

**Single-entity financial statements
of Carl Zeiss Meditec AG (HGB)**
Financial year 2006/2007



CARL ZEISS MEDITEC

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Management report

Executive summary

Once again, Carl Zeiss Meditec AG ("Carl Zeiss Meditec", "the Company") performed well in financial year 2006/2007 and increased its profitability substantially compared with the previous year. The most important events in the past financial year were the incorporation of Carl Zeiss Surgical GmbH within the scope of a successful combined capital increase against cash and contribution in kind, and the consistent expansion of the sales organisation.

Carl Zeiss Meditec AG has already been marketing its devices and systems directly in the Spanish market since 1 October 2006. The medical technology distribution and service activities of Carl Zeiss S.A., Madrid, Spain, were acquired for this purpose. This company now operates as Carl Zeiss Meditec Iberia S.A. ("Carl Zeiss Meditec Iberia").

After the Thuringian Higher Regional Court in Jena overruled – in its resolution of 12 October 2006 – the objections of seven claimants against the resolution of Gera District Court in the so-called "release procedure" (Freigabeverfahren) pursuant to Art. 246a Section 1 German Stock Corporation Act (Aktengesetz, AktG), Carl Zeiss Meditec was able to complete the acquisition of Carl Zeiss Surgical (comprising Carl Zeiss Surgical GmbH, Oberkochen, Germany, and Carl Zeiss Surgical Inc., Dublin, USA, together "Carl Zeiss Surgical"). The implementation of the capital increase was entered in the commercial register at Jena Local Court on 26 October 2006. In total, the share capital of Carl Zeiss Meditec AG was increased by € 48.8 million from around € 32.5 million to about € 81.3 million. Within the scope of the offsetting cash capital increase, net cash and cash equivalents of around € 167.9 million less bank commissions and consultancy fees of around € 6.6 million accrued to the Company.

The acquisition of a majority interest in the French ophthalmic surgery specialist Ioltech S.A.,

La Rochelle, now operating as Carl Zeiss Meditec S.A.S., enabled Carl Zeiss Meditec to extend its activities to the high-growth market segment of ophthalmic surgery in financial year 2004/2005. In financial year 2006/2007 the Company acquired the remaining 3.5% of the shares for a cash consideration as part of a squeeze-out, thus ending the stock exchange listing of Ioltech S.A. with effect from 15 November 2006.

With effect from 1 April 2007, Carl Zeiss Meditec combined its sales and marketing activities in the German market in a subsidiary Carl Zeiss Meditec Vertriebsgesellschaft mbH ("Carl Zeiss Meditec Vertriebsgesellschaft"), which has its registered office in Jena, Germany. This is another important milestone for Carl Zeiss Meditec in terms of reinforcing its sales organisation.

With effect from 1 July 2007, Carl Zeiss Meditec merged its two subsidiaries in the United States: Carl Zeiss Surgical, Inc. was merged with Carl Zeiss Meditec, Inc., which increased the investment book value of Carl Zeiss Meditec, Inc. in Carl Zeiss Meditec AG's balance sheet by around € 61.3 million to € 177.2 million.

In September 2007 Carl Zeiss Meditec announced the complete takeover of *Acri.Tec® AG, Hennigsdorf ("Acri.Tec"). The Company intends for this to accelerate the pace of development in its ophthalmic surgery business. The product ranges of Carl Zeiss Meditec and Acri.Tec complement each other perfectly. Together, both companies will enjoy an even better position on the market and will cover the entire product spectrum in this sector. Acri.Tec also holds a very good market position in Germany: in addition to particularly France, therefore, the Company has now strengthened its market position in the IOL/consumables business in Germany, too. The acquisition of Acri.Tec by the wholly owned subsidiary of Carl Zeiss Meditec AG, Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH ("Carl Zeiss Meditec Asset Management") was completed with effect from 1 October 2007.

In October 2007 Dr. Ludwin Monz was appointed as another member of the Company's Management Board.

Revenue declined slightly year-on-year by 1.6% to € 140.4 million (previous year: € 142.7 million). It should, however, be noted that Carl Zeiss Meditec won the bid for a larger contract in the previous year, which was handled through our distribution partner in Mexico. In addition, previous year's revenue includes the full income and margins of the end customer distribution business in Germany, which have been handled since April 2007 via a separate legal entity, Carl Zeiss Meditec Vertriebsgesellschaft.

In terms of products, the high level of business generated with diagnostic systems for ophthalmology in the previous year was exceeded slightly. Revenue from ophthalmic laser systems declined significantly compared with the high level of the previous year, which was bolstered by the contract referred to above. The business with refractive lasers generated a revenue increase of 7.6% year-on-year. Shortly before the end of the financial year the first systems incorporating our new VisuMax® femtosecond laser were delivered. Regionally, the Company achieved above-average success particularly in the region "Europe, Middle East and Africa" ("EMEA"), generating revenues of € 62.1 million (previous year: € 55.3 million), which is attributable above all to the substantial increase in volume business with the MEL 80™ refractive laser system, the IOLMaster® diagnostic system, and fundus cameras (influenced, among other things, by the market launch of a new variation of the non-mydratic fundus camera VISUCAM^{PRO NM}). Revenue growth in this region was 12.2% year-on-year. At € 30.8 million, revenue in the "Americas" region was 25.7% down on the same period the previous year. In addition to the depreciation of the US dollar against the euro, it must also be noted that this region's revenue in the previous year included a large

contract. At € 29.2 million, revenue in the Asia region was again up on the previous year's figure of € 28.0 million, corresponding growth of 4.2%. Despite the transfer of the income and margins from distribution to German customers to an independent company, revenue in Germany remained on around the same level as the previous year at € 18.4 million (previous year: € 17.9 million).

The result from ordinary activities increased from € 10.5 million in the previous year to € 37.3 million in financial year 2006/2007. Adjusted for the investment income from Carl Zeiss Surgical of € 26 million, the increase amounts to around € 0.8 million or 7.3%, despite a slight decline in revenue compared with the previous year. Net income in the year under review amounted to € 35.9 million (previous year: € 9.1 million).

Cash and cash equivalents of Carl Zeiss Meditec AG increased by € 140.0 million from € 5.0 million the previous year to € 145.0 million as at 30 September 2007. These are added to receivables (i. e. credit) from the Group Treasury of Carl Zeiss AG of € 1.5 million (previous year: € 4.0 million). This development is primarily attributable to the cash flow from the capital increase in October 2006 and to the persistently positive cash flow from operating activities also achieved in the past year. An opposite effect was had by the payment of a dividend of € 11.4 million and the booking of a receivable from Carl Zeiss Surgical from the above-mentioned income of € 26 million recognised in the same period, which will not affect cash flow until the following year. Cash flow from operating activities improved slightly in the reporting period to € 12.9 million (previous year: € 12.6 million).

Based on the economic performance of Carl Zeiss Meditec AG, the Management Board will again propose to the Supervisory Board and the Annual General Meeting the distribution of a portion of the net retained profits generated by the Company in the form of a **dividend**.

Business report

1. Underlying conditions for economic development¹

The dramatic growth of the global economy continued in 2007. On the whole, the Joint Economic Forecast project group (*"Projektgruppe Gemeinschaftsdiagnose"*) anticipates a 3.2 % global growth in real gross domestic product ("GDP") for the year 2007, compared with the previous year. In the emerging markets the already very rapid expansion even accelerated in 2007, particularly in Asia, and above all in China. However, governmental regulatory structural measures curbed the readiness to invest in the Chinese healthcare system. In the industrialised countries, on the other hand, the rate of growth has been only moderate for some time now.

In 2007, the project group is estimating an increase in economic growth of 11.0 % year-on-year in China and Hong Kong. Despite the growth in raw materials prices, the inflation rate in Asia and in the USA remains between 2 % and 3 % and is likely to remain low in the coming year. Economic growth in Japan lost some of its momentum in the course of the year and is below the global average overall. Here, the project group anticipates a 2.0 % growth in gross domestic product in 2007, compared with the year-ago period. This development will be boosted by a strong domestic demand.²

The GDP growth rate in the national economies of the European Union (including Germany)

is expected to decrease by 0.2 %-points to 2.9 % in 2007.³ Foreign trade made a positive contribution to overall economic expansion: There was a moderate rise in exports, while growth in imports was restrained.⁴ The core inflation rate in the eurozone was stable at 1.9 % over the course of the past year.

There are several factors that burden the German economy: the restrictive fiscal policy, for example, curbs domestic demand significantly; private spending has still not made a complete recovery since the rise in value-added tax at the beginning of the year. This is compounded by the high oil price and the appreciation of the euro. Economic expansion nevertheless continued in 2007. The project group therefore predicts that Germany's GDP will grow by 2.6 % in 2007.⁵

The euro grew in strength against the US dollar and the Japanese yen over the course of the year.

2. Development of revenue

The Company is allocated to the strategic business unit (SBU) "Ophthalmic Systems" of the Carl Zeiss Meditec Group.

The Carl Zeiss Meditec AG generated revenue of € 140.4 million in financial year 2006/2007. This represents a slight decrease of 1.6 % year-on-year (previous year: € 142.7 million).

The mainstays of sales were the systems IOLMaster[®], Stratus OCT[™], fundus cameras (influenced in particular by the non-mydratric fundus camera VISUCAM^{PRO NM} launched the

¹ *Projektgruppe Gemeinschaftsdiagnose* ("Joint diagnosis project group", Editor): Herbst 2007 "Aufschwung legt Pause ein" (Autumn 2007: "Upswing takes a break"), *Gemeinschaftsdiagnose Herbst 2007*, 18 October 2007, Essen

² Cf. *ibid.*, p. 18

³ Cf. *ibid.*, p. 22

⁴ Cf. *ibid.*, p. 22

⁵ Cf. *ibid.*, p. 31

previous year) and the Humphrey® Field Analyzer. The Visante™ OCT for anterior segment imaging also made a significant contribution to sales. This is a diagnostic system used to plan surgical procedures in the anterior segment of the eye, based on optical coherence tomography. The main sales markets for IOLMaster®, which can be used to take precise measurements of the eye prior to cataract surgery, without actually touching with the eye, were the EMEA sales region and the USA. European sales of the Stratus OCT™ diagnostic system remained on around the same high level of the previous year. Thanks to its underlying technology – optical coherence tomography – this system can render cross-section images of the nerve fibre layers of the eye in real time. This makes it possible to diagnose serious ophthalmic diseases, such as glaucoma and various retinal disorders, earlier than ever before. The FF 450 fundus cameras were another key mainstay of sales; these enable the fundus of the eye to be examined in minute detail. Volume sales in the business with systems for the correction of vision defects (MEL 80™) increased, thus increasing revenue compared with the previous year. Shortly before the end of the financial year the first systems incorporating our new femtosecond laser VisuMax® were delivered. The business with ophthalmic lasers used, for example, to treat retinal diseases (VISULAS® 532s), declined significantly compared with the previous year's high level, however, which was also bolstered by a large contract.

Sales in the Service segment increased again by 7.1 %.

The regional revenue distribution in the period under review is only partly reflected by the macro-economic trends described in "1. Underlying conditions for economic development". The greatest impetus for growth in the past financial year came from the EMEA region. Revenue here rose by 12.2 % to € 62.1 million (previous year: € 55.3 million). A slight improvement in revenue was also achieved in Asia, despite the depreciation of the yen against the euro, with revenue increasing by 4.2 % year-on-year to € 29.2 million (previous year: € 28.0 million). Revenue in the "Americas" region, on the other hand, decreased from € 41.4 million in the previous year to € 30.8 million in the year under review. This is attributable, among other things, to the further depreciation of the US dollar against the euro compared with the previous year. Furthermore, Carl Zeiss Meditec won the bid for a larger contract in the previous year, which was handled through our distribution partner in Mexico. At € 18.4 million, revenue in Germany was up by 2.8 % year-on-year, which is particularly encouraging since the previous year's revenue still includes the full income and margins of the distribution business in Germany, which have been handled since April 2007 via a separate legal entity, Carl Zeiss Meditec Vertriebsgesellschaft.

Table 1 shows a comparison of revenue by region for financial years 2006/2007 and 2005/2006.

Table 1: Revenue by region (financial years 2006/2007 and 2005/2006)
(in € '000)

Region	Geschäftsjahr 2006/2007		Geschäftsjahr 2005/2006		Veränderung zum Vorjahr
	Umsatz	Anteil am Umsatz	Umsatz	Anteil am Umsatz	
Deutschland	18,405	13.1 %	17,910	12.6 %	2.8 %
EMEA (ohne Deutschland)	62,077	44.2 %	55,339	38.8 %	12.2 %
Amerika	30,773	21.9 %	41,419	29.0 %	-25.7 %
Asien/Pazifischer Raum	29,172	20.8 %	27,999	19.6 %	4.2 %
Summe	140,427	100.0 %	142,667	100.0 %	-1.6 %

3. Orders on hand

Orders on hand amounted to € 11.0 million at 30 September 2007 and were thus € 1.0 million above the previous year's level of € 10.0 million. The Company believes that the trend for customers to place orders at short notice will continue.

4. Production planning and production

Product manufacture at Carl Zeiss Meditec focuses on the assembly of system components. About an half s of the parts or components are purchased from external suppliers. The remaining half is spread almost equally among companies of Carl Zeiss AG and the Company's own component manufacturing facilities.

The Company's core competencies include the development of new technologies, products and applications (see Research and Development Report for further information) and the manufacture and final assembly of key components.

In financial year 2006/2007 the Company further expanded and optimised its production processes. For example, it set up a new production

line for the series start-up of the VisuMax® femto-second laser, as well as a clean room assembly line for consumables for this new product. In addition, production capacity was expanded for the successfully marketed non-mydriatic fundus camera VISUCAM^{PRO NM}. Production processes were also further optimised, especially those for systems produced in large quantities.

Production planning is based on a rolling forecast by the distribution partners. This means that the respective distributor prepares a rolling sales forecast, which it then uses as a basis for ordering individual parts and manufacturing components. In order to keep inventories to a minimum, final assembly is usually carried out to customer order.

5. Development of production capacities

Carl Zeiss Meditec compensates for fluctuations in demand through flexible deployment of its production workers. This requires an appropriate training system that qualifies the employees to work on the different production lines. Flexible working hours also allow employees to be deployed as necessary in accordance with the rolling sales forecasts.

6. Procurement

As described under "4. Production planning and production", products are generally assembled on a made-to-order basis. The purpose of this is to keep stocks as low as possible. Accordingly, the respective components are called up from suppliers shortly before the production date. The Company has consignment warehouses at its key suppliers. These warehouses are owned by the respective suppliers and are an integral part of Carl Zeiss Meditec's production process. The necessary components are retrieved and paid for as required. The suppliers bear full responsibility for replenishing stocks in these warehouses. This form of cooperation simultaneously highlights Carl Zeiss Meditec's confidence in long-term partnerships with its suppliers. In order to ensure that purchased parts and components are also of a consistently high quality, suppliers are also subject to regular qualification audits.

