

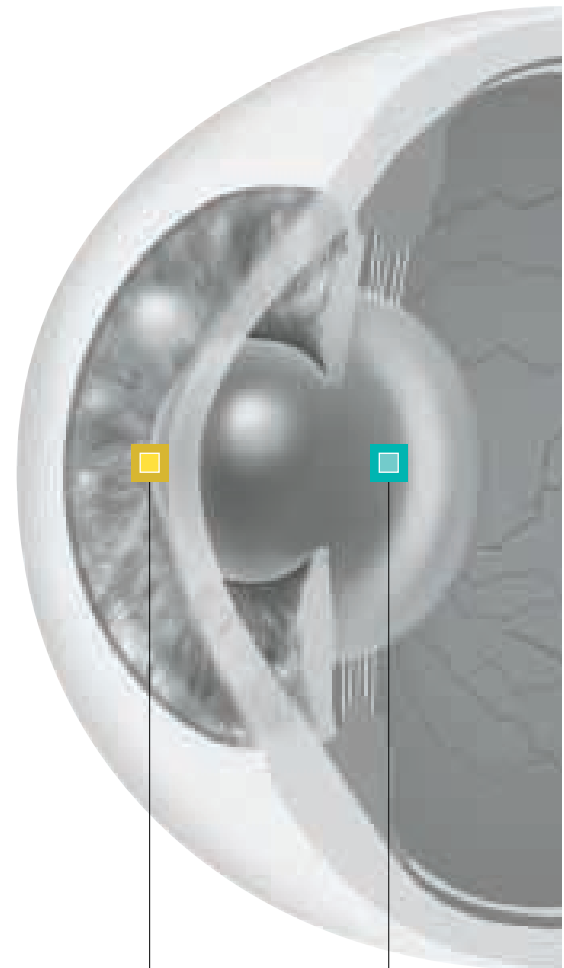
The human eye and it's diseases

1 Vision defect

In the case of *vision (refraction) defects*, the shape of the eye deviates from its ideal form. In short-sighted people, for instance, the distance from the front to the back of the eyeball is too long, whereas in long-sighted individuals it is too short. The result is that the light beams are not properly focused onto the retina. And, as a consequence, people with such defects have blurred long-distance or close-up vision. In the case of astigmatism, a particular form of vision defect, the light beams are refracted differently at different levels, causing them to be focused onto the retina in a diffuse pattern. Objects then appear distorted. As an alternative to spectacles and contact lenses, modern laser techniques are today capable of correcting vision defects in the cornea (1).

2 Cataract

Cataract is the name given to clouding of the eye lens, which should normally be clear (2). There are different possible causes of cataract; the most common is age-related lens clouding. Cataract is still the most common cause of blindness in the world. The incidence of cataract diseases increases with advancing age.



1

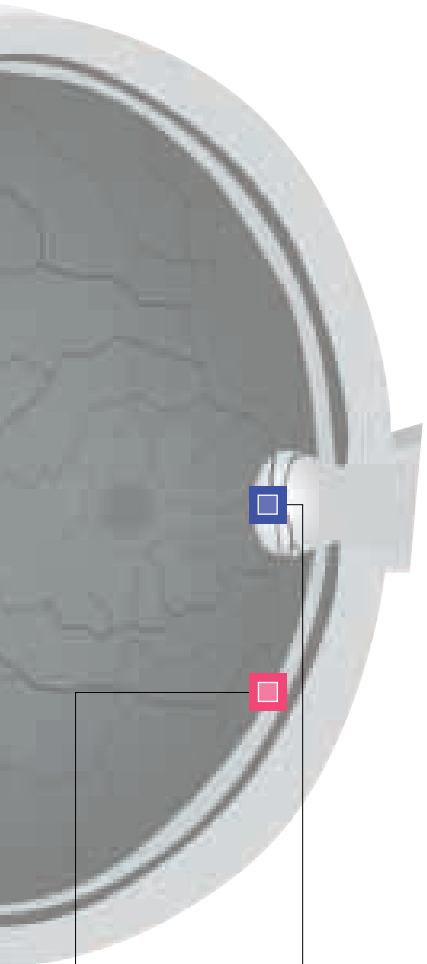
Cornea

Transparent tissue forming the outer part of the eye

2

Lens

Focuses upon the retina light rays entering the pupil



3

Retina

Light-sensitive membrane lining the inner wall of the back of the eye

4

Optic nerves

Connect the retina with the brain

3 Retinal disorders

The retina is the light-sensitive membrane lining the inner wall of the back of the eye and thus a major factor in eyesight (3). Disorders such as age-related macular degeneration (AMD) or diabetic retinopathy often lead to major impairment of eyesight, or even blindness. The progress of a retinal disorder can be suppressed, but it cannot be cured.

