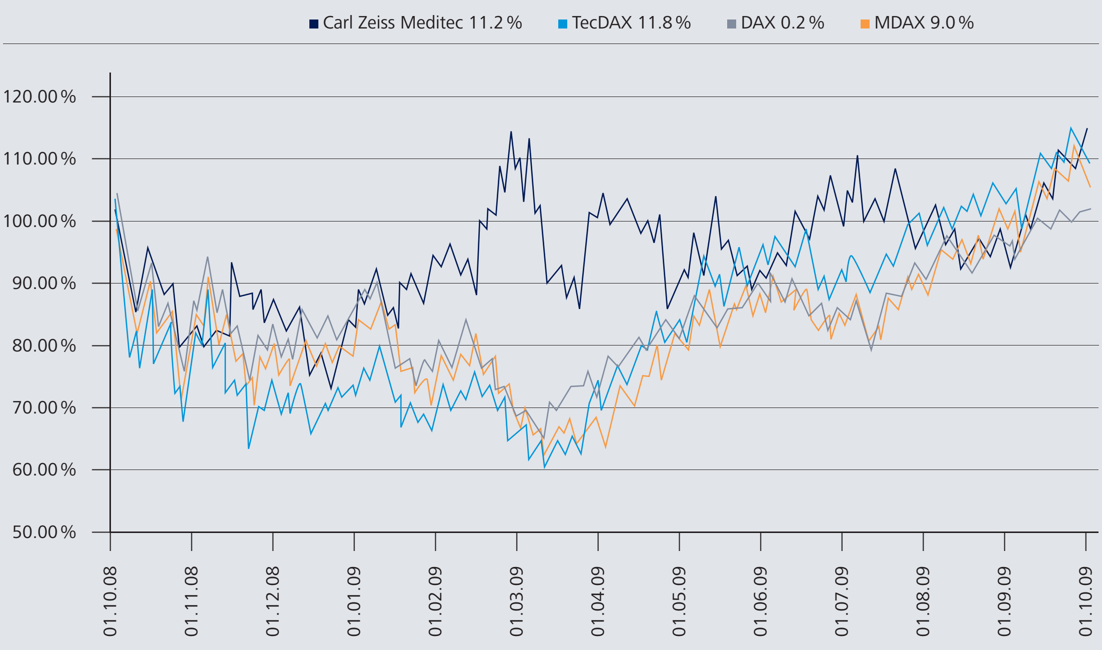
Following the collapse of the US investment bank Lehman Brothers in mid-September 2008 all confidence in the already crippled financial markets was lost entirely. Dramatic price slumps resulted and stock markets the world over shrank in value by around 50 %.

It was not until April 2009 that a slow recovery began, which quickly gained momentum. In Germany the German share index (DAX) remained on the previous year's level during the financial year (1 October 2008 – 30 September 2009). Both the MDAX and the TecDAX outperformed the DAX.

The Carl Zeiss Meditec share

The Carl Zeiss Meditec share did not escape the general downwards trend of the previous year. The price declines were contained within certain limits, however, in comparison with the market. The recovery of the share price was faster than comparable indices, which did not bottom out until the beginning of 2009. The share price continued to climb until March 2009, when it reached the level it was at before the crash of investment bank Lehman Brothers. This was due, on the one hand, to the growth story which remained intact even in crisis year 2009, and, on the other hand, to the company's stable earnings and its resulting dividend policy. Even in 2009, therefore, roughly 30 % of consolidated net income after minority interests was distributed. During the last few months the share price has moved within a corridor of € 9 to € 11.

Figure 1: Relative performance of Carl Zeiss Meditec share compared with the DAX, MDAX and TecDAX
(period 1 October 2008 to 30 September 2009)



Carl Zeiss Meditec AG is currently covered by 13 analysts, with 11 representatives thereof coming from banks in German-speaking countries. There is also one analyst from Paris and one from London.

The price target for our share, according to the analysts following its performance, is an average of € 10. An up-to-the-minute overview of the research recommendations can be found on our website at www.meditec.zeiss.com/ir.

Research institutes covering Carl Zeiss Meditec AG:

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

Dividend continuity

The Management Board and Supervisory Board shall propose to the Annual General Meeting 2010 the payment of a dividend of € 0.18 for financial year 2008/2009; this corresponds to roughly 30 % of consolidated net income after minority interests. Our aim with our continuity-based dividend policy is to strengthen the trust of our shareholders and attract new ones. We shall also adhere to this dividend policy in future.

Investor relations

In spite of the difficult market environment, interest in the Carl Zeiss Meditec share remained high. The Management Board responded to the questions of investors at numerous capital market events, the main ones being in London, Paris and Frankfurt am Main, as well as Zurich and Munich. We also held numerous face-to-face meetings and telephone conferences with investors.

These measures mean that the Management Board and the Investor Relations team are in constant dialogue with both institutional and private investors.

The Annual General Meeting in the last financial year was held on 19 May 2009 in Weimar. A total of 81 % of the voting capital was represented at this General Meeting.

The aim of our investor relations work is transparent communication on financial matters with all market players, in order to strengthen the trust in our sustainable corporate management, particularly in a difficult stock market environment, and to provide comprehensive and up-to-the-minute information on our strategy and all capital market-related events concerning Carl Zeiss Meditec.

Listing and stock market trading

Table 1: Carl Zeiss Meditec shares: key figures

Carl Zeiss Meditec AG share

Segment	**Prime Standard**		
ISIN	DE 0005313704		
German securities code (WKN)	531370		
Trading volume	around 89,000 shares/trading day (financial year 2008/2009)		
Indices	TecDAX CDAX	DAX International Mid 100	
	DAXsector All Pharma & Healthcare	DAXsector Pharma & Healthcare	
	DAXsubsector All Medical Technology	DAXsubsector Medical Technology	Prime All Share
	Technology All Share	MIDCAP MKT K-IN.	HDAX
Price performance:			
Share price at beginning of financial year 2008/2009			€ 9.99
Share price at end of financial year 2008/2009			€ 10.14
Share price on 30 November 2009			€ 10.83
Highest share price in financial year 2008/2009			€ 11.41
Lowest share price in financial year 2008/2009			€ 7.40
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 2009			€ 881 million
Market capitalisation of free float as of 30 November 2009			€ 308 million
Designated sponsors:			Commerzbank, Morgan Stanley

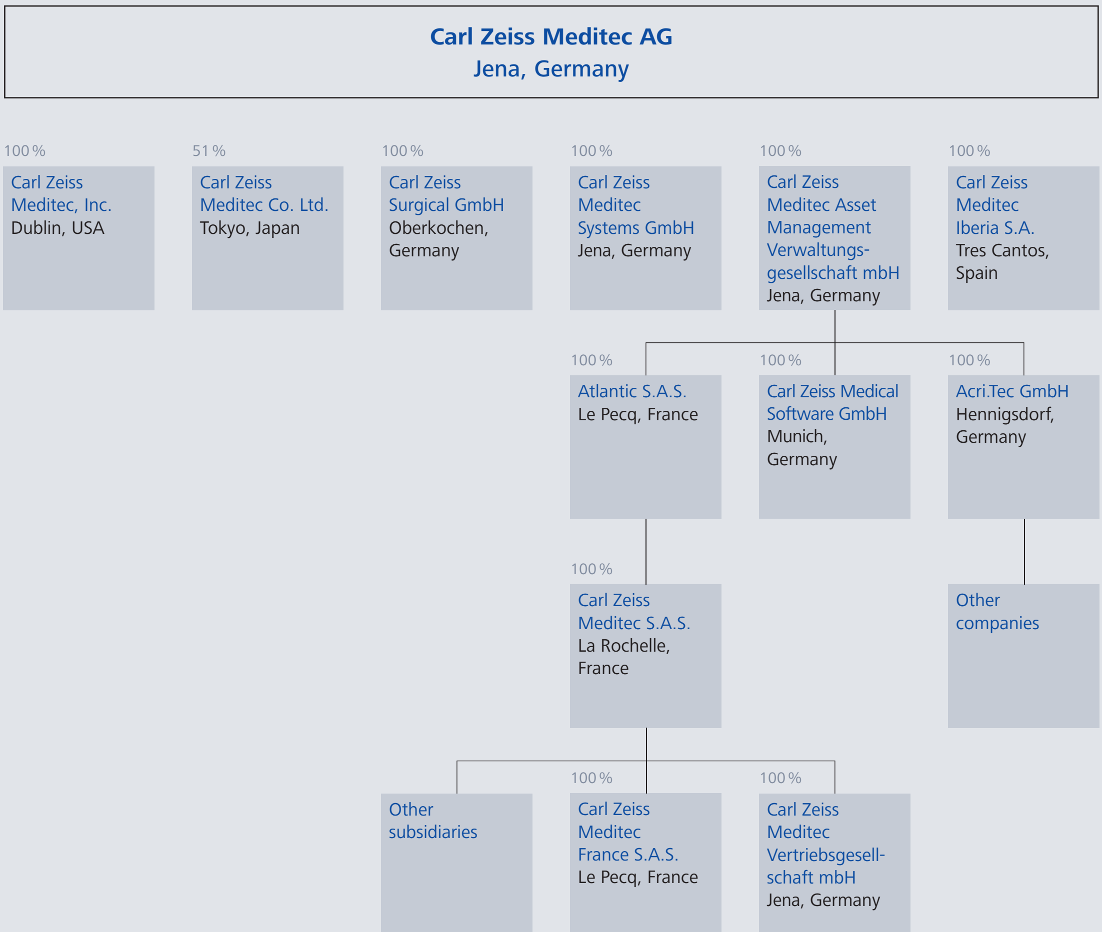
▸ SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

Consolidated management report for financial year 2008/2009[1]

1 Group structure

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 investment structure of the Carl Zeiss Meditec Group as of 30 September 2009.

Figure 1: Subsidiary structure of the Carl Zeiss Meditec Group as of 30 September 2009



[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.

A number of changes arose with regard to the Group's reporting entity and the structure of its financial statements in financial year 2008/2009.

At the beginning of financial year 2008/2009 the strategic business unit (SBU) "Neuro/ENT Surgery" was renamed the "Microsurgery" SBU. In addition to the innovative and reliable solutions in the field of neuro/ENT surgery, this SBU of Carl Zeiss Meditec also offers solutions for ophthalmic surgery, the dental/ENT practice market, and radiotherapy. The new and more fitting name thus stands for a wide product range that is available for the various microsurgical users. This did not result in any product reallocations within the individual SBUs.

With effect from 5 November 2008, Carl Zeiss Meditec acquired all assets related to the production of two product lines for glaucoma diagnostics from its long-time OEM supplier, Welch Allyn. The acquired assets are mainly intellectual property rights and production and design know-how (for more details see also the information in the notes to these consolidated financial statements).

At the beginning of the financial year under review the statement of gains and losses on currency differences ("Foreign currency gains/(losses), net") in the income statement was changed. These effects recognised in income shall no longer be shown, as previously, within the operating result, but shall instead be shown in the financial result. This amendment of the accounting method is the result of efforts to present the operating result more transparently. The previous year's period was adjusted accordingly.

2 Business report

2.1 Underlying conditions for business development

2.1.1 Macroeconomic conditions

In autumn 2009 there were signs of recovery from the "bottom of the trough" of what is arguably the worst recession since World War II. The situation on the global financial markets has eased considerably and sentiment indicators are starting to point upwards again. This is particularly due to political intervention, such as a number of government subsidy schemes and guarantees for the financial sector, and to the vigorous intervention of the central banks.

The recession in the USA also seems to be coming to a gradual end. Although the Joint Economic Forecast project group[2] has forecast a 2.6 %[3] decline in gross domestic product (GDP) for 2009 compared with the previous year, the expectations and optimism of companies and private households have improved slightly. American banks are showing considerably more interest in investing and have already repaid part of the government loans.

[2] Joint Economic Forecast project group *(Projektgruppe Gemeinschaftsdiagnose)* (editors): Autumn 2009 *„Zögerliche Belebung – steigende Staatschulden"* („Hesitant recovery – Rising national debt"), *Gemeinschaftsdiagnose* Autumn 2009, 15 October 2009, Halle/Saale

[3] Cf. ibid., p. 13

The European Union (EU), like the USA, has emerged from the pit of the recession. However, the member states of the EU are divided into two camps. While in some countries, such as Spain, Italy, Belgium, the Netherlands and Austria, GDP was still on the decline in the third quarter, it increased markedly in other countries, particularly in the two largest European economies, France and Germany. Nevertheless, the project group expects GDP in the EU to decrease by 4.0 %[3] in 2009 compared with the previous year.

The emerging Asian markets have made a visible recovery from the economic crisis, above all China and India, where GDP increased by 8.0 %[3] and 6.0 %[3], respectively. The recovery in these countries was also attributable to reflationary monetary and fiscal measures; in addition, the banking system of the emerging markets was largely spared from the financial crisis.

There has also been a slight recovery in the German economy. The project group expects GDP in Germany to increase by 0.7 %[4] in the final quarter of 2009.

In the second half of 2009 the euro approached the US$ 1.50 mark again for the first time since mid-August 2008. The Japanese yen remained at a level of 130 yen against the euro in the second half of 2009.

2.1.2 Industry development

Growth in the medical technology market was still relatively stable in 2008. Due to the deterioration of macroeconomic conditions, however, there was a significant drop in demand for non-essential elective medical treatments, such as refractive laser surgery. This trend persisted in the first half of 2009.

The main growth drivers in the medical technology sector remain intact, however. The global population is growing continuously. At the same time, the proportion of elderly people in the overall population is on the increase. As 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 microsurgery in the medium term.

As in ophthalmology, cost pressure in the health care sector is also a major determining factor in the microsurgery market.

Thus, a growing cost pressure in the health care sector of major national economies worldwide is forcing medical treatments to become more efficient. This tends to boost the demand for medical devices and systems that enable more efficient diagnosis and more effective treatments.

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$ 27.2 billion (about € 18.1 billion) in 2008.

[3] Cf. ibid., p. 13
[4] Cf. ibid., p. 35

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$ 7.5 billion, or around € 5.0 billion, in 2008.

We estimate our share of the market segment "devices and systems for ophthalmology" at 20 % in 2008. In the market segment "implants, consumables and instruments for ophthalmic surgery", we estimate our global market share in 2008 at about 3 %. However, our regional market shares in the countries we are currently focusing on range between 10 and 20 %.

Overall, based on the knowledge at hand, we estimate that our market shares in the market segments we address increased compared with the previous year.

b) Market for microsurgery products

Besides ophthalmology, the Company also operates in the market for microsurgery, particularly neuro/ear, nose and throat surgery ("neuro/ENT surgery"). The overall neuro/ENT surgery market is divided into three market segments: "Implants", "Surgical instruments" and "Visualisation".

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$ 840 million, or around € 560 million, in 2008. With a stable market share, which it estimates to be around 20 %, Carl Zeiss Meditec is thus the largest provider in this segment. According to own estimates, the Carl Zeiss Meditec Group continues to be the global market leader in the sub-segment "Surgical microscopes", with a market share of more than 50 %.

2.2 Comparison of actual business development with forecast development

In spite of unfavourable general economic conditions, Carl Zeiss Meditec exceeded both the sales and earnings targets it set in summer 2009 for financial year 2008/2009. The Company benefited both from its broad regional structure and its balanced product mix.

2.3 Development of revenue

Despite the difficult circumstances, Carl Zeiss Meditec increased its revenue by 6.6 % in financial year 2008/2009, to € 640.1 million. Compared on a similar basis with the previous year, i. e. assuming constant exchange rates, revenue would have been on a par with the previous year.

2.3.1 Consolidated revenue by strategic business unit

The **"Ophthalmic Systems"** SBU accounted for 48.6 % or almost half of consolidated revenue in financial year 2008/2009 (previous year: 47.5 %). The **"Surgical Ophthalmology"** SBU contributed 12.3 % of revenue, which was the same as the previous year, and the **"Microsurgery"** SBU accounted for 39.1 % (previous year: 40.2 %).

Figure 2: Share of strategic busines units in consolidated revenue in financial year 2008/2009, in percent

Ophthalmic Systems SBU	**48.6 %**
Microsurgery	**39.1 %**
Surgical Ophthalmology SBU	**12.3 %**

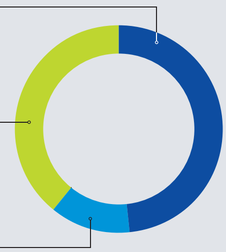


Figure 3: Consolidated revenue by strategic business unit (figures in € '000)

Financial year 2008/2009 Financial year 2007/2008

Surgical Ophthalmology SBU	**79,036** 73,990	+6.8 %
Ophthalmic Systems SBU	**310,788** 285,010	+9.0 %
Microsurgery	**250,265** 241,190	+3.8 %
Consolidated revenue	**640,089** 600,190	

In spite of difficult economic conditions, the Ophthalmic Systems SBU increased its revenue by 9.0 % in the financial year under review. Primary sales drivers were the diagnostic systems Cirrus™ HD-OCT, IOLMaster®, Stratus OCT™, Humphrey® Field Analyzer, and the VISUCAM family of fundus cameras.

In the "Microsurgery" SBU revenue remained relatively stable compared with the previous year, due to innovative products, such as the surgical microscopes OPMI® Pentero® and OPMI® Vario, which are used in neurosurgery and spinal surgery, as well as the OPMI Lumera®, which is used in ophthalmic surgery. Nevertheless, there was a certain, noticeable reluctance to invest in the hospital sector.

In both of the business units above the strength of the US dollar and the Japanese yen against the euro in the first half of the year had a positive effect on the translation of revenue generated in these currencies.

The Company showed encouraging and stable growth in its Surgical Ophthalmology SBU. Revenue here increased by 6.8 % in financial year 2008/2009, not least thanks to the innovative intraocular lenses such as AT LISA.

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)

	Financial year 2008/2009	Financial year 2007/2008	
Surgical Ophthalmology SBU	**79,036**	72,792	+8.6 %
Ophthalmic Systems SBU	**310,788**	306,714	+1.3 %
Microsurgery	**250,265**	257,791	-2.9 %
Consolidated revenue	**640,089**	637,296	

2.3.2 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)

	Financial year 2008/2009	Financial year 2007/2008	
Asia/Pacific	**167,682**	138,522	+21.1 %
Americas	**227,674**	212,767	+7.0 %
EMEA	**188,320**	194,105	-3.0 %
Germany	**56,413**	54,797	+2.9 %
Consolidated revenue	**640,089**	600,190	

The greatest growth rates in financial year 2008/2009 were achieved in the **"Asia/Pacific region" ("APAC")**, which grew by 21.1 %; this growth was also boosted by favourable exchange rates. The main sales drivers were the OPMI® Pentero®, OPMI Lumera®, Humphrey® Field Analyzer and Cirrus™ HD-OCT.

The Company continues to generate the lion's share of its revenue in the **"Americas"** region. Aided by the development of exchange rates, revenue here increased by 7.0 %. Sales drivers were the diagnostic system Cirrus™ HD-OCT and the surgical microscope OPMI® Lumera. Other sales drivers were the diagnostic systems IOLMaster® and the Humphrey® Field Analyzer, as well as the surgical microscope OPMI® Pentero®.

Revenue in the **"Europe, Middle East and Africa" (EMEA)** region declined slightly. This was due to the general economic conditions in a number of southern European countries, which led to sales losses. This could not be compensated for by the, in most cases, encouraging development in the other European countries. Key sales drivers in this region were the diagnostic devices Cirrus™ HD-OCT, IOLMaster®, Humphrey® Field Analyzer and the Excimer Laser MEL 80™, as well as the surgical microscopes OPMI® Pentero®, OPMI® Vario and OPMI Lumera®.

In **Germany** revenue increased by 2.9 %.

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)

	Financial year 2008/2009	Financial year 2007/2008	
Asia/Pacific	**167,682**	156,043	+7.5 %
Americas	**227,674**	233,295	-2.4 %
EMEA	**188,320**	193,322	-2.6 %
Germany	**56,413**	54,636	+3.3 %
Consolidated revenue	**640,089**	637,296	

2.4 Production

2.4.1 Production plants

With Jena, Oberkochen and Hennigsdorf in Germany, Dublin in the USA and La Rochelle in France, Carl Zeiss Meditec has a global production network. 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. Systems and devices for ophthalmology are manufactured by the Company in Dublin and in Jena. The Group manufactures ophthalmic and microsurgical visualisation solutions in Oberkochen; intraocular lenses are mainly manufactured in La Rochelle and Hennigsdorf. The broad product portfolio is rounded off by viscoelastics, which are produced at the facility in Edinburgh and are mainly used for treating cataracts. The two remaining production facilities of Carl Zeiss Meditec S.A.S. manufacture various products for the treatment of ophthalmic diseases.

2.4.2 Production concept
The production of devices and systems at Carl Zeiss Meditec focuses on the assembly of system components. Intraocular lenses (IOL) are largely manufactured in-house. In terms of the manufacture of intraocular lenses, the Company does not procure any pre-manufactured products from other companies; it merely outsources a small number of specific steps in the production process to external companies.

Significantly more than half of all purchased preliminary products are procured from external suppliers.

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

2.4.3 Production planning
Production planning in Jena and Oberkochen is based on the "rolling forecast" method. The majority of distribution partners prepare a sales forecast once a quarter for the next 15 months. The sales forecast is then translated into a demand forecast for production units, taking inventory changes into account. In order to keep stocks to a minimum, products are usually assembled to customer orders (one-piece-flow concept). The rolling forecast method described above is also applied for the manufacture of intraocular lenses. Limited quantities of the finished products are stockpiled, however, 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 continuously restocked.