7. Quality management

In most of the world's markets official registrations and approvals are a prerequisite for marketing medical products.

Accordingly, Carl Zeiss Meditec has registered its individual sites with the responsible national authorities.

In order to successfully obtain the necessary marketing approvals, Carl Zeiss Meditec's quality management system is regularly audited and certified by DQS GmbH Deutsche Gesellschaft zur Zertifizierung von Managementsystemen in accordance with ISO 9001 & 13485, Appendix II & V of the EU Directive 93/42/EC and the Canadian Medical Device Regulation (CMDR).

Carl Zeiss Meditec's quality management system also conforms to the requirements of the U.S. legislation 21 C.F.R. part 820, Quality Systems Regulation.

Carl Zeiss Meditec thus fulfils the basic requirements for marketing its CE products in the European Economic Area, North America, and those countries that have agreements with the European Union pertaining to medical devices.

8. Registrations and approvals

The Company's products are generally designed with a view to marketing them worldwide. From the outset, therefore, the design features, the materials and components used, and the interfaces of all devices and systems are selected such that they can be used anywhere in the world.

In principle, all products of Carl Zeiss Meditec AG have been approved in the major countries and markets of the world. One exception is the MEL 80™ refractive laser system, for which the approval procedure in Japan is still ongoing.

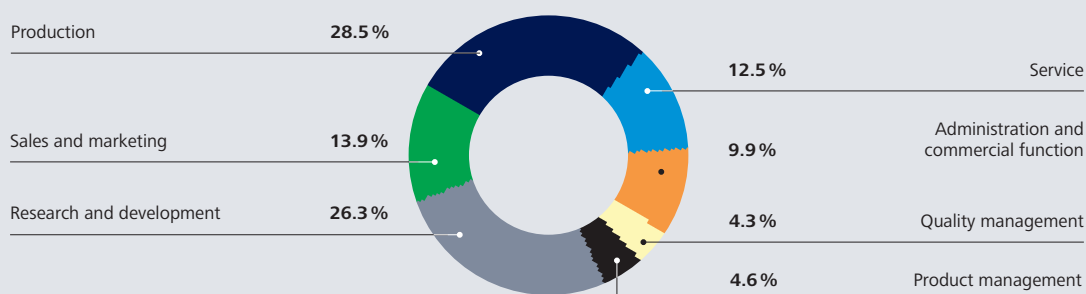
9. Employees

As of 30 September 2007, Carl Zeiss Meditec had 324 employees. This number includes two members of the Management Board. In addition, there were 14 trainees. In the previous year the Company had 314 employees, plus twelve trainees. Neither of the above figures takes account of partially retired employees.

On an annual average a total of 322 staff were employed by the Company in financial year 2006/2007, including two Management Board members (previous year: 310 employees). In addition, the Company had an average of 11 trainees in the reporting period (previous year: 10 trainees). This increase in the number of employees is mainly attributable to the establishment of additional production, research and development, product management and administration capacities.

Figure 1 provides an overview of the personnel structure at Carl Zeiss Meditec in financial year 2006/2007.

Figure 1: Personnel structure of Carl Zeiss Meditec AG, Jena, in financial year 2006/2007 (average)



10. Environmental protection

The Company complies with all relevant environmental protection regulations within the scope of its business activities.

Neither the Company's production methods nor its products pose any direct or indirect risk to the environment.

11. Events of particular significance

With effect from 1 October 2006, Carl Zeiss Meditec AG markets its devices and systems directly in the Spanish market. To this end, the medical technology distribution and service organisation of Carl Zeiss S.A., Madrid, Spain was acquired, which was previously Carl Zeiss Meditec's distribution partner in Spain for devices and systems. This company now operates as Carl Zeiss Meditec Iberia S.A. ("Carl Zeiss Meditec Iberia"). The new structure enables Carl Zeiss Meditec to gear itself even better to the specific needs of its Spanish customers. The main aim is to achieve a higher degree of customer loyalty through focussed support services. To prepare for the transaction, prior to the acquisition of Carl Zeiss S.A. by Carl Zeiss Meditec, the assets and liabilities of the former profit centre Industrielle Messtechnik

(IMT) were sold to the newly formed Carl Zeiss IMT Iberia S.L. at their carrying amounts. The total purchase price for Carl Zeiss Meditec Iberia was paid in full (€ 3,761 thousand) in the first quarter of financial year 2006/2007.

After the Thuringian Higher Regional Court in Jena overruled – in its resolution of 12 October 2006 – the objections of seven claimants against the resolution of Gera District Court in the so-called "release procedure" (*Freigabeverfahren*) pursuant to Art. 246a Section 1 German Stock Corporation Act (*Aktiengesetz, AktG*), Carl Zeiss Meditec was able to complete the acquisition of Carl Zeiss Surgical (comprising Carl Zeiss Surgical GmbH, Oberkochen, Germany, and Carl Zeiss Surgical Inc., Dublin, USA, together "Carl Zeiss Surgical"). In addition to its existing activities in the market for ophthalmology and surgery, the acquisition of Carl Zeiss Surgical gives Carl Zeiss Meditec another focal point in the market for neuro-/ENT surgery. In the Company's view, both these markets are positively influenced by demographic, macroeconomic and technological trends and promise attractive growth rates long term.

Financing for the acquisition of Carl Zeiss Surgical was provided by a capital increase against consideration in kind, in which Carl Zeiss AG, Oberkochen, and Carl Zeiss, Inc., Thornwood,

USA, acquired 25,426,038 (Carl Zeiss AG) and 6,074,256 (Carl Zeiss, Inc.) new shares of Carl Zeiss Meditec AG at a subscription price of € 10.10 per share by exercising their subscription rights. In return, Carl Zeiss AG and Carl Zeiss, Inc. transferred their respective 100% interests in the companies Carl Zeiss Surgical GmbH and Carl Zeiss Surgical, Inc. to Carl Zeiss Meditec AG. The transfer of the holdings took economic effect from 1 October 2006 and covered all associated rights, including any profits not yet distributed. Since no dividend was distributed to the investing companies Carl Zeiss AG and Carl Zeiss, Inc. for financial year 2005/2006, in economic terms this constitutes a share contribution as of 1 October 2005. The implementation of the capital increase was entered in the commercial register of Jena Local Court on 26 October 2006. In total, the share capital of Carl Zeiss Meditec AG was increased by € 48.8 million from around € 32.5 million to about € 81.3 million. The remaining 17,285,472 no-par value shares were offered to the shareholders as part of an offsetting cash capital increase at the subscription price of € 10.10 per share; Carl Zeiss AG was allocated a further 235,668 new shares from this number. Net cash and cash equivalents of around € 167.9 million less issuing costs of around € 6.6 million accrued to the Company from the offsetting cash capital increase. The new shares were admitted to trading by way of a resolution of the Frankfurt Stock Exchange on 2 November 2006 and were included in the existing listing from 9 November 2006.

The acquisition of a majority interest in the French ophthalmic surgery specialist Ioltech S.A., La Rochelle, now operating as Carl Zeiss Meditec

S.A.S., enabled Carl Zeiss Meditec to extend its activities to the high-growth market segment of ophthalmic surgery in financial year 2004/2005. In financial year 2006/2007 the Company acquired the remaining 3.5% of the shares for a cash consideration as part of a squeeze-out, thus ending the stock exchange listing of Ioltech S.A. with effect from 15 November 2006. The acquisition costs for the remaining shares totalled € 5,096 thousand.

With effect from 1 April 2007, Carl Zeiss Meditec combined its sales and marketing activities in the German market in a subsidiary Carl Zeiss Meditec Vertriebsgesellschaft mbH ("Carl Zeiss Meditec Vertriebsgesellschaft"), which has its registered office in Jena, Germany. This company will now uniformly manage the sales organisation in Germany for diagnosis and treatment systems in ophthalmology, for implants ('intra-ocular lenses') and for visualisation solutions in neuro- and ENT surgery. This is another important milestone for Carl Zeiss Meditec in terms of reinforcing and focussing its sales organisation.

With effect from 1 July 2007, Carl Zeiss Meditec merged its two subsidiaries in the United States: Carl Zeiss Surgical, Inc. was merged with Carl Zeiss Meditec, Inc., thus transferring all assets and liabilities of Carl Zeiss Surgical, Inc. to Carl Zeiss Meditec, Inc. at their respective net book values. Carl Zeiss Meditec's existing activities in the United States in the ophthalmology market and the market for neuro-/ENT surgery will now be managed uniformly under the umbrella of Carl Zeiss Meditec Inc. In the course of this merger the investment book value of Carl Zeiss Meditec, Inc. in Carl Zeiss Meditec AG's balance sheet increased by around € 61.3 million to € 177.2 million.

12. Net assets

a) Presentation of net asset position

Pursuant to German commercial law (HGB) the total assets of Carl Zeiss Meditec as of 30 September 2007 amounted to € 812.1 million. This is almost three times the previous year's figure of € 291.7 million and is mainly attributable to the integration of Carl Zeiss Surgical and the associated cash capital increase. Due to the forthcoming series start-up of the VisuMax® femtosecond laser (see section "4. Production planning and production" for further information), inventories increased year-on-year from € 19.3 million to € 22.1 million, in spite of the slight decline in sales volume. An opposite effect is had by the continued monitoring of trade receivables and the omission of receivables from the business with end customers in Germany: This balance sheet item decreased again from € 5.7 million as at 30 September 2006 to € 5.2 million as at 30 September 2007. Receivables from related parties amounted to € 49.5 million at the balance sheet date 30 September 2007 (previous year: € 14.5 million). These receivables are exclusively receivables from companies within Carl Zeiss Meditec AG and Carl Zeiss AG. The largest item relates to the upcoming dividend from Carl Zeiss Surgical to be distributed to Carl Zeiss Meditec of € 26 million. It should also be noted when considering this balance sheet item that it also includes the receivables from the Group Treasury of Carl Zeiss AG (corresponds to credit), the receivables from Atlantic S.A.S. in connection with the performance-related remuneration from the convertible bond (€ 4.6 million), as well as a loan to finance the operations of Carl Zeiss Meditec Vertriebsgesellschaft in the amount of € 4.0 million. At 30 September 2007 accounts receivable from the Group Treasury of Carl Zeiss

AG were € 1.5 million (30 September 2006: € 4.0 million). Further information on this can be found in section "13. Financial position".

With a 56.6% share in total assets (previous year: 47.1%), "Shares in affiliated companies" represent the largest asset-side item on the balance sheet in terms of value. The book values of the shares held by Carl Zeiss Meditec AG in its subsidiaries are carried under this item. This mainly includes Carl Zeiss Surgical GmbH, Oberkochen (investment book value: € 256.8 million), Carl Zeiss Meditec, Inc., Dublin, USA (investment book value: € 177.2 million), Carl Zeiss Meditec Systems GmbH, Jena, Germany (investment book value: € 6.1 million), Carl Zeiss Meditec Co., Ltd., Tokyo, Japan (investment book value: € 0.3 million), Carl Zeiss Meditec Iberia S.A., Madrid, Spain (investment book value: € 3.8 million) and Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany (investment book value: € 15.1 million).

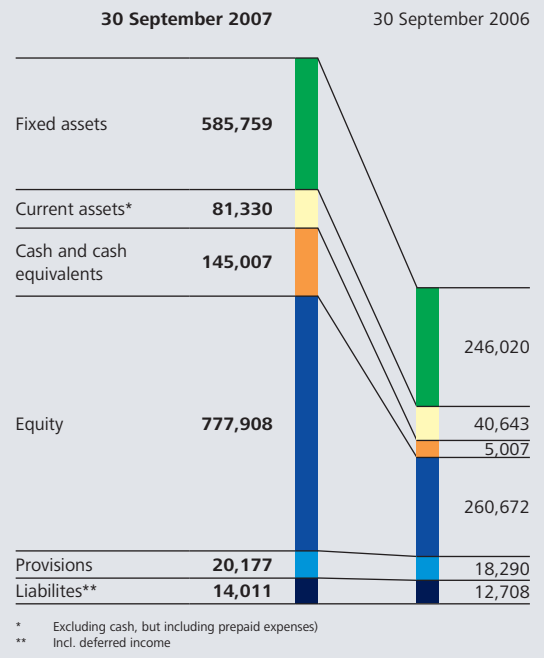
Loans to affiliated companies (€ 120.7 million) mainly consist of a convertible bond issued by Atlantic S.A.S.. In the course of financing the acquisition of Ioltech S.A., Atlantic S.A.S. issued a convertible bond with a total value of € 103.0 million in financial year 2004/2005, which was subscribed by Carl Zeiss Meditec and is carried in the balance sheet under "Loans to affiliated companies". This item also includes two long-term loans of Carl Zeiss Meditec AG to Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH to finance the acquisition of Acri.Tec AG and Carl Zeiss Medical Software GmbH. Both loans have a term of 10 years. Due to the low interest rate, these loans were discounted by € 8.4 million to the respective present value.

A portion of the proceeds from the cash capital increase in November 2006 is carried as cash-in-hand and bank balances.

In the year-on-year comparison at the balance sheet date, significant changes on the liabilities side of the balance sheet relate to the increase in equity (items "Subscribed capital", "Capital reserves", "Net retained profits"), and to "Provisions" and "Trade payables". Carl Zeiss Meditec's subscribed capital increased by € 48.8 million from around € 32.5 million to around € 81.3 million. In addition, the combined capital increase against cash and contributions in kind gave rise to a share premium of around € 444.0 million, which was allocated to "Capital reserves". Adjusted total assets increased on a par with the net income for the year of € 35.9 million (see section "15. Results of operations" for further details). The payment of the dividend of € 11.4 million had an opposite effect. In terms of provisions, in particular provisions for pensions, provisions for personnel, provisions for potential legal and litigation costs and provisions for warranties increased in the course of the expansion of business volume.

Figure 2 below summarises the most important changes in the balance sheet structure as of 30 September 2007 and 2006.

Figure 2: Balance sheet structure of Carl Zeiss Meditec AG as of 30 September 2007 and 2006 (in € '000)



b) Key ratios relating to net assets

In the period under review Carl Zeiss Meditec further consolidated its already sound asset structure from previous years.

Table 2: Key ratios relating to net assets (30 September 2007 and 2006)

Key ratio	Definition	30 September 2007	30 September 2006	Change from previous year
Equity ratio	Equity	95.8 %	89.4 %	+ 6.4 % pts
	Total assets			
Debt ratio	Total borrowed capital (excluding deferred income)	4.4 %	11.8 %	- 7.4 % pts
	Equity			
Liquidity ratio A	Equity	132.8 %	106.0 %	+ 26.8 % pts
	Fixed assets			
Liquidity ratio B	Equity + Long-term borrowed capital	133.3 %	106.9 %	+ 26.4 % pts
	Fixed assets			
Liquidity ratio for medium-term and long-term assets	Equity + Medium-term and Long-term borrowed capital	133.2 %	106.9 %	+ 26.3 % pts
	Fixed assets + Receivables with a residual term > 1 year			

13. Financial position

a) Presentation of financial position

Cash and cash equivalents held by Carl Zeiss Meditec AG amounted to € 145.0 million (previous year: € 5.0 million) as at 30 September 2007. The net increase in cash and cash equivalents in financial year 2006/2007 thus amounted to € 140.0 million (previous year: € 3.5 million).