4 Glaucoma

Glaucoma is the name given to eye disorders generally associated with an increase in pressure in the eye interior. Glaucoma also reduces visual acuity by slowly destroying the optic nerve (4). The progress of glaucoma can be suppressed, but the disease cannot be cured. This is why diagnosis at the earliest possible opportunity is crucial. Glaucoma is the most common cause of blindness in industrialised countries.

i

For detailed Information about growth rates of each of the four main ophthalmic disorders turn to the chapter "The market".

- Katarakt •
 - Glaukom •
 - Retina •
 - Refraktion •
- 

This Annual Report does not constitute an offer to sell or solicitation of an offer to purchase any securities of Carl Zeiss Meditec Aktiengesellschaft in the United States of America or in any other jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Readers of this Annual Report are requested to inform themselves about to observe any such restrictions.

Forward-looking statements

This Annual Report contains certain forward-looking statements including statements using the words "believe", "assume", "expect" and similar formulations. Such forward-looking statements include known and unknown risks, uncertainties and other factors which may lead to actual future results, the financial position, development or performance of the Group or the relevant sectors differing essentially from those expressly or implicitly assumed in these statements. Among these factors are those which are identified risk report of the consolidated management report and other factors named in this Annual Report. Against the background of these uncertainties, some the forward-looking statements could possibly not apply. The Company does not assume any other obligation than those in accordance with legal requirements to keep these forward-looking statements in the future and to adopt them to future events or developments.

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i

i denotes additional information



Carl Zeiss Meditec Co., Ltd.
TOKYO

ZEISS

CARL ZEISS MEDITEC



Carl Zeiss Meditec AG
JENA



Carl Zeiss Meditec Inc.
DUBLIN, CA

*Dear Shareholders,
Ladies and Gentlemen,*

The financial year 2002/2003 was an important and successful period for Carl Zeiss Meditec AG on its path into the future. We are proud that the Company has thus succeeded in counteracting the general trend by consolidating its market position and greatly increasing profitability. Innovative products and strong global sales, combined with a strategy that is closely geared to increasing corporate value, as well as committed and highly qualified employees, were a prerequisite for this.

The first financial year for Carl Zeiss Meditec documents that we stand by our promise. Integration was completed within just six months of the merger the previous year. With the start of our Japanese subsidiary we have rounded off our direct presence in the world's major markets for medical technology. We have streamlined our Group structure and integrated the small sales subsidiaries inherited from the former Asclepion into our existing proven structure or sold them off. In addition, we have disposed of all peripheral activities, in order to concentrate all our efforts on our core business, ophthalmology. The success of our capital increase in September 2003 was confirmation that our shareholders have confidence in this course. In only four hours, 2.6 million Carl Zeiss Meditec shares were placed with leading European investors. The placement further increased our flexibility to use future growth options. At the same time we made good a further important promise – to increase the free float.

Business trends in the financial year 2002/2003 are proof that our strategy is successful. Compared with the previous year, we were able to increase our Group sales to € 235.7 million. This corresponds to an increase of 16.7%. At the same time it must be pointed out that an even higher rate of growth was prevented by the buoyant euro: Had exchange rates remained constant compared to the previous year, sales would have risen by 29.4% to € 261.4 million. However, the movement in exchange rates did not affect our profitability. We manufacture both in the USA and euro-region, exchanging comparable volumes of goods between the two economic areas. This enabled us the more or less compensate for fluctuations in exchange rates. Earnings before interest and taxes (EBIT) increased by a factor of 1.5 to € 24.7 million. This represents an EBIT margin of 10.5% (previous year: 5.0%). The main reason for this was successful products, lower manufacturing costs, price levels on the Japanese market and the sale of the peripheral operations Aesthetic and Dental. Consolidated net income from continuing operations amounts to € 10.8 million (previous year: € 4.7 million). Even allowing for net losses of € 4.2 million from discontinued operations, consolidated net income amounted to € 6.6 million.