2.5 Results of operations

2.5.1 Presentation of results of operations

Table 1: Summary of key ratios in the consolidated income statement (figures in € '000)

	Financial year 2007/2008	Financial year 2008/2009	Change
Consolidated revenue	600,190	640,089	+6.6 %
Gross margin	*50.6 %*	*50.4 %*	*-0.2 %-pts*
EBITDA	80,939	92,447	+14.2 %
EBITDA margin	*13.5 %*	*14.4 %*	*+0.9 %-pts*
EBIT	68,212	76,082	+11.5 %
EBIT margin	*11.4 %*	*11.9 %*	*+0.5 %-pts*
Earnings before income taxes	75,732	78,615	+3.8 %
Tax rate	*25.7 %*	*29.9 %*	*+4.2 %-pts*
Consolidated net income after minority interests	54,048	50,544	-6.5 %
Earnings per share after minority interests	€ 0.66	€ 0.62	-6.1 %

2.5.2 Revenue

Consolidated revenue increased by 6.6 % in financial year 2008/2009 compared with the previous year, from € 600.2 million to € 640.1 million.

2.5.3 Gross profit

In financial year 2008/2009 gross profit amounted to € 322.3 million (previous year: € 303.4 million). Gross profit thus increased by 6.2 %. The gross margin remained stable at 50.4 % (previous year: 50.6 %). The programmes to optimise production costs had a positive effect.

2.5.4 Functional costs

The increase in functional costs by 4.4 %, from € 236.0 million to € 246.5 million, is mainly attributable to the growth in consolidated revenue and "investments" in the future.

- **Marketing and selling expenses:** Marketing and selling expenses increased in the year under review from € 141.8 million to € 150.6 million. This increase is mainly due to investments in clinical studies for new products. At 23.5 % (previous year: 23.6 %), the share of these expenses in consolidated revenue remained almost constant.
- **General and administrative expenses:** Expenses in this area amounted to € 32.4 million (previous year: € 32.3 million). This corresponds to just 5.1 % of consolidated revenue, compared with 5.4 % the previous year.
- **Research and development expenses:** Carl Zeiss Meditec aims to consistently offer its customers optimum solutions. The basis for this is a functioning research and development department, which delivers a continuous stream of innovative products. For this reason, the Group invests a fixed portion of its revenue into the ongoing development of its systems. In financial year 2008/2009 R&D expenses amounted to € 63.5 million (plus capitalised R&D costs of € 1.6 million, net) (previous year: € 62.0 million plus capitalised R&D costs of € 0.1 million, net), thus corresponding to a slightly smaller portion of consolidated revenue compared with the previous year, of 9.9 % (previous year: 10.3 %).

2.5.5 Development of earnings

Financial year 2008/2009 showed that earnings can develop well, even in a difficult market setting, with well considered investments and expenditure. As of 30 September 2009 **EBITDA** thus amounted to € 92.4 million (previous year: € 80.9 million). The **EBITDA margin** amounted to 14.4 %, which was 0.9 % points higher than the previous year. Compared with the previous year, **EBIT** climbed 11.5 % to € 76.1 million (previous year: € 68.2 million), and thus increased to a greater extent than consolidated revenue. The **EBIT margin** increased to 11.9 % (previous year: 11.4 %).

Interest income/interest expenses (net) amounted to € -0.7 million in financial year 2008/2009 (previous year: € 4.1 million). This was above all attributable to the further dramatic decline in the low rates of interest on capital investments.

The **tax rate** in the financial year under review was 29.9 % and was thus slightly higher than in the previous year (25.7 %). This is due to the change in the regional distribution of earnings, especially the good performance of the Japanese subsidiary Carl Zeiss Meditec Co. Ltd. The increase in **minority interests** from € 2.2 million to € 4.6 million in financial year 2008/2009 can also be attributed to this. In the previous year a one-off effect in the form of a tax credit also had a positive influence on the tax rate.

Due to the higher income tax expense, the fall in interest income and the one-off effect in the previous year, **consolidated net income after minority interests** decreased by 6.5 % to € 50.5 million (previous year: € 54.0 million). **Earnings per share after minority interests** thus amounted to € 0.62 (previous year: € 0.66).

2.6 Financial position

2.6.1 Objectives and principles of financial management

A primary objective of financial management at Carl Zeiss Meditec AG is to ensure the solvency of the company and to manage this efficiently throughout the Group. The Group's main source of liquidity comes from the business operations of the individual business units, upon which the financial activities and the strategic orientation of the Group are also based. The Company therefore operates a global financial management system that covers all of its subsidiaries and is centrally organised at Group level. The Company also strives to continuously improve its financial power and reduce financial risks by keeping a constant check on the solvency of its debtors, which also involves the use of financial instruments.

The Company deposits any liquidity it does not require at normal market conditions with the Group treasury of Carl Zeiss AG. When investing surplus liquidity, short-term availability comes before the goal of maximising earnings, so that funds can be accessed quickly if, for example, acquisition opportunities arise. The Group has production facilities in the USA and Europe and is thus only partly exposed to a direct currency risk, which it hedges against using simple currency forward contracts. Details on these can be found in the notes to the consolidated financial statements under "(2) (h) Financial instruments", "(28) Additional disclosures on financial instruments", "(2) (t) and (34) Related party disclosures".

2.6.2 Financial management

The debt ratio of Carl Zeiss Meditec, i. e., the ratio between borrowed capital and total assets, fell from 30.0 % as of 30 September 2008 to 28.4 % as of 30 September 2009.

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 to assume loans either from the Group treasury of Carl Zeiss AG or from banks.

As part of the acquisition of US company LDT in 2004, 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).

For further information on the financial liabilities of Carl Zeiss Meditec please refer to note "(25) Noncurrent financial liabilities", "(26) Current accrued liabilities" and "(27) Other current liabilities" in the accompanying notes to the consolidated financial statements.

Since Carl Zeiss Meditec possesses enough cash funds to finance its operating and strategic objectives, changes in interest rates and credit conditions are not currently having any material effect on the Group's financial situation. Carl Zeiss Meditec does not have any off-balance-sheet financing instruments.

2.6.3 Financial position

The cash flow statement records the changes in individual items in the income statement and the balance sheet which occurred after the respective date of first-time consolidation. In contrast, the consolidated balance sheet presents the figures as they stood on 30 September 2009. As a result, the statements in the analysis of the financial position may differ from the presentation of net assets based on the consolidated balance sheet.

Figure 7: Summary of key ratios in the consolidated cash flow statement (figures in € '000)

	Financial year 2008/2009	Financial year 2007/2008
Cash flow from operating activities	**87,356**	54,872
Cash flow from investing activities	**-30,591**	-24,783
Cash flow from financing activities	**-52,231**	-49,713
Change in cash and cash equivalents	**4,522**	-22,448

Cash flow from operating activities amounted to € 87.4 million in financial year 2008/2009 and was thus up by 59.2 % year-on-year (previous year: € 54.9 million). The greater control exerted over the Company using cash flow-based key ratios, the consistent reduction in inventories and the good consolidated net income had a significantly positive effect on cash flow. Cash flow was reduced by the settlement of trade payables.

Cash flow from investing activities was in particular influenced by the payment of € 11.6 million for the acquisition of the assets of Welch Allyn. Investments in property, plant and equipment amounted to € 10.3 million in the period under review (previous year: € 7.6 million). This is mainly attributable to investments in operating and office equipment in the "Surgical Ophthalmology" SBU which were made in a new, state-of-the-art production facility in Scotland.

Investments in property, plant and equipment during the reporting period are distributed across the subsidiary locations as follows (in € million).

Table 2: Distribution of investments in property, plant and equipment across the subsidiary locations

Germany	USA	Japan	UK	Spain	France
3.5	0.7	–	5.2	–	0.9

Cash flow from financing activities reflects in particular the good development of business. Cash flow from financing activities thus amounted to € -52.2 million in financial year 2008/2009 (previous year: € -49.7 million). This is above all due to the increase in treasury receivables from the treasury of Carl Zeiss AG. Conversely, the distribution of the dividend of € 14.6 million led to a real cash outflow.

2.6.4 Investment and depreciation policy

To achieve a leading market position in the medical technology sector companies need to make well considered investments. Carl Zeiss Meditec AG makes a distinction here between two types of investment: capacity expansions and replacement investments. These investments are usually financed from operative cash flow.

In terms of the production of devices and systems, the Company mostly limits itself to the integration of individual components to create system solutions. For this reason, the ratio of property, plant and equipment to total assets and investments in such property, plant and equipment are comparatively low. In contrast, the production of intraocular lenses is an area that generally demands larger investments.

Nevertheless, the investment of capital in real assets is only necessary to a relatively limited extent, which is evident from the development of the capex ratio – the ratio of total investments[5] in property, plant and equipment to consolidated revenue. In the financial year under review, the capex ratio was 2.0 %; in the previous financial year it was 1.7 %.

At Carl Zeiss Meditec, intangible assets and property, plant and equipment are subject to scheduled, straight-line amortisation and depreciation, respectively, over their estimated useful lives. For further information on this please refer to note “(2) (e) Goodwill and intangible assets with an indefinite useful life” in the notes to the consolidated financial statements.

[5] In financial year 2008/2009 total investments in property, plant and equipment amounted to € 12.5 million, compared with € 10.1 million in the previous year.

2.6.5 Key ratios relating to financial position

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

Key ratio	Definition	30 September 2008	30 September 2009	Change
Cash and cash equivalents	Cash-in-hand and bank balances	195,473	199,995	+2.3 %
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	210,398	252,026	+19.8 %
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	105,511	86,028	-18.5 %
Working capital	Current assets ./. Current liabilities	355,180	374,878	+5.5 %

Table 4: Key ratios relating to financial position

Key ratio	Definition	Financial year 2007/2008	Financial year 2008/2009	Change
Cash flow per share	Cash flow from operating activities / Weighted average number of shares outstanding	€ 0.67	€ 1.07	+59.7 %
Capex ratio	Investment in property, plant and equipment / Consolidated revenue	1.7 %	2.0 %	+0.3 %-pts

2.7 Net assets

2.7.1 Presentation of net asset position

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

Figure 8: Structure of the consolidated balance sheet (figures in € ’000)

Assets	**30 September 2009**	30 September 2008
Goodwill	**113,593**	111,735
Noncurrent assets*	**115,419**	105,553
Cash and cash equivalents	**199,995**	195,473
Current assets**	**325,358**	303,063
Consolidated total assets	**754,365**	715,824

Liabilities and equity	**30 September 2009**	30 September 2008
Equity	**539,772**	500,731
Noncurrent liabilities	**64,118**	71,737
Current liabilities	**150,475**	143,356
Consolidated total liabilities	**754,365**	715,824

* excluding goodwill
** excluding cash and cash equivalents

ASSETS

Goodwill

As of 30 September 2009 the goodwill of Carl Zeiss Meditec AG amounted to € 113.6 million (30 September 2008: € 111.7 million). This increase is mainly attributable to the acquisition of the assets of the OEM supplier Welch Allyn on 5 November 2008. (For further information on this see note "(12) Goodwill" in the notes to the consolidated financial statements.)

Other intangible assets

As of 30 September 2008 this balance sheet item totalled € 38.0 million (30 September 2007: € 32.9 million). The reason for this increase was the acquisition of the assets of OEM supplier Welch Allyn.

Inventories

"Inventories" decreased by 16.9% from € 119.3 million to € 99.1 million. At the end of the previous financial year the Company stockpiled new products. These stocks were reduced during the course of this financial year, as planned. (For further information on this see note "(18) Inventories" in the notes to the consolidated financial statements.)

Trade receivables, incl. accounts receivable from related parties

This balance sheet item increased compared with the previous year, from € 113.5 million to € 116.1 million, and is above all attributable to the high level of revenue generated in the fourth quarter.

Cash and cash equivalents

Despite the distribution of a dividend for financial year 2007/2008 in the amount of € 14.6 million and the acquisition of the assets of Welch Allyn, this balance sheet item increased from € 195.5 million to € 200.0 million. Cash and cash equivalents which the Company does not directly require for its business operations are deposited with the Group treasury of Carl Zeiss AG at standard market conditions. This balance sheet item increased to € 96.0 million (30 September 2008: € 61.8 million).

LIABILITIES AND EQUITY

Equity

Equity increased in financial year 2008/2009 from € 500.7 million to € 539.8 million. This decline in equity caused by the dividend distribution (€ 14.6 million) was more than compensated for by the favourable development of business in the financial year just ended.

Provisions for pensions and similar commitments

The balance sheet item "Provisions for pensions and similar commitments" amounted to € 11.3 million as of 30 September 2009 (30 September 2008: € 12.0 million).

Other noncurrent provisions

Particularly as a result of guarantee obligations, this balance sheet item increased by the end of financial year 2008/2009 to € 10.8 million (previous year: € 6.9 million).

Noncurrent financial liabilities
This balance sheet item decreased to € 9.3 million as of 30 September 2009 (30 September 2007: € 18.8 million). The US subsidiary Carl Zeiss Meditec Inc. took out a low-interest US dollar loan of US$ 26.0 million (€ 19.6 million based on the rate of exchange at the date of acquisition) with Carl Zeiss AG’s Group treasury to help finance the acquisition of the US company Laser Diagnostic Technologies (“LDT”) in 2004. As the remaining portion of this loan fell due in November 2009, there was a reclassification to the balance sheet item “Current portion of noncurrent financial liabilities”.

Trade payables
“Trade payables” decreased by 15.7%, from € 27.4 million as of 30 September 2008 to € 23.1 million as of 30 September 2009.

2.7.2 Key ratios relating to net assets

Tabelle 5: Key ratios relating to net assets

Key ratio	Definition		30 September 2008	30 September 2009	Change
Equity ratio	Equity / Total assets		70.0 %	71.6 %	+1.6 %-pts
Rate of inventory turnover	Cost of goods sold / Ø inventories		2.7	2.9	+7.4 %
Days of sales outstanding (DSO)	Trade receivables including receivables from related parties / Consolidated revenue	x 360 days	68.0 days	65.3 days	-4.1 %

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

Despite the significant forecast uncertainty regarding the short-term development of the markets, both the sales and earnings forecasts were met in financial year 2008/2009. In addition, Carl Zeiss Meditec has a robust financial and earnings profile, which safeguards the Company’s performance against external influences. Carl Zeiss Meditec’s current economic position can be described as very good, due not least to the positive development of business during the reporting period 2008/2009. A broad, diversified and innovative product portfolio, highly qualified and motivated employees, a strong market position and, consequently, a robust profitability and liquidity situation, are proof of this.

2.9 Orders on hand

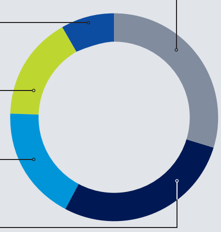
The trend among customers of placing orders at short notice, particularly for devices and systems for ophthalmology, is persisting due to the current economic climate. As of 30 September 2009 the Group’s orders on hand totalled € 57.4 million (previous year: € 66.8 million).

2.10 Employees

Carl Zeiss Meditec's success relies on the commitment, the motivation and the skills of its employees. Even in these times of economic turbulence, we have kept employee numbers constant. As of 30 September 2009 the Carl Zeiss Meditec Group employed a worldwide workforce of 2,147 (previous year: 2,152).

Figure 9: Personnel structure of the Carl Zeiss Meditec Group as of 30 September 2009

Production	**29.0 %**
Commercial sector and administration	**7.8 %**
Research and development	**16.9 %**
Service	**18.7 %**
Sales and marketing	**27.6 %**



2.11 Events of particular significance

There were no events of particular significance in the reporting period.

3 Research and development report

3.1 Objectives and focus of research and development

The aim of our development activities is to further enhance the value of our devices and systems for the customer. We claim to offer cutting-edge products leaving competitors trailing in our wake. At the forefront is our focus on our customers' workflows to improve efficiency and efficacy in diagnosis and treatment.

In the past financial year the Company invested a total of € 63.5 million (previous year: € 62.0 million) in research and development, which correspond to 9.9 % of consolidated revenue.

A total of 363 employees (previous year: 348 employees) are researching new solutions and working to improve existing ones. This corresponds to 16.9 % (previous year: 16.2 %) of the Company's entire workforce, thus emphasising the great importance the Company attaches to R&D, which was further expanded, even in this difficult economic climate.

Research and development activities ensure the future earnings power of the Company.

3.2 Focus of research and development activities in the reporting period

Research and development at Carl Zeiss Meditec mainly focuses on:

- examining new technological concepts in terms of their clinical relevance and effectiveness. The concept of "evidence-based medicine" plays a major role in this, i. e., proving the efficacy of the developed diagnostic and treatment methods is very important to us;
- the continuous development of the existing product portfolio;
- the development of new products and product platforms based on the available basic technologies and
- the networking of systems and devices to increase efficiency.

A number of new innovations were thus launched on the market both during the reporting period and directly thereafter.

Visalis® 100
The Visalis® 100 phacoemulsification system ("phaco system") enables the diseased, natural lens of the eye to be surgically removed from the eye during cataract surgery. Carl Zeiss Meditec now covers the entire spectrum of services in this area (diagnostic equipment, surgical microscope, phaco system and IOL) for cataract treatment and aftercare. Visalis® 100 was developed especially for the requirements of physicians in developing countries. This device combines maximum patient safety and user-friendliness with efficient surgical methods and precisely coordinated performance parameters to achieve an optimum result.

CALLISTO eye®
The OR management system CALLISTO eye® simplifies the workflow during surgery and offers solutions ranging from patient administration, through OR planning, to video documentation.

AT LISA and AT LISA toric
The two intraocular lenses AT LISA and AT LISA toric are implanted through a corneal incision of less than 1.5 mm and are the first intraocular lenses for refractive cataract surgery to use a real microincision (MICS). These multifocal lenses give patients optimum visual results in terms of both near and distance vision, as well as improved contrast sensitivity. They also minimise light scattering and photic phenomena.

The **combined ZEISS Toric Solution** enables physicians to implant toric lenses in patients with astigmatism faster and more efficiently and offers increased safety due to an integrated workflow. Initial measurements are taken using the completely contact-free IOLMaster®, and then the toric IOLs are calculated quite simply using the new online calculator Z CALC™.

In the OR our surgical microscopes (such as the OPMI Lumera product family) ensure clarity and an outstanding red reflex in the implantation of toric lenses (AT LISA toric). Finally, the innovative, video-assisted tool Z ALIGN™, a function of CALLISTO eye®, helps the surgeon to accurately position the toric IOL using an integrated eye tracking system. This solution guarantees the highest level of flexibility and meets the various requirements of ophthalmic practices and surgery clinics.

ZEISS Ophthalmic Data Management Solution is the first fully integrated software platform that connects all ophthalmic systems and links diagnostic and surgery devices. It includes the image and report management system FORUM® for ophthalmic data, and the OR management system CALLISTO eye®.

FORUM® is a state-of-the-art, highly efficient data management solution for streamlining, centralising and viewing the vast amount of clinical data generated by ophthalmic instruments. Diagnostic reports and images are stored centrally and can be viewed from any location in or outside the ophthalmic practice – even in the operating room.

The immediate benefit of an integrated workflow even on a very small scale can be experienced e.g. at the new Retina workstation, which allows a complete retinal exam at once.

These new diagnostic and surgical offerings are designed to work together to significantly improve productivity, workflow and clinical outcomes of our customers.

Tabelle 6: Other focal points of research and development activities in financial year 2008/2009

Focal point	Activities
Continuous development of the existing product portfolio	• Further development of the successful OPMI Lumera line for ophthalmic surgery • Further development of an integration and workflow platform for cataract surgery • Expansion of scope for high-end surgical operation-microscopes • Further development of the functionality of the Cirrus platform • Further development of the phaco system • Expansion of the biometrics product range • Introduction of a new VisuMax® laser keratome
Development of new products and combination of diagnosis and treatment	• Further development of the microscope systems and visualisation functions, as well as intraoperative diagnostic functions • Expansion of the range of implantation systems for modern microincision cataract surgery
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

3.3 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 2009). 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 not usually 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.

4 Supplementary report

In agreement with the Supervisory Board and the Management Board of Carl Zeiss Meditec AG, Management Board member Bernd Hirsch resigned from his seat on the Management Board at his own request on 30 November 2009. Management Board members Dr. Michael Kaschke, Dr. Ludwin Monz and Ulrich Krauss shall take over Mr. Hirsch's responsibilities temporarily until the appointment of his successor.

5 Remuneration report

5.1 Remuneration of the Management Board

On 31 July 2009 the German Act on the Appropriateness of Executive Remuneration *(Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG)* entered into force. This has led to a series of amendments to the remuneration regulations for the Management Board provided for under German stock corporation law and also assigned authority regarding the stipulation of the Management Board's remuneration exclusively to the Supervisory Board as a whole. The law does not apply to existing Management Board contracts, however ("existing contracts") and is only applicable for the first time for new contracts being concluded or for an extension of Management Board contracts.

The following remuneration report refers to the Management Board contracts already existing in the financial year just ended ("existing contracts") on the basis of the legal situation prevailing under stock corporation law and applying to the existing contracts of Management Board members up until the enforcement of the new regulations for the remuneration of the Management Board. No new Management Board contracts were concluded and no Management Board contracts were extended in the financial year under review.

5.1.1 Structure and amount of remuneration paid to the Management Board

The Personnel Committee of the Supervisory Board proposes and the Supervisory Board as a whole specifies the amount and structure of the 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.

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, free cash flow 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.

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 set by the Supervisory Board for the respective three-year period, which is evaluated at the end of the 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.