Cash flow from operating activities amounted to € 12.9 million in the reporting period (previous year: € 12.6 million) and was thus slightly above the previous year's level. The further increase in

inventories compared to previous years is particularly attributable to the forthcoming launch of the new femtosecond laser system VisuMax® aimed at ensuring a quick time to market and faster delivery times, resulting in stockpiling in financial year 2006/2007. Inventories also include outsourced development services. Both stockpiling effects are only temporary, however.

Cash flow from investing activities amounted to € -38.6 million in financial year 2006/2007 (previous year: € -2.8 million). The most important item in this connection comprises the cash investments in financial assets amounting to € 29.9 mil-

lion, which are mainly attributable to two loans to Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH to finance the acquisition of the equity interests in Acri.Tec AG and Carl Zeiss Medical Software GmbH and which result from the acquisition of Carl Zeiss S.A. (now operating as Carl Zeiss Meditec Iberia S.A.).

Cash flow from financing activities in the reporting period stood at € 165.7 million (previous year: € -6.3 million). Key items in this respect are the proceeds from the cash capital increase of November 2006 amounting to € 174.6 million and the distribution of a dividend to the shareholders of Carl Zeiss Meditec AG, which was significantly higher than the previous year.

b) Key ratios relating to financial position

Cash and cash equivalents increased year-on-year, due in particular to the continued positive earnings situation in the year under review as compared with the previous year. Accordingly, the proportion of inventories in total current assets decreased slightly. The increase in net working capital by 174.2% from € 24.0 million in the previous year to € 65.8 million as at 30 September 2007 is attributable in particular to the increase in receivables from affiliated companies (and here, above all to the profit entitlements from subsidiaries). The significant increase in the working capital ratio compared with the previous year is mainly the result of the increase in cash and cash equivalents.

Table 3: Key ratios relating to financial position (financial years 2006/2007 and 2005/2006)

Key ratio	Definition	30 September 2007	30 September 2006	Change from previous year
Cash and cash equivalents	Cash-in-hand and bank balances	€ 145.0 million	€ 5.0 million	+2,796.1 %
Net cash and cash equivalents	Cash-in-hand and bank balances + Receivables from Carl Zeiss AG Group Treasury	€ 146.5 million	€ 9.0 million	+1,531.0 %
Ratio of inventories to current assets	Total inventories Current assets	9.8 %	42.4 %	-32.6 %-pts
Ratio of cash and cash equivalents to current assets	Cash-in-hand and bank balances Current assets	64.1 %	11.0 %	+53.1 %-pts
Net working capital	Current assets <i>.i.</i> Cash and cash equivalents <i>.i.</i> Receivables from Group Treasury of Carl Zeiss AG <i>.i.</i> Short-term liabilities	€ 65.8 million	€ 24.0 million	+174.2 %
Working capital ratio	Current assets Short-term liabilities	1,622.3 %	362.4 %	+1,259.9 %-pts

14. Investment

The Company's largest investments in the reporting period 2006/2007 were in financial assets. They mainly related to the acquisition of Carl Zeiss Surgical within the scope of the capital increase against contribution in kind, the acquisition of Carl Zeiss S.A. (now operating as Carl Zeiss Meditec Iberia) and the granting of two loans to Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH to finance the acquisition of the equity interests in Acri.Tec AG and Carl Zeiss Medical Software GmbH. In addition to the increase in external plan assets from the outsourcing of pension claims of employees of Carl Zeiss Meditec AG € 348.1 million was invested in this connection (see also section "13. Financial position"), although most of the investments in shares in affiliated companies were financed by share issues. Investments in property, plant and equipment amounted to around € 1.8 million in the period under review (previous year: € 1.5 million) and mainly related to the transfer of service and study equipment to fixed assets, particularly tools, test facilities and other operating equipment for the serial production of new products.

15. Results of operations

a) Presentation of results of operations

Carl Zeiss Meditec's gross margin improved to 36.5 % in financial year 2006/2007, compared with 34.3 % in the previous year. This meant that the positive influences on this figure, arising, for example, from reductions in production costs, the reduced need for valuation adjustments on inventories due to improved inventory management and an improvement in the composition of the sales range with relatively high-margin products, more than compensated for the negative influences resulting from the price pressure – primarily caused by currency effects – in some product sectors and regions. The Company's sales growth in financial

year 2006/2007 mostly took place in the EMEA region and was accordingly invoiced in euros, whereas the US dollar is the lead currency in the previous year's growth regions ("Americas" and "Asia/Pacific").

The Company expects further improvements in this area in future, e.g. through the intensification of its programmes to cut production costs, the series start-up of new, high-margin products, and through further optimisation of its foreign currency management.

The result from ordinary activities in financial year 2006/2007 was € 37.3 million (previous year: € 10.5 million). The following major effects should be taken into account in period under review:

- Distribution costs decreased by € 1.3 million year-on-year, falling at a much faster rate than revenue at 7.2 %. The corresponding costs ratio decreased from 13.2 % in financial year 2005/2006 to 12.4 % in the period under review. This is primarily attributable to lower commission payments, which had worked out significantly higher the previous year due to the large contract, and to the elimination of costs of the direct distribution organisation in Germany, which was incorporated into a separate company with effect from 1 April 2007.
- The increase in administrative costs is due, above all, to the one-off expenses for the implementation of the cash capital increase in October 2006 (e.g. bank commissions, solicitors' fees and auditors' fees) amounting to around € 5.9 million. Legal and litigation costs also increased. Relative to revenue, the administrative expenses ratio increased significantly to 10.2 % for financial year 2006/2007 (previous year: 5.6 %); adjusted for one-off effects of the combined capital increase against cash and contribution in kind (€ 5.9 million) this ratio would have been 6.0 %.
- "Research and development costs" increased by 6.4 % year-on-year to € 12.8 million, net. This increase is partly attributable to the rise in per-

sonnel costs due to an increase in the number of employees and increased costs of clinical trials within the scope of obtaining regulatory approval for our new products.

- “Income from investments” of € 26.0 million results from a dividend distribution by the Company’s subsidiary Carl Zeiss Surgical GmbH to Carl Zeiss Meditec AG, which was recognised in the same period.
- The substantial increase in net interest income over the previous year is due - in addition to the financial investment of the proceeds of the issue from the cash capital increase in 2006, which is subject to standard market interest rates – in particular to the profit-related remuneration from a convertible bond, which was issued by

the subsidiary Atlantic S.A.S. to finance the acquisition of the shares in Ioltech S.A. (now operating as Carl Zeiss Meditec S.A.S.).

- The item “Write-downs of financial assets” includes two long-term loans of Carl Zeiss Meditec AG to Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH taken out to finance the acquisition of Acri.Tec AG and Carl Zeiss Medical Software GmbH. Both loans have a term of 10 years. Due to the low interest rate these loans were discounted by € 8.4 million to their present value.

On the whole, Carl Zeiss Meditec AG generated net income for the year of € 35.9 million (previous year: € 9.1 million).

b) Key figures relating to results of operations

Table 4: Key figures relating to results of operations (financial years 2006/2007 and 2005/2006)

Key ratio	Definition	Financial year 2006/2007	Financial year 2005/2006	Change from previous year
Return on sales	Net income	25.6 %	6.3 %	+19.3 % pts
	Revenue			
EBIT	Earnings before interest and taxes	€ 9.5 million	€ 10.3 million	- 7.8 %
EBIT return	EBIT	6.8 %	7.2 %	- 0.4 % pts
	Revenue			
Gross margin	Gross profit	36.7 %	34.3 %	+2.4 % pts
	Revenue			

Risk report

1. Risk management system/internal company control system

Risk and quality 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 to the business of Carl Zeiss Meditec in good time, evaluate them and take appropriate countermeasures, the Company has set up a risk management system. 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: Controlling at Carl Zeiss Meditec regularly and promptly informs the Management Board about risks that arise for the Company based on key ratios, thereby supplementing the risk management system.

Certified quality management: A key element of the risk management system is Carl Zeiss Meditec's certified quality management system. Clearly structured and well documented quality management processes ensure not only transparency, but in most markets they are now a prerequisite for obtaining regulatory approval and marketing medical products. The quality assurance system employed by Carl Zeiss Meditec was certified by DQS GmbH Deutsche Gesellschaft zur

Zertifizierung von Managementsystemen and conforms to the US standard for good manufacturing practice (GMP), 21 C.F.R. part 820, Quality System Regulation. A major 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 forwarded immediately to the responsible decision-makers.

The main features of this system are as follows:

- Under the direction of a central risk manager, the responsible employees regularly examine processes, operations and developments for existing risks.
- Risks are identified and evaluated using standardised risk matrices.
- Regular risk reports are sent to the Management Board of Carl Zeiss Meditec on the basis of given threshold values for relevant risks and according to the classification using the risk matrices.
- On this basis suitable steps are taken to avoid identified risks, reduce the probability of their occurrence and minimise the potential financial losses of such risks.

As with the internal reporting system, the risk management system is also subject to an internal audit from time to time. In addition, it is the subject of the annual audit by the certified auditor.

2. New technology and products

Carl Zeiss Meditec may react too late to market developments, technology trends or new medical findings and thus fall behind the competition.

The markets in which Carl Zeiss Meditec operates are characterised by a constant stream of technological innovations. Innovation skills 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. Competitors who are the first to launch innovative products for better treatment methods on the market may gain market shares from other providers. The Company's success thus depends heavily on the rapid development of innovative and market-driven products, and on the early recognition and translation of new technology trends and new medical findings into the right products. Should Carl Zeiss Meditec lose touch with technological developments on the market, react too late to major technological advancements, or fail to identify a market trend in good time or at all, this could have a substantial impact on its competitive position. There is also the risk of one or several of the Company's products being fully replaced by alternative technologies, pharmaceutical procedures or treatment methods. This could decrease or even completely eliminate demand for certain products in future, resulting in losses in sales and earnings.

Carl Zeiss Meditec actively counters this risk, however, with the measures described in "3. Market and competition".

3. Market and competition

Increased competitive pressure could lead to a drop in selling prices and/or the loss of market shares.

Competitive pressure in medical technology is expected to increase further. Some competitors are larger than Carl Zeiss Meditec in terms of their total sales and have greater financial resources at their disposal to deal with this competitive pressure. In addition, large and financially more powerful companies may buy up existing competitors or new competitors may enter the market. The resulting or heightened competitive pressure this causes may lead to lower selling prices, margin pressure and/or loss of market shares.

Carl Zeiss Meditec actively counters this risk by making substantial investments in research and development, as well as in the upstream areas of Market Intelligence, New Business Development and Advanced Technologies.

4. Reimbursement of treatment costs

The denial or reduction of cost reimbursement for certain treatments by health insurance funds, insurance companies or state health schemes could reduce the demand for Carl Zeiss Meditec products.

The costs of some medical treatments carried out with the help of the Company's products are reimbursed by health insurance funds, insurance companies or government health schemes. Changes in health and reimbursement policy in

Germany or abroad could lead to the denial of or reduction in reimbursement services. If reimbursement rates are too low, the profit margin of doctors and hospitals may decline, prompting them to suspend or restrict the performance of the respective treatments. There can also be no guarantee that patients will be willing or able to cover all or some of the costs of the treatment with products of Carl Zeiss Meditec themselves. In the case of new products, it is also impossible to predict with 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 products of Carl Zeiss Meditec.

5. Economy-related demand behaviour for privately financed treatments

Sales of devices primarily used for non-reimbursable treatments may decline as a result of a worsening of the economy or changes in demand behaviour.

Some products of Carl Zeiss Meditec, particularly lasers and peripheral devices in the area of refractive surgery, are mainly used for treatments for which patients receive no reimbursement from health insurance funds, insurance companies or government health schemes. This applies in particular to laser treatments for the correction of vision defects. The demand for such treatments may decline if the disposable income of private households decreases as a result of market condi-

tions, or if there is uncertainty about the further development of income of private households. The demand behaviour may, however, also be influenced by other factors, such as press reports about the potential risks of such treatments, or changes in fashions and trends. A decline in the demand for such treatments may result in a decline in Carl Zeiss Meditec's sales, as doctors and treatment centres will no longer purchase such equipment or not to the same extent.

6. Patent infringement

Third parties may assert claims against Carl Zeiss Meditec for infringement of industrial property rights.

Carl Zeiss Meditec markets its products worldwide. It is possible that third-party property rights exist in some countries with respect to the products marketed by the Company or the technologies it uses that Carl Zeiss Meditec is unaware of. It cannot be ruled out that third parties may assert claims of infringement of industrial property rights against Carl Zeiss Meditec in future. The appeal lodged against the asserted infringement claim may delay or prevent the delivery of the Company's products. There is also the risk that Carl Zeiss Meditec – in the event of a negative outcome of the legal proceedings – may either be obliged to enter into costly user or licence agreements, or that the Company will be prohibited from using the industrial property rights of a third party, without being able to secure an equivalent compensation.

7. Product liability risk

Es könnten Schadenersatzansprüche gegen die Carl Zeiss Meditec aus Produkthaftung geltend gemacht werden. The existing insurance cover for such claims may prove to be inadequate.

There is an inherent risk in some of the medical devices manufactured by the Company of malfunctions causing injury to patients. Even if Carl Zeiss Meditec employs all reasonable quality control measures and complies with all legal requirements, it cannot completely exclude this risk. The possibility can therefore not be ruled out that Carl Zeiss Meditec may, in future, be confronted with substantial damages claims due to product malfunctions. This may also lead to considerable legal costs, irrespective of whether a claim for damages ultimately materialises. A particular risk is posed by potential product liability claims brought against Carl Zeiss Meditec in the United States, since the damages awarded by the courts there can be quite substantial. Product liability may also require costly recall campaigns. It cannot be completely ruled out that the Company's existing insurance cover may not be sufficient for potential claims. Nor can it be guaranteed that the Company will manage to take out insurance policies against product liability risks at acceptable economic conditions in future.

8. Loss of intellectual property

Company and business secrets may leak to competitors and thus impair Carl Zeiss Meditec's competitive position.

Carl Zeiss Meditec has many company and business secrets. No guarantee can be given that the confidentiality of these business secrets will be effectively protected and remain intact. If company and business secrets of the Company leak to competitors, this could have negative effects on Carl Zeiss Meditec's competitive position.

9. Lack of patent protection

The competitiveness of Carl Zeiss Meditec may become impaired if its technological innovations cannot be adequately protected.

The Company's competitiveness depends on the protection of its technological innovations against use by third parties. In order to guarantee this, Carl Zeiss Meditec 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, lead to inventions of Carl Zeiss Meditec being used by new or existing compe-

titors to enable them to enter the market or strengthen their position. In addition, in spite of the measures taken by the Company to protect its patents and other intellectual property, third parties may attempt to copy products of Carl Zeiss Meditec in part or in their entirety, since the unauthorised use of intellectual property is generally difficult to monitor and copyright laws only offer limited protection. The Company may become involved in lengthy and costly litigation proceedings in this respect. There is no guarantee that the measures taken by Carl Zeiss Meditec to protect its own industrial property rights will successfully prevent the development and design of products or technologies that are similar to the Company's products or that could compete with these. If the technological innovations of Carl Zeiss Meditec cannot be adequately protected, this may impair the Company's competitiveness.