We were able to substantially increase our financial power compared to the previous year. Cash flow from operations, for example, rose to € 28.1 million (previous year: € 22.7 million). This was attributable to a successfully implemented system for the control and monitoring of working capital. Trade accounts receivable, for instance, were reduced by a quarter compared to the previous year's figure. This favourable liquidity development in the reporting period enabled the complete repayment of financial liabilities towards the treasury of the Carl Zeiss Group.

Due to positive trends in cash flow in the operative sector and the successful capital increase we were able to multiply our liquid assets to € 45.0 million. In the previous year this figure stood at € 7.2 million.

Our targets for the coming years are ambitious, but realistic: Our aim is to continue our profitable expansion course and to double consolidated sales in the next five years. There is to be a continued improvement in the EBIT margin. Our target in this respect is at least 15%. Our technological position and global marketing structure ensure us an extremely good competitive ranking in the field of ophthalmology and provide the prerequisites for achieving these goals. Our strategic focal points of the future will include the development of innovative software solutions that facilitate data management and with which diagnostic and therapeutic systems can be more efficiently networked. We want to supply our customers, the specialists, with intelligent systems that facilitate their work and help them to make faster and more precise decisions on options for treatment. In addition, we intend to further expand our product range. The fields of application include early recognition of serious eye diseases or the individual correction of visual defects. This step will be taken partly on the basis of technologies to which we have exclusive access. In addition, we will continue to work expanding our product portfolio with product developments, cooperations and acquisitions as necessary. One of our goals is also to further optimise market penetration in certain regions and countries.

In the coming financial year we shall also endeavour to position Carl Zeiss Meditec shares even more prominently as an attractive investment. Besides the increase in share trading volume this also includes the participation of shareholders in the Group's profits. Following a resolution passed by the Management Board and approved by the Supervisory Board, an important pre-condition for future dividend payments has now been created: the balance sheet loss of the previous year has been cancelled out with funds from capital reserves. It remains our strategic goal to be admitted to the TecDAX at the German Stock Exchange.

The employees of Carl Zeiss Meditec have been vital for our success in the past twelve months. At this point we would like to express our gratitude to them. The prerequisites for future growth have been created on the basis of joint efforts.

We hope you find the Annual Report inspirational reading. Please accompany us as we continue on our way – be it as a shareholder, customer, employee or other interested party. Interactive communications with you are important to us. We invite you to submit your suggestions, wishes and criticism to us for a candid discussion at any time.