Table 7: Itemised breakdown of the remuneration paid to the members of the Management Board of Carl Zeiss Meditec AG
(figures in € ’000)

	Remuneration for financial year 2008/2009		
	Fixed remuneration component	**Variable remuneration (performance-related)**	**Total remuneration for financial year 2008/2009**
Dr. Michael Kaschke	270.0	90.0	360.0
Bernd Hirsch	206.5	137.0	343.5
Ulrich Krauss	207.0	131.3	338.3
Dr. Ludwin Monz	214.5	133.0	347.5

As a show of solidarity, the employees of Carl Zeiss Meditec’s German locations personally contributed to the reduction in personnel expenses within the Company by foregoing their holiday pay and Christmas bonus as part of the *“Gesamtpaket zur Bewältigung der wirtschaftlichen Situation”* (complete package of measures to overcome the economic situation), which was agreed in June with representatives from *IG Metall* and the workforce. This contributed significantly to the Company’s excellent result for the year. The retained payments amount to 8.1 % of the target annual salary.

The Management Board of Carl Zeiss Meditec AG would like to show solidarity with its employees and has thus unanimously resolved to forego 8.1 % of its target annual salary, the CEO 20 % of his target annual salary, voluntarily and without respect to their contractual commitments. This contribution shall be offset against the variable component of the Management Board’s remuneration for financial year 2008/2009.

The LTIP for the three-year period from 2005/2006 to 2007/2008 was settled at the end of financial year 2007/2008, but was paid out only in financial year 2008/2009. The LTIP 2005/2006 settled in financial year 2008/2009 resulted in payments of € 164.0 thousand to Mr. Hirsch, € 151.9 thousand to Mr. Krauss and € 60.5 thousand to Dr. Monz for his time as a member of the Management Board of Carl Zeiss Meditec AG since 8 October 2007. This led to the reversal in income of the provisions of € 165.7 thousand set up in the previous years.

Directors & Officers (D&O) liability insurance has been taken out for the members of the Management Board of Carl Zeiss Meditec AG, which provides for an excess that is also specified in the Management Board contracts. At the present time this does not comply with the excess that has been prescribed by the German Stock Corporation Act *(AktG)* since 5 August 2009 of at least 10 % of the damages up to at least one-and-a-half times the fixed annual remuneration.

Pursuant to the transitional provisions pertaining to the new regulation under stock corporation law, the excess stipulated in the Management Board contracts shall be adjusted to comply with the current legal situation when the respective Management Board contracts are extended.

5.1.2 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 the IFRSs, an appropriation of € 18 thousand was made for Management Board member Hirsch in financial year 2008/2009; an appropriation of € 67 thousand was made for Management Board member Krauss, and an appropriation of € 89 thousand was made for Management Board member Dr. Monz. The Company did not set up any pension provisions for Management Board member Dr. Kaschke.

Projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amounted to € 190 thousand.

5.1.3 Departure of members of the Management Board

In the event of 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.

5.2 Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is calculated according to Art. 19 (1) of the current version of Carl Zeiss Meditec AG’s Articles of Association. 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. 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 itemised breakdown of the remuneration paid to the Supervisory Board:

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

	Fixed remuneration component	**Variable remuneration (performance-related)**
Dr. Markus Guthoff[6]	20.0	46.5
Dr. Dieter Kurz[7]	15.0	41.0
Dr. Wolfgang Reim	10.0	47.5
Ulrich Hoffmann[8]	1.7	4.0
Franz-Jörg Stündel[9]	10.0	29.3
Wilhelm Burmeister[9]	10.0	23.3

The Supervisory Board of Carl Zeiss Meditec AG would like to show solidarity as did the Management Board with the employees of the German locations of Carl Zeiss Meditec, who, by foregoing their holiday pay and Christmas bonus, helped to reduce personnel expenses within the Company. The Supervisory Board has thus unanimously resolved to forego 10 % of its remuneration. This contribution shall be offset against the variable component of the Supervisory Board's remuneration for financial year 2008/2009.

The Company did not pay members of the Supervisory Board any additional remunerations or benefits for personally rendered services (in particular consultancy and agency services) in financial year 2008/2009.

[6] Chairman of the Supervisory Board
[7] Deputy Chairman of the Supervisory Board
[8] Legally appointed member of the Supervisory Board since 31 July 2009
[9] Employee representative legally appointed to the Supervisory Board on a voluntary basis

6 Risk report

6.1 Risk management system

The term "risk" refers to all circumstances and developments within and outside the Company which could have an adverse effect on the fulfilment of business targets and objectives 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. Entrepreneurial risks are essentially only taken if these can be controlled and the opportunities associated with them are likely to result in an appropriate increase in value. Effective risk management is therefore an important success factor for the sustained protection of corporate value. As a stock corporation, Carl Zeiss Meditec is also subject to the rules and standards applicable for listed companies. All fully consolidated companies of Carl Zeiss Meditec are included in opportunity and risk management.

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 risks that arise 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 devices. 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:

- The coordinated adoption of risk management measures is ensured through the compilation of all relevant facts in Carl Zeiss Meditec's risk manual, which contains information about the functioning of the risk management system, provides a comprehensive overview of potential risk areas, sets out regulations regarding responsibility for monitoring these and contains instructions for dealing with such risks, should they arise.
- 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.
- An early-warning system assesses business risks according to their potential implications in a planning period of typically three years. The risks are evaluated and classified according to their probability of occurrence and damage potential.
- 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. Significant risks arising at very short notice are reported to the Management Board of Carl Zeiss Meditec immediately after they are identified.
- On this basis, suitable steps are taken to avoid identified risks or reduce the probability of their occurrence, and minimise the potential financial losses of such risks. The measures for reducing risks and the early-warning indicators are regularly updated.

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

6.2 Economic environment

The situation looming on the US property market for a number of years triggered the financial market crisis in 2008 and led to a global financial and economic crisis. In this environment of a serious global economic recession, the economic situation in most industrialised countries is characterised by a high level of uncertainty.

The world-wide distribution of Carl Zeiss Meditec's products and system solutions and its research and production locations in Germany, France, the United Kingdom and the USA illustrate the global nature of the Company. As a company with global operations, Carl Zeiss Meditec is particularly exposed to developments that pose a risk for the global economy. 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 diverse 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. The international financial market crisis, the slump in overall economic development, and the shifts in currency relations have also increased the risks for Carl Zeiss Meditec. Thanks to the early-warning system established within the Carl Zeiss Meditec Group, these risks are recognised in good time and can be countered accordingly. In addition, our international presence makes us more independent from regional crises. Furthermore, Carl Zeiss Meditec's highly differentiated product and customer structure limits our marketing risks. The Company reacts to prevailing market conditions using a far-reaching programme of measures that comprises adaptations of production, reductions in production costs and other cost-cutting and efficiency-enhancing measures in all areas of the Company.

If the current general economic situation fails to improve, however, and the economy deteriorates further, this may have an adverse effect on the financial situation of our customers and the demand for our products. This could lead, at least temporarily, to demand shortfalls and thus negative consequences for sales and earnings.

6.3 Market and competition

The search for new treatment methods in the medical technology industry has intensified as a result of global competition. Some competitors of the Carl Zeiss Meditec Group are larger than Carl Zeiss Meditec in terms of their total revenue, and they have greater financial resources at their disposal to deal with competitive pressure. Existing competitors may also be bought up by large, financially stronger companies, or new competitors may enter the market. The resulting or heightened competitive pressure this would cause and could lead to lower selling prices, margin pressure and/or loss of market shares. The Company 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.

Aside from the growing competitive pressure, the fluctuating willingness to consume among consumers, which is particularly contingent upon general economic conditions, poses a fundamental business risk. The general economic climate has deteriorated significantly since the beginning of the year. In some of Carl Zeiss Meditec's key markets, such as North America, Europe and Japan, there has been a slowdown in economic growth. This could have an adverse effect on the demand for our products and the financial position of our trading partners. 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. Market and competition-related risks are thus posed by possible benefit cuts in the health care sector, which could have an impact on growth opportunities. 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 view of the global financial crisis, this aspect poses a substantially higher risk. In addition: 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 denial of reimbursements could reduce the demand for the Company's products.

Some products of Carl Zeiss Meditec 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 has declined in the current economic situation. Demand behaviour may also be influenced by other factors, however, such as a fall in the disposable income of private households, uncertainty regarding the further development of the income of private households, the publication of press reports about potential risks of such treatments, or changes in fashion and 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 purchase 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 placed on medical devices for diagnosing and treating age-related diseases, present growth opportunities for the Company.

6.4 New technologies and products

The markets in which the 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 Carl Zeiss Meditec 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 superseded by alternative technologies, pharmaceutical procedures or treatment methods. This could diminish or even completely eliminate demand for certain products in 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. To this end, the management concerns itself with detailed market and competition analyses, market scenarios, the relevant cost drivers and critical success factors of the Company.

6.5 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. Employee competence, commitment and motivation play a vital role in determining the Company's success and its competitive chances. Carl Zeiss Meditec relies on qualified specialists and executives to realise the Company's strategic objectives. When looking for qualified employees, Carl Zeiss Meditec has to compete with many other companies in the same sector. In order to grow further, it is an absolute necessity for us to recruit and retain highly qualified employees for all functions in all regions; otherwise, the technological advancement and sale of the products and services the Company offers could become compromised. The Company counters this risk with active employee development and successor planning. It is therefore very important for the Company to maintain and increase its attractiveness as an employer.

6.6 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.

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 sales. If, for instance, 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 Company, or for the regulatory approval requirements to be tightened in future.

The respective national tax laws may also influence ongoing taxation. Such taxation may result in a decline in earnings. 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 extremely closely as part of its quality management system.

6.7 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 applies 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 markets where the Company is not represented by its own distribution staff.

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

Carl Zeiss Meditec 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, which is 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 the services they render in future. Furthermore, suppliers may decide, for a variety of reasons, to terminate their business relationships with the Group. Qualifying new suppliers, which would be necessary in this case, could take a long time. In addition, Carl Zeiss Meditec 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, sale and the quality of Carl Zeiss Meditec's products.

In view of the global financial crisis, monitoring supplier risks plays a key role in the early-warning, risk information and management system. In the current difficult economic climate, suppliers must ensure their own liquidity. There is an increased risk of supplier insolvency, which means there is a possibility of temporary shortages of specific goods and vendor parts. In order to limit the risks of such supplier shortages, we select our suppliers carefully. By implementing consistent supply chain measures, such as qualifying 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.

6.8 Patents and intellectual property

The competitiveness of the Carl Zeiss Meditec Group depends on the protection of its technological innovations against exploitation by third parties. Violations of intellectual property and patent protection may compromise the Company's technological lead and thus its 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 Company 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 Group, since the unauthorised use of intellectual property is generally difficult to monitor and copyright laws only provide for limited protection. Carl Zeiss Meditec could become involved in lengthy and costly litigation proceedings in this connection. 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 Company. If the Company fails to ensure adequate protection of its technological innovations, this could impair the Company's competitiveness.

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

6.9 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 Carl Zeiss Meditec leak to competitors, this may have adverse 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 to protect confidential data. Conformance to and the effectiveness of these measures is continuously monitored.

6.10 Product liability risk

There is an inherent risk in some of the medical devices and system solutions manufactured by the Carl Zeiss Meditec Group of malfunctions causing injury 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 Company to date, no guarantee can be given that Carl Zeiss Meditec 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 Carl Zeiss Meditec in the long term.

The Company covers itself against potential product liability claims by taking out product liability insurance. Potential product liability claims that could be brought against the Group in the USA pose a particular risk in this respect, since 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 Company's existing insurance coverage may not be sufficient to cover potential claims. Nor can it be guaranteed that the Company will be able to take out insurance policies against product liability risks at acceptable economic conditions in future.

6.11 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 that pays particular attention to due diligence. Each transaction is systematically assessed for impairment and synergy potential. The transparency that this creates helps the Company to make more confident decisions.

Pursuant to IFRS 3, the goodwill that usually arises from the acquisition of other companies is not subject to scheduled amortisation, but 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 (cash-generating units, CGUs), are determined and discounted to the balance sheet date. It is determined whether the carrying amount of the CGUs exceeds the recoverable amount. 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 assets, 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 5 November 2008, a subsidiary of Carl Zeiss Meditec acquired 100 % of the assets for the manufacture of two products for glaucoma diagnostics from Welch Allyn, Inc. New York, USA, the previous supplier of these products. 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., the French Carl Zeiss Meditec S.A.S. (previously Ioltech S.A.) and Acri.Tec AG (now Acri.Tec GmbH) – Carl Zeiss Meditec reported goodwill around € 113.6 million in its consolidated balance sheet as of 30 September 2009.

The impairment tests carried out in the financial year under review did not give any indication of impairment of the assets allocated to these cash-generating units. Based on the development of business, the Group also anticipates positive results for subsequent tests. For the future, however, the possibility cannot be entirely ruled out that the net assets, 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 in income an impairment of the goodwill entered in the balance sheet of its consolidated financial statements.

In the future, the Group may achieve further 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 sales 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 adverse effects on the net assets, financial position and results of operations of the Company. 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.

6.12 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 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 Company, 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 "(30) Contingent liabilities and other financial commitments" in the accompanying notes to the consolidated financial statements.

6.13 Financial risks

As a result of the banking crisis there is a latent credit quality risk concerning business banks at which Carl Zeiss Meditec holds deposits. These risks have been reduced by the package of measures adopted by the EU to stabilise the capital markets. Nonetheless, Carl Zeiss Meditec has taken a number of additional measures to limit these risks. One of these measures was to introduce a monitoring procedure to monitor the current situation on the capital markets.

The financial risks also include liquidity risks, price fluctuation risks for financial instruments and risks associated with fluctuations in cash flows. These risks and the management thereof are adequately described in note "(37) Financial risk management".

In spite of the enduring financial crisis, we have categorised Carl Zeiss Meditec's financial risks as low. The basis for this categorisation is our sound financing structure with an equity ratio of 71.6 %, the large reserve of cash and cash equivalents, and a strong cash flow from operating activities.

Cash and cash equivalents are kept in reserve at Carl Zeiss Meditec based on a rolling monthly cash forecast within a fixed planning period, and are transferred to Group companies as required as part of a Group-wide Carl Zeiss cash pool. We do not therefore anticipate any material adverse effect on the Company's financial result.

6.14 Other disclosures in accordance with Section 289 (2) No. 2 *HGB,* Section 315 (2) No. 2 *HGB*

Price fluctuation risks can essentially not be ruled out. However, Carl Zeiss Meditec counters these risks by focusing on product innovations and optimising its production costs with cost-cutting and efficiency-enhancing measures.

Potential risks of default on trade receivables – particularly given the financial crisis and the greater risk of bad debt losses that comes with it – are minimised by way of an active credit control system. The Group also regularly sets up adequate provisions to cover such risks. On the whole, however, we consider this to be a limited risk. The ratio of valuation allowances on trade receivables to consolidated revenue was 1.0 % in the year under review (previous year: 1.4 %).

The financial situation of Carl Zeiss Meditec can be considered stable. Cash and cash equivalents amounted to € 200.0 million as of the balance sheet date 30 September 2009. We also had a credit balance of € 96.0 million, expressed as accounts receivable from the Group treasury of Carl Zeiss AG. The Group also generated cash flow from operating activities of € 87.4 million in the period under review. At the present time, therefore, there are no liquidity risks.

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.

6.15 Overall assessment of risks

Compared with the previous year there were no significant changes in the risk situation of the Carl Zeiss Meditec Group during the reporting period. The assessment of the overall risk situation is the result of a consolidated consideration of all material individual risks. We exercise active and efficient risk control in all areas of Carl Zeiss Meditec to keep a general check on risks to the Group and ensure that they are manageable.

The overall assessment of the risk situation showed that the continued existence of the Company is not under threat in terms of substance or liquidity, and that there are no identifiable risks to its continued existence in the foreseeable future.

7 Disclosures pursuant to Section 289 (4) and Section 315 (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 AG is aware of the following direct and indirect holdings in the capital of Carl Zeiss Meditec AG that exceed 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 Section 15 et seqq. *AktG,* who participate in the Company via employee share plans concerning the share capital of Carl Zeiss Meditec AG, exercise their control rights directly like all other shareholders of the Company.

Pursuant to Section 179 and Section 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 Section 179 (1) Sentence 2 *AktG.*

The legal provisions concerning the appointment and dismissal of members of the Management Board are set forth in Section 84 and Section 85 *AktG.* In compliance with this, Art. 6 (2) of the Articles of Association of Carl Zeiss Meditec AG stipulates that the Supervisory Board shall 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 (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, on one or several occasions in the period until 9 March 2011, by up to € 39,654,800.00. To this end, new no-par value bearer shares may be issued against cash or contributions in kind. The Management Board is authorised, with the consent 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 Section 186 (3) sentence 4 *AktG* must be taken into account in the restriction 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 companies.

The Management Board is authorised, with the consent of the Supervisory Board, to specify the further details of capital increases from Authorised Capital I.

Based on the resolution of the General Meeting of Carl Zeiss Meditec AG on 19 May 2009, the Management Board is authorised to purchase treasury shares. This authorisation is valid until 18 November 2010. The shares may be acquired to:

- offer them for purchase to employees of the Company and affiliates of the Company as defined by Section 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 equity interests in companies, or
- 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 contingent 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.

8 Forecast report

In spite of the difficult global economic climate, we are seeing a growth in demand for our diagnostic and therapeutic products, due to fundamental trends, such as a continuously aging global population. This applies to both ophthalmology and microsurgery and assures us that the good selling conditions for our products will continue.

We also consider ourselves to be in a good position, due to our company programme RACE 2010, which we have consistently implemented since 2009. The further development of the Group shall thus also be based in the coming years on the five strategic priorities defined in 2008:

- Acceleration and efficiency in innovation
- Entry into new markets
- Customer focus in sales and service
- Process excellence in all areas
- Employee development and support.

Innovation:
Three comprehensive solutions (ZEISS Toric Solution, ZEISS Data Management and ZEISS Refractive Laser Solution) were launched during the financial year under review and were met with enthusiasm from our customers.

New markets:
The phaco system Visalis® 100 launched in the financial year under review is a system that is specifically tailored to the needs of physicians in growth markets. For the first time, we chose a growth market, India, to present a new innovation. This system further expands our extensive range of innovative solutions for ophthalmic surgery. We shall continue to expand into the markets of the coming decades in future, too.

Customer focus:
The global service business is one of the areas that offer us massive opportunities for growth. We still see a lot of untapped potential here, as well as a need to further consolidate this area. In future, therefore, we plan to push forward with the standardisation and streamlining of the most important customer care processes and create an organisational platform to continue providing successful services, and thus improve the satisfaction of our customers.

Process excellence:
The alignment of the first key processes with uniform, Group-wide standards began in 2008/2009. The aim now is to drive these cross-departmental approaches faster forward and thus become more efficient as an organisation overall.

Employees:
Forward-looking human resources policy focuses on sustainable development and targeted support of the potential of all employees. A particular focus is on the development of the skills of young talent, for which we set up a mentoring programme in 2009. The trusting, personal exchange with experienced members of staff offers not only the exchange of specialised knowledge, but also support in overcoming new challenges and complex work situations, and professional career planning.

8.1 General economic conditions[10]

Driven by the normalisation of international trading, the recovery of the global economy should have gained further momentum in the second half of 2009. Production and trade increased rapidly increase compared with the previous year, due to strong economic incentives. This positive outlook is clouded, however, by analyses of previous periods of economic downturn triggered by crises in the banking and property sector. The problems in the international financial system are not over yet either. Likewise, there shall be a reverse in the favourable effects of energy price trends, since experts are forecasting an increase in the oil price in 2010.

The forecast of a slight economic upswing can be seen across all regions. The slackening off of government economic stimulus plans means that the growth in private consumption in the USA will be significantly slower in the long term than in the years preceding the financial crisis. Thus, despite a projected increase in GDP of 1.5 %[11] for 2010, this is still far from the level in 2007.

Economic recovery in the EU will continue to be just as moderate as in the global or the US market. GDP here is expected to increase by around 0.6 %[12].

In Germany a moderate increase is expected in the demand for exports and in domestic demand in 2010, which will increase GDP by 1.2 %[13].

The Asian region, characterised by the dynamic economies of China and India, will be the driver of growth in 2010. Value-added in this region is again showing a dramatic increase. Leading financial institutes therefore project GDP growth of 8.5 % [14] in China and 6.8 %[14] in India.

[10] Joint Economic Forecast project group *(Projektgruppe Gemeinschaftsdiagnose)* (editors): Autumn 2009 *"Zögerliche Belebung – steigende Staatschulden"* ("Hesitant recovery – Rising national debt"), *Gemeinschaftsdiagnose* Autumn 2009, 15 October 2009, Halle/Saale

[11] Cf. ibid., p. 18

[12] Cf. ibid., p. 30

[13] Cf. ibid., p. 37

[14] Cf. ibid., p. 13

8.2 Industry development

The main growth drivers in the medical technology industry remain intact. The global population is growing continuously. At the same time, the proportion of elderly people in the overall population is on the increase. As 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 microsurgery in the medium term. Although the majority of Carl Zeiss Meditec's business is not directly dependent on the economy, no assurance can be given that the current macroeconomic conditions will not have an effect on the investment decisions of our customers, the physicians. There is a definite possibility that investments may be postponed in the future.

All of the statements below are made based on the assumption that the positive development being seen and forecast by the financial institutes will not deteriorate. Statements regarding the future development of business were made on the basis of the information at hand.