In order to avoid the aforementioned litigation, the Company regularly analyses patents and patent applications in the relevant fields.

10. Approval of products

The denial, the delayed granting or the retroactive withdrawal of marketing approval, or the sanctioning of sales bans on products may lead to losses in sales.

The business activities of Carl Zeiss Meditec as a company in the medical technology sector are subject, in almost all countries where the Company and its subsidiaries operate, to extensive legal regulations. Particular attention must be paid to legal requirements concerning the manufacture and marketing of medical devices. In many countries, medical technology devices require explicit marketing approval or certifications. This is the case particularly in the United States, Japan and China. Since Carl Zeiss Meditec's products are intended for a global market, they must conform as closely as possible to the relevant legal requirements worldwide. Adhering to the appropriate regulations is a key cost factor in this.

Although the relevant legal requirements are incorporated into all stages of development, production and distribution, no guarantee can be given that marketing approvals will be granted at all or in good time to allow the products of Carl Zeiss Meditec requiring approval to be launched on the market as scheduled, or that the many registrations for products of Carl Zeiss Meditec will continue to exist in future or be renewed. This may lead to substantial losses in sales. For instance, if the regulatory approval of a product is delayed, competitors may launch new products in the meantime and thereby win market shares, as a product whose market launch is delayed may, in

some circumstances, not be met with (full) acceptance. Nor can it be ruled out that the products of Carl Zeiss Meditec may be imposed with a prohibition on sale, or that the marketing approval or registration requirements may be tightened in future. This could increase registration costs further.

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

11. Contractual relationships with companies of the Carl Zeiss Group

In some areas, Carl Zeiss Meditec is dependent on contractual relationships with the Carl Zeiss Group. Should the contract conditions change to Carl Zeiss Meditec's disadvantage, it is possible that Carl Zeiss Meditec may not have any or fast enough access to other suppliers and service providers.

Carl Zeiss Meditec and the Carl Zeiss Group have close contractual relationships in some areas. This affects in particular the procurement of IT services, agreements with distribution companies of the Carl Zeiss Group to ensure the distribution of products of Carl Zeiss Meditec in various buying countries, in which the Company is not represented by its own distribution staff, lease agreements for the Group's sites in Jena-Lichtenhain, as well as the licensing of the "ZEISS" and "Carl Zeiss" brands. It cannot be ruled out that the individual companies of the Carl Zeiss Group may increase the prices of the services they render in future. With respect to IT services, distribution agreements and lease agreements, there is the risk that Carl Zeiss Meditec may not have access to other, less expensive providers in the short-term. Furthermore, the conditions of the agreements concluded with the distribution companies of the

Carl Zeiss Group may deteriorate due to unfavourable economic developments in individual countries in which the distribution companies of the Carl Zeiss Group have their headquarters. A change at short notice to other, less expensive sales channels may not be possible in such a case. With regard to the licensing of the "ZEISS" and "Carl Zeiss" brands by Carl Zeiss Meditec AG, no permanent guarantee can be given that the use of these brands will continue to be free of charge.

12. Dependence on suppliers

Carl Zeiss Meditec is dependent on external suppliers.

The Company mainly uses components from external suppliers to manufacture its products. The cooperation with external suppliers is becoming progressively more intense due to the general cost pressure and the complexity of the components being supplied, which leads to mutual dependencies. Outsourcing contracts to third parties involves the risk of non-delivery or delivery delays, if individual business or cooperation partners fail to meet their obligations properly or at all. No guarantee can be given that external suppliers will not raise the prices of services rendered in the future. In addition, suppliers may decide, for any number of reasons, to terminate their business relationships with the Company. Qualifying new suppliers, which would be necessary in this case, may take a long time. In addition, Carl Zeiss Meditec may be obliged to account for the breaches of duty of its business and cooperation partners with respect to its own customers. This could have negative implications for the production, sales and the quality of Carl Zeiss Meditec's products.

Carl Zeiss Meditec protects itself from this risk as far as possible by qualifying its suppliers, identifying secondary suppliers and setting up a strategic procurement plan.

13. Personnel risks

Product enhancement and the development of new products and the distribution activities of Carl Zeiss Meditec may become impaired if it fails to continue recruiting and retaining enough qualified employees.

The Company's success is significantly influenced by the development of innovative products and technologies. Carl Zeiss Meditec's ability to develop, advance and successfully market new and existing products and technologies depends on its ability to recruit well qualified employees and keep them with the Company long term. When searching for qualified employees Carl Zeiss Meditec competes with many other companies in the same sector. Should it fail to continue recruiting and retaining enough qualified employees, this could have a negative impact on the technical advancement and sale of the products and services offered by Carl Zeiss Meditec.

14. Subsidiaries

Carl Zeiss Meditec is indirectly exposed to the respective risk environment of its subsidiaries. Relations with its subsidiaries can result in statutory and contractual liabilities.

A further potential risk in this respect consists in the impairment of the investment book value of the subsidiaries Carl Zeiss Surgical GmbH, Oberkochen, Germany, Carl Zeiss Meditec, Inc., Dublin, USA, Carl Zeiss Meditec Systems GmbH, Jena, Germany, Carl Zeiss Meditec Iberia S.A., Madrid, Spain, and Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany. These companies were stated at their fair value at the date of acquisition or contribution in kind. This risk would only exist, however, in the event of a permanent deterioration in the net assets, financial position and results of operations of these subsidiaries. In this case, Carl Zeiss Meditec AG would be forced to recognise a lower invest-

ment book value as an expense. This would have negative effects on the net retained profits potentially generated in the respective period and could thus reduce potential dividend payments.

Additional risk potential arises from the subscribed convertible bond with a value of € 103.0 million, which was issued by Atlantic S.A.S. to finance the acquisition of the shares in Ioltech S.A. (today Carl Zeiss Meditec S.A.S.), due to its long term of 10 years. This risk to financial assets would only exist in the event of a permanent deterioration of the net assets, financial position and results of operations of the issuing subsidiary.

15. Legal risks

Within the scope of its business activities Carl Zeiss Meditec is party to various litigation proceedings or may become involved in such proceedings in future. 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 its outcome.

Current litigation risks arise from the claim for lost earnings of € 1.8 million filed by Intermeda Medikal & Sanayi ve Tic. Ltd. Sirk, Turkey ("Intermeda"), a distributor for Asclepion for dermatological lasers, as well as the damages claim asserted by a former exclusive dealer in Saudi Arabia due to Carl Zeiss Meditec's attempts to terminate the trading relationship.

In the case versus Intermeda, Carl Zeiss Meditec AG's appeal before the Higher Regional Court in Jena resulted in the Company being ordered to pay damages currently estimated at € 1.2 million, thus upholding the first-instance verdict of Gera District Court. In return, Intermeda was ordered, by way of a partial verdict, to pay the Company € 0.5 million.

The damages claim asserted by a former exclusive dealer of Carl Zeiss Meditec due to improper termination of the trading relationship is currently

at the service of process stage and is expected to be heard before the court of arbitration of the International Chamber of Commerce in Paris.

Carl Zeiss Meditec won two rounds of proceedings in the case against US Medical (cost reimbursement claim asserted by a former Asclepion distribution partner, U.S. Medical, Inc., Denver, USA ("US Medical")), in the amount of US\$ 0.8 million (€ 0.7 million); as a result, the maximum potential damages for which the Company may be made liable have fallen to the equivalent of about € 0.1 million. US Medical, which is insolvent, will be represented in the proceedings by its insolvency solicitor. The parties are in dispute over an asset transfer that occurred before the insolvency.

The Company has taken adequate precautions for these cases for the time being by setting up provisions.

16. Other disclosures pursuant to Art. 289 Section 2 No. 2 b HGB

Price change risks can never be ruled out. However, Carl Zeiss Meditec counters these risks by focusing on product innovations and optimising its production costs.

Potential risks arising from the loss of trade receivables are minimised by an active accounts receivable management system. The Company also regularly sets up adequate provisions to cover such risks. On the whole, however, this can be regarded as a limited risk.

The financial situation of Carl Zeiss Meditec can be considered stable. Cash and cash equivalents amounted to € 145.0 million at the balance sheet date 30 September 2007. These are added to receivables from the Group Treasury of Carl Zeiss AG of € 1.5 million (see "12. Net assets" for further information). The Company also generated cash flow from operating activities of € 12.9 million in the period under review. There are therefore no liquidity risks at the present time.

The Company 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 risk of currency rate fluctuations and has entered into currency forward contracts to hedge against its exchange risks based on planned transactions in foreign currencies. These contracts generally cover a period of up to one year. These hedging transactions are combined as a unit of valuation with the underlying transaction; receivables and payables denominated in foreign currency are valued at the hedging rate. The fair value of forward currency 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 to the contracted forward exchange rate. As of 30 September 2007 Carl Zeiss Meditec had currency forward contracts with a total nominal value of € 11,030 thousand at a fair value of € 57 thousand.

Research and development report

1. General information

Carl Zeiss Meditec AG invested a total of € 12.8 million in research and development (R&D) in financial year 2006/2007 (previous year: € 12.0 million). These expenses include subsidies of € 0.5 million (previous year: € 0.6 million). At 9.1 % of revenue, the R&D ratio fell slightly year-on-year (previous year: 8.4 %). This development is mainly due to the slightly downward trend in revenue

compared with the previous year accompanied by a rise in R&D expenses of 6.4 %.

Carl Zeiss Meditec had an average of 85 R&D employees during financial year 2006/2007. This corresponds to 26.3 % of all employees of the Company.

2. Projects

The following table gives an overview of Carl Zeiss Meditec's main research and development activities in the period under review, which illustrate the Company's innovative strength.

Table 5: Major R&D projects of Carl Zeiss Meditec AG in financial year 2006/2007

Focal point	Activities
Consistent further development of the existing product portfolio	<ul style="list-style-type: none"> • Projects to further expand the platform of the diagnostic system VISUCAM^{PRO NM} • Project to expand the technical and practical functioning of IOLMaster® • Preparation for the market launch of the VISULAS® 690^{plus} for use in photodynamic therapy
Development of new products	<ul style="list-style-type: none"> • Preparation for the market launch of the femtosecond laser VisuMax® • Work to develop new technologies for fundus diagnosis • Multi-wavelength laser for the treatment of various retinal diseases • Software solution to integrate devices and systems into existing networks
Basic research	<ul style="list-style-type: none"> • Ongoing investigation and evaluation of new technologies for application in ophthalmology • Cooperation with external research partners (universities and institutes), e.g. projects for functional imaging of the retina, development of femtosecond laser technology for procedures on the lens

Supplementary report

In September 2007 Carl Zeiss Meditec announced the complete takeover of Acri.Tec AG, Hennigsdorf. The Company intends for this to accelerate the pace of development in its ophthalmic surgery business. The product ranges of Carl Zeiss Meditec and Acri.Tec complement each other perfectly. Together, both companies will enjoy an even better position on the market and will cover the entire product spectrum in this sector. Acri.Tec also holds a very good market position in Germany: in addition to France, therefore, the Company has now strengthened its market position in the IOL/ consumables business in Germany, too. The acquisition of Acri.Tec by the wholly owned subsidiary of Carl Zeiss Meditec AG, Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH ("Carl Zeiss Meditec Asset Management") was completed with effect from 1 October 2007.

In October 2007 Dr. Ludwin Monz was appointed as another member of the Company's Management Board.

Forecast report

1. Economic conditions⁶

The Joint Economic Forecast project group expects a global increase of 3.0% in real gross domestic product. Global growth will thus lose some of its momentum (2007: 3.2%). The project group predicted unchanged nominal exchange rates, a constant oil price and no increase in interest rates in the eurozone until the second half of 2008. Economic researchers see risks in the correction on the property market in the USA, which is more significant than previously forecast. As a result, private consumption in the USA will only now noticeably lose momentum, whereas, previously, the weakness in the US economy was mainly concentrated on housing. In the eurozone, the appreciation of the euro has an additional curbing effect. To date, the economic downturn in the USA is barely noticeable in the emerging markets.⁷

GDP is expected to increase by 2.1% in the USA in 2008 (2007: 1.9%). The growth rate experienced in Japan this year is expected to decline in 2008, although there will be no economic slump to speak of (2008: 2.0%; 2007: 2.2%).⁸

The Joint Economic Forecast project group forecasts an average increase in real gross domestic product of just 2.1% for the year in the eurozone. The project group attributes this slowdown in growth in particular to the curbing effects of foreign trade: there will be a further weakening of the US economy before it improves. In addition, the appreciation of the euro hinders competition among producers in the eurozone.⁹

The project group forecasts a rise in GDP in Germany of 2.2%.¹⁰

⁶ Projektgruppe Gemeinschaftsdiagnose (Hg.): Herbst 2007 „Aufschwung legt Pause ein, Gemeinschaftsdiagnose Herbst 2007, 18. Oktober 2007, Essen

⁷ Cf. *ibid.*, p. 12

⁸ Cf. *ibid.*, p. 12

⁹ Cf. *ibid.*, p. 26

¹⁰ Cf. *ibid.*, p. 31

2. Strategy

The general conditions under which our business will develop over the next few years are mostly favourable. Firstly, greater life expectancy is leading to a desire to keep the quality of life of very many people at the highest possible level, even well into old age. We have the solutions for treating key age-related medical conditions. Secondly, aside from the industrialised countries, the rapidly-growing populations of emerging economies have greater access, thanks to their increasing affluence, to improved healthcare. And thirdly, the latest developments in the fields of information technology, medicine and pharmacy are opening up greater room for manoeuvre for our innovations.

The acquisition of Carl Zeiss Surgical was in line with the continuation of Carl Zeiss Meditec's existing growth strategy. The aim of this transaction is to secure and further expand the Company's profitable growth to date, to consolidate its market position with respect to competitors and to increase the Company's attractiveness as a partner for its customers and for potential cooperation partners. The core elements of Carl Zeiss Meditec's strategy are as follows:

- Continual development and expansion of current business operations, both in terms of our products/product portfolio e.g. by strengthening our customer focus, and distribution efficiency;
- Growth through expansion both in the market segments of medical technology already addressed and through entry into adjacent market segments;
- Taking advantage of future growth opportunities, e.g. through new applications or the development of technically highly innovative new products.