Ulrich Krauss
President and CEO



Bernd Hirsch
*Member of the
Management Board*



Dr. Walter-Gerhard Wrobel
*Member of the
Management Board*

The Carl Zeiss Meditec share

Stock market climate showing signs of improvement

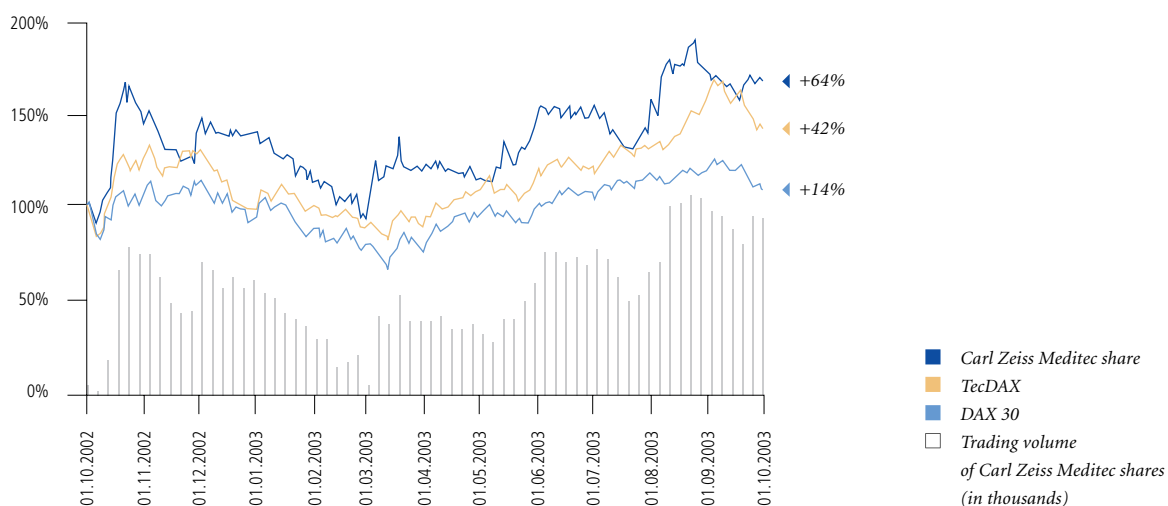
The capital markets were beset by uncertainty right through to March 2003. The Iraq conflict in particular dampened business prospects worldwide, leading to considerable falls in prices. The major German share index, the DAX, lost about 20 percent of its value between the start of October 2002 and the middle of March 2003. The TecDAX performed slightly better, only losing roughly 10 percent during this period. Since spring 2003 and the end of the Iraq war, the USA in particular has seen accelerated economic growth. This led to a certain upswing in the stock markets which have been rising steadily ever since. Price falls at the beginning of the year were compensated, and on 30 September 2003 the DAX was up 14 percent year-on-year, with the TecDAX even higher at 42 percent.

Capital market rewards Carl Zeiss Meditec's strong growth

The Carl Zeiss Meditec share enjoyed higher growth than both indices. It ended the financial year 2002/2003 64 percent higher than 12 months earlier. The share price therefore increased from € 6.50 on 1 October 2002 to € 10.65 on 30 September 2003.

The share price also shows that the capital markets have acknowledged the successful growth of Carl Zeiss Meditec. During the course of the financial year we have laid the strategic groundwork for further growth; all the plans announced at the beginning of the financial year have therefore been implemented. For instance, integration was completed within just six months of the merger the previous year. Furthermore, the Group structure has successfully been streamlined and optimised. The smaller subsidiaries which were taken over as part of the merger have been integrated into the existing global sales structure. On 1 May 2003 we also parted company with all peripheral activities. This means we are now clearly focussed on our core ophthalmic business. This puts us in an excellent competitive position in the growth ophthalmic market. We are concentrating on our strengths and, in the two most important medical technology markets in the world, the USA and Japan, we can rely on efficient and long-established subsidiaries. In all other countries we make use of the extensive sales network of the Carl Zeiss Group. The success of this strategic orientation is shown by the business performance of Carl Zeiss Meditec in the last financial year. Sales and profits were significantly up on the previous year and the operative cash flow increased by roughly a quarter.

▼ *Share price of the Carl Zeiss Meditec share vs. DAX and TecDAX in the financial year 2002/2003*



Capital increase – Shares with intrinsic value are in great demand by investors

Our profitable growth course and clear strategic focus were the reasons behind the success of the 10% capital increase carried out on 18 September 2003. Prepared down to the finest detail, it was all over by lunchtime. Roughly 2.6 million shares were placed with institutional investors in Europe in just four hours. The issue was 2.5 times oversubscribed. By exercising the greenshoe option granted by the Carl Zeiss Group at the beginning of October 2003, an additional 0.4 million shares were also placed, this time from the holding of the Carl Zeiss group. This saw the free float increase from 19 to roughly 28 percent. At € 9.70 the subscription price was just 3.5 percent below the weighted average price on the day of placement - the German stock corporation act permits a maximum price reduction of five percent for such transactions.

By carrying out this transaction Carl Zeiss Meditec AG and the Carl Zeiss Group have – as already announced – achieved two major goals: to further raise the attractiveness of the Carl Zeiss Meditec share through an increased free float, and also to support the strategic growth of Carl Zeiss Meditec.

The fact that the attractiveness of the share has been significantly increased is shown by the growth of the XETRA trading volumes. Average sales on this trading platform for the entire financial year 2002/2003 were 3,550 shares per day. Through intensive investor relations work, the Company succeeded in tripling this value by the end of the financial year. In the period from 1 August to 30 September 2003 the figure rose to 11,540 shares per day.