8.3 Future development in the strategic business units of Carl Zeiss Meditec AG

The planning assumptions for our three strategic business units in mid November 2009 are as follows:

a) Strategic business unit "Ophthalmic Systems"
Our aim for financial year 2009/2010 is to further consolidate and possibly expand our market share. Already established products, such as the diagnostic devices IOLMaster® and Cirrus™ HDT-OCT, as well as the femtosecond laser VisuMax®, provide us with sufficient opportunities to do this. We also plan to launch new systems on the market in the current financial year. System networking and integrated data management are additional focal points in this respect.

b) Strategic business unit "Surgical Ophthalmology"
With one of the most innovative product ranges on the market, we would like to improve the market position of this business unit again in the current financial year. A particular focus is on marketing minimally invasive, implantable lenses and the IOL product line AT LISA. These marketing measures are also to be extended to previously unaddressed regions in the coming months.

c) Strategic business unit "Microsurgery"
We aim to secure additional market shares in this business unit, too, with existing technologies, such as the OPMI® Pentero® and the recently launched OPMI LUMERA® 700, as well as the new systems to be launched onto the market in 2010. Another main focus is the integration of our systems into existing hospital and medical practice networks.

8.4 Future selling markets

As a global Company, 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 see further potential in the “Asia/Pacific” region, which will become considerably more important in the medium and long term due to demographic trends. Our growth in this region has been in the high double digits in the last few years, but in future we plan to further expand our activities here in terms of the marketing, development, procurement and production of our products.

8.5 Future research & development activities

The medical technology sector is characterised by a constant stream of technological innovations. Innovative ability and short times-to-market are vitally important for Carl Zeiss Meditec. We are therefore continuously reinforcing our efforts in this area. R&D expenditure in financial year 2009/2010 will again be in the range of 10 % of revenue. The same expenditure can also be assumed for the following year. We shall systematically and continuously identify and evaluate new technology and market trends, and the most promising concepts will be incorporated in new development projects.

Carl Zeiss Meditec also aims to sustainably and purposefully expand the product ranges of its three strategic business units in future.

8.6 Future investments

Investments are a basic requirement to be able to exist in a difficult market environment. Investments in property, plant and equipment on a par with those in previous years are planned for the period until 2011.

8.7 Future dividend policy

We plan to distribute an appropriate dividend in future, too, depending on the financial and operative situation of the Company.

8.8 Future employee development

We shall continue to compete intensively for the best talent in future. To this end, we plan to drive forward our training and further education schemes in financial year 2009/2010. As an attractive employer we shall ensure that the Company continues to have a sufficient number of suitable specialists and executive staff in future. In the coming year we anticipate a change in our employee numbers, depending on the course of business.

8.9 Future financial position

As of 30 September 2009 bank balances totalling € 289.1 million were available for financing. From today’s perspective, we only anticipate a very limited refinancing requirement in the next two years, which will be fully covered by operative cash flow.

8.10 Opportunities

The medical technology market is characterised by sustainable underlying growth.

A positive factor for us in the past financial year was our broad regional presence. We also benefited from a continuous growth in recurring revenue, which is not subject to as much fluctuation as the capital assets business.

Future opportunities arise from the positive growth in the emerging markets of Asia and Latin America. Innovative products, which we plan to launch in all three business units this year, also present growth opportunities. Our strong financial profile, which safeguards the Company's development against external influences, should also have a positive effect. Unlike a number of its competitors, Carl Zeiss Meditec is able to react quickly to protect itself from direct risks, without losing sight of its long-term growth prospects. 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.

The strength of the ZEISS brand contributes to our customers' perception of us as a reliable partner. Our company programme RACE 2010, with its five strategic priorities, will also bring us further opportunities as we continue to implement it consistently.

Overall assertion on future development

Carl Zeiss Meditec AG shall continue to expand its strategic business units and exploit the opportunities that arise in them, and shall make targeted investments accordingly, in order to increase its market share and strengthen its market position. This will require an ongoing exchange of information with customers to ensure that we continue to meet their high demands.

In financial year 2009/2010 we expect our revenue growth to be at least on a par with growth in the markets in which we operate. At the present time we expect the markets addressed by us to grow by between 0 % and 5 % in 2010, depending on the market segment. We aim to keep our current EBIT margin on the previous year's level and to improve it in the medium term, without foregoing necessary investments.

This does not take account of the changes in the economic climate currently forecast, however. We shall specify our projections more precisely in our quarterly reports.

Our prime objective is to generate long-term value-added for the Company. We continue to regard our prospects for long-term growth in our markets as positive. We see significant growth potential here, due to the uninterrupted, positive fundamental trends, such as demographic development and the strong impact that ophthalmic diseases have on quality of life.

9 Final declaration of the Management Board on the dependent company report pursuant to Section 312 (3) *AktG*

As a member of Carl Zeiss AG, Carl Zeiss Meditec AG has prepared a dependent company report pursuant to Section 312 German Stock Corporation Act *(AktG)*. In 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 with affiliated companies. No other reportable transactions pursuant to Section 312 (1) Sentence 2 *AktG* were entered into by the Company.

Jena, 20 November 2009

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

Consolidated income statement (IFRS) for the period from 1 October 2008 to 30 Sepember 2009

(Figures in € '000)	Note	**Financial year 2008/2009** 1 October 2008 – 30 September 2009		**Financial year 2007/2008** 1 October 2007 – 30 September 2008	
Revenue	(2p) (4)		**640,089**		**600,190**
Cost of goods sold			(317,799)		(296,754)
Gross profit			**322,290**		**303,436**
Selling and marketing expenses			(150,648)		(141,788)
General and administrative expenses			(32,373)		(32,269)
Research and development expenses	(33)		(63,455)		(61,962)
Other income	(5)		836		1,596
Other expense	(6)		(568)		(801)
Earnings before interests, income taxes, depreciation and amortisation		*92,447*		*80,939*	
Depreciation and amortisation		*16,365*		*12,727*	
Earnings before interests and income taxes			**76,082**		**68,212**
Results from investments accounted for using the equity method	(8) (15)		(34)		(8)
Interest income	(8)		5,278		9,774
Interest expense	(8)		(6,001)		(5,710)
Foreign currency gains/(losses), net	(2c) (2w) (8)		648		(382)
Other financial result	(8)		2,642		3,846
Earnings before income taxes			**78,615**		**75,732**
Income tax expense	(9)		(23,514)		(19,491)
Net income			**55,101**		**56,241**
Attributable to: Shareholders of the parent company Minority interest			 50,544 4,557		 54,048 2,193
Profit/(loss) per share, attributable to the shareholders of the parent company in the current financial year (€): **– Basic/diluted**	(2r) (10)		**0.62**		**0.66**

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 2009

(Figures in € '000)	Note	30 September 2009	30 September 2008
ASSETS			
Goodwill	(2e) (12)	113,593	111,735
Intangible assets	(2f) (13)	38,045	32,859
Property, plant and equipment	(2g) (14)	42,193	38,410
Investments accounted for using the equity method	(15)	103	139
Investments	(16)	364	368
Deferred tax assets	(2i) (17)	32,694	30,286
Noncurrent trade receivables	(19)	872	2,604
Other noncurrent assets		1,148	887
Total noncurrent assets		**229,012**	**217,288**
Inventories	(2j) (18)	99,054	119,300
Trade receivables	(19)	91,249	90,577
Accounts receivable from related parties	(2t) (34)	23,932	20,271
Treasury receivables	(2t) (38)	95,980	61,839
Tax refund claims		3,114	3,677
Other current assets	(2h) (20)	11,909	7,370
Securities	(2h)	120	29
Cash and cash equivalents	(2l) (21)	199,995	195,473
Total current assets		**525,353**	**498,536**
Total assets		**754,365**	**715,824**

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

(Figures in € '000)	Note	30 September 2009	30 September 2008
LIABILITIES AND EQUITY			
Share capital	(22)	81,310	81,310
Capital reserve	(22)	313,863	313,863
Retained earnings	(22)	151,397	115,489
Gains and losses recognised directly in equity	(2m)	(25,724)	(22,672)
Equity before minority interest		520,846	487,990
Minority interest	(22)	18,926	12,741
Total equity		**539,772**	**500,731**
Provisions for pensions and similar commitments	(2n) (23)	11,334	11,995
Other noncurrent provisions	(2o) (24)	10,796	6,936
Noncurrent financial liabilities	(25)	9,322	18,760
Noncurrent leasing liabilities	(2k) (30)	16,905	18,546
Other noncurrent liabilities		6,017	4,092
Deferred tax liabilities	(2i) (17)	9,744	11,408
Total noncurrent liabilities		**64,118**	**71,737**
Current provisions	(2o) (24)	30,652	28,137
Current accrued liabilities	(26)	37,988	40,130
Current financial liabilities	(2h)	1,782	2,140
Current portion of noncurrent financial liabilities	(25)	9,271	913
Current portion of noncurrent leasing liabilities	(2k) (30)	1,326	1,052
Trade payables		23,086	27,402
Current income tax liabilities		8,123	3,674
Accounts payable to related parties	(2t) (34)	9,058	9,227
Treasury payables	(2t) (34)	7,125	7,643
Other current liabilities	(27)	22,064	23,038
Total current liabilities		**150,475**	**143,356**
Total liabilities		**754,365**	**715,824**

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 2008 to 30 September 2009

(Figures in € '000)	Note	Financial year 2008/2009 1 October 2008 – 30 September 2009	Financial year 2007/2008 1 October 2007 – 30 September 2008
Cash flows from operating activities:			
Net income		**55,101**	**56,241**
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Income tax expenses	(9)	23,514	19,491
Interest income/expenses	(8)	723	(4,064)
Results from investments accounted for using the equity method	(8) (15)	34	8
Depreciation and amortisation	(13) (14)	16,365	12,727
Gains/losses on disposal of fixed assets/financial assets		(80)	(254)
Interest received		5,112	7,413
Interest paid		(2,976)	(3,703)
Income tax reimbursement		3,808	3,459
Income taxes paid		(26,096)	(31,481)
Changes in working capital:			
Trade receivables	(19) (34)	(2,026)	3,628
Inventories	(18)	20,645	(13,252)
Other assets	(20)	(5,122)	2,847
Trade payables		(5,606)	(5,337)
Provisions and financial liabilities	(23) (24) (26)	2,223	5,039
Other liabilities	(27)	1,737	2,110
Total adjustments		32,255	(1,369)
Net cash provided by operating activities		**87,356**	**54,872**
Cash flows from investing activities:			
Investment in property, plant and equipment	(14)	(10,326)	(7,572)
Investment in intangible assets	(13)	(6,066)	(5,434)
Investment in plan assets pension fund	(23)	(3,053)	(2,097)
Proceeds from fixed assets		438	816
Repayment of loans		–	14
Investment in interests	(15) (16)	–	(152)
Sale of securities	(28)	–	4,933
Acquisition of consolidated companies/businesses, net of cash acquired (2008/2009: Welch Allyn: € 11,584 thsd.) (2007/2008: Acri.Tec: € 21,404 thsd.)	(3)	(11,584)	(21,404)
Cash receipts from repayment of loans made to a former shareholder (Acri.Tec)	(3)	–	6,113
Net cash used in investing activities		**(30,591)**	**(24,783)**
Cash flows from financing activities:			
Repayments of short-term debt		(146)	(1,536)
Repayments of noncurrent financial liabilities	(25)	(567)	(1,723)
Repayments from noncurrent loans from related parties	(25) (33)	–	(8,823)
(Increase)/decrease in treasury receivables	(34)	(35,326)	111
Increase/(decrease) in treasury payables	(34)	(519)	(1,802)
Change of leasing liabilities	(29)	(1,037)	(977)
Dividend payments to shareholders of Carl Zeiss Meditec AG	(11)	(14,636)	(34,963)
Net cash provided by financing activities		**(52,231)**	**(49,713)**
Effect of exchange rate fluctuation on cash and cash equivalents		(12)	(2,824)
Net increase/(decrease) in cash and cash equivalents		**4,522**	**(22,448)**
Cash and cash equivalents, beginning of reporting period	(21)	195,473	217,921
Cash and cash equivalents, end of reporting period	(21)	**199,995**	**195,473**

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)	Note	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 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	(2h)	–	–	–	(104)	(104)	–	(104)
Foreign currency translation	(2c) (2m) (22)	–	–	–	(1,040)	(1,040)	904	(136)
Changes in value recognised directly in equity	(2m) (22)	**–**	**–**	**–**	**(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	(2m) (22)	**–**	**–**	**54,048**	**(2,701)**	**51,347**	**3,097**	**54,444**
Dividend payments	(11)	–	–	(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**
Fair value measurement of available-for-sale financial assets	(2h)	–	–	–	88	88	–	88
Foreign currency translation	(2c) (2m) (22)	–	–	–	(3,138)	(3,138)	1,628	(1,510)
Changes in equity from investments accounted for using the equity method		–	–	–	(2)	(2)	–	(2)
Changes in value recognised directly in equity	(2m) (22)	**–**	**–**	**–**	**(3,052)**	**(3,052)**	**1,628**	**(1,424)**
Net income		–	–	50,544	–	50,544	4,557	55,101
Sum of net income and changes in value recognised directly in equity	(2m) (22)	**–**	**–**	**50,544**	**(3,052)**	**47,492**	**6,185**	**53,677**
Dividend payments	(11)	–	–	(14,636)	–	(14,636)	–	(14,636)
As of 30 September 2009		**81,310**	**313,863**	**151,397**	**(25,724)**	**520,846**	**18,926**	**539,772**

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 2008/2009 (IFRS)

General information, accounting and valuation principles

1. The Company

(a) Description of operations
Carl Zeiss Meditec AG, Jena, Germany, is the parent company of the Carl Zeiss Meditec Group (the "Company", "Carl Zeiss Meditec", the "Group"), which comprises additional subsidiaries. The Group offers end-to-end solutions for the diagnosis and treatment of ophthalmic diseases – including implants and consumables. In microsurgery, the Group provides innovative visualisation solutions. The Group's customers are physicians in various fields and hospitals worldwide.

Carl Zeiss Meditec AG's headquarters are located in 07745 Jena, Germany (Göschwitzer Straße 51–52), Germany's traditional centre of excellence for optical and optical-related technologies. The Company has major subsidiaries in the USA, France, Japan, the United Kingdom and Germany.

Carl Zeiss Meditec AG is recorded in the commercial register of Jena Local Court under HRB 205623.

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 ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), London, and take into account all accounting standards and interpretations adopted by 30 September 2009 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 Section 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 for 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 financial 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 derive benefit 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 (40) "Additional mandatory disclosures pursuant to Section 314 and Section 285 (1) No. 10 *HGB*" in these notes to the consolidated financial statements.

All relevant intragroup transactions, balances and interim results from transactions between Group companies were 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 the 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 interests".

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 in which Carl Zeiss Meditec holds less than 20 % are reflected in the accounts using the historical cost method, if Carl Zeiss Meditec 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 euros, as the majority of Group transactions are in this currency, and because the euro is the functional currency of the Group. Unless there is a note to the contrary, all amounts are stated in thousands of euros (€ '000 or € thousand). Figures are rounded according to proper commercial standards; this may result in slight discrepancies.

[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).

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.

Transactions executed 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 at each reporting date 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 30 September 2009	Exchange rate as of balance sheet date 30 September 2008	+/- %	Average exchange rate 2008/2009	Average exchange rate 2007/2008	+/- %
US$	0.6819	0.6974	-2.2	0.7391	0.6650	11.1
JPY	0.0076	0.0066	15.2	0.0078	0.0062	25.8
GBP	1.0990	1.2561	-12.5	1.1423	1.3096	-12.8
CAD	0.6353	0.6662	-4.6	0.6274	0.6594	-4.9
SEK	0.0979	0.1021	-4.1	0.0944	0.1066	-11.4
CHF	0.6629	0.6335	4.6	0.6607	0.6171	7.1

(d) Use of estimates

The preparation of the consolidated financial statements in accordance with the IFRSs requires the use of certain assumptions and estimates that relate to the recognition and measurement of assets and liabilities, income and expenses, and contingent liabilities. The assumptions and estimates are mostly based on the uniform stipulation within the Group of useful lives, 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. To do this, 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 sales, 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 sources of information, such as historical values, detailed budgets for the following year, the future strategic orientation of the business unit or cash-generating unit (medium-term planning) and on external information sources, such as market surveys, 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 a 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 11.2 % and 11.6 %. 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 2008/2009. 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 2008/2009 and the previous year please refer to note (12).

(f) Intangible assets
Intangible assets acquired separately are valued at cost less 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 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 the following periods, unless an indefinite useful life is assumed (see note (13)).

Software	*3– 7 years*
Licences, royalties	*3–10 years*
Patents and other industrial property rights	*2–10 years*
Development costs	*3– 4 years*
Other intangible assets	*5–10 years*

The amortisation amounts for intangible assets may be recognised in the income statement under both cost of goods sold and other 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). The results of these tests did not give any indication of a need for impairment of capitalised intangible assets. 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:

Land, buildings and leasehold improvements	*3–32 years*
Technical plant and machinery	*2–21 years*
Other office equipment, fixtures and fittings	*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 under 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 are recognised in the income statement according to the function for which the assets are used.

(h) Financial instruments

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 and liabilities in the sense of IAS 39 are classified either as financial assets and liabilities measured at fair value through profit and loss (FVTPL), loans and receivables (LaR), held to maturity (HtM) investments, financial assets available for sale (AfS), financial assets or liabilities held for trading (FAHfT/FLHfT), or as financial liabilities at amortised cost (FLAC). The classification depends on the type and the intended purpose of the financial assets and liabilities 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 and 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 losses 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.

Appropriate valuation allowances are recorded against doubtful receivables and loans with discernible collection risks on the basis of regular, systematic reviews and credit control assessments. 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 (37) for further information on credit risks.

Existing financial 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 values cannot be reliably determined, these financial assets are carried at cost. There are no plans to dispose of these financial instruments at the present time.

Noncurrent, non-interest-bearing receivables and loans 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 are taken directly to equity, taking deferred taxes into account, and are recognised 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 taken directly to equity, even if a devaluation recognised in income has occurred previously.

Derivative financial instruments and hedging
The Group is a company with global operations, and as such it is subject to the effects of exchange rate fluctuations. In order to hedge against its 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 have a term 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 (37) 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 market 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 Group has leased certain assets under long-term contracts. Leases are classed as finance leases if the lessee bears the majority of the risks and opportunities associated with ownership. All properties under arrangements that qualify as finance leases are capitalised from the beginning of the lease 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 reported as an expense on a straight-line basis over the term of the lease. Conversely, the Group also acts as lessor for operating leases.

(l) Cash and cash equivalents
Cash on hand and at the bank, as well as all financial investments 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 Services 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 the Group, this currently relates for the most part 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 the Group maintain a number of pension schemes: a distinction is made between defined contribution plans and defined benefit plans.

Defined contribution pension plans
In defined contribution plans, the Company does not enter into any commitments other than paying contributions to funds or public services 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 for the majority of its employees, which is described as a defined contribution plan. This plan enables the participating employees to save a proportion of their income in accordance with the specified guidelines. The Company currently contributes a percentage of employee contributions up to a certain limit. These plans also include the employer’s statutory contributions of German and foreign companies to pension plans.

Defined benefit pension plans
The Group offers certain employees defined benefit plans. Such benefits are determined primarily on the basis of 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 the Group 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 according to the prescribed projected unit credit method pursuant to IAS 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 in income if the balance of the accumulated actuarial gains or losses amounts to more than 10 % of the present value of the defined benefit obligation 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 2009 is estimated to be 15 years. The Company has made use of the transitional option provided for under 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 the IFRSs.

The pension provisions carried in the consolidated 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 consolidated 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 based on 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 to 27 months, depending on the product. Provisions are set up for this purpose based on 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 obligations, mainly arising from litigation risks.

(p) Revenue recognition
The Group generates revenue from selling products on the basis of corresponding contracts. The sale takes place once 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 Group posts shipping and handling costs billed to customers to revenue and recognises the corresponding expenses under 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 for the construction of production facilities, research and development activities, advanced training programmes, and interest subsidies.

Unrecognised investment premiums and investment grants are subtracted from the acquisition or production costs of the relevant 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 2008/2009 and 2007/2008 are listed in note (33).

(r) Earnings per share
Basic earnings per share were 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 considered to be related parties, and business transactions, such as sales, receivables to and liabilities from these companies are disclosed separately.

The Group sells some of its products via the distribution companies of the Carl Zeiss Group. For the purposes of furnishing the Group with short-term funds and investing surplus liquidity, Carl Zeiss Meditec cooperates 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 on a daily basis. 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 section (21)). 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 Group procures a number of services from the Carl Zeiss Group, including Carl Zeiss AG. These include, among others, research and development services, human resources and administrative services, as well as logistics, distribution and IT services, which are rendered 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 just ended the Group applied the amendments to IAS 39 and IFRS 7 for the first time; these amendments were published and enforced retroactively by the International Accounting Standards Board (IASB) in October 2008. These amendments permit companies, in extraordinary circumstances, to reclassify financial instruments from the fair-value-through-profit-and-loss category (FVTPL) to other categories where instruments are valued at amortised cost less impairment. The application of these amendments had no impact on the accounting and valuation methods.