3. Competitive strengths

Our strategy is based on a range of competitive strengths that we believe the Carl Zeiss Meditec Group has. These include in particular:

- the use of the world-renowned and reputed "ZEISS" brand;
- leading market positions in the devices and systems markets for ophthalmology and in the visualisation segment of the market for neuro-/ENT surgery, in the Company's estimation;
- global presence of Carl Zeiss Meditec via its own subsidiaries in the main medical technology markets Germany, France, Spain, the United States and Japan, and through the use of the Carl Zeiss Group's distribution network in other markets;
- a broad product range in ophthalmology, which enables the Company to offer integrated solutions;
- a high level of innovative strength, which is to be further increased through the bundling of resources of the Carl Zeiss Meditec Group in the field of research and development;
- application skills in various medical fields and extensive technical expertise in the relevant areas, which will also promote the development of innovative products in future, and
- an experienced management team, whose members have many years of experience at an international level in the medical technology field.

4. Planning assumptions

In accordance with the leading economic research institutes, Carl Zeiss Meditec is forecasting a global increase in GDP of around 3% next year. Given the current situation, this growth trend should

also continue the year after that. In the case of the markets addressed by the Company, Carl Zeiss Meditec is assuming growth rates of between 4% and 10%, depending on the market segment.

Risks we see for this forecast include in particular a deterioration of the global economy, the emergence of new treatment methods not anticipated by us and a change in the cost reimbursement policy for certain treatments in individual markets.

Part of the future development of Carl Zeiss Meditec also depends on the availability of meaningful external growth opportunities. Whether these can actually be realised depends, however, on the availability of suitable companies or cooperation partners at acceptable economic conditions.

5. Outlook

Based on the general conditions and planning assumptions above, we assume that we will be able to continue our successful business development in the next two financial years. Further expansion of our product range and the systematic development of new markets and segments will bring Carl Zeiss Meditec opportunities, thus creating the potential for further profitable growth. Another decisive criterion for the Company to expand its competitive position in the field of ophthalmology is having all-round technological and application expertise. As before, therefore, we plan to invest about 10% of revenue in research and development.

In ophthalmology, we expect to continue to secure and expand our market position in the Diagnosis and Laser segments, particularly on the basis of our innovative product portfolio. The new femtosecond laser VisuMax® will start making contributions to sales for the first time in the new financial year 2007/2008. Further impetus for growth may arise in the medium term from the progressive networking of individual diagnostic and treatment systems.

Carl Zeiss Meditec has been on a sound and profitable growth course for years now, which was highlighted in March 2007 by its admission to the selected technology index, TecDAX, of the German Stock Exchange.

The revenue of Carl Zeiss Meditec AG, Jena has increased continually since financial year 2002/2003, rising from € 102.9 million to € 140.4 million in the past financial year 2006/2007. This corresponds to growth of 36.5%. At the same time, the Company's earnings power also increased at a substantially faster rate than sales.

The Company's aim is to continue to significantly increase its sales until 2012 and to thus make an appropriate contribution to the growth planned for the Group by this time. This is also expected to sustainably increase the Company's earnings power.

Report on the remuneration of the Management Board and Supervisory Board

1. Remuneration of the Management Board

Structure and amount of remuneration paid to the Management Board

The Supervisory Board's Personnel Committee decides on the amount and structure of remuneration to be paid to the Management Board. The remuneration paid to the Management Board of Carl Zeiss Meditec AG consists of a fixed and a variable portion. The latter is split into one component that is contingent upon the achievement of certain targets for the respective financial year and one component with 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 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 paid depends on the degree to which the targets were achieved.

In addition to the two portions of Management Board remuneration described above, there is also a Long Term Incentive Programme (“LTIP”), which was effective for the first time for financial year 2005/2006. This programme consists of a remuneration component with a long-term incentive effect and risk elements. The LTIP for Management Board members Krauss and Hirsch has a term until 30 September 2008. Within the scope of this LTIP both Management Board members may achieve an additional target income of € 240 thousand after this three-year period. A key requisite for being entitled to this payment, however, is the achievement of a certain targets set by the Supervisory Board for the three-year period, which will be evaluated as of 30 September 2008. Most of the definitive criteria relate to a 3-year EVA®-target, which is supplemented by a function-related target. In addition, the respective Management Board member’s contract of employment

may not have been terminated as of 30 September 2008. 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. The accrued amounts are not earned until the end of the period, however, and are only paid out at this time if the respective targets have been sufficiently met. In the event of a reduction in the degree to which targets are achieved during this period, the provisions already set up are reversed. In financial year 2006/2007 separate provisions of € 112 thousand were set up for each of the Management Board members Krauss and Hirsch within the scope of the LTIP.

The LTIP offered to Management Board member Taylor as part of his remuneration package with Carl Zeiss Meditec, Inc. takes peculiarities of the US market into consideration. The achievement of objectives is geared towards the achievement of annual targets and thus to the achievement of the variable remuneration specified on an annual basis, with the distinction that payment is only made if the beneficiary does not terminate his contract of employment during the period of the programme. The LTIP for Mr Taylor has a term of at least three years. In addition, the beneficiary has the option to extend it to a maximum term of five years. During the term of the programme the balance earned gains interest at a rate that increases with the beneficiary’s length of service.

Table 6: Itemised breakdown of remuneration paid to the members of the Management Board of Carl Zeiss Meditec (in € '000)

	Fixed remuneration component	Variable remuneration (performance-related) ¹¹	Total remuneration for financial year 2006/2007
Ulrich Krauss	196	139	335
Bernd Hirsch	191	150	341
James L. Taylor ¹²	No remuneration	No remuneration	No remuneration

¹¹ Including additional expense for the previous year

¹² James L. Taylor is remunerated for his activities as Chief Executive Officer (CEO) by the US subsidiary Carl Zeiss Meditec, Inc. He does not receive any additional remuneration for his additional activities as a member of Carl Zeiss Meditec AG’s Management Board

James L. Taylor is remunerated for his activities as Chief Executive Officer (CEO) by the US subsidiary Carl Zeiss Meditec, Inc. He does not receive any additional remuneration for his additional activities as a member of Carl Zeiss Meditec AG's Management Board.

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. According to the HGB this amounted to € 47 thousand for Management Board member Krauss and to € 20 thousand for Management Board member Hirsch. No pension provisions are set up for Management Board member Taylor at Carl Zeiss Meditec AG. Projected unit credits for pensions for former members of the Company's Management Board amounted to € 156 thousand.

Premature termination of the employment contract of members of the Management Board

In the event of a premature termination of the employment relationship, the contracts for members of the Management Board do not contain any ex-

press promise of a severance payment. Severance payment may, however, ensue from a severance agreement concluded on an individual basis.

2. Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is calculated according to Art. 19 Section 1 of the current version of the Articles of Association of Carl Zeiss Meditec AG. In accordance with the Articles of Association, the Supervisory Board itself decides how the performance-related remuneration is divided amongst its members. When deciding the remuneration to be paid, account is to be taken of the Chair and Deputy Chair of the Supervisory Board and committee membership (for a list of the members of committees see the notes to these annual financial statements). 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. Functions on Supervisory Board committees are also taken into consideration when distributing the performance-related remuneration. The table below shows a breakdown of the remuneration of the Supervisory Board:

Table 7: Itemised presentation of the remuneration paid to individuals on the Supervisory Board of Carl Zeiss Meditec AG in financial year 2006/2007 (pursuant to Art. 19 Section 1 of the Company's Articles of Association; figures in € '000)

	Fixed remuneration	Performance-related remuneration
Dr. Michael Kaschke	20.0	45.1
Alexander von Witzleben ¹³	10.0	21.5
Dr. Markus Guthoff	10.0	38.7
Dr. Dieter Kurz	10.0	32.2
Dr. Wolfgang Reim ¹⁴	1.2	3.6
Franz-Jörg Stündel ¹⁵	10.0	32.2
Wilhelm Burmeister ¹⁵	10.0	25.8

¹³ Member of the Supervisory Board until 31 May 2007

¹⁴ Member of the Supervisory Board since 17 August 2007

¹⁵ Employee representative legally appointed to the Supervisory Board on a voluntary basis

The Company did not pay any further remuneration or benefits for personally rendered services (in particular consultancy and agency services) to the members of the Supervisory Board in financial year 2006/2007.

Disclosures pursuant to Art. 289 Section 4 HGB

The share capital of Carl Zeiss Meditec AG amounts to € 81,309,610,00 and is composed of 81,309,610 no-par value ordinary bearer shares (no-par value shares). Each share entitles the bearer to one voting right and an equal share in Company profits.

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

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

Pursuant to Art. 179 and Art. 133 AktG, an amendment to the Articles of Association requires a resolution by the General Meeting which, in turn, requires a simple majority of the votes cast and a majority comprising at least three quarters of the share capital represented at the time the resolution is passed. The Articles of Association may specify a different capital majority; in the case of an amendment to the purpose of the Company, however, only a larger capital majority may be specified. Art. 24 of Carl Zeiss Meditec AG's Arti-

cles of Association states that in cases for which the law requires a majority of the share capital represented at the time of resolution, a simple majority of the share capital represented is sufficient, provided that a greater majority is not mandatory by law. In accordance with Art. 27 of the Articles of Association of Carl Zeiss Meditec AG, the Supervisory Board is authorised to resolve amendments to the Articles of Association that only affect the version. This complies with Art. 179 Section 1 Sentence 2 AktG.

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

Pursuant to Art. 4 Section 5 of the Articles of Association of Carl Zeiss Meditec AG, the Company has an Authorised Capital I. Accordingly, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital, on one or several occasions 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, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders in the following cases:

- to balance out fractional amounts,
- if the capital increase is effected against cash contributions and the new shares, for which 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 own shares on the basis of other authorisations pursuant to Art. 186 Section 3 sentence 4 AktG must be taken into account in the limitation to 10 % of the share capital,

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

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

This resolution was entered in the Company's commercial register on 26 October 2006.

Pursuant to Art. 4 Section 6 of the Articles of Association of Carl Zeiss Meditec AG, the Company still has an Authorised Capital II. This authorises the Management Board, subject to the approval of the Supervisory Board, to increase the Company's share capital, on one or several occasions until 18 March 2009, by a maximum of € 1,000,000.00 by issuing new no-par-value bearer shares against cash contributions and/or contributions in kind.

The new shares will be issued to employees of Carl Zeiss Meditec AG and its subsidiaries. Shareholders' subscription rights are excluded. The Management Board is authorised, subject to the approval of the Supervisory Board, to specify the further details of capital increases from Authorised Capital II.

Based on the resolution of the General Meeting of Carl Zeiss Meditec AG dated 9 March 2007, the Management Board is authorised to purchase own shares. This authorisation is valid until 8 September 2008. The shares may be acquired to:

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

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

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

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

Explanatory report of the Management Board of Carl Zeiss Meditec AG on the disclosures pursuant to Art. 289 Section 4 HGB

As an introduction please refer to the above disclosures pursuant to Art. 289 Section 4 HGB, 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 preceding disclosures do not exist. Nor are there restrictions on behalf of Carl Zeiss Meditec AG concerning the voting rights or transfer of shares. Furthermore, the Management Board is not aware of any other agreements concluded, for example, between individual shareholders.

The voting rights announcement last issued by Carl Zeiss AG pursuant to Art. 21 Section 1, Art. 22 Section 1 Sentence 1 No. 1 German Securities Trading Act (*Wertpapierhandelsgesetz, WpHG*) is dated 15 February 2006. Another voting rights announcement in connection with Germany's Transparency Directive Implementation Act (*Transparenzrichtlinie-Umsetzungsgesetz, TUG*) by 20 January 2007 was not required due to Art. 41 Section 4a Sentence 2 WpHG. The voting rights announcement pursuant to Art. 21 Section 1, Art. 24 WpHG, which was issued by Carl Zeiss AG on behalf of Carl Zeiss Inc., is dated 27 October 2006. All of the voting rights announcements mentioned above can be inspected on the Company's website at: www.meditec.zeiss.com/ir, "Corporate Governance – Mandatory publications".

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

Pursuant to Art. 179 and Art. 133 AktG, an amendment to the Articles of Association requires a resolution by the General Meeting which, in turn, requires a simple majority of the votes cast and a majority comprising at least three quarters

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

The legal provisions concerning the appointment and dismissal of members of the Management Board are set forth in Art. 84 and Art. 85 AktG. In compliance with these provisions Art. 6 Section 2 of the Articles of Association of Carl Zeiss Meditec AG stipulates that the Supervisory Board should be responsible for appointing and dismissing the members of the Management Board. Pursuant to statutory provisions, a member of the Management Board may only be dismissed for compelling 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 2007 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 2007".

Closing statement on the dependent company report

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

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

Carl Zeiss Meditec AG



Ulrich Krauss
President and CEO



Bernd Hirsch
Member of the
Management Board



Dr. Ludwin Monz
Member of the
Management Board



James L. Taylor
Member of the
Management Board

Declaration of the Management Board pursuant to Art. 264 Section 2 Sentence 3 HGB

To the best of our knowledge and in accordance with the applicable principles for reporting, the annual financial statements of Carl Zeiss Meditec AG give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report includes gives a true and fair view of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks.

Jena, 30 November 2007

Income statement for financial years 2006/2007 and 2005/2006 (HGB)

Figures in € '000	Notes	Financial year	
		2006/2007	2005/2006
Sales revenues	(20)	140,427	142,667
Cost of revenues		(89,238)	(93,703)
Gross profit		51,189	48,964
Selling and marketing expenses		(17,425)	(18,769)
General and administrative expenses		(14,310)	(8,047)
Research and development expenses minus government grants received		(13,282) 468	(12,635) 592
Other operating income	(23)	3,929	972
Other operating expense	(24)	(1,079)	(734)
Income from participations	(25)	26,000	–
Income from long term loans	(25)	4,664	188
Other interest and similiar income	(25)	5,590	97
Amortisation of financial assets		(8,366)	–
Interest and similiar expense	(25)	(127)	(142)
Result from ordinary activities		37,251	10,486
Taxes on income and earnings	(26)	(1,369)	(1,435)
Net income		35,882	9,051
Retained profits/(accumulated losses) brought forward		24,087	20,240
Withdrawal from reserve for own shares (previous year: Transfer)		–	4
Transfer to capital reserve (previous year: Withdrawal)		–	(4)
Dividend		(11,383)	(5,204)
Retained earnings		48,586	24,087

The following notes to the financial statements are an integral part of the single-entity financial statements.

Balance sheet as of 30 September 2007 and as of 30 September 2006 (HGB)

Figures in € '000	Notes	30.09.2007	30.09.2006
ASSETS			
Fixed assets	(7)		
Intangible fixed assets			
Concessions, industrial property rights and similar rights and assets including licenses for such rights and assets		519	600
Tangible fixed assets			
Land and buildings including buildings on third-party land		82	97
Plant and machinery		77	74
Other fixtures and fittings, tools and equipment		2,405	2,066
Advance payments and assets under construction		–	34
		2,564	2,271
Financial assets			
Shares in affiliated undertakings		459,283	137,369
Loans to affiliated undertakings		120,657	104,023
Securities incl. in non-current assets		2,434	–
Other loans		302	1,757
		582,676	243,149
		585,759	246,020
Current assets			
Inventories	(8)		
Raw materials and supplies		9,117	8,551
Work in progress		7,533	4,672
Finished goods and goods for re-sale		6,713	6,735
On-account payments		30	–
Advance payments received		-1,296	-665
		22,097	19,293
Accounts receivable and other assets			
Trade accounts receivable	(9)	5,192	5,651
Due from affiliated companies	(10)	49,487	14,536
Other assets	(11)	1,074	1,051
		55,753	21,238
Investments			
Own shares (treasury stock)	(12)	3,351	–
Cash on hand and cash in banking accounts	(13)	145,007	5,007
		226,208	45,538
Prepayments and accrued income	(14)	129	112
Total assets		812,096	291,670

The following notes to the financial statements are an integral part of the single-entity financial statements.