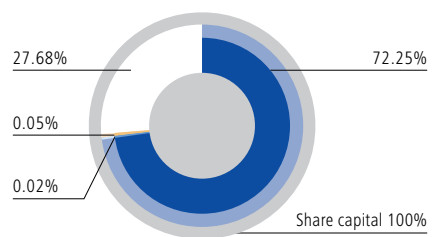
**First annual shareholders' meeting:
Expansion policy overwhelmingly
endorsed by the shareholders**

On its first annual shareholders' meeting held on 12 March 2003 the Management Board of Carl Zeiss Meditec gave information to shareholders, analysts and journalists on the lucrative growth posted in the financial year 2001/2002. When it came to voting, the shareholders clearly demonstrated their support for the course which the Company has adopted. All the resolutions were passed with a majority of over 99% of the share capital in attendance.

**Important pre-condition
for future dividends in place**

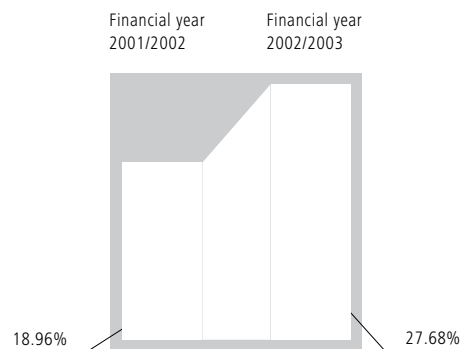
The Carl Zeiss Meditec shareholders are set to share in the increase in the Company's profits. Following a resolution passed by the Management Board and approved by the Supervisory Board, an important pre-condition for this is now in place. The accumulated balance sheet loss in the previous year's HGB individual statement for Carl Zeiss Meditec AG totalling € 32.8 million is to be completely evened out using funds from capital reserves. In addition, the reserve for treasury stock was set at € 0.1 million from capital reserves.

Shareholder structure of Carl Zeiss Meditec AG



- Carl Zeiss Group
- Free float
- Carl Zeiss Meditec AG
- Management and Supervisory Board of Carl Zeiss Meditec AG

Development of free float



Investor relations work further expanded

Carl Zeiss Meditec attaches a great deal of importance to maintaining close and intensive links to the finance markets. For this reason investor relations work has been considerably intensified in the financial year 2002/2003. The Company extensively explained and discussed its business performance and its strategic orientation in numerous meetings and conference calls, in road shows and at investor conferences in the European financial centres.

In the investor relations page of the Carl Zeiss Meditec website we provide institutional and private investors with a wide range of regularly updated information. The website is therefore an important instrument in helping us ensure the equal treatment of all interest groups as stipulated in the German Corporate Governance Code. The range of information provided is to be continually expanded in the future.

▼ The Carl Zeiss Meditec share: facts and figures

▼ <i>Trading segment</i>	
<i>Prime Standard</i>	
Share price ^{1/2}	€ 10.65
Highest share price in the financial year ²	€ 10.65
Lowest share price in the financial year ²	€ 6.40
Market capitalisation ^{1/2}	€ 303 m
Free Float	28%
Market value of shares in free float ^{1/2}	€ 84 m
▼ <i>Average trading volume per day</i> ^{1/2}	
<i>01.08.2003 to 30.09.2003</i>	€ 121,000
<i>Total financial year 2002/2003</i>	€ 34,000
▼ <i>Average trading volume per day</i> ^{1/2}	
<i>01.08.2003 to 30.09.2003</i>	11,540 shares
<i>Total financial year 2002/2003</i>	3,550 shares
▼ <i>Designated Sponsors</i>	
<i>Commerzbank Securities, Bankhaus Sal. Oppenheim</i>	

1: At the end of the financial year 2002/2003 on 30.09.2003

2: XETRA trading platform

Outlook

The main thrust of our investor relations work in the financial year 2003/2004 remains ensuring consistent, open and instant communication with the capital markets. The aim of this work is to make the Carl Zeiss Meditec share even more attractive so that it will attain the same successful position as the Company – i.e. that of a major player in the premier league of medical technology. And we are excellently placed to achieve this. Our unique technology position,

our strong global sales presence and our healthy financial structure make Carl Zeiss Meditec an ideal combination of security and growth prospects as an investment.