The IASB and IFRIC also issued the following standards, interpretations and revisions of existing standards; however, application of these is not yet mandatory for Carl Zeiss Meditec. The Company did not opt to apply these standards ahead of time:

Date of issue	Standard/Interpretation	Amendment/New statutory regulation	Date of first mandatory application	Adopted by the EU
30 November 2006	IFRIC 12 "Service concession arrangements"	Accounting of service concession arrangements	Financial years beginning on or after 29 March 2009	yes
30 November 2006	IFRS 8 "Operating segments"	Segment reporting mainly acc. to SFAS 131	Financial years beginning on or after 1 January 2009	yes
29 March 2007	Amendment IAS 23 "Borrowing costs"	Abolition of option to immediately recognise borrowing costs as an expense	Financial years beginning on or after 1 January 2009	yes
28 June 2007	IFRIC 13 "Customer loyalty programmes"	Accounting regulations for companies that grant their customers loyalty award credits, such as loyalty points or air miles when they buy other goods or services.	Financial years beginning on or after 1 January 2009	yes
5 July 2007	IFRIC 14 "IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction"	Interaction between an obligation existing as of the balance sheet date to pay additional amounts into a pension plan and the regulations stipulated under IAS 19 regarding the upper limit on the measurement of the defined benefit asset or liability.	Financial years beginning on or after 1 January 2009	yes
6 September 2007	Amendment IAS 1 "Presentation of financial statements"	Presentation of gains and losses recognised directly in equity, terminology for components of financial statements	Financial years beginning on or after 1 January 2009	yes
10 January 2008	Revision of IFRS 3 "Business combinations"; revision IAS 27 "Consolidated and separate financial statements according to IFRS"	Accounting of step acquisitions and holdings of non-controlling interests	Financial years beginning on or after 1 July 2009	yes
17 January 2008	Amendment IFRS 2 "Share-based payment"	Performance conditions, cancellation during the vesting period	Financial years beginning on or after 1 January 2009	yes
14 February 2008	Amendment IAS 32 "Financial instruments: presentation"; amendment IAS 1 "Presentation of financial statements"	Treatment of puttable financial instruments as equity	Financial years beginning on or after 1 January 2009	yes
22 May 2008	Improvements to IFRSs	35 different amendments	Financial years beginning on or after 1 January and 1 July 2009, respectively	yes

Date of issue	Standard/Interpretation	Amendment/New statutory regulation	Date of first mandatory application	Adopted by the EU
22 May 2008	Amendment IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and separate financial statements pursuant to IFRS"	Simplification of the valuation of investments in single-entity financial statements being prepared according to the IFRSs for the first time	Financial years beginning on or after 1 January 2009	yes
3 July 2008	IFRIC 15 "Agreements for the construction of real estate"	Essentially guidelines for deciding when an agreement falls under IAS 11 or IAS 18	Financial years beginning on or after 1 January 2010	yes
3 July 2008	IFRIC 16 "Hedges of a net investment in a foreign operation"	Accounting matters relating to hedging foreign operations	Financial years beginning on or after 30 June 2009	yes
31 July 2008	IAS 39 "Financial instruments: recognition and measurement"	Supplementary document "Eligible Hedged Items"	Financial years beginning on or after 1 July 2009	yes
31 October 2008	Explanatory guidelines for measuring "fair values"	Assistance with the measurement of the fair value of financial instruments	n/a	n/a
27 November 2008	IFRIC 17 "Distributions of non-cash assets to owners"	Measurement of non-cash assets	Financial years beginning on or after 1 July 2009	no
27 November 2008	Revised version IFRS 1 "First-time adoption of International Financial Reporting Standards"	Restructuring of IFRS 1	Financial years beginning on or after 1 July 2009	no
29 January 2009	IFRIC 18 "Transfers of assets from customers"	Accounting treatment of transferred assets, particularly in the energy sector	All transactions from 1 July 2009	no
5 March 2009	Amendment IFRS 7 "Financial instruments: disclosures"	Enhanced disclosures on fair value and liquidity risk	Financial years beginning on or after 1 January 2009	no
12 March 2009	Amendment IFRS 39 "Financial instruments: recognition and measurement"; Amendment IFRIC 9 "Reassessment of embedded derivatives"	Reclassification of hybrid financial instruments to category "at fair value through profit and loss"	Financial years ending on or after 30 June 2009	no
16 April 2009	Improvements to IFRSs	15 different amendments to 12 existing standards	Predominantly for financial years beginning on or after 1 January 2010	no
18 June 2009	IFRS 2 "Share-based payment"	Presentation of cash-settled share-based payments	Financial years beginning on or after 1 January 2010	no
9 July 2009	IFRSs for SMEs	Self-contained set of regulations pertaining to international accounting principles for SMEs	n/a	n/a
23 July 2009	Amendment IFRS 1 "First-time adoption of International Financial Reporting Standards"	Additional exceptions for first-time adopters	Financial years beginning on or after 1 January 2010	no
8 October 2009	Amendment IFRS 32 "Financial instruments: presentation"	Classification of rights issues	Financial years beginning on or after 1 February 2010	no
4 November 2009	Amendment IAS 24 "Related party disclosures"	Simplification of reporting obligations of state-controlled entities	Financial years beginning on or after 1 January 2011	no
12 November 2009	IFRS 9 "Financial instruments"	Classification and measurement of financial assets	Financial years beginning on or after 1 January 2013	no

All of the standards listed above shall only be applied by Carl Zeiss Meditec from financial year 2009/2010 or thereafter. We do not anticipate the future application of these standards to have any material effect on the presentation of the financial statements.

(v) Calculation of fair values

A large number of the consolidated 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 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 be payable if the respective intangible asset were to be owned by a third party. The fair values of intangible assets consisting 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 fictitious payments made for these “supporting” assets as fictitious user fees. It is assumed that the supporting assets are fictitiously rented or leased by a third party to the extent necessary to generate the cash flows.

Inventories

The fair value of inventories acquired within the scope of a business combination is 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 either measured at fair value through profit or loss or classified as available for sale, 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 presented below.

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

The Group exclusively holds currency forward contracts as financial instruments. The financial assets held for trading ("FAHfT/FLHfT") 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 interest payment flows – discounted by a standard market interest rate – as of the balance sheet date.

(w) Change in the accounting and valuation methods
In this financial year the recognition in the income statement of gains and losses on currency differences ("Foreign currency gains/(losses), net") was changed. These effects recognised in income shall no longer be shown, as in the previous financial year, within the operating result, but shall instead be shown in the financial result. This amendment of the accounting method is the result of efforts to present the operating result more transparently. The presentation for the same period of the previous year was adjusted accordingly. Without this adjustment, earnings before interest and taxes (EBIT) would have amounted to € 76,730 thousand (previous year: € 67,830 thousand) and earnings before interest, tax, depreciation and amortisation (EBITDA) would have amounted to € 93,095 thousand (previous year: € 80,557 thousand).

3. Business combinations

Carl Zeiss Meditec Inc., Dublin, USA
On 5 November 2008 Carl Zeiss Meditec Inc. Dublin, USA, and the OEM supplier Welch Allyn, Inc. New York, USA concluded a purchase agreement which provided for the acquisition of all assets and liabilities associated with the manufacture of two products for glaucoma diagnostics. The acquired assets are mainly intellectual property rights, production rights, software and design know-how. The acquisition costs totalled € 11,688 thousand. The acquisition costs include incidental acquisition costs of € 120 thousand.

The preliminary fair values of the identified assets and liabilities at the date of acquisition and the corresponding book values directly prior to the date of acquisition are as follows:

(in € '000)	Carl Zeiss Meditec Inc.	
	Fair value	**Book value**
Noncurrent assets	9,399	–
Current assets	169	–
Current liabilities	(234)	(104)
Net assets	9,334	(104)
Goodwill from acquisition	2,354	
Total costs of acquisition	**11,688**	
Cash received	104	
Cash outflow due to purchase price payment	(11,688)	
Net capital outflow	**(11,584)**	

The identified goodwill from the acquisition of the assets and liabilities is mainly attributable to the anticipated synergy effects of the integration of the two production lines into the existing business of the "Ophthalmic Systems" SBU. The assets and liabilities acquired on 5 November 2008, which can be classified as business operations, are included in the consolidated financial statements with revenue of € 5,498 thousand and EBIT of € -514 thousand. Assuming that the business operations had already been acquired at the beginning of the financial year, revenue would have amounted to € 5,998 thousand and EBIT would have totalled € -560 thousand.

Notes to the consolidated income statement

4. Revenue

Group earnings for financial year 2008/2009 mainly consist of sales revenues. The table below shows a breakdown of revenue:

(in € '000)	Financial year 2008/2009	Financial year 2007/2008
Income from the sale of merchandise	589,359	555,166
Income from the provision of services (incl. sale of replacement parts)	50,730	45,024
Total	**640,089**	**600,190**

5. Other income

Other income for financial years 2008/2009 and 2007/2008 was as follows:

(in € '000)	Financial year 2008/2009	Financial year 2007/2008
Rental income	457	483
Reversal of other provisions and accrued liabilities	214	132
Other income from lease agreements	93	–
Tax rebate	31	30
Project subsidies	–	456
Income from the sale of buildings	–	135
Income from damages	–	116
Other service income	–	65
Other	41	179
Total	**836**	**1,596**

6. Other expenses

Other expenses for financial years 2008/2009 and 2007/2008 were as follows:

(in € '000)	Financial year 2008/2009	Financial year 2007/2008
Expenses from rental agreements	345	–
Loss upon retirement of property, plant and equipment	141	–
Other taxes	25	–
Appropriation to other provisions	–	435
Integration costs	–	238
Penalties for non-fulfilment	–	20
Other	57	108
Total	**568**	**801**

7. Personnel expenses

Personnel expenses for financial years 2008/2009 and 2007/2008 were as follows:

(in € '000)	Financial year 2008/2009	Financial year 2007/2008
Wages and salaries	133,333	124,492
Social security expenses	24,651	22,105
Pension costs	1,830	3,221
Total	**159,814**	**149,818**

Total expenses from all defined contribution plans in the current financial year amounted to € 5,313 thousand (previous year: € 5,640 thousand). The employer's statutory pension contribution is contained in the social security costs.

The table below shows employee numbers and the personnel structure of the Group:

	30 September 2009	30 September 2008	Average/ financial year 2008/2009	Average/ financial year 2007/2008
Production	623	643	635	649
Sales & Marketing	592	602	608	585
Service	401	385	393	369
Research and Development	363	348	363	337
Administration	168	174	167	172
Total	**2,147**	**2,152**	**2,166**	**2,112**
Trainees	25	26	26	26
Employees joint venture (at equity)	1	1	1	1

8. Financial result

The financial result comprises the following:

(in € '000)	Financial year 2008/2009	Financial year 2007/2008
Interest income	5,278	9,774
Interest expenses	6,001	5,710
thereof interest expense pensions	2,546	2,175
Interest income	**(723)**	**4,064**
Earnings of companies carried at equity	(34)	(8)
Investment income	**(34)**	**(8)**
Foreign currency gains/(losses), net	648	(382)
Anticipated return on plan assets	2,172	2,117
Other financial result	470	1,729
Other financial result	**3,290**	**3,464**
Total financial result	**2,533**	**7,520**

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.

Foreign currency gains/(losses) were reclassified from their posting in the previous year, to the financial result.

9. Income taxes

Income taxes are comprised as follows:

(in € '000)	Financial year 2008/2009	Financial year 2007/2008
Current taxes:		
Germany	13,558	14,517
Rest of world	13,898	9,603
	27,456	24,120
(thereof prior-period)	(33)	(718)
Deferred taxes:		
Germany	(508)	(2,823)
Rest of world	(3,434)	(1,806)
	(3,942)	(4,629)
Total	**23,514**	**19,491**

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

(in € '000)	Financial year 2008/2009	Financial year 2007/2008
Revaluation of securities (available for sale)	2	26
Total	**2**	**26**

In accordance with the tax law applicable in financial year 2008/2009, the income of Group subsidiaries in Germany is subject to a corporation tax rate of 15 % (previous year: 15 %). Taking into account the solidarity surcharge and the varying trade income tax rates, companies in Germany are subject to a tax rate of between 27.73 % and 32.97 % (previous year: 27.73 % to 32.97 %). The nominal tax rates applicable outside Germany in the financial year range between 28.00 % and 42.10 % (previous year: 30.36 % and 42.10 %).

The tax rate applied for the tax reconciliation account is the nominal tax rate of the parent company, Carl Zeiss Meditec AG, Jena, of 29.64 %, which applied in the past financial year (previous year: 30.35 %). 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 ranging from 27.73 % to 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 29.64 % (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 2008/2009**	**Financial year 2007/2008**
Expected income tax expense	23,302	22,985
Non-deductible expenses	565	1,259
Tax-free income	(343)	(1,576)
Taxes previous years	(33)	(718)
Foreign tax rate differential	2,827	1,061
Net retained earnings of subsidiaries intended for disbursement	343	(2,424)
Recognition & measurement of deferred tax assets	(3,340)	(963)
Other	193	(133)
Actual income tax expense	**23,514**	**19,491**
Effective tax ratio	29.91 %	25.74 %

10. Earnings per share

The following table shows the calculation of earnings per share:

	Financial year 2008/2009	**Financial year 2007/2008**
Net income attributable to shareholders of the parent company (€ '000)	50,544	54,048
Weighted average of issued shares	81,309,610	81,309,610
Earnings per share (€)	**0.62**	**0.66**

11. Dividend

During the period under review, a dividend of € 0.18 per share (previous year: € 0.43 per share) was paid to the shareholders of Carl Zeiss Meditec AG for financial year 2007/2008.

	Financial year 2008/2009		Financial year 2007/2008	
	€ per share	€ '000 Total	€ per share	€ '000 Total
Dividend paid	**0.18**	**14,636**	**0.43**	**34,963**

Notes to the consolidated balance sheet

12. Goodwill

The table below shows the development of the Group's recognised goodwill and its allocation to the respective strategic business units (SBUs) for financial years 2008/2009 and 2007/2008:

(in € '000)	SBU "Surgical Ophthalmology"	SBU "Ophthalmic Systems"	Total
As of 1 October 2008	86,205	25,530	**111,735**
Additions	–	2,354	**2,354**
Currency effects	–	(496)	**(496)**
As of 30 September 2009	**86,205**	**27,388**	**113,593**
As of 1 October 2007	78,094	25,639	**103,733**
Additions	8,111	–	**8,111**
Currency effects	–	(109)	**(109)**
As of 30 September 2008	**86,205**	**25,530**	**111,735**

Accumulated impairment expenses of the capitalised goodwill do not exist. 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 change in the goodwill of the cash-generating unit "Ophthalmic Systems" SBU results from the allocation of the goodwill which arose after the purchase price allocation of the assets from the acquisition of Welch Allyn, New York, USA (see note (3)). Currency effects also arose within this SBU between the US dollar and the euro.

13. Intangible assets

Intangible assets developed as follows in financial years 2008/2009 and 2007/2008:

(in € '000)	Brand names and trademarks	Software	Licenses	Patents and other industrial property rights	Develop-ment expenses	Other intangible assets	Total
Acquisition and production costs as of 1 October 2008	**8,184**	**4,898**	**1,488**	**21,331**	**1,136**	**20,809**	**57,846**
Additions acquisitions	–	1,203	–	722	–	7,137	9,062
Additions	–	1,169	–	390	2,438	2,069	6,066
Reclassifications	–	4,439	–	–	–	(4,439)	–
Disposals	–	(119)	–	(1)	–	(6)	(126)
Currency effects	(19)	(582)	–	(419)	(106)	(685)	(1,811)
As of 30 September 2009	**8,165**	**11,008**	**1,488**	**22,023**	**3,468**	**24,885**	**71,037**
Amortisation as of 1 October 2008	**4,072**	**4,035**	**294**	**8,050**	**620**	**7,916**	**24,987**
Additions acquisitions	–	–	–	–	–	–	–
Additions	654	1,385	215	2,460	853	3,074	8,641
Reclassifications	–	–	–	–	–	–	–
Disposals	–	(119)	–	(1)	–	–	(120)
Currency effects	–	(104)	–	(152)	(45)	(215)	(516)
As of 30 September 2009	**4,726**	**5,197**	**509**	**10,357**	**1,428**	**10,775**	**32,992**
Net carrying amount as of 30 September 2009	**3,439**	**5,811**	**979**	**11,666**	**2,040**	**14,110**	**38,045**

(in € '000)	Brand names and trademarks	Software	Licenses	Patents and other industrial property rights	Develop-ment expenses	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**

Accumulated extraordinary impairment expenses of the capitalised intangible assets do not exist. Other intangible assets include assets identified via purchase price allocations (PPA) for customer relationships with a carrying amount of € 4,454 thousand (previous year: € 5,135 thousand) and for technology with a carrying amount of € 7,188 thousand (previous year: € 2,208 thousand).

With the exception of the legally protected trademark with a book value of € 817 thousand (previous year: € 836 thousand), which was capitalised within the scope of the PPA of LDT[2], the Group does not have any other intangible assets with an indefinite useful life. The useful life was defined as indefinite, as perpetual use is to be assumed until further notice.

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

14. Property, plant and equipment

Property, plant and equipment developed as follows in financial years 2008/2009 and 2007/2008:

(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 2008	**27,962**	**21,387**	**31,040**	**1,824**	**82,213**
Additions acquisitions	–	–	337	–	337
Additions	3,345	4,037	4,677	461	12,520
Reclassifications	1,276	(6,271)	6,561	(1,566)	–
Disposals	(62)	(1,079)	(1,623)	(31)	(2,795)
Currency effects	(649)	(30)	(669)	18	(1,330)
As of 30 September 2009	**31,872**	**18,044**	**40,323**	**706**	**90,945**
Depreciation and write downs as of 1 October 2008	**12,388**	**11,879**	**19,536**	**–**	**43,803**
Additions acquisitions	–	–	–	–	–
Additions	1,300	1,511	4,913	–	7,724
Reclassifications	249	(4,509)	4,260	–	–
Disposals	(22)	(818)	(1,092)	–	(1,932)
Currency effects	(317)	41	(567)	–	(843)
As of 30 September 2009	**13,598**	**8,104**	**27,050**	**–**	**48,752**
Net carrying amount as of 30 September 2009	**18,274**	**9,940**	**13,273**	**706**	**42,193**

(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 and write downs 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**

Property, plant and equipment – mainly land, buildings and leasehold improvements – includes leased property with a net book value of € 9,114 thousand (previous year: € 9,516 thousand).

15. At-equity investments

Since the previous financial year the Group has held a 49 % share in the voting rights of 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 2009	30 September 2008
Total assets	**211**	**288**
Noncurrent	–	–
Current	211	288
Equity	**210**	**283**
Total liabilities	**1**	**5**
Noncurrent	–	–
Current	1	5
Expenses	**(84)**	**(18)**
Income	**14**	**2**
Result	**(70)**	**(16)**

16. Investments

The table below shows the changes in investments in financial years 2008/2009 and 2007/2008:

(in € '000)	Financial year 2008/2009	Financial year 2007/2008
As of 1 October	368	362
Additions	–	6
Disposals	(4)	–
As of 30 September	**364**	**368**

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 8.0 % of the shares in Polymerexpert S.A.

This item also includes the minority interest carried at amortised cost in S&V Technologies AG, Hennigsdorf (€ 2 thousand). The investment book value decreased in the financial year under review, due to the complete disposal of the proprietary interest – held via Acri.Tec GmbH – in the cooperation network *"oabb-optic alliance brandenburg berlin"* GbR.

17. Deferred taxes

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

(in € '000)	30 September 2009		30 September 2008	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Loss carryforwards	2,416	–	1,661	–
Intangible assets	392	5,954	137	7,000
Fixed assets	4,228	936	4,917	752
Financial assets	249	–	100	–
Inventories	12,332	230	11,352	97
Trade receivables	1,189	114	1,102	120
Other assets	–	2,837	–	3,078
Provisions	10,587	746	10,168	832
Trade payables	–	46	–	50
Other liabilities	4,953	450	3,935	825
Retained earnings	–	2,083	–	1,740
Total	**36,346**	**13,396**	**33,372**	**14,494**
Deferred tax assets (net)	**22,950**		**18,878**	

After netting according to IAS 12, the consolidated balance sheet shows deferred tax assets totalling € 32,694 thousand (previous year: € 30,286 thousand) and deferred tax liabilities totalling € 9,744 thousand (previous year: € 11,408 thousand).

Deferred tax liabilities are carried in the amount of € 2,083 thousand (previous year: € 1,740 thousand) for net retained earnings of subsidiaries intended for disbursement in the amount of € 140,506 thousand (previous year: € 114,686 thousand).

The Group did not carry as liabilities deferred tax liabilities of € 2,817 thousand (previous year: € 2,131 thousand) on retained earnings of subsidiaries of € 82,795 thousand (previous year: € 61,906 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 2009, Carl Zeiss Meditec had tax credits from loss carryforwards in the amount of € 0 thousand (previous year: € 4,652 thousand), for which no deferred taxes were formed. At the present time, no tax loss carryforwards can be carried forward indefinitely.

The table below shows the reconciliation of deferred taxes:

(in € '000)	
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**
Effects recognised in income	3,942
Effects recognised directly in equity	2
Currency effects	128
Deferred tax assets (net) as of 30 September 2009	**22,950**

As in the previous year, Carl Zeiss Meditec's consolidated financial statements do not show any valuation allowance for deferred taxes in financial year 2008/2009.

18. Inventories

Inventories comprise the following:

(in € '000)	30 September 2009	30 September 2008
Raw materials and supplies	33,482	36,138
Work in progress	14,327	17,081
Finished goods	70,764	85,073
Total inventories, gross	**118,573**	**138,292**
Valuation allowances	(19,519)	(18,992)
Total inventories, net	**99,054**	**119,300**

Inventories were written up/down as follows:

(in € '000)	Financial year 2008/2009	Financial year 2007/2008
Beginning of financial year	18,992	17,699
Additions recognised as expenses	5,585	4,938
Currency effects	(63)	(104)
Changes in the reporting entity	–	725
Reclassifications	(354)	(110)
Reversals/utilisation	(4,641)	(4,156)
End of financial year	**19,519**	**18,992**

The carrying amount of inventories carried at their net realisable value totalled € 57,456 thousand as of 30 September 2009 (previous year: € 62,432 thousand). Write-ups of € 619 thousand (previous year: € 764 thousand) were recognised in income. The cost of materials totalled € 285,301 thousand and € 285,432 thousand, respectively, in financial years 2008/2009 and 2007/2008. These expenses are calculated according to the total cost format and include the costs of raw materials and supplies and purchased goods and services, plus any valuation allowances and changes in inventories.