Figures in € '000	Notes	30.09.2007	30.09.2006
LIABILITIES AND SHAREHOLDER EQUITY			
Shareholders' equity	(15)		
Share capital		81,310	32,524
Additional paid-in capital		646,454	202,503
Retained earnings			
Other retained earnings		1,558	1,558
Accumulated profit		48,586	24,087
		777,908	260,672
Accrued expenses	(16)		
Provisions for pensions and similiar obligations		2,926	2,359
Provisions for taxation		502	1,316
Other provisions		16,749	14,615
		20,177	18,290
Liabilities	(17)		
Trade accounts payable		6,812	5,608
Due to affiliated companies	(10)	6,169	6,157
Other liabilities		963	802
		13,944	12,567
Deferred income	(18)	67	141
Total liabilities and shareholder equity		812,096	291,670

The following notes to the financial statements are an integral part of the single-entity financial statements.

Fixed-asset movement schedule (gross presentation)

Figures in € '000	Cost of conversion/purchase				30.09.2007
	01.10.2006	Additions	Transfers (+/-)	Disposals	
Intangible fixed assets					
Concessions, industrial property rights and similar rights and assets	1,016	99	–	–	1,115
Tangible fixed assets					
Land and buildings including buildings on third-party land	302	25	–	–	327
Plant and machinery	183	24	–	–	207
Other fixtures and fittings, tools and equipment	7,168	1,704	–	619	8,253
Advance payments and assets under construction	34	13	–	47	–
	7,687	1,766	–	666	8,787
Financial assets					
Shares in affiliated undertakings	137,369	321,914	–	–	459,283
Loans to affiliated undertakings	104,023	25,000	–	–	129,023
Investments	4,668	–	–	–	4,668
Loans to undertakings which are linked by participating interest	1,067	–	–	–	1,067
Securities held as assets	–	851	1,750	167	2,434
Other loans	1,757	298	(1,750)	3	302
	248,884	348,063	–	170	596,777
	257,587	349,928	–	836	606,679

The following notes to the financial statements are an integral part of the single-entity financial statements.

Figures in € '000	Accumulated depreciation			Net book value		
	01.10.2006	Depreciation of the financial year	Disposals	30.09.2007	30.09.2007	01.10.2006
Intangible fixed assets						
Concessions, industrial property rights and similar rights and assets	416	180	–	596	519	600
Tangible fixed assets						
Land and buildings including buildings on third-party land	205	40	–	245	82	97
Plant and machinery	109	21	–	130	77	74
Other fixtures and fittings, tools and equipment	5,102	1,160	414	5,848	2,405	2,066
Advance payments and assets under construction	–	–	–	–	–	34
	5,416	1,221	414	6,223	2,564	2,271
Financial assets						
Shares in affiliated undertakings	–	–	–	–	459,283	137,369
Loans to affiliated undertakings	–	8,366	–	8,366	120,657	104,023
Investments	4,668	–	–	4,668	–	–
Loans to undertakings which are linked by participating interest	1,067	–	–	1,067	–	–
Securities held as assets	–	–	–	–	2,434	–
Other loans	–	–	–	–	302	1,757
	5,735	8,366	–	14,101	582,676	243,149
	11,567	9,767	414	20,920	585,759	246,020

The following notes to the financial statements are an integral part of the single-entity financial statements.

Notes for financial year 2006/2007

General information and explanatory notes to the annual financial statements

(1) Description of operations

Carl Zeiss Meditec AG, Jena ("Carl Zeiss Meditec" or the "Company") is engaged in the business of developing, manufacturing and marketing products and systems and rendering services for diagnosis and treatment in the field of medical technology. The headquarters of the parent company, Carl Zeiss Meditec AG, are located in Jena, Germany's traditional centre of excellence for optical and optical-related technologies. The Company has significant subsidiaries in the USA (100% interest), in Germany (100% interest), in France (100% interest), in Spain (100% interest) and in Japan (51% interest). Together, these form the Carl Zeiss Meditec Group (the "Group").

The Company's customers are ophthalmologists in private practice, surgeons, optometrists, opticians and clinics worldwide.

(2) Foundation, stock exchange listing

Carl Zeiss Meditec AG was founded on 4 October 1995 as Aesculap-Meditec GmbH with its registered office in Jena.

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

In 2002 Carl Zeiss Ophthalmic Systems AG conveyed its assets in their entirety to Asclepion in the course of a merger.

In this process Asclepion Meditec AG was renamed Carl Zeiss Meditec AG.

(3) Development of share capital and reserves in financial year 2006/2007

Authorised Capital I

The Annual General Meeting on 10 March 2006 resolved to eliminate the existing authorised and partially utilised capital and to authorise the Management Board, with the consent of the Supervisory Board, to increase the share capital by up to € 39,654,800.00 by issuing new no-par-value bearer shares against cash contribution or contribution in kind until 9 March 2011 (Authorised Capital I).

By this resolution of the Annual General Meeting on 10 March 2006 the Management Board was authorised, subject to the approval of the Supervisory Board, to exclude the subscription rights of shareholders in certain cases. The exclusion of the subscription rights is only permissible in the following cases:

- to balance out fractional amounts,
- if the capital increase is effected against cash contributions and the New Shares, for which subscription rights are excluded, are equivalent to no more than 10% of the existing 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 own shares on the basis of other authorisations pursuant to Art. 186 Section 3 sentence 4 AktG must be taken into account in the limitation to 10% of the share capital,
- for capital increases against contributions in kind to grant shares for the purpose of acquiring companies, parts of companies or equity interests in companies.

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

This resolution was entered in the Company's commercial register on 26 October 2006.

Authorised Capital II

The Annual General Meeting on 19 March 2004 resolved to authorise the Management Board, with the consent of the Supervisory Board, to increase the share capital of the Company by up to € 1,000,000.00 by issuing new no-par-value bearer shares against cash contribution or contribution in kind until 18 March 2009 (Authorised Capital I). The New Shares can be issued to employees of Carl Zeiss Meditec AG and its subsidiaries. Shareholders' subscription rights are thus excluded. The Management Board was authorised, subject to the approval of the Supervisory Board, to specify the further details of capital increases from Authorised Capital II.

No shares were subscribed from Authorised Capital II in financial year 2006/2007.

Treasury stock

By way of a resolution of the Ordinary General Meeting on 9 March 2007, Carl Zeiss Meditec AG was authorised to purchase treasury shares until 8 September 2008 up to a value of € 8,130,000.00 – equivalent to less than 10 % of the share capital of € 81,309,610.00 – to offer them for subscription to employees of the Company and its associates pursuant to Art. 15ff AktG or to utilise them within the scope of mergers with other companies, or for acquiring companies, parts of companies or equity interests in companies, or to retract them.

Until the resolution on the Annual General Meeting on 9 March 2007 the Company was also authorized to acquire own shares up to a certain amount. In financial year 2006/2007 the Company acquired a further 20,000 shares within the scope of this authorisation and issued a total of 5,967 shares to the preferred group of employees in financial year 2006/2007.

Table 1

	Shares	Amount in €	Share in share capital (%)
Holdings as of 30 September 2006	0	0	0
Purchase on 05.01.2007	20,000	325,210	0.025
Issued to employees on 28.02.2007	-5,967	97,026	0.008
Sale on 07.03.2007*	14,033	228,184	0.017
Holdings as of 30 September 2007	0	0	0

* including price difference cost of € 860.22

(4) Capital increase against cash and contribution in kind October 2006

By way of a resolution of the Ordinary General Meeting of Carl Zeiss Meditec AG on 10 March 2006, the Company's share capital was increased by € 48,785,766.00 from € 32,523,844.00 to € 81,309,610.00, against cash and contributions in kind, by way of the issue of 48,785,766 new no-par value bearer shares, each with a proportional interest in the share capital of € 1.00. The capital increase against cash/contribution in kind was implemented in accordance with Art. 182, 183 AktG.

The new shares entitle the bearer to a dividend for all financial years for which the Company's General Meeting has not yet passed a resolution on the utilisation of profits.

The new shares were issued in part against a contribution in kind and in part against a cash payment at a subscription ratio of 2:3 and a subscription price of € 10.10 as follows:

- a) The shareholder Carl Zeiss AG, Oberkochen, purchased 25,426,038 new no-par-value bearer shares against contribution in kind by exercising 16,950,692 of the subscription rights allocated to it. The contribution in kind consisted of Carl Zeiss AG's holding (an interest with a nominal value of € 3,975,000.00 and an interest with a nominal value of € 25,000.00) in Oberkochen-based Carl Zeiss Surgical GmbH, which is entered in the commercial register of Aalen Local Court under HRB 1602-A, and whose sole shareholder is Carl Zeiss AG. Carl Zeiss AG gradually transferred its interests in Carl Zeiss Surgical GmbH to Carl Zeiss Meditec AG against the issue of the new shares with economic effect as of 1 October 2005.
- b) The shareholder Carl Zeiss, Inc., Thornwood, USA, purchased 6,074,256 new no-par value bearer shares against a contribution in kind by exercising 4,049,504 of the subscription rights

allocated to it. The contribution in kind consisted of Carl Zeiss, Inc.'s holding (200 shares with a nominal value of US\$ 0.01 per share) in Carl Zeiss Surgical, Inc., which has its registered office in Dublin, USA, and whose sole shareholder is Carl Zeiss, Inc. Carl Zeiss, Inc. gradually transferred its interest in Carl Zeiss Surgical, Inc. to Carl Zeiss Meditec AG by issuing new shares with economic effect as of 1 October 2005.

- c) The remaining number of new, no-par value bearer shares – a total of 17,285,472 no-par value shares – to be issued within the scope of the performance of the capital increase was issued against cash contributions. Carl Zeiss AG and Carl Zeiss, Inc. were only able to purchase shares against cash contributions to the extent to which they had not already exercised the subscription rights allocated to them by purchasing new no-par value shares against the contribution in kind described under a) and b).

The implementation of the capital increase was entered in the Company's commercial register on 26 October 2006 and has since come into effect.

(5) Annual financial statements according to HGB and AktG, consolidated financial statements

The figures in the annual financial statements of Carl Zeiss Meditec for the financial year ending 30 September 2007 are stated in thousands of euro – unless specified otherwise – in accordance with the provisions of the German Commercial code (HGB) and the German Stock Corporation Act (AktG).

The income statement was prepared using the cost of sales format.

The Company's annual financial statements will be incorporated in the consolidated financial statements of Carl Zeiss AG, Oberkochen. The consolidated financial statements of Carl Zeiss AG

will be published in the electronic edition of the Federal Gazette (*Bundesanzeiger*).

The Company also prepares consolidated financial statements according to International Financial Reporting Standards (IFRS). The consolidated financial statements of Carl Zeiss Meditec AG will be published in the electronic edition of the Federal Gazette (*Bundesanzeiger*). The consolidated financial statements can be obtained from Carl Zeiss Meditec AG in Jena on request. It will also be made available on the homepage of Carl Zeiss Meditec AG under <http://www.meditec.zeiss.de>.

(6) Information and notes on accounting and valuation methods

The accounting and valuation methods from the previous year have been applied unchanged.

Fixed assets

Intangible assets

The intangible assets capitalised at acquisition cost are depreciated on a pro rata basis using the straight-line method over their respective useful lives (three years for software and three to ten years for patents and licenses).

Property, plant and equipment

Additions are capitalised at acquisition or production cost. Disposals are booked at acquisition cost less cumulative depreciation and amortisation at the time of their disposal.

The sliding-scale method of depreciation was applied partly to additions in movable items of tangible assets in financial year 2006/2007, in compliance with the applicable tax provisions. The transition from the sliding-scale to the straight-line method of depreciation is made as soon as this results in higher depreciation amounts.

Low-value assets are written off in full in the year of acquisition and are treated as disposals in

the statement of changes in fixed assets the following year.

Movable items of tangible assets procured from the former Asclepion are depreciated using the straight-line method.

Financial assets

Shares in affiliated companies, loans to affiliated companies, equity investments, loans to other investees or investors, securities held as assets and other loans are shown at acquisition cost, or, in the case of contributions in kind, at their present value. Allowance is made for possible risks and impairment in the shareholding situation and loans in the form of reasonable valuation adjustments.

Current assets

Inventories

Raw materials, consumables and supplies are valued at the lower of cost or market value.

Work in progress and finished goods are valued at production cost. In addition to direct material costs and direct production costs, these also include an appropriate portion of the material and production overheads, as well as the pro rata depreciation of the fixed production assets. Inventory risks relating to the storage period or reduced marketability were taken into account by a combination of the lower of cost or market test, marketability discounts and loss-free valuation.

Trade goods are valued at the lower of cost or market as of the balance sheet.

Receivables and other assets

Receivables and other assets are stated at their nominal value. Appropriate valuation allowances have been set up for discernible individual risks; the general credit risk from trade receivables is covered by a global valuation allowance.

Receivables with a residual term of more than one year are discounted.

Other securities

These are valued at the lower of cost or market value.

Equity*Share capital*

As of 30 September 2007 the share capital comprises 81,309,610 no-par value shares, each with a notional value of € 1.00. These are disclosed at their nominal value.

Provisions and liabilities*Provisions*

Provisions for pensions and similar obligations are valued at their actuarial cash value pursuant to Art. 6a Income Tax Act (*Einkommenssteuergesetz, EStG*) using the Heubeck Guideline Tables 2005 G with an assumed interest rate of 6%.

Provisions for deferred compensation commitments correspond to the asset values of the reinsurance policy at Gerling Lebensversicherungs AG.

The other provisions set up provide adequate cover for discernible risks and uncertain obligations. The amount to be allocated to these provisions is determined using prudent commercial judgement. Provisions for partial retirement obligations and anniversary bonuses were valued according to actuarial principles.

Liabilities

Liabilities are stated at their respective redemption amounts.

Foreign currency translation

Accounts receivable were converted at the acquisition exchange rate or at the lower conversion rate on the balance-sheet date or at the forward exchange rate in the event of an existing hedging.

Liabilities are converted at the applicable redemption rate at the time the liabilities were assumed, or at the higher exchange rate on the balance sheet date or at the forward exchange rate, if a hedge contract exists.

Derivative financial instruments

As a company with global operations, Carl Zeiss Meditec is exposed to the risk of currency rate fluctuations and has entered into currency forward contracts to hedge against its exchange risks on the basis of planned transactions in foreign currencies. These contracts generally cover a period of up to one year. The hedging transactions are combined as a unit of valuation with the underlying transaction; receivables and liabilities denominated in foreign currency are valued at the hedging rate. The fair value of forward currency 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 to the contracted forward exchange rate. As of 30 September 2007 the Company had currency forward contracts with a total nominal value of € 11,030 thousand at a fair value of € 57 thousand.