After successfully increasing the free float, a major goal of our investors relations work now remains raising the trading volume of the share. Here our intention is to get as close as possible – and as quickly as possible - to reaching our strategic goal of seeing Carl Zeiss Meditec listed in the TecDAX.

▼ Key data of the Carl Zeiss Meditec share

	Financial year 2001/2002	Financial year 2002/2003
Earnings per share (total)	€ 0.16	€ 0.25
Earnings per share (continuing operations)	€ 0.22	€ 0.41
Cash flow per share	€ 1.07	€ 1.08
Equity per share	€ 4.50	€ 4.70
Weighted average of shares outstanding	€ 21.1 m	€ 28.9 m

Carl Zeiss Meditec - more than one reason to invest

- Sales, earnings and operative cash flow significantly up on the previous year – own growth targets achieved.
- Sound financial structure.
- Sales are to be doubled in the next five years – EBIT margin to increase to at least 15%.
- The market for ophthalmic products is growing world-wide.
- Innovative power and comprehensive technological portfolio secure expansion of market-position.
- A highly fragmented technology market offers excellent opportunities for Carl Zeiss Meditec as the global leader to acquire innovations and new technologies.



▲ *We are always open to the needs and wishes of our shareholders.*

Review of the year

1 October 2002 to 30 September 2003

1 October 2002

1 November 2002

1 December 2002

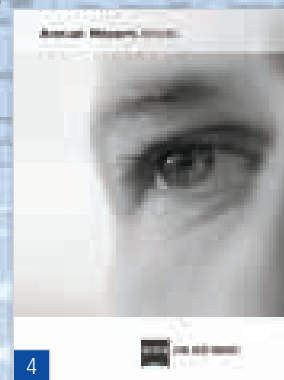
1 January 2003

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4

1

11 October 2002, Tokyo/Japan

Direct sales: Carl Zeiss Meditec AG opened its own subsidiary in Japan, the second largest market for medical technology in the world.

2

20 October 2002, Orlando/USA

World premiere: The MEL 80™ excimer laser was unveiled to a mass audience at the AAO in the USA

3

12 December 2002, Frankfurt/Germany

Admission: Carl Zeiss Meditec was admitted to the Deutsche Börse Prime Standard even prior to the launch of the market segment on 1 January 2003.

4

17 December 2002, Frankfurt/Germany

Publication of the first annual report: Carl Zeiss Meditec has created a firm basis for future growth.

5

24 January 2003, Dublin/USA

Renewal of contract: The exclusive contract with Welch Allyn, Inc. for developing, marketing and distributing the Humphrey® FDT field of vision tester was renewed for a further five years.

6

29 January 2003, Jena/Germany; Dublin/USA

Refunds: Refunds for IOLMaster® examinations have increased by 23 percent in the USA.

1 February 2003

1 March 2003

1 April 2003

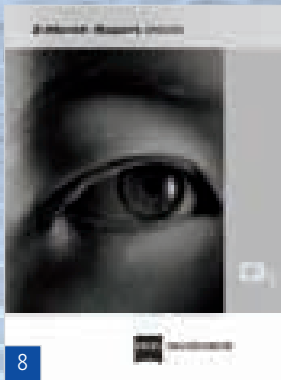
1 May 2003



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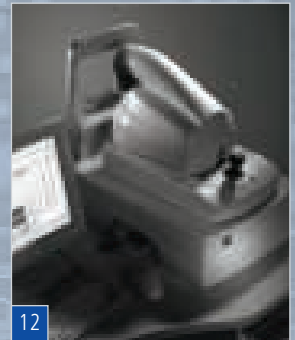
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11



12

7

29 January 2003, Berlin/Germany

Presentation: Carl Zeiss Meditec presented its growth plans to the 3rd Berlin MedTech Day

8

14 February 2003, Jena/Germany

Publication of three-month report: Sales, result and cash flow have significantly increased over the previous year.

9

12 March 2003, Jena/Germany

First annual shareholders' meeting: Carl Zeiss Meditec's expansion policy was overwhelmingly endorsed by its shareholders.

10

20 to 23 March 2003, New York/ USA

Product presentation: Carl Zeiss Meditec introduces Humphrey® Matrix on Vision Expo East 2003 in New York City.

11

5 May 2003, Jena/Germany; Dublin/USA

FDA approval: FDA approval granted in the USA for the new STRATUSOCT™, a device for the early diagnosis of glaucoma.