19. Trade receivables

Trade receivables comprise the following:

(in € '000)	30 September 2009	30 September 2008
Current trade receivables	97,703	99,057
Noncurrent trade receivables	872	2,604
Trade receivables, gross	**98,575**	**101,661**
Valuation allowances	(6,454)	(8,480)
Trade receivables, net	**92,121**	**93,181**

20. Other current assets

Other current assets comprise the following:

(in € ’000)	30 September 2009	30 September 2008
Derivative financial instruments	4,125	774
Prepaid expenses	2,686	2,820
Receivables from the tax office	2,034	1,098
Credit card receivables	864	32
Subsidies	462	740
Accounts receivable from R&D subsidies	196	342
Loans to employees	100	71
Other receivables	1,442	1,493
Other current assets	**11,909**	**7,370**

The receivables from the tax office mainly consist of receivables from advance VAT payments and receivables from tax credits for research *(crédit impôt recherche – CIR)* of Carl Zeiss Meditec S.A.S., France.

21. 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 consolidated balance sheet as follows:

(in € ’000)	30 September 2009	30 September 2008
Cash	16	15
Bank balances	12,873	30,357
Deposits with Carl Zeiss Financial Services GmbH (secured by declaration of pledge)	187,000	165,000
Short-term time deposits	106	101
Cash and cash equivalents	**199,995**	**195,473**

22. Equity

Share capital
As in the previous financial year 2007/2008, the share capital of Carl Zeiss Meditec AG consists of 81,309,610 no-par value shares bearing equal rights, each with a theoretical value of € 1. Ownership of the shares is linked to voting rights at the General Meeting and profit participation rights for resolved disbursements.

Authorised capital
Pursuant to a resolution of the Annual General Meeting in financial year 2005/2006 and the entry in the commercial register dated 26 October 2006, the Management Board is authorised, with the consent 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 with a theoretical nominal value of € 1 per share (39,655,000 shares) against cash and/or contributions in kind (Authorised Capital I). The Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholders' statutory subscription rights in certain cases.

Furthermore, the Management Board was authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital, on one or several occasions in the period to 18 March 2009, by up to a maximum of € 1,000 thousand, by issuing new no-par value bearer shares with a theoretical nominal value of € 1 per share (1,000,000 shares) against cash and/or contributions in kind (Authorised Capital II).

Capital reserve
The capital reserve contains the amounts obtained in excess of the theoretical value from the share issue.

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 that exist (after transfer to statutory reserves). The net profit disclosed in the single-entity financial statements *(HGB)* of Carl Zeiss Meditec AG generally differs from the accumulated net profit shown in these consolidated financial statements (IFRS). As of 30 September 2009, the single-entity financial statements of Carl Zeiss Meditec AG showed a net profit of € 35,383 thousand (previous year: € 32,757 thousand).

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

Gains and losses recognised directly in equity

The amounts recorded under gains and losses recognised directly in equity resulting from currency translation developed as follows:

(in € '000)	
Currency translation as of 30 September 2007	**(21,390)**
Change in financial year 07/08	(1,040)
Currency translation as of 30 September 2008	**(22,430)**
Change in financial year 08/09	(3,138)
Currency translation as of 30 September 2009	**(25,568)**

23. Pension obligations

The Group transferred cash and cash equivalents to legally independent trusts to cover its pension claims – within the scope of contractual trust arrangements (CTAs). As of 30 September 2009, 90 % (previous year: 88 %) of the pension commitments (DBO) of the Group companies that have established a CTA were covered by plan assets. In the financial year under review there was a change in the plan of one Group company, which resulted in the reversal of the plan assets of this company.

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 2009	30 September 2008
Present value of defined benefit obligation (DBO)	49,106	41,562
Fair value of plan asset	39,505	36,345
Net obligation	**9,601**	**5,217**
Unrecognised actuarial gains/(losses), net	(484)	5,008
(Prepaid)/accrued pension costs	869	–
Other accrued pension costs	1,348	1,770
Reported net liability from defined benefit obligation	**11,334**	**11,995**

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

(in € '000)	**Financial year 2008/2009**	**Financial year 2007/2008**
Current service cost	1,545	2,304
Interest expense	2,546	2,175
Anticipated return on plan assets	(2,172)	(2,117)
Recognised actuarial (gains)/losses	380	158
Net expenditure in the financial year	**2,299**	**2,520**
Actual (income)/expense on plan assets	(1,043)	4,888

The ongoing annual expense of € 2,299 thousand (previous year: € 2,520 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 2008/2009**	**Financial year 2007/2008**
Defined benefit obligation (DBO) at beginning of financial year	41,562	44,620
Current service cost	1,545	2,304
Interest expense	2,546	2,175
Benefit payments	(1,039)	(149)
Actuarial (gains)/losses	6,064	(7,573)
(Income)/expenses plan changes	(1,862)	–
Currency translation differences from foreign plans	290	185
Defined benefit obligation (DBO) at end of financial year	**49,106**	**41,562**

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

(in € '000)	**Financial year 2008/2009**	**Financial year 2007/2008**
Fair value of plan assets at beginning of financial year	36,345	39,974
Anticipated return on plan assets	2,172	2,117
Gains/(losses) from plan assets	(1,129)	(7,005)
Employer contributions	3,053	2,097
Employee contributions	26	–
Pension payments from plan assets	(847)	(629)
Currency translation differences from foreign plans	(115)	(209)
Fair value at end of financial year	**39,505**	**36,345**

For the coming financial year the Group intends to pay a contribution of € 1,142 thousand (previous year: € 2,892 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 2008/2009**	**Financial year 2007/2008**
Equity instruments	10,822	6,681
Debt instruments	21,782	19,659
Cash	5,411	8,452
Other	1,490	1,553
Total plan assets	**39,505**	**36,345**

The anticipated total return on plan assets is calculated on the basis of the market prices prevailing 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	
	2008/2009	**2007/2008**	**2008/2009**	**2007/2008**
Discount factor	6.00	6.40	1.50–7.50	1.50–7.50
Long-term salary increase	3.00	3.00	2.54–3.50	3.50–3.80
Future pension increase	2.00	2.00	2.54–4.00	3.80–4.00
Cost trend medical care	–	–	8.80	9.00
Anticipated return on plan assets	5.00	5.00	7.50	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, benefit obligations in Germany were calculated based on Prof. Dr. Klaus Heubeck's 2005 G life expectancy tables. The calculation of the underlying discount factor also took market changes into account.

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

(in € '000)	**Increase**	**Decrease**
Effect on total current service cost and interest expense	12	(11)
Effect on defined benefit obligation	222	(194)

The table below shows the development of historical adjustments:

(in € '000)	**Financial year 2008/2009**	**Financial year 2007/2008**	**Financial year 2006/2007**	**Financial year 2005/2006**
Present value of defined benefit obligation	49,106	41,562	44,620	3,645
Fair value of plan asset	39,505	36,345	39,974	1,750
Plan surplus/deficit	**(9,601)**	**(5,217)**	**(4,646)**	**(1,895)**
Historical adjustments of plan liabilities as of the balance sheet date	6,064	(7,573)	(6,510)	(45)
Historical adjustment of plan assets as of the balance sheet date	(1,129)	(7,005)	725	–

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

24. 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 2008	**9,806**	**19,401**	**5,866**	**35,073**
Additions	7,531	16,737	4,904	29,172
Interest yield	129	295	–	424
Reclassifications	(59)	–	59	–
Reversals	(263)	(4,519)	(603)	(5,385)
Utilisation	(7,286)	(7,629)	(2,962)	(17,877)
Currency effects	70	28	(57)	41
As of 30 September 2009	**9,928**	**24,313**	**7,207**	**41,448**
Current provisions	6,096	17,349	7,207	30,652
Noncurrent provisions	3,832	6,964	–	10,796
Provisions as of 30 September 2009	**9,928**	**24,313**	**7,207**	**41,448**
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**

In the financial year under review – as in the previous year – no reimbursements were expected or recognised in income; accordingly, no assets were capitalised for reimbursements.

25. Noncurrent financial liabilities

Noncurrent financial liabilities comprise the following:

(in € '000)	**30 September 2009**	**30 September 2008**
Annuity loans	3,714	3,968
Loans from related parties	8,865	9,413
Other loans	6,014	6,292
Total noncurrent loans	**18,593**	**19,673**
Less current portion of noncurrent loans	9,271	913
Noncurrent loans, net of current portion	**9,322**	**18,760**

The annuity loan of a Group company 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[2], 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: the first half of the total amount fell due after three years and the second half is due after five years. The second portion of the loan still outstanding is carried in its full amount in financial year 2008/2009 under "Current portion of noncurrent financial liabilities". The interest rate is fixed for the term and was 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 financial year under review the loan had a remaining term of four years.

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

As of 30 September 2009 the Company's noncurrent liabilities had the following maturities:

(in € '000)

Financial year ending 30 September	Liabilities
2010	9,271
2011	288
2012	306
2013	6,205
2014	346
2015	369
Thereafter	1,808
Noncurrent liabilities, total	**18,593**

26. Current accrued liabilities

Current accrued liabilities include the following items:

(in € '000)	30 September 2009	30 September 2008
Outstanding invoices	15,333	10,506
Other personnel liabilities	9,381	9,761
Commissions/bonuses	7,059	9,605
Christmas bonus and special payments	3,917	5,785
Year-end costs	330	357
Consultancy fees	7	130
Severance payments/redundancy plans	–	146
Other accrued liabilities	1,961	3,840
Current accrued liabilities	**37,988**	**40,130**

27. Other current liabilities

Other current liabilities comprise the following:

(in € '000)	**30 September 2009**	**30 September 2008**
Deferred income	9,985	12,196
Advance payments received on account of orders	3,601	2,875
Liabilities from taxes not related to income	2,953	1,861
Liabilities from social security	1,794	1,954
Wage withholding tax	1,095	1,022
Other liabilities	2,636	3,130
Other current liabilities	**22,064**	**23,038**

28. Additional disclosures on financial instruments

The following table shows the book values, carrying amounts and fair values by valuation category of the Company's financial instruments as of 30 September 2009 and 30 September 2008.

(in € '000)	30 September 2009 Recognition and measurement in balance sheet acc. to IAS 39							
	Valuation category according to IAS 39	**Book value**	**Amortised cost**	**Fair value taken directly to equity**	**Fair value through profit and loss**	**Carrying amount cash reserve**	**Carrying amount balance sheet IAS 17**	**Fair value***
Primary financial instruments								
Assets								
Trade receivables	LaR	**92,121**	92,121	–	–	–	**–**	**92,121**
Accounts receivables from related parties	LaR	**23,932**	23,932	–	–	–	**–**	**23,932**
Treasury receivables	LaR	**95,980**	95,980	–	–	–	**–**	**95,980**
Investments & at-equity investment	AfS	**467**	467	–	–	–	**–**	**467**
Securities	AfS	**120**	–	120	–	–	**–**	**120**
Long-term loans to employees	LaR	**2**	2	–	–	–	**–**	**2**
Other noncurrent financial assets	LaR	**182**	182	–	–	–	**–**	**182**
Other current financial assets	LaR	**100**	100	–	–	–	**–**	**100**
Financial assets which cannot be allocated to any category within the meaning of IAS 39:								
Cash		**199,995**	–	–	–	199,995	**–**	**199,995**
Liabilities								
Trade payables	FLAC	**23,086**	23,086	–	–	–	**–**	**23,086**
Accounts payable to related parties	FLAC	**9,058**	9,058	–	–	–	**–**	**9,058**
Treasury payables	FLAC	**7,125**	7,125	–	–	–	**–**	**7,125**
Loans from related parties	FLAC	**9,203**	9,203	–	–	–	**–**	**9,203**
Loans from banks	FLAC	**3,853**	3,853	–	–	–	**–**	**4,019**
Other financial liabilities	FLAC	**5,879**	5,879	–	–	–	**–**	**5,879**
Financial liabilities which cannot be allocated to any category within the meaning of IAS 39:								
Leasing liabilities		**18,231**	–	–	–	–	**18,231**	**21,707**
Derivative financial instruments								
Asset-side currency hedging contracts	FAHfT	**4,125**	–	–	4,125	–	**–**	**4,125**
Liabilities-side currency hedging contracts	FLHfT	**1,440**	–	–	1,440	–	**–**	**1,440**
Thereof aggregated by valuation category pursuant to IAS 39								
Loans and Receivables (LaR)		**212,317**	212,317	–	–	–	**–**	**212,317**
Available-for-Sale Financial Assets (AfS)		**587**	467	120	–	–	**–**	**587**
Financial Assets Held for Trading (FAHfT)		**4,125**	–	–	4,125	–	**–**	**4,125**
Financial Liabilities Measured at Amortised Cost (FLAC)		**58,204**	58,204	–	–	–	**–**	**58,370**
Financial Liabilities Held for Trading (FLHfT)		**1,440**	–	–	1,440	–	**–**	**1,440**

* Insofar as no fair value can be calculated, book value is stated

(in € '000)		30 September 2008 Recognition and measurement in balance sheet acc. to IAS 39						
	Valuation category according to IAS 39	**Book value**	**Amortised cost**	**Fair value taken directly to equity**	**Fair value through profit and loss**	**Carrying amount cash reserve**	**Carrying amount balance sheet IAS 17**	**Fair value***
Primary financial instruments								
Assets								
Trade receivables	LaR	**93,181**	93,181	–	–	–	**–**	**93,181**
Accounts receivables from related parties	LaR	**20,271**	20,271	–	–	–	**–**	**20,876**
Treasury receivables	LaR	**61,839**	61,839	–	–	–	**–**	**61,839**
Investments & at-equity investment	AfS	**507**	507	–	–	–	**–**	**507**
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								
Asset-side currency hedging contracts	FAHfT	**774**	–	–	774	–	**–**	**774**
Liabilities-side 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)		**536**	507	29	–	–	**–**	**536**
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**

* Insofar as no fair value can be calculated, book value is stated

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:

Category according to IFRS 7	Category according to IAS 39	Balance sheet item
• Trade receivables	LaR	• Noncurrent trade receivables • Trade receivables
• Accounts receivable from related parties	LaR	• Accounts receivable from related parties
• Treasury receivables	LaR	• Treasury receivables
• Investments & at-equity investments	AfS	• Investments • At-equity investments
• Securities	AfS	• Securities
• Long-term loans to employees • Other noncurrent financial assets	LaR LaR	• Other noncurrent assets
• Other current financial assets • Asset-side currency hedging contracts	LaR FAHfT	• Other current assets
• Cash	n. a.	• Cash and cash equivalents
• Trade payables	FLAC	• Trade payables
• Accounts payable to related parties	FLAC	• Accounts payable to related parties
• Treasury payables	FLAC	• Treasury payables
• Loans from related parties • Loans from banks	FLAC FLAC	• Noncurrent financial liabilities • Current portion of noncurrent financial liabilities
• Other financial liabilities	FLAC	• Noncurrent financial liabilities • Other current liabilities
• Liabilities-side currency hedging contracts	FLHfT	• Current financial liabilities
• Leasing liabilities	n. a.	• Noncurrent leasing liabilities • Current portion of noncurrent leasing liabilities

As of 30 September 2009 the Company had currency hedging contracts with a total nominal value of € 91,926 thousand (previous year: € 70,545 thousand). Gains and losses from the valuation of derivative financial instruments not yet due in the amount of € 2,797 thousand (previous year: € -2,116 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 2009	Interest effects	From subsequent valuation at fair value	From subsequent valuation Foreign currency translation	From subsequent valuation Valuation allowance	Amorti-sation	Net income 2009
From loans and receivables	3,485	n. a.	(477)	(1,297)	n. a.	**1,711**
From available-for-sale financial assets and liabilities	–	n. a.	–	–	46	**46**
From held-for-trading financial assets and liabilities	–	2,797	–	–	–	**2,797**
From financial liabilities carried at amortised cost	(1,302)	n. a.	(373)	n. a.	n. a.	**(1,675)**

(in € '000)

30 September 2008	Interest effects	From subsequent valuation at fair value	From subsequent valuation Foreign currency translation	From subsequent valuation Valuation allowance	Amorti-sation	Net income 2008
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)**

The interest from financial instruments is carried under "Interest income"; dividends are carried under "Other financial result" (see note (8)). 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".

Net gains/losses on valuation amounting to € 88 thousand (previous year: € -104 thousand) were posted to equity in financial year 2008/2009 in connection with the recording with no effect on income of the changes in value of available-for-sale financial assets.

Other disclosures

29. Operating leases – Group as lessor

Operating leases and rental agreements
Carl Zeiss Meditec Inc. in Dublin, USA, has concluded a sublease for parts of the building which the Company leases under a finance lease agreement. The Group also leases office equipment, fixtures and fittings.

The future accumulated minimum lease and rental payments from binding operating lease agreements amount to the following:

(in € '000)	**Lease and rental payments**
Up to 1 year	581
1 to 5 years	345
More than 5 years	–
Total minimum lease and rental payments	**926**

30. 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 leases have different conditions and extension and purchase options.

The lease and rental expenses recorded in the income statement for financial years 2008/2009 and 2007/2008 amounted to € 9,084 thousand and € 8,263 thousand, respectively.

The future accumulated minimum rental and leasing payments based on binding operating leases amount to the following:

(in € '000)	**Lease and rental payments**
Up to 1 year	4,550
1 to 5 years	5,660
More than 5 years	1,359
Total minimum lease and rental payments	**11,569**

The future minimum lease payments for the leasing of buildings include the rental payments for the subsequent binding rental period of generally one year. Extension options exist for these rental agreements.

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 opportunities 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. 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 € 2,456 thousand and € 2,322 thousand were paid in financial years 2008/2009 and 2007/2008, respectively.

(in € '000)	Financial year 2008/2009	Financial year 2007/2008	Financial year 2008/2009	Financial year 2007/2008	Financial year 2008/2009	Financial year 2007/2008
	Present value of future lease payments		Interest portion of future lease payments		Total future lease payments	
Due within 1 year	1,326	1,052	1,274	1,362	2,600	2,414
Due within 1 to 5 years	5,900	5,654	4,191	4,657	10,091	10,311
Due after more than 5 years	11,005	12,892	2,494	3,471	13,499	16,363
Total	**18,231**	**19,598**	**7,959**	**9,490**	**26,190**	**29,088**

Guarantees
There are no guarantees to third parties (previous year: € 4 thousand). In the previous year, these guarantees were mainly standby letters of credit to banks for services rendered to customers and suppliers.

Purchase commitments
Carl Zeiss Meditec has purchase commitments to its suppliers for property, plant and equipment amounting to € 729 thousand (previous year: € 648 thousand), for intangible assets amounting to € 14 thousand (previous year: € 0 thousand) and for inventories amounting to € 37,978 thousand (previous year: € 43,655 thousand). These commitments 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 material effect 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. Acri.Tec GmbH is also pursuing active proceedings in connection with the amendment or termination of a dealers' agreement with a French dealer, in which the parties are also disputing the existence of damages and settlement claims of the dealer.

31. Securities

Assets pledged as security
Borrowings in the amount of € 4,850 thousand (previous year: € 5,289 thousand) are secured with land and buildings, plant and machinery.

Assets held as security
The Group does not hold any assets pledged as security.

32. Segment reporting

According to IAS 14, the segment reporting requires income and risks to be reported according to their origin, taking the internal organisational and management structure 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 2008/2009	Germany	USA	Japan	Europe	Total	Eliminations	Group
Total revenue	390,546	253,563	89,230	115,049	848,388	(208,299)	640,089
Internal revenue	150,226	39,102	85	18,886	208,299	(208,299)	–
External revenue	240,320	214,461	89,145	96,163	640,089	–	640,089
Gross profit	157,803	95,438	35,014	36,153	324,408	(2,118)	322,290
Segment profit/loss	41,684	16,403	16,737	3,999	78,823	(2,741)	76,082
Segment assets	363,576	122,837	31,495	159,879	677,787	(55,677)	622,110
Segment liabilities	76,166	43,077	13,890	17,862	150,995	–	150,995
Scheduled depreciation and amortisation	4,145	6,892	98	2,449	13,584	2,781	16,365
Other non-cash expenses	19,532	10,814	3,762	1,517	35,625	–	35,625
Interest expenses	3,695	2,767	175	1,066	7,703	(1,702)	6,001
Capital expenditure	5,083	687	44	7,142	12,956	(436)	12,520
Goodwill	23,533	11,966	–	78,094	113,593	–	113,593
At-equity investment	103	–	–	–	103	–	103
Gain/(loss) on at-equity investment*	(36)	–	–	–	(36)	–	(36)

(in € '000)

Financial year 2007/2008	Germany	USA	Japan	Europe	Total	Eliminations	Group
Total 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)	–
External revenue	242,495	199,112	62,826	95,757	600,190	–	600,190
Gross profit	158,316	91,279	24,020	38,276	311,891	(8,455)	303,436
Segment profit/loss	47,715	15,656	8,208	6,160	77,739	(9,527)	68,212
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
At-equity investment	139	–	–	–	139	–	139
Gain/(loss) on at-equity investment*	(8)	–	–	–	(8)	–	(8)

* including gains and losses recognised directly in equity

The reconciliation of the consolidated segment result to consolidated net income can be seen in the consolidated income statement. The previous year's presentation of the segment result was adjusted (see Note (2 (w)). Segment assets comprise the assets of the segments less deferred taxes (€ 32,694 thousand), income tax claims (€ 3,114 thousand), treasury receivables (€ 95,980 thousand), investments, at-equity investments and loans (€ 467 thousand). Segment liabilities comprise current and noncurrent liabilities less deferred taxes (€ 9,744 thousand), tax liabilities (€ 8,123 thousand), treasury payables (€ 7,125 thousand), current and noncurrent loans (€ 20,375 thousand) and liabilities from finance leases (€ 18,231 thousand). Sales and income between the segments are generated at 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 2008/2009**	**Financial year 2007/2008**
Germany	56,413	54,797
Rest of world:		
EMEA	188,320	194,105
Americas	227,674	212,766
Asia/Pacific	167,682	138,522
Total	**640,089**	**600,190**

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 "Microsurgery" segment (the former Neuro/ENT surgery SBU). Surgical visualisation solutions and activities in the area of intraoperative radiation are allocated to this SBU.