Notes to individual items in the balance sheet

(7) Fixed assets

The movement of individual fixed assets in the 2006/2007 financial year is to be seen in Appendix 1 to these notes.

Accruals to intangible assets are mainly attributable to the acquisition of software licences and rights of patent use.

Investments in tangible assets in the financial year relate in particular to the transfer of service and study equipment to fixed assets, computing hardware, as well as tools, test facilities and other operating equipment for the serial production of new products.

The increase in "Shares in affiliated companies" mainly related to Carl Zeiss Surgical within the scope of the capital increase against contribution in kind and the acquisition of Carl Zeiss S.A. (now operating as Carl Zeiss Meditec Iberia S.A.). € 322 million was invested in this connection. Most of the investments were financed by issuing shares of Carl Zeiss Meditec. The increase in "Loans to affiliated companies" relates to the granting of two loans to Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH to finance the acquisition of the equity interests in Acri.Tec AG and to Carl Zeiss Medical Software GmbH. Both loans have a term of 10 years. Due to the low interest rate these loans were discounted by € 8.4 million to their present value.

In the course of financing the acquisition of Ioltech S.A. (today Carl Zeiss Meditec S.A.S.), the French intermediate holding company, Atlantic S.A.S., issued a convertible bond in financial year 2004/2005 with a total value of € 103,000 thousand, which was subscribed by Carl Zeiss Meditec AG. This was carried in the balance sheet under "Loans to affiliated companies". These securities are endowed with a profit-related, annual remuneration of up to 8.775 % of their nominal value, and will be converted to Atlantic S.A.S. shares at the end of their term of 10 years on 30 September 2015 at the latest.

Securities held as assets stem from the outsourcing of pension liabilities of Carl Zeiss Meditec AG within the scope of a contractual trust arrangement. In September 2006, therefore, Carl Zeiss Meditec AG transferred to a trustee an amount of cash equivalent to the pension provisions for the entitled group of employees. These funds are to be managed by the trustee, giving appropriate consideration to yield potential and maintenance of assets, and may only be used in future to fulfil the respective pension commitments. This means that the respective pension obligations are primarily covered by external plan assets and are thus separate from the Company's other operating assets. In financial year 2006/2007 this item increased by further € 851 thousand.

Other assets

(8) Inventories

Inventories (€ 22,097 thousand) include cumulated valuation allowances of € 4,102 thousand. Work in progress includes outsourced development services to the value of € 1,180 thousand.

(9) Trade receivables

Trade receivables amount to € 5,192 thousand as of the balance sheet date, taking cumulated individual and global valuation allowances totalling € 7,950 thousand into account. Trade receivables with a residual term of more than one year amounting to € 402 thousand include a discount of € 41 thousand.

(10) Receivables from/liabilities to affiliated companies

The balances disclosed mainly comprise trade receivables and payables, entitlement to profits from dividend payments resolved due to a subsidiary as well as the debt to the group treasury of the Carl Zeiss Group to the amount of € 1,485 thousand.

(11) Other assets

Other assets amounted to € 1,074 thousand as of the balance sheet date and have a residual term of less than one year (previous year: € 1,051 thousand). This item mainly consists of receivables from the tax authorities for tax repayments (€ 523 thousand), from Thüringer Aufbaubank for R&D subsidies (€ 142 thousand) and investment grants (€ 147 thousand), which legally only arise after the balance sheet date.

(12) Other securities

This item comprises shares in Wavelight AG held for sale.

(13) Cash-in-hand and bank balances

The increase in cash and cash equivalents is mainly attributable to the capital increase and net cash flows from the positive cash flow from operating activities of Carl Zeiss Meditec AG.

(14) Prepaid expenses

For the main part these consist of accrued holiday pay.

(15) Equity

Share capital

The share capital comprises 81,309,610 no-par value shares, each with a notional value of € 1.00. These are disclosed at their nominal value.

Capital reserves

Capital reserves increased by the share premium totalling € 443,951 thousand from the capital increase in October 2006.

Net retained profits

Net retained profits increased to € 48,586 thousand (previous year: € 24,087 thousand) due to Carl Zeiss Meditec AG's net income for the year of € 35,882 thousand, reduced by the dividend of € 11,383 thousand paid for financial year 2005/2006.

(16) Provisions

Provisions for pensions and similar obligations

These provisions were set up for the Carl Zeiss Group's pension obligations pursuant to the Benefit

Regulations 2000 and the Pension Regulations 1982. The actuarial report for the assessment of pension obligations as of 30 September 2007 was prepared by Watson Wyatt Heissmann GmbH, Wiesbaden.

By way of trust agreements concluded in September 2006, Carl Zeiss Meditec AG transferred funds of € 1,750 thousand to a trustee within the scope of a contractual trust agreement (CTA) for the first time: these funds cover a majority of the Company's defined benefit obligations and claims for benefits from the Company pension scheme with respect to its employees or former employees or their surviving dependents. This means that the respective pension obligations are primarily covered by external plan assets and are thus separate from the Company's other operating assets. In financial year 2006/2007 this item increased by further € 851 thousand.

The item also includes a provision for a deferred compensation program (postponed remuneration, € 210 thousand).

Accrued tax expenses

These provisions are set up for:

- corporation tax (€ 269 thousand, € 203 thousand thereof as deferred tax liabilities),
- trade income tax (€ 233 thousand, € 187 thousand thereof as deferred tax liabilities).

Other provisions

These were particularly set up for uncertain obligations arising from:

- Warranties (€ 4,566 thousand),
- Litigation risks (€ 2,955 thousand),
- Special payments and commissions to employees (€ 2,883 thousand),
- Outstanding invoices (€ 2,754 thousand),
- Other provisions relating to personnel (€ 1,593 thousand).

(17) Liabilities

Liabilities of Carl Zeiss Meditec AG relate exclusively to unsecured liabilities with a residual term of less than one year to the amount of € 13,944 thousand.

Trade payables

These include the usual obligations in the form of trade payables to outside suppliers and accrued commissions.

Other liabilities

In addition to liabilities from withheld wage and church tax (€ 257 thousand), other liabilities mainly comprise liabilities from the accounts receivable sub-ledger (€ 193 thousand) and import sales tax (€ 434 thousand).

Table 2: Statement of liabilities (in € '000)

	30.09.2007		30.09.2006	
		thereof with a residual term of up to one year		thereof with a residual term of up to one year
Trade payables	6,812	6,812	5,608	5,608
Liabilities to affiliated companies	6,169	6,169	6,157	6,157
Other liabilities	963	963	802	802
<i>thereof from taxes</i>	<i>691</i>	<i>691</i>	<i>556</i>	<i>556</i>

(18) Deferred income

This item relates to deferred income for service and maintenance contracts extending beyond the end of the financial year.

(19) Commitments and contingencies**Liabilities from the issue and transfer of notes**

As of 30 September 2007 liabilities of € 382 thousand existed from the issue and transfer of notes, € 382 thousand thereof in favour of affiliated companies.

Other financial obligations

Rental and leasing obligations were calculated on the basis of the earliest possible termination dates or the end of the contractual term. The nominal amounts were used for the calculation.

Rental agreements give rise to the following financial obligations:

Table 3 (in € '000)

	30.09.2007
due 2007/2008 – thereof to affiliated companies: € 947 thousand	947
due 2008/2009 – thereof to affiliated companies: € 473 thousand	473
Total	1,420

Financial obligations from rental agreements primarily relate to production and office space leased by Carl Zeiss Jena GmbH at Carl-Zeiss-Pro-menade 10, Jena.

Leasing and service agreements give rise to the following financial obligations:

Table 4 (in € '000)

	30.09.2007
due 2007/2008 – thereof from affiliated companies: € 607 thousand	828
due 2008/2009 until 2011/2012 – thereof from affiliated companies: € 2,330 thousand	2,649
due after 2011/2012 – thereof from affiliated companies: € 3,910 thousand	3,910
Total	7,387

The main agreements here include liabilities from a lease agreement pertaining to the property let to CZM Asset Management Verwaltungsgesellschaft mbH, Jena, at Göschwitzer Str. 51–52, and motor vehicle leases.

Purchase commitments

The purchase commitment for investments gives rise to financial obligations of € 22 thousand.

Notes to individual items in the income statement

(20) Sales by region

Table 5 (in € '000)

	2006/2007	2005/2006
Germany	18,405	17,910
Europe/Middle East/Africa	62,077	55,339
Asia/Pacific region	29,172	27,999
Americas	30,773	41,419
Total	140,427	142,667

(21) Cost of materials

Table 6 (in € '000)

	2006/2007	2005/2006
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	81,879	83,273
b) Cost of purchased services	3,854	5,228
Total	85,733	88,501

(22) Personnel expenses

Table 7 (in € '000)

	2006/2007	2005/2006
a) Wages and salaries	18,034	17,407
b) Social security and other pension costs	3,701	3,834
– thereof for pensions	693	832
Total	21,735	21,241

(23) Other operating income

Other operating income (€ 3,929 thousand) mainly comprises intergroup reallocations (€ 2,838 thousand), currency gains (€ 754 thousand) and operating income unrelated to the accounting period (€ 110 thousand).

(24) Other operating expenses

Other operating expenses (€ 1,079 thousand) mainly consist of foreign currency losses (€ 951 thousand). Prior-period expenses total € 128 thousand.

(25) Financial result

Table 8 (in € '000)

	2006/2007	2005/2006
Income from investments and participations	26,000	–
– <i>thereof from affiliated companies:</i>	26,000	–
Income from long-term loans	4,664	188
– <i>thereof from affiliated companies:</i>	4,593	188
Other interest and similar income	5,590	97
– <i>thereof from affiliated companies:</i>	5,416	78
Amortisation of financial assets*	8,366	–
Interests and similar expenses	127	142
– <i>thereof to affiliated companies:</i>	121	121
Total	27,761	143

* Discount of two loans to an affiliated company

(26) Taxes on income

This relates to German corporate income tax and trade tax.

(27) Auditor's fees

Table 9 (in € '000)

	2006/2007
a) Auditing of financial statements (single-entity statements)	93
b) Other auditing services	326**
c) Tax consultancy services	–
d) Other services	–
Total	419

** Thereof insurance premiums to the amount of € 273 thousand.

(28) Other disclosures

Information on an existing equity interest in the Company

Carl Zeiss AG has held an indirect majority interest in the Company's voting capital since September 2003 below the threshold of 75 % pursuant to Art. 21 Sentence 1 WpHG (German Securities Trading Act).

Carl Zeiss AG, Oberkochen, Germany, informed the Company on 27 October 2006 that the share of the voting rights of 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 of 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 Art. 22 Section 1 Sentence 1 No. 1 (WpHG).

Threadneedle Asset Management Limited, London, United Kingdom, advised the Company on 5 March 2007 (corrected by announcement of 24 April 2007) pursuant to Art. 21 Section 1 WpHG that on 2 March 2007 their share of voting rights in Carl Zeiss Meditec AG went above the threshold of 3 % and the percentage of voting rights amounted to 3.008 % (corresponding to 2,445,603 voting rights) on this date. All these voting rights are allocated pursuant to Art. 22 Section 1 Sentence 1 No. 6 (WpHG).

Threadneedle Asset Management Holdings Limited, London, United Kingdom, advised the Company on 5 March 2007 (corrected by announcement of 24 April 2007) pursuant to Art. 21 Section 1 WpHG that on 2 March 2007 their share of voting rights in Carl Zeiss Meditec AG went above the threshold of 3 % and the percentage of voting rights amounted to 3.008 % (corresponding to 2,445,603 voting rights) on this date. All these voting rights are allocated pursuant to Art. 22 Section 1 Sentence 1 No. 6. Sentence 2 and Sentence 3 (WpHG).

Ameriprise Financial, Inc., Minneapolis, USA, advised the Company on 5 March 2007 (corrected by announcement of 24 April 2007) pursuant to Art. 21 Section 1 WpHG that on 2 March 2007 their share of voting rights in Carl Zeiss Meditec AG went above the threshold of 3 % and the percentage of voting rights amounted to 3.008 % (corresponding to 2,445,603 voting rights) on this date. All these voting rights are allocated pursuant to Art. 22 Section 1 Sentence 1 No. 6. Sentence 2 and Sentence 3 (WpHG).

Ameriprise Financial, Inc. is the parent company of Threadneedle Asset Management Holdings Limited which is the parent company of Threadneedle Asset Management Limited.

OppenheimerFunds, Inc., Centennial, Colorado, USA, advised the Company on 25 May 2007 pursuant to Art. 21 Section 1 WpHG that on 22 May 2007 their share of voting rights in Carl Zeiss Meditec AG went below the threshold of 3 % on this date. The share of the voting rights in Carl Zeiss Meditec AG now held by OppenheimerFunds, Inc. amounts to 2.82 % (equivalent to 2,289,679 shares).

(29) Information on shareholdings

Table 10 (in € '000)

Name and domicile of the company	Currency	Share of voting capital %	Equity as of 30.09.2007 translated at the market rate on the balance sheet date	thereof profit/loss for 2006/2007 financial year at average annual rate
Carl Zeiss Meditec, Inc., Dublin, USA	US-\$ Tsd. € Tsd.	100	108,700 76,669	11,326 8,511
CZM Asset Management Verwaltungs- gesellschaft mbH, Jena	€ Tsd.	100	14,764	(8)
Carl Zeiss Surgical GmbH, Oberkochen	€ Tsd.	100	61,465	21,633
Carl Zeiss Medical Software GmbH, Munich	€ Tsd.	100	28	3
Carl Zeiss Meditec Systems GmbH, Jena	€ Tsd.	100	3,142	810
Carl Zeiss Meditec Vertriebs- gesellschaft mbH, Jena	€ Tsd.	100	(1,441)	(1,879)
Carl Zeiss Meditec Co., Ltd., Tokyo, Japan	¥ Tsd. € Tsd.	51	2,854,224 17,448	564,733 3,569
Atlantic S.A.S., Le Pecq, France	€ Tsd.	100	18,604	3,834
Carl Zeiss Meditec S.A.S., La Rochelle, Frankreich	€ Tsd.	100	18,954	978
Carl Zeiss Meditec France S.A.S., Le Pecq, France	€ Tsd.	100	2,497	(362)
Ioltechnologie Production S.A.R.L., La Rochelle, France	€ Tsd.	100	8,875	(373)
FRANSITEC S.A., La Rochelle, France	€ Tsd.	100	109	(29)
France Chirurgie Instrumentation S.A. (F.C.I.), Paris, France	€ Tsd.	99.5	8,790	1,216
Laboratoire R.D.B. S.A.S., Besançon, France	€ Tsd.	100	1,358	209
F.C.I. Ophthalmics, Inc., Marshfield Hills, USA	US-\$ Tsd. € Tsd.	100	509 359	370 278
F.C.I Sud, Quatre Bornes, Mauritius	MUR Tsd. € Tsd.	100	45,584 1,060	11,455 268
Hyaltech, Ltd., Edinburgh, United Kingdom	£ Tsd. € Tsd.	100	9,129 13,072	2,012 2,978
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€ Tsd.	100	3,730	571

With effect from 1 October 2006, Carl Zeiss Meditec AG markets its devices and systems directly in the Spanish market. To this end, the medical technology distribution and service organisation of Carl Zeiss S.A., Madrid, Spain was acquired, which was previously Carl Zeiss Meditec's distribution partner in Spain for devices and systems. This company now operates as Carl Zeiss Meditec Iberia S.A. ("Carl Zeiss Meditec Iberia"). To prepare for the transaction, prior to the acquisition of Carl Zeiss S.A. by Carl Zeiss Meditec, the assets and liabilities of the former profit centre Industrielle Messtechnik (IMT) were sold to the newly formed Carl Zeiss IMT Iberia S.L. at their carrying amounts. The total purchase price for Carl Zeiss Meditec Iberia was paid in full (€ 3,761 thousand) in the first quarter of financial year 2006/2007.