12

8 May 2003, Jena/Germany

Focus on core business: Divestment of dermatological and dental laser activities as of 1 May 2003 allows focussing on core ophthalmic business.

1 June 2003

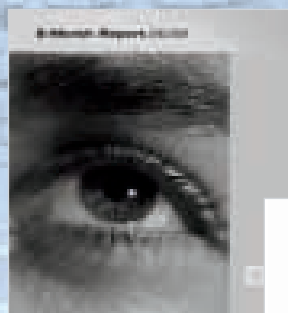
1 July 2003

1 August 2003

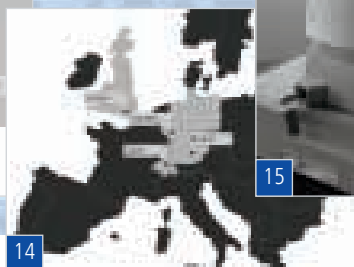
1 September 2003

18

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14



15



16



17

13

14 May 2003, Jena/Germany

Publication of half-year report: Carl Zeiss Meditec has continued along its profitable expansion path.

14

2 to 5 June 2003

Roadshow: Carl Zeiss Meditec presents the Company to key institutional investors

15

16 July 2003, Jena/Germany

Celebration: 3000th IOLMaster® sold in just three and a half years.

16

12 August 2003, Jena/Germany

Publication of nine-month report: Carl Zeiss Meditec has kept its share of the market despite strong euro. Strategic focus has boosted future profitability.

17

6 September 2003, Munich/Germany

Product innovations: VISUCAM™ C and CRS-Master™ presented for first time at ESCRS trade fair.

1 October 2003

20

Events after the 30 September 2003

20

**20 October 2003,
Jena/Germany; Düsseldorf/Germany**

Award: Carl Zeiss Meditec won the Deloitte & Touche "Technology Fast 50 Award" for exceptional business performance.

18

9 to 17 September 2003

Roadshow: Carl Zeiss Meditec presented its growth plans and strategy to major institutional investors.

19

18 September 2003,

Jena/Germany; Frankfurt/Germany

Promise kept: By successfully carrying out the capital increase, free float rises to 28 percent.



Dublin, CA, 2:00pm

The overseas order is processed straight away: top products leave Carl Zeiss Meditec to improve and maintain eyesight all over the world.



Carl Zeiss Meditec Inc., Hacienda Drive, Dublin, California, USA

The fact that Carl Zeiss Meditec, the leading solutions provider in the world, is now so dominant in the ophthalmic customer systems market is due in no small part to the commitment of the employees of Carl Zeiss Meditec Inc. in Dublin, California. Over half of the Group's workforce is based in America and this is also where the Group generates over 50% of its sales. The daily commitment of the US employees and their professionalism are two major reasons why the Carl Zeiss Meditec success story is also continuing on the other side of the Atlantic. For three decades now the company has been excellently positioned with its premium class products in the most important ophthalmic market in the world.



◀ *James Taylor, President of
Carl Zeiss Meditec Inc.*

▶ *Record levels: AAO 2003
in Anaheim, California.*

Record results at AAO

The Company's overwhelming success at this year's leading AAO trade fair, the American Academy of Ophthalmology in Anaheim, for instance, was due in no small part to the efforts of the Californians. With record levels of incoming orders at the world's largest ophthalmology trade fair – almost 40 percent up on the previous year – the market confirmed the leading position of Carl Zeiss Meditec. The fact that this result was achieved is impressive proof that Carl Zeiss Meditec products represent intelligent ophthalmic solutions and that the Company has its finger firmly on the market's pulse.

A key reason for the success was the new exhibition concept which allowed visitors to experience the Company's strategy for themselves. The booth drew large crowds, with many congress visitors calling it one of the most attractive at the exhibition. "Our booth rocked", said James Taylor, President of Carl Zeiss Meditec Inc.

Congress participants from all over the world took advantage of their trip to the AAO to inspect and try out the MEL 80™ and the CRS-Master™ on the Carl Zeiss booth. Potential users of the CRS Master™ gave initial feedback and suggestions for further development. Many customers were interested in an upgrade of the MEL 80™ to include