(in € ’000)	Ophthalmic Systems		Surgical Ophthalmology		Microsurgery		Total	
	Financial year 2008/2009	Financial year 2007/2008	Financial year 2008/2009	Financial year 2007/2008	Financial year 2008/2009	Financial year 2007/2008	Financial year 2008/2009	Financial year 2007/2008
External revenue	310,788	285,010	79,036	73,990	250,265	241,190	640,089	600,190
Capital expenditure	3,171	5,288	8,559	3,439	790	1,407	12,520	10,134
Assets	324,395	301,695	163,413	173,930	134,302	143,890	622,110	619,515

Key customers

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

33. Government grants

Grants allocated for the years ending 30 September 2009 and 2008 were as follows:

(in € ’000)	Financial year 2008/2009	Financial year 2007/2008
Research and development subsidies	493	1,146
Other subsidies	210	188
Total	**703**	**1,334**

Subsidies received in the amount of € 210 thousand (previous year: € 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.

34. Related party disclosures

The following transactions and outstanding balances arise from various agreements with related parties:

(in € '000)	Transaction amount			Outstanding balance	
	Financial year 2008/2009	Financial year 2007/2008		30 September 2009	30 September 2008
Income	125,714	122,118	Accounts receivable	23,932	20,271
thereof Carl Zeiss AG	668	45	thereof Carl Zeiss AG	2,632	3,722
Expenses	70,977	77,998	Accounts payable	9,058	9,227
thereof Carl Zeiss AG	22,007	33,476	thereof Carl Zeiss AG	3,482	4,354

Expenses include research and development costs of € 4,612 thousand commissioned at the Carl Zeiss Group in financial year 2008/2009 (previous year: € 4,567 thousand). Relationships with key personalities with a significant influence do not and did not exist.

In addition, there was income – mainly financial income – and expenses – mainly financial expenses – amounting to € 10,011 thousand (previous year: € 9,628 thousand) and € 7,070 thousand (previous year: € 3,132 thousand), respectively, as well as receivables from and liabilities to Carl Zeiss Financial Services GmbH amounting to € 95,980 thousand (previous year: € 61,839 thousand) and € 7,125 thousand (previous year: € 7,643 thousand), respectively. The balance sheet item "Current portion of noncurrent financial liabilities" also includes a loan from Carl Zeiss Financial Service GmbH in the amount of € 8,865 thousand (€ 9,413 thousand) (see note (25)).

35. Employee participation programmes

In financial year under review 32 free shares per person (previous year: 20) were issued to employees of the Group – each with a holding period of one year. A total of € 214 thousand was recognised through profit and loss in financial years 2008/2009 and 2007/2007 in connection with the issue of shares; a total of € 193 thousand was recognised through profit and loss in financial years 2007/2008 and 2006/2007 in connection with the previous year's programme. The Company did not issue any stock options in financial years 2008/2009 and 2007/2008.

36. Notifiable transactions in the reporting period

In financial year 2008/2009 members of the Management Board and Supervisory Board executed the following notifiable securities transactions pursuant to Section 15a of the German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG).*

(in € '000)

Notification from:	Board membership:	Date:	Purchase/ sale:	Designation security:	Number of shares:	Total value:
Dr. Michael Kaschke	Chairman of the Management Board	14.01.2009	Purchase	Discount certificates	3,500	20,125 €
Dr. Michael Kaschke	Chairman of the Management Board	02.03.2009	Sale	Discount certificates	3,500	20,825 €
Dr. Michael Kaschke	Chairman of the Management Board	02.03.2009	Sale	Shares	1,445	15,660 €
Dr. Michael Kaschke	Chairman of the Management Board	04.03.2009	Sale	Shares	1,555	17,025 €

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 Section 15b *WpHG.* The publication documents and the relevant disclosures were forwarded to the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).*

37. 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 2009	30 September 2008
Variable-interest financial assets	–	–
Fixed-interest financial assets	1	11
Total interest-bearing assets	**1**	**11**
Variable-interest financial liabilities	592	661
Fixed-interest financial liabilities	36,561	38,392
Total interest-bearing liabilities	**37,153**	**39,053**

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)		Book value	Effects of interest risks on			
			Result		**Equity**	
			+100BP	-100BP	+100BP	-100BP
Variable-interest financial instruments	**30 September 2009**	592	(6)	6	–	–
	30 September 2008	661	(7)	7	–	–

The interest fluctuation risk is countered within the scope of the overall financial risk management system, in which key items and their inherent interest fluctuation risks are regularly monitored to limit these, if necessary. At the present time, this risk can be considered negligible.

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 2009.

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 the US dollar, the British pound and the Japanese yen. The Carl Zeiss Meditec Group and its subsidiaries are integrated into the currency hedging processes of Carl Zeiss AG, Oberkochen via its treasury company, Carl Zeiss Financial Services 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.

(in € '000)		**Total**	**thereof: in the following currencies – translated to € –**							
		EUR	EUR	US$	JPY	GBP	CAD	SEK	CHF	Rest
Assets										
Trade receivables	30 September 2009	92,121	91,850	271	–	–	–	–	–	–
	30 September 2008	93,181	92,883	119	176	–	–	–	3	–
Accounts receivable from related parties	30 September 2009	23,932	19,131	2,560	–	1,021	554	442	224	–
	30 September 2008	20,271	19,094	–	2	940	106	129	–	–
Asset-side currency hedging contracts	30 September 2009	4,125	–	2,968	837	295	16	–	9	–
	30 September 2008	774	–	448	39	239	46	–	2	–
Total assets	**30 September 2009**	**120,178**	**110,981**	**5,799**	**837**	**1,316**	**570**	**442**	**233**	**–**
	30 September 2008	**114,226**	**111,977**	**567**	**217**	**1,179**	**152**	**129**	**5**	**–**
Liabilities										
Trade payables	30 September 2009	23,086	21,710	1,102	105	29	–	–	140	–
	30 September 2008	27,402	26,635	470	–	10	15	2	78	192
Accounts payable to related parties	30 September 2009	9,058	8,868	6	–	141	–	–	–	43
	30 September 2008	9,227	7,663	–	–	734	279	46	501	4
Liabilities-side currency hedging contracts	30 September 2009	1,440	–	1,172	204	16	38	–	10	–
	30 September 2008	1,988	–	919	933	22	86	–	28	–
Total liabilities	**30 September 2009**	**33,584**	**30,578**	**2,280**	**309**	**186**	**38**	**–**	**150**	**43**
	30 September 2008	**38,617**	**34,298**	**1,389**	**933**	**766**	**380**	**48**	**607**	**196**

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)		Book value	Effects of currency risks on			
			Result		Equity	
			+10 %	-10 %	+10 %	-10 %
Assets						
Trade receivables	30 September 2009	92,121	(27)	27	–	–
	30 September 2008	93,181	(30)	30	–	–
Accounts receivable from related parties	30 September 2009	23,932	(480)	480	–	–
	30 September 2008	20,271	(118)	118	–	–
Asset-side currency hedging contracts	30 September 2009	4,125	4,857	(4,857)	–	–
	30 September 2008	774	135	(135)	–	–
Effect of financial instruments before taxes	**30 September 2009**	**120,178**	**4,350**	**(4,350)**	**–**	**–**
	30 September 2008	**114,226**	**(13)**	**13**	**–**	**–**
Liabilities						
Trade payables	30 September 2009	23,086	138	(138)	–	–
	30 September 2008	27,402	77	(77)	–	–
Accounts payable to related parties	30 September 2009	9,058	19	(19)	–	–
	30 September 2008	9,227	156	(156)	–	–
Liabilities-side currency hedging contracts	30 September 2009	1,440	(176)	176	–	–
	30 September 2008	1,988	5,335	(5,335)	–	–
Effect of financial instruments before taxes	**30 September 2009**	**33,584**	**(19)**	**19**	**–**	**–**
	30 September 2008	**38,617**	**5,568**	**(5,568)**	**–**	**–**

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 routinely 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. There is no discernible 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. As in the previous year, no significant financial assets were individually impaired as of the balance sheet date.

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

(in € '000)	**Valuation allowance on trade receivables Financial year 2008/2009**	**Valuation allowance on trade receivables Financial year 2007/2008**
Beginning of financial year	8,480	9,271
Changes in the reporting entity	–	159
Addition	1,445	1,562
Utilisation	(3,327)	(2,081)
Reversal	(330)	(451)
Reclassifications	–	14
Exchange rate differences	186	6
End of financial year	**6,454**	**8,480**

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

(in € '000)

		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	30 September 2009	92,121	36,056	2,711	417	4,645	859	224
	30 September 2008	93,181	31,054	8,656	4,484	2,573	304	62
Accounts receivable from related parties	30 September 2009	23,932	2 3,116	460	1 1	53	4 05	4
	30 September 2008	20,271	19,353	153	56	16	–	693
Treasury receivables	30 September 2009	95,980	9 5,980	–	–	–	–	–
	30 September 2008	61,839	61,839	–	–	–	–	–

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 receivables that are not overdue.

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 71.6 %, the risk of insolvency is currently considered immaterial. As of 30 September 2009 the Group's financial liabilities had the following maturities.

(in € '000)

			Statement of contractually agreed undiscounted cash outflows					
	Balance sheet date	**Book value**	**Total**	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	30 September 2009	23,086	23,086	18,942	4,087	57	–	–
	30 September 2008	27,402	27,402	22,378	5,024	–	–	–
Accounts payable to related parties	30 September 2009	9,058	9,058	8,515	505	32	6	–
	30 September 2008	9,227	9,227	8,923	304	–	–	–
Treasury payables	30 September 2009	7,125	7,125	7,125	–	–	–	–
	30 September 2008	7,643	7,643	7,643	–	–	–	–
Loans from related parties	30 September 2009	9,203	9,203	–	9,203	–	–	–
	30 September 2008	9,413	9,413	–	348	–	–	9,065
Liabilities to banks	30 September 2009	3,853	5,186	27	170	159	282	4,548
	30 September 2008	4,566	6,161	179	183	212	405	5,182
Leasing liabilities	30 September 2009	18,231	26,142	212	425	638	1,277	23,590
	30 September 2008	19,598	28,796	191	349	537	1,045	26,674
Other financial liabilities	30 September 2009	5,879	7,682	–	120	117	239	7,206
	30 September 2008	5,846	8,159	1	120	117	239	7,682
Derivative financial instruments	30 September 2009	1,440	1,440	330	83	356	625	46
	30 September 2008	1,988	1,988	118	275	333	1,262	–
Total	**30 September 2009**	**77,875**	**88,922**	**35,151**	**14,593**	**1,359**	**2,429**	**35,390**
	30 September 2008	**85,683**	**98,789**	**39,433**	**6,603**	**1,199**	**2,951**	**48,603**

38. Additional disclosures on capital management

The Group manages its capital with the aim of minimising the Group's 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 borrowings, 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 borrowings. 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 interests, to total capital. Net debt is calculated from the Group's borrowings less cash and cash equivalents and treasury receivables (group treasury of Carl Zeiss AG). The table below shows the above key ratios in the reporting period:

(in € '000)	Financial year 2008/2009	Financial year 2007/2008
Equity*	539,772	500,731
Borrowings	214,593	215,093
Total assets	**754,365**	**715,824**
Cash and cash equivalents	199,995	195,473
Treasury receivables	95,980	61,839
Equity ratio in percent	71.6 %	70.0 %
Net debt**	**(81,382)**	**(42,219)**

* including minority interests
** negative sign denotes credit

The Group's overall strategy with regard to capital management remained the same as the previous year.

39. Events after the balance sheet date

Changes in the Management Board

In agreement with the Supervisory Board and the Management Board of Carl Zeiss Meditec AG, Management Board member Bernd Hirsch resigned from his seat on the Management Board at his own request on 30 November 2009. Management Board members Dr. Michael Kaschke, Dr. Ludwin Monz and Ulrich Krauss shall take over Mr. Hirsch's responsibilities temporarily until the appointment of his successor.

Dividend payments

The Management Board and Supervisory Board propose a dividend payment of € 14,636 thousand (€ 0.18 per share). Based on financial year 2007/2008, a dividend of € 14,636 thousand (€ 0.18 per share) was proposed in the current financial year under review and distributed to the shareholders.

40. Additional mandatory disclosures pursuant to Section 314 and Section 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 2008/2009 and entered in the commercial register:

Member of Management Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Michael Kaschke, Physics graduate, BBA Chairman Area of responsibility: "Microsurgery", "Surgical Ophthalmology" SBUs, strategic business development, Group function (Human Resources, Corporate Communications) Year of first appointment 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, Germany • Chairman of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena, Germany • Chairman of the Supervisory Board of Carl Zeiss MicroImaging Inc., Thornwood, USA • Member of the Supervisory Board of Carl Zeiss Vision Holding GmbH, Aalen, Germany • Member of the Supervisory Board of Carl Zeiss Meditec AG, Jena, Germany (until 22.07.2009, suspended mandate pursuant to Section 105 *AktG)*	• Member of the Supervisory Board of Siltronic AG, Munich, Germany • Member of the Supervisory Board of Henkel AG & Co. KGaA, Düsseldorf, Germany
Ulrich Krauss, Dipl.-Kaufmann (MBA) Area of responsibility: Sales, Service Year of first appointment 2002	• Chairman of the Supervisory Board of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain • 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 • Member of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena, Germany • Member of the internal Administrative Board of Carl Zeiss GmbH, Vienna, Austria (since 08.12.2009) • Member of the Advisory Board (Director) of Carl Zeiss Ltd., Hertfordshire, United Kingdom • "Administrateur" of F.C.I. S.A., Paris, France (until 03.07.2009)	
Bernd Hirsch, Dipl.-Kaufmann (MBA) Areas of responsibility: Finance, Group functions (Investor Relations, Legal Affairs, Taxes), Business Process Excellence Year of first appointment 2002 Member of the Management Board until 30.11.2009	• Member of the Supervisory Board of Carl Zeiss Financial Services GmbH, Oberkochen, Germany • Member of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany • Director of Carl Zeiss Meditec Co., Ltd., Tokyo, Japan • Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA • Director of F.C.I. Sud. Ltd., Quatre Bornes, Mauritius • "Administrateur" of F.C.I. S.A.,Paris, Franc • Member of the Supervisory Board of Carl Zeiss Suzhou Co., Ltd., Suzhou-City, China	
Dr. Ludwin Monz, Physics graduate, MBA Area of responsibility: "Ophthalmic Systems" SBU Year of first appointment 2007	• Chairman of the Board of Directors of Carl Zeiss Meditec Inc., Dublin, USA • Member of the internal Administrative Board of Carl Zeiss GmbH, Vienna, Austria (until 16.03.2009)	

The total remuneration of the active members of the Management Board amounted to € 1,389 thousand in financial year 2008/2009 (previous year: € 1,173 thousand). In addition, there is a benefit obligation from the long term incentive programme. Details of this remuneration are contained in the remuneration report in the management report. Projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amounted to € 190 thousand (previous year: € 203 thousand). In addition, the expense for appropriations to provisions for pensions for active Management Board members was € 174 thousand in financial year 2008/2009 (previous year: € 0 thousand).

Supervisory Board
The Supervisory Board of Carl Zeiss Meditec AG had the following members in financial year 2008/2009:

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Markus Guthoff Chairman Chief representative and member of the management of Interseroh SE, Cologne, Germany Member of the Supervisory Board since 2004	• none	• Member of the Advisory Board of Poppe & Potthoff GmbH, Werther, Germany
Dr. Dieter Kurz Deputy Chairman Chairman of the Management Board of Carl Zeiss AG, Oberkochen, Germany Member of the Supervisory Board since 2006	• Chairman of the Supervisory Board of Carl Zeiss SMT AG, Oberkochen, Germany • Chairman of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany • Chairman of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany • 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 • Chairman of the Supervisory Board of Carl Zeiss AG., Feldbach, Switzerland • Chairman of the Supervisory Board of Carl Zeiss AB, Stockholm, Sweden • Chairman of the Supervisory Board of Carl Zeiss B.V., Sliedrecht, Netherlands • Chairman of the internal Administrative Board of Carl Zeiss GmbH, Vienna, Austria • Chairman of the Board of Directors of Carl Zeiss Ltd., Welwyn Garden City, United Kingdom • Chairman of the internal Advisory Board of Carl Zeiss N.V.-S.A., Zaventem, Belgium • President of the Supervisory Board of Carl Zeiss S.A.S., Le Pecq, France • President of the Board of Management of Carl Zeiss S.p.A., Arese, Italy • Member of the Supervisory Board of Carl Zeiss Vision Holding GmbH, Aalen, Germany	• Member of the Supervisory Board of Ravensburger AG, Ravensburg, Germany
Dr. Wolfgang Reim Independent MedTech consultant Member of the Supervisory Board since 2007	• none	• Member of the Administrative Board of BB MedTech AG, Schaffhausen, Switzerland • Member of the Supervisory Board of GN Store Nord, Denmark

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Ulrich Hoffmann Head of Group function Legal Affairs and Patents at Carl Zeiss AG, proxy holder of Carl Zeiss AG and Carl Zeiss Beteiligungs-GmbH Member of the Supervisory Board since 31.07.2009	• Member of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany • Member of the Supervisory Board of Carl Zeiss SMT AG, Oberkochen, Germany • Member of the Supervisory Board of Carl Zeiss B.V., Sliedrecht, Netherlands	• none
Dr. Michael Kaschke Member of the Management Board of Carl Zeiss AG, Oberkochen, Germany Chairman of the Management Board of Carl Zeiss Meditec AG, Jena, Germany Member of the Supervisory Board until 22.07.2009 (suspended mandate pursuant to Section 105 *AktG)*	• Member of the Management Board of Carl Zeiss AG, Oberkochen, Germany • 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, Germany • Chairman of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena, Germany • Chairman of the Board of Directors of Carl Zeiss MicroImaging Inc., Thornwood, USA • Member of the Supervisory Board of Carl Zeiss Vision Holding GmbH, Aalen, Germany	• Member of the Supervisory Board of Siltronic AG, Munich, Germany • Member of the Supervisory Board of Henkel AG & Co. KGaA, Düsseldorf, Germany
Wilhelm Burmeister Group Manager Manufacturing Control and Chairman of the Works Council of Carl Zeiss Meditec AG, Jena, Germany Member of the Supervisory Board since 2004	• none	• none
Franz-Jörg Stündel Service engineer and member of the Works Council of Carl Zeiss Meditec AG, Jena, Germany Member of the Supervisory Board since 2002	• none	• none

Committees of the Supervisory Board

	Members
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

The total remuneration of the active members of the Supervisory Board amounted to € 258 thousand in financial year 2008/2009 (previous year: € 311 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.

Auditors' fee

The auditors' fees can be broken down as follows:

(in € '000)	Financial year 2008/2009	Financial year 2007/2008
Audits	**819**	**857**
thereof KPMG incl. affiliated companies	199	199
thereof KPMG international association	454	465
thereof third parties	166	193
Other services	**–**	**22**
thereof KPMG	–	22

Information on shareholdings (consolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)	Equity as of 30.09.2009 translated at market rate as of balance sheet date*	thereof profit/loss for financial year 2008/2009 at average annual exchange rate*
Carl Zeiss Meditec Inc., Dublin, USA	US$ '000 € '000	100	134,537 91,743	15,053 11,126
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany	€ '000	100	51,917	63
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€ '000	100	2,927	-866
Carl Zeiss Surgical GmbH, Oberkochen, Germany	€ '000	100	65,704	19,924
Carl Zeiss Medical Software GmbH, Munich, Germany	€ '000	100	138	94
Carl Zeiss Meditec Co. Ltd., Tokyo, Japan	JPY '000 € '000	51	4,799,418 36,563	1,226,982 9,539
Carl Zeiss Meditec Systems GmbH, Jena, Germany	€ '000	100	4,992	724
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Jena, Germany	€ '000	100	-691	1,241
Acri.Tec GmbH, Hennigsdorf, Germany	€ '000	100	11,105	3,724
Advanced Research Institute GmbH, Hennigsdorf, Germany**	€ '000	49	210	-50
Atlantic S.A.S., Le Pecq, France	€ '000	100	52,017	646
Carl Zeiss Meditec France S.A.S., Le Pecq, France	€ '000	100	2,393	158
Carl Zeiss Meditec S.A.S., La Rochelle, France	€ '000	100	12,201	-1,384
HYALTECH Ltd., Edinburgh, United Kingdom	GBP '000 € '000	100	14,160 15,561	2,392 2,732
IOLTECHNOLOGIE Production S.A.R.L., La Rochelle, France	€ '000	100	7,887	-698
FRANSITEC S.A.S., La Rochelle, France	€ '000	100	791	718
Laboratoire R.D.B. S.A.S., Besançon, France	€ '000	100	1,674	154
F.C.I. SUD Ltd., Quatre Bornes, Mauritius	MUR '000 € '000	100	37,495 838	15,433 353
F.C.I. Ophthalmics Inc., Marshfield Hills, USA	US$ '000 € '000	100	1,208 824	450 333
F.C.I. S.A., Paris, France	€ '000	99.5	11,107	848

* The figures show the values calculated according to the respective national accounting standards.
** The joint venture is included in the consolidated financial statements at equity.