Financing for the acquisition of Carl Zeiss Surgical was provided by a capital increase against consideration in kind, in which Carl Zeiss AG, Oberkochen, and Carl Zeiss Inc., Thornwood, USA, acquired 25,426,038 (Carl Zeiss AG) and 6,074,256 (Carl Zeiss Inc.) new shares of Carl Zeiss Meditec AG at a subscription price of € 10.10 per share by exercising their subscription rights. In return, Carl Zeiss AG and Carl Zeiss Inc. transferred their respective 100% interests in the subsidiaries Carl Zeiss Surgical GmbH and Carl Zeiss Surgical Inc. to Carl Zeiss Meditec AG. The transfer of the holdings took economic effect from 1 October 2006 and covered all associated rights, including any profits not yet distributed. Since no dividend was distributed to the investing companies Carl Zeiss AG and Carl Zeiss, Inc. for financial year 2005/2006, in economic terms this constitutes a share contribution as of 1 October 2005.

In financial year 2006/2007 the Company acquired the remaining 3.5% of the shares in

Ioltech S.A.S. (now operating under the name of Carl Zeiss Meditec SAS) via its second-tier subsidiary Atlantic S.A.S. for a cash consideration, thus ending the stock exchange listing of Ioltech S.A. with effect from 15 November 2006. The acquisition costs for the remaining shares totalled € 5,096 thousand.

With effect from 1 April 2007, Carl Zeiss Meditec combined its sales and marketing activities in the German market in a subsidiary Carl Zeiss Meditec Vertriebsgesellschaft mbH ("Carl Zeiss Meditec Vertriebsgesellschaft"), which has its registered office in Jena.

With effect from 1 July 2007, Carl Zeiss Meditec merged its subsidiaries in the United States. Carl Zeiss Surgical, Inc. was merged with Carl Zeiss Meditec, Inc., thus transferring all assets and liabilities of Carl Zeiss Surgical, Inc. to Carl Zeiss Meditec, Inc. at their respective net book values. In the course of this merger the investment book value of Carl Zeiss Meditec, Inc. in Carl Zeiss Meditec AG's balance sheet increased by around € 61.3 million to € 177.2 million.

(30) Information on employees

Number of employees

On an annual average a total of 320 staff were employed by the Company in financial year 2006/2007 (previous year: 308 employees), plus 11 trainees (previous year: 10 trainees). This number does not include the members of the Management Board of Carl Zeiss Meditec AG. This increase in the number of employees is mainly attributable to the establishment of additional capacities in Research and Development, Product Management, Marketing and Administration.

The following table shows the average annual distribution of employees over the various areas of activity:

Table 11

Production	92
Sales and service	100
Administration and quality management	43
Research and development	85
Total	320

As of the cut-off date 30 September 2007, the workforce totalled 322 plus 14 trainees and two Management Board members.

(31) Information on the Company's executive bodies

Management Board

The following were appointed as members of the Management Board of Carl Zeiss Meditec AG in financial year 2006/2007 and entered in the commercial register:

Table 12

Name	Year of first appointment	Responsibilities/Activities	Other mandates in other companies
Ulrich Krauss, Dipl.-Kaufmann (MBA)	2002	President and CEO Area of responsibility: Sales	<ul style="list-style-type: none"> • Managing Director of Carl Zeiss Meditec Vertriebsgesellschaft mbH, Jena • Chairman of the Supervisory Board of *Acri.Tec AG, Hennigsdorf (since 01.10.2007) • Member of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena • Member of the Board of Directors of Carl Zeiss Meditec Co., Ltd., Tokyo, Japan • Member of the Board of Directors of Carl Zeiss India Pte. Ltd., Singapore • "Administrateur" of F.C.I. S.A., Paris, France • Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA (until 12.12.2006) • "Administrateur" of Carl Zeiss Meditec S.A.S., La Rochelle, France (until 21.03.2007) • Member of the Board of Directors of IOLTech Belgie B.V.B.A., Hasselt, Belgium (until 24.09.2007)
Bernd Hirsch, Dipl.-Kaufmann (MBA)	2002	Member of the Management Board Areas of responsibility: Finance, Group functions (Investor Relations, Legal, Taxes), Business Process Excellence	<ul style="list-style-type: none"> • Managing Director of Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena • Managing Director of Carl Zeiss Meditec Systems GmbH, Jena • Président Directeur Générale of F.C.I. S.A., Paris, France • Président of Fransitec S.A., La Rochelle, France • Deputy Chairman of the Supervisory Board of *Acri.Tec AG, Hennigsdorf (since 01.10.2007) • Member of the Supervisory Board of Carl Zeiss Jena GmbH, Jena • Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA • Member of the Board of Directors of F.C.I. Ophthalmic, Inc., Marshfield Hills, USA • Member of the Board of Directors of Hyaltech Ltd., Edinburgh, United Kingdom • Auditor of Carl Zeiss Meditec Co., Ltd., Tokyo, Japan • Président Directeur Général of Carl Zeiss Meditec S.A.S., La Rochelle, France (until 21.03.2007) • Member of the Board of Directors of Carl Zeiss Surgical, Inc., Dublin, USA (until 30.06.2007)
James L. Taylor	2004	Member of the Management Board Area of responsibility: Business segment "Ophthalmic systems"	<ul style="list-style-type: none"> • Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA • Member of the Board of Directors of Carl Zeiss Surgical, Inc., Dublin, USA (until 30.06.2007)
Dr. Ludwin Monz, Graduate physicist, MBA	Since 08.10.2007	Member of the Management Board Area of responsibility: Business segments "Neuro/ENT", "Surgical ophthalmology"	<ul style="list-style-type: none"> • Chairman of the management of Carl Zeiss Surgical GmbH, Oberkochen, Germany • Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA • Member of the internal advisory board of Carl Zeiss GmbH, Vienna, Austria • Member of the Board of Directors of Carl Zeiss Surgical, Inc., Dublin, USA (until 30.06.2007)

Remuneration paid to the active members of the Management Board in financial year 2006/2007

The remuneration of the active members of the Management Board amounted to € 676 thousand in financial year 2006/2007. The itemised breakdown of the remuneration paid to the Management Board can be found in the Management Report accompanying the annual financial statements 2006/2007. Furthermore, there is a

benefit obligation from the long term incentive programme to the amount of € 224 thousand.

Projected unit credits for pensions for former members of the Company's Management Board amounted to € 156 thousand.

Supervisory Board

The Supervisory Board of Carl Zeiss Meditec AG had the following members in financial year 2006/2007:

Tabelle 13

Name Position on the Supervisory Board	Main occupation	Other mandates in other companies
Dr. Michael Kaschke Chairman of the Supervisory Board, Chairman of the General and Personnel Committee, Member of the Audit Committee, Member of the Supervisory Board since 2002	Member of the Management Board of Carl Zeiss AG, Oberkochen	<ul style="list-style-type: none"> • Chairman of the Supervisory Board of Carl Zeiss Financial Services GmbH, Oberkochen • Chairman of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan • Chairman of the Board of Directors of Carl Zeiss Australia Pty. Ltd., Camperdown, Australia • 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, China • Chairman of the Board of Directors of Carl Zeiss (Pty.) Ltd., Randburg, South Africa • Member of the Supervisory Board of Siltronic AG, Munich • Chairman of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA (until 12.12.2006) • Chairman of the Board of Directors of Carl Zeiss Surgical, Inc., Dublin, USA (until 30.06.2007)
Alexander von Witzleben Former Deputy Chairman of the Supervisory Board, Former Member of the General and Personnel Committee, Member of the Supervisory Board from 2001 until 31.05.2007	Member of the Management Board of Franz Haniel & Cie GmbH, Duisburg	<ul style="list-style-type: none"> • Chairman of the Supervisory Board of Analytik Jena AG, Jena • Chairman of the Supervisory Board of averion GmbH, Stuttgart, Germany • Chairman of the Supervisory Board of PVA Tepla AG, Aslar • Chairman of the Supervisory Board of DEWB AG, Jena • Deputy Chairman of the Supervisory Board of VERBIO AG, Zörbig • Deputy Chairman of the Supervisory Board of TAKKT AG, Stuttgart, Germany • Member of the Advisory Board of Kaefer Isoliertechnik GmbH & Co. KG, Bremen, Germany • Member of the Administrative Board of Feintool International Holding AG, Lyss, Switzerland • Chairman of the Management Board of Jenoptik AG, Jena (until 30.06.2007)
Dr. Markus Guthoff Member of the Supervisory Board, Chairman of the Audit Committee, Member of the Supervisory Board since 2004	Freelance Management Consultant	<ul style="list-style-type: none"> • Member of the Advisory Board of Poppe & Potthoff GmbH & Co., Werther • Member of the Management Board of IKB Deutsche Industriebank AG, Düsseldorf, Germany (until 16.10.2007) • Member of the Board of Directors of IKB Capital Corporation, New York, USA (until 16.10.2007) • Chairman of the Advisory Board of IKB Immobilien Management Gesell. MbH, Düsseldorf, Germany (until 16.10.2007) • Chairman of the Advisory Board of IKB Data GmbH, Düsseldorf, Germany (until 16.10.2007) • Chairman of the Advisory Board of Movesta Lease and Finance GmbH, Düsseldorf, Germany (until 16.10.2007) • Chairman of the Administrative Board of IKB International, Luxembourg (until 16.10.2007) • Member of the Advisory Board of IKB Private Equity GmbH, Düsseldorf, Germany (until 16.10.2007)

Table 13

Name Position on the Supervisory Board	Main occupation	Other mandates in other companies
Dr. Wolfgang Reim Member of the Supervisory Board since 17.08.2007, Member of the General and Personnel Committee	Independent MedTech consultant	• Member of the Administrative Board of BB MedTech AG, Schaffhausen, Switzerland
Dr. Dieter Kurz Member of the Supervisory Board, Member of the General and Personnel Committee, Member of the Supervisory Board since 2006	Chairman of the Management Board of Carl Zeiss AG, Oberkochen, Germany	<ul style="list-style-type: none"> • Chairman of the Supervisory Board of Carl Zeiss SMT AG, Oberkochen • Chairman of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen • Chairman of the Supervisory Board of Carl Zeiss Jena GmbH, Jena • Président of Carl Zeiss S.A.S., Le Pecq, France • Chairman of Carl Zeiss AB, Stockholm, Sweden • Chairman of Carl Zeiss B.V., Sliedrecht, Netherlands • Chairman of the Supervisory Board of Carl Zeiss N.V.-S.A., Zaventem, Belgium • Chairman of the Supervisory Board of Carl Zeiss Ltd., Welwyn Garden City, United Kingdom • Chairman of the Administrative Board of Carl Zeiss S.p.A., Arese, Italy • Chairman of the Administrative Board of Carl Zeiss AG., Feldbach, Switzerland • Chairman of the Supervisory Board of Carl Zeiss GmbH, Vienna, Austria • Chairman of the Advisory Board of Carl Zeiss OOO, Moscow, Russia • Chairman of the Administrative Board of Carl Zeiss Mexico, S.A. de CV, Mexico D.F., Mexico • Chairman of the Supervisory Board of Carl Zeiss do Brasil Ltda., Sao Paulo, Brasil • Chairman of the internal advisory board of Carl Zeiss Argentina S.A., Buenos Aires, Argentina • Chairman of the Board of Directors of Carl Zeiss, Inc., Thornwood, USA • Chairman of the Board of Directors of Carl Zeiss IMT Corp., Minneapolis, USA • Auditor of Carl Zeiss Co., Ltd., Tokyo, Japan • Member of the Advisory Board of Carl Zeiss Vision Holding GmbH, Aalen, Germany
Franz-Jörg Stündel Member of the Supervisory Board, Member of the Audit Committee, Member of the Supervisory Board since 2002	Service Engineer at Carl Zeiss Meditec AG, Jena	• none
Wilhelm Burmeister Member of the Supervisory Board, Member of the Supervisory Board since 2004	Group Manager Manufacturing Control and Chairman of the Works Council of Carl Zeiss Meditec AG, Jena	• none

Remuneration of the active members of the Supervisory Board in financial year 2006/2007

The remuneration of the active members of the Supervisory Board amounted to € 270 thousand in financial year 2006/2007. The itemised breakdown of the remuneration paid to the Supervisory Board can be found in the Management Report accompanying the annual financial statements 2006/2007.

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.

(32) German Corporate Governance Code/ Declaration according to Art. 161 German Stock Corporation Act (*Aktiengesetz, AktG*)

The declaration prescribed under Art. 161 AktG was submitted by the Management Board and Supervisory Board and made available to the shareholders.

(33) Appropriation of profit for financial year 2006/2007

Financial year 2006/2007 closes with a net income for the year of € 35,882,392.09. The Management Board proposes utilising the net earnings from financial year 2006/2007 of € 48,586,656.42 as follows:

1. Payment of a dividend of € 0.43 per no-par value share for 81,309,610 no-par-value shares: € 34,963,132.30. This dividends comprises the following:
 - a. Regular dividend of € 0.16 per no-par value share for 81,309,610 no-par-value shares: € 13,009,537.60
 - b. Special dividend of € 0.27 per no-par value share for 81,309,610 no-par-value shares: € 21,953,594.70
2. Carryforward of residual profit to new account: € 13,623,524.12.

Jena, 30 November 2007

Carl Zeiss Meditec AG



Ulrich Krauss
President and CEO



Bernd Hirsch
Member of the
Management Board



Dr. Ludwin Monz
Member of the
Management Board



James L. Taylor
Member of the
Management Board

Auditor's opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Carl Zeiss Meditec AG, Jena, Germany, for the financial year from 1 October 2006 to 30 September 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the Articles of Association are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Art. 317 HGB [*"Handelsgesetzbuch"*: "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with the principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and 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 books and records, the

annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the Articles of Association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, 30 November 2007

Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH
Wirtschaftsprüfungsgesellschaft
(Chartered Accountants)
Steuerberatungsgesellschaft

Schupeck	Barth
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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