Disclosures pursuant to Section 160 (1) No. 8 *AktG*
Since September 2003 Carl Zeiss AG has held an indirect majority interest in the Company's voting capital below the threshold of 75 % pursuant to Section 21 (1) German Securities Trading Act *(WpHG).*

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 these voting rights are allocated pursuant to Section 22 (1) Sentence 1 No. 1 *WpHG.*

All voting rights announcements can be inspected on the Company's website at **www.meditec.zeiss.com/ir,** "Corporate Governance – Vote Rights Disclosures". The voting rights disclosures from 4 May 2009 relate to a correction of the publications dated 25 May 2007 and 18 December 2007 regarding the allocation of voting rights. The announcement had no effect on the decline in voting rights to the reporting threshold below.

German Corporate Governance Code/Declaration according to Section 161 *AktG*
(German Stock Corporation Act)
The declaration mandated under Section 161 German Stock Corporation Act *(AktG)* was issued by the Management Board and the Supervisory Board and made permanently available to the shareholders on the Company's website at: **http://www.meditec.zeiss.de.**

41. Clearance for publication

The Management Board of Carl Zeiss Meditec AG cleared these IFRS consolidated financial statements for submission to the Supervisory Board on 20 November 2009. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Jena, 20 November 2009

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

FINANCIAL STATEMENTS

Responsibility statement

pursuant to Section 264 (2) Sentence 3 *HGB* and Section 289 (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 opportunities and risks associated with the expected development of the Carl Zeiss Meditec Group.

Jena, 20 November 2009

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

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 1 October 2008 to 30 September 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a No. 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 Section 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 Section 315a No. 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, 20 November 2009

KPMG Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Kursatz
Wirtschaftsprüfer

Pülmanns
Wirtschaftsprüfer

Single-entity financial statements of Carl Zeiss Meditec AG, Jena, financial year 2008/2009 *(HGB)* – Summary

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 2007/2008**	**Financial year 2008/2009**	**Change**
Sales revenue	**147,624**	**133,546**	**-9.5%**
Gross profit	46,569	40,741	-12.5%
Result from ordinary activities	**23,924**	**20,673**	**-13.6%**
Net income/loss for the year	**19,134**	**17,262**	**-9.8%**
Retained profits brought forward	48,586	32,757	-32.6%
Net retained profit	**32,757**	**35,383**	**+8.0%**

Balance sheet	**30 September 2008**	**30 September 2009**	**Change**
Fixed assets	572,136	598,042	+4.5%
Current assets	224,911	197,766	-12.1%
Of which: trade receivables	*5,431*	*4,801*	*-11.6%*
Of which: cash and cash equivalents	*120,008*	*147,007*	*+22.5%*
Equity	762,079	764,705	+0.3%
Liabilities	15,300	12,383	-19.1%
Total assets	**797,167**	**795,888**	**-0.2%**

Proposal for the utilisation of net retained profits by the Management Board for financial year 2008/2009

Financial year 2008/2009 closes with a net income for the year of € 17,261,988.66. The Management Board proposes utilising the net earnings from financial year 2008/2009 of € 35,383,338.88 as follows:

- Payment of a dividend of € 0.18 per no-par value share for 81,309,610 no-par value shares: € 14,635,729.80.
- Carryforward of residual profit to new account: € 20,747,609.08.

CORPORATE GOVERNANCE

Corporate Governance report

in accordance with Section 3.10 of the current German Corporate Governance Code ("CGC")

I. Carl Zeiss Meditec follows all recommendations of the German Corporate Governance Code with just one exception

Corporate Governance – Foundation of trust

Responsible and transparent corporate governance is one of the fundamental maxims of Carl Zeiss Meditec. The Company sees the Code not only as a central challenge for value-based corporate management, but considers consistent adherence to the guidelines and principles of the Code as a vital opportunity to sustainably strengthen the trust brought by investors, business partners and employees, and the public. Corporate governance is a comprehensive demand for Carl Zeiss Meditec AG that encompasses all segments and business units of the Company – for in-depth, transparent and efficient reporting, and corporate management that is geared to the interests of the stakeholders, are a tradition in this Company.

In the past financial year 2008/2009 Carl Zeiss Meditec AG fulfilled the recommendations of the Code in the version dated 18 June 2009 with one exception which the Company can only influence indirectly. Section 3.8 provides, in the case of D&O insurance being taken out for the Supervisory Board, for the agreement of an excess of at least 10 percent of the damages up to at least one-and-a-half times the fixed annual remuneration of the Supervisory Board member. At the present time, the Company maintains a D&O insurance policy for the members of the Supervisory Board which provides for a smaller excess than that required by the Code. For insurance-related reasons the adjustment can only be made if the excess is adjusted for all managing executive bodies of the entire Carl Zeiss Group. The present Code no longer makes recommendations for an excess for members of the Management Board, since this is now regulated by law in Section 93 (2) German Commercial Code *(HGB).* (see Remuneration report) For the future, too, the Company's management sees compliance with the Code as one of the uppermost principles for further reinforcing the trust of investors in value-based management and transparency of the Company, and for creating a basis for successful cooperation with investors.

The Management Board and the Supervisory Board signed the Declaration of Conformity in accordance with Section 161 *AktG* on 10 December 2009.

Annual General Meeting – Mouthpiece of the shareholders

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 AG 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 purchase 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.

Carl Zeiss Meditec AG helps the shareholders to personally protect their rights and also assists them with voting by proxy. The Management Board arranges for the appointment of a proxy to exercise the shareholders' voting rights. This proxy is also reachable during the Annual General Meeting.

Supervisory Board and Management Board – Good collaboration for the welfare of the Company

A common goal of the Management Board and the Supervisory Board is to sustainably increase the Company's value. With this in mind, the Management Board and Supervisory Board work closely together in the Company's interests. The Supervisory Board does not have any former members of the Management Board among its members. The Management Board consistently and reliably fulfilled its obligation to the Supervisory Board and provided regular, up-to-date, comprehensive verbal and written reports concerning all aspects of planning, business development, the situation of the Group, including the risk situation, risk management 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 results of operations. For further details on the collaboration between the Supervisory Board and the Management Board, please refer to the "Report of the Supervisory Board".

The German Corporate Governance Code, like the dual management system of Carl Zeiss Meditec AG, is based on the requirements of the German Stock Corporation Act. In the event of duties of care being violated as a result of negligence, both executive bodies shall be held liable to the Company. If a member of the Management Board or the Supervisory Board has made its corporate decision based on adequate information and this decision was made in the interests of the Company, such an action shall not be considered a violation of duty (Business Judgement Rule). Directors & Officers (D&O) liability insurance has been taken out for the members of the Supervisory Board and the Management Board of Carl Zeiss Meditec AG.

The Management Board

The Management Board of Carl Zeiss Meditec AG had four members as of 30 September 2009 and has a chairman.

The Management Board directs the Company with the objective of generating sustainable added value on its own authority and in the Company's interests, in other words, taking the needs of its shareholders, its employees and the other groups associated with the Company (stakeholders) into account. The strategic orientation, the business objectives and the organisation of the Group fall within the responsibilities of the Management Board, as well as the publication and presentation of quarterly and annual reports, and the filling of important positions within the Company. The work of the Management Board, in particular the departmental responsibilities of individual members of the Management Board, matters reserved for the attention of the entire Management Board and the required majority for resolutions of the Management Board, is regulated by a set of rules of procedure. These rules of procedure were inspected and approved by the Supervisory Board.

Any conflicts of interest that arise between members of the Management Board must be disclosed immediately to the Supervisory Board and other members of the Management Board must be informed.

Members of the Management Board may only take on secondary occupations with the consent of the Supervisory Board, particularly mandates on the supervisory boards of companies outside the Group.

The contracts of the Management Board members 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

The Supervisory Board had one member change in the financial year just ended. On 22 July 2009 Dr. Michael Kaschke resigned from his already suspended mandate on the Supervisory Board (pursuant to Section 105 *AktG).* Ulrich Hoffmann was appointed his legal successor with effect from 31 July 2009. As of 30 September 2009 the Supervisory Board of Carl Zeiss Meditec AG had a total of six members. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board. 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 enables the Supervisory Board 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

The remuneration report describes the main principles of the remuneration system and explains the structure and the amount of income paid to the respective members of the Management Board and Supervisory Board. It takes into consideration the regulations of the German Commercial Code in the version amended by the German Act on the Disclosure of Executive Board Remuneration *(Vorstandsvergütungs-Offenlegungsgesetz, VorstOG)* and the principles of the German Corporate Governance Code. At the same time, the remuneration report is to be considered an integral part of the summarised management report.

Remuneration of the Management Board

The above-mentioned German Act on the Disclosure of Executive Board Remuneration *(Vorstandsvergütungs-Offenlegungsgesetz)* specifies how to present both the total remuneration paid to the Management Board and the individual remunerations paid to the individual Management Board members. According to the recommendations of the German Corporate Governance Code, the total remuneration of the members of the Management Board comprises both fixed and variable (performance-related) components. Criteria for the amount of remuneration to be paid include the responsibilities of the respective member of the Management Board, that member's personal performance, the performance of the Management Board as a whole and the economic situation, the success and future prospects of the Company, taking its comparative environment into consideration. In compliance with the legal requirements 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 2008/2009, and makes reference to this. In summary, the following merely presents an itemised breakdown of the remuneration paid to the Management Board. Information 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.

Table 1: Itemised 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 2008/2009**
Dr. Michael Kaschke	270.0	90.0	360.0
Bernd Hirsch	206.5	137.0	343.5
Ulrich Krauss	207.0	131.3	338.3
Dr. Ludwin Monz	214.5	133.0	347.5

The German Act on the Appropriateness of Executive Remuneration *(Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG)* entered into effect during the reporting period on 31 July 2009; this act amended the remuneration regulations under German stock corporation law pertaining to the remuneration of the Management Board in a series of points. Since the new regulations under German stock corporation law only apply for the conclusion of new Management Board contracts or the extension of Management Board contracts, they do not affect the existing Management Board contracts of members of the Management Board (“existing contracts”).

Remuneration of the Supervisory Board

The basis for calculating the remuneration of the Supervisory Board members is based on the current version of the Articles of Association of Carl Zeiss Meditec AG Art. 19 (1). The Supervisory Board itself decides how to distribute the performance-related remuneration amongst its members. The remuneration in this Annual Report takes account of the Chair and Deputy Chair of the Supervisory Board and committee membership (see also the “Report of the Supervisory Board” 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 itemised breakdown of the remuneration paid to the Supervisory Board:

Table 2: Itemised breakdown of remuneration paid to the Supervisory Board of Carl Zeiss Meditec AG Art. 19 (1) of the Articles of Association of Carl Zeiss Meditec AG (figures in € ’000)

	Fixed remuneration component	**Variable remuneration (performance-related)**
Dr. Markus Guthoff	20.0	46.5
Dr. Dieter Kurz	15.0	41.0
Dr. Wolfgang Reim	10.0	47.5
Ulrich Hoffmann[1]	1.6	4.0
Franz-Jörg Stündel[2]	10.0	29.3
Wilhelm Burmeister[2]	10.0	23.3

[1] Legally appointed member of the Supervisory Board since 31 July 2009
[2] Employee representative legally appointed to the Supervisory Board on a voluntary basis

There were no consultancy or other contracts for services between members of the Supervisory Board and the Company in financial year 2008/2009. Conflicts of interest among members of the Management Board and Supervisory Board, which must be immediately disclosed to the Supervisory Board, did not arise.

Transparency – Continuous flow of information to all interest groups

The Management Board and the Supervisory Board of Carl Zeiss Meditec AG attach a great deal of importance to the transparency of corporate management. The dissemination of up-to-date, meaningful information to shareholders and other players on the capital market, financial analysts, shareholders associations and the media, concerning the current situation and significant changes in the Company's business, has utmost priority. All shareholders and interest groups are treated as equals at Carl Zeiss Meditec AG and are thus informed simultaneously, in German and English, of any such changes in the business. The Management Board publishes insider information pertaining to Carl Zeiss Meditec AG 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 regularly informed in detail about all the legal obligations that this entails.

Carl Zeiss Meditec AG uses a wide range of different media to ensure that shareholders and investors are kept equally informed with up-to-the-minute information. Carl Zeiss Meditec AG informs the stakeholders about the Company's future strategy and the current development of business not only in telephone conferences, conferences and during occasional visits to the Company, but above all, it uses the Internet to disseminate information. All capital market-related information can be found on the Company's website at www.meditec.zeiss.com/ir. The majority of the additional investor relations publications, as well as mandatory publications, such as quarterly and annual reports of the Company, are published here. Carl Zeiss Meditec AG undertakes in accordance with the new legal regulations to disclose, throughout Europe on the Internet, changes in the security holdings of members of the Management Board and Supervisory Board in shares of the Company, among other things, as soon as the total sum exceeds an amount of € 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, as well all information relating to company law that is subject to disclosure, which the electronic companies register makes centrally accessible.

The Company places a lot of value on providing up-to-date financial statements. As a result, the Company publishes its annual financial statements, including the accompanying annual report, within less than the required 90 days after the end of the financial year. 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 2008/2009

In financial year 2008/2009 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 14 January 2009 President and CEO, Dr. Michael Kaschke, purchased 3,500 discount certificates with a total value of € 20,125.00. Dr. Kaschke resold these certificates on 2 March 2009 in a transaction with a total value of € 20,825.00. Furthermore, Dr. Kaschke sold a total of 1,445 shares with a total value of € 15,659.50 on 2 March 2009. On 4 March 2009 Dr. Kaschke sold another 1,555 shares. The total value of this transaction was € 17,024.50.

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 executed 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 Section 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 2009)
Management Board		
Dr. Michael Kaschke	Shares	6,000
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	–
Ulrich Hoffmann	Shares	–
Wilhelm Burmeister	Shares	1,419
Franz-Jörg Stündel	Shares	839
Company		
Carl Zeiss Meditec AG	Shares	–

Accounting and auditing – Guaranteed soundness and reliability due to audit by independent financial experts and auditors

Since 1 October 2005 the accounting has been based on international accounting principles, the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRSs), as these are to be applied in the European Union. Carl Zeiss Meditec AG also keeps its shareholders informed during the financial year by preparing a half-yearly financial report as well as interim 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 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") was engaged as auditor for the single-entity financial statements of Carl Zeiss Meditec AG. Before the proposal for the auditors was submitted by the Supervisory Board, both these companies issued a declaration of independence pursuant to Section 7.2.1 of the Code, in which they declared that no professional, financial, personal or other relationships exist between the respective auditor and its executive bodies and audit managers, or between the Company and its executive body members. Both KPMG and BHP were thereupon engaged as auditors at the Annual General Meeting in 2009.

In the financial year just ended no objections were raised by the German Financial Reporting Enforcement Panel *(Deutsche Prüfstelle für Rechnungslegung, DPR)* or the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin),* which are authorised to review the conformity of the annual financial statements and the consolidated financial statements (each with an accompanying management report) with the applicable accounting requirements (enforcement).

II. Carl Zeiss Meditec also implements the relevant discretionary provisions 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 – with just two exceptions – but also observes any relevant "discretionary provisions" of the Code. The following table provides an overview of these provisions.

Table 4: Implementation status of discretionary provisions of the Code by Carl Zeiss Meditec AG in financial year 2008/2009

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 such requirement arose in financial year 2008/2009.
3.7	An extraordinary general meeting should be held where appropriate.	Does not apply to the Company, as no such requirement arose in financial year 2008/2009.
3.10	The company may comment on the Code's proposals in its corporate governance report.	✓

Table 4: Implementation status of discretionary provisions of the Code by Carl Zeiss Meditec AG in financial year 2008/2009

No.	Recommendation	Observance by the Company
5.1.2	The supervisory board may commission a committee with the task of preparing for the appointment of management board members. This committee shall also specify the contract details and the remuneration.	✓
5.1.2	When new management board members are appointed, the maximum possible term of office of five years should not be the general rule.	✓
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 be independent and should not be a former member of the Management Board whose appointment ended less than two years ago.	✓
5.3.4	The supervisory board may delegate other issues to committees.	✓
5.3.5	The supervisory board may 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.	To date, the remuneration of the supervisory board does not provide for any components based on the long-term success of the Company. The Supervisory Board shall consider this and react promptly.
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 Section 161 Stock Corporation Act *(AktG)*

Pursuant to Section 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 *(Regierungskommission Deutscher Corporate Governance Kodex)* 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 compliance of 8 December 2008, Carl Zeiss Meditec AG has complied with, and continues to comply with, all the recommendations of the Government Commission on the German Corporate Governance Code in its version dated 18 June 2009 and in its version dated 6 June 2008, as published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger).*

As regards the version of 18 June 2009, the following exception applies:

Section 3.8 provides, in the case of D&O insurance being taken out for the Supervisory Board, for the agreement of an excess of at least 10 percent of the damages up to at least one-and-a-half times the fixed annual remuneration of the Supervisory Board member. At the present time, the Company maintains a D&O insurance policy for the members of the Supervisory Board which provides for a smaller excess than that required by the Code. For insurance-related reasons the adjustment can only be made if the excess is adjusted for all managing executive bodies of the entire Carl Zeiss Group.

Subject to the adjustment of the D&O insurance policy, 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 18 June 2009.

Jena, 10 December 2009

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 Section 289 (4) and 315 (4) *HGB*

As an introduction please refer to the disclosures pursuant to Section 289 (4) and 315 (4) *HGB* in the consolidated management report for financial year 2008/2009, 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 2008/2009 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 Section 21 (1), Section 22 (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 Section 41 (4a) Sentence 2. The voting rights announcement pursuant to Section 21 (1), Section 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 – Vote Right Disclosures".

The Company did not issue shares with special rights that grant supervisory powers.

Pursuant to Section 179 and Section 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 Section 179 (1) Sentence 2 *AktG.*

The legal provisions concerning the appointment and dismissal of members of the Management Board are set forth in Section 84 and Section 85 *AktG.* In compliance with these provisions Section 6 (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 2009 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 2009".

ADDITIONAL INFORMATION

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 Section 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 terms

AT LISA

The world's first true multifocal microincision lens (MICS) for the correction of presbyopia through a microincision of up to 1.5 mm.

CALLISTO eye®

Information and documentation system for ophthalmic surgery that quickly and clearly displays surgery-related data on a touchscreen in the OR.

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).

FORUM®

State-of-the-art image and report management system that can store all relevant patient information, diagnostic data and images in a central location and can "communicate" with examination devices and Electronic Medical Record (EMR) systems in the particular practice or hospital.

Humphrey® Field Analyzer

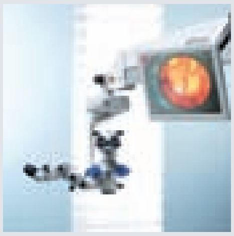
System for static and kinetic measurement of the visual field for assistance with glaucoma diagnosis.

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).



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.

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 diagnostics, 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.

Cataract

Deterioration of vision through opacity of the lens.
Most common cause of blindness worldwide; typical disease among the elderly.

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.

IOL

Abbreviation of "Intraocular lens"
Artificial lens to replace the natural lens of the eye, used in cataract surgery.

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).

Financial calendar 2009/2010
Event calendar 2009/2010

Table 1: Financial calendar 2009/2010

Date	Financial year 2009/2010
12 February 2010	3 Month Report
12 February 2010	Telephone conference
04 March 2010	Annual General Meeting
12 May 2010	6 Month Report
12 May 2010	Telephone conference
12 August 2010	9 Month Report
12 August 2010	Telephone conference
16 December 2010	Annual Financial Statements 2009/2010
16 December 2010	Analyst's Conference, Frankfurt am Main

Table 2: Event calendar 2009/2010

Date	Financial year 2009/2010
12 – 14 February 2010	ESCRS Winter Meeting (European Society of Cataract & Refractive Surgery) (Ophthalmology) Budapest, Hungary
23 – 26 March 2010	IPS (Ophthalmology) Teneriffa, Spain
24 – 27 March 2010	EBCC (European Breast Cancer Conference) (Radiotherapy) Barcelona, Spain
09 – 14 April 2010	ASCRS (American Society of Cataract and Refractive Surgery) (Ophthalmology) Boston, USA
01 – 06 May 2010	AANS (American Association of Neurological Surgeons) (Neurosurgery) Philadelphia, USA
05 – 09 June 2010	WOC (World Ophthalmology Congress) (Ophthalmology) Berlin, Germany
04 – 08 September 2010	ESCRS Congress (European Society of Cataract & Refractive Surgery) (Ophthalmology) Paris, France
02 – 08 September 2010	Euretina (Ophthalmology) Paris, France
25 – 28 September 2010	EVRS (Ophthalmology) Seville, Spain
16 – 19 October 2010	AAO (American Academy of Ophthalmologie) (Ophthalmology) Chicago, USA

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Concept and Editing:
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Visual concept and design:
Publicis KommunikationsAgentur GmbH, Erlangen,
www.publicis.de

Translation services by:
Herold Fachübersetzungen,
Bad Vilbel, Germany,
www.heroldservice.de

Photograph credits on page 8, bottom left:
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The Annual Report 2008/2009 of Carl Zeiss Meditec AG was
published on 14 December 2009 in German and English.

Both versions and the key figures contained in this
report can be downloaded from the following address:

www.meditec.zeiss.com/ir

Printed in Germany 01/2010
Printed on environment-friendly paper bleached in a chlorine-free process.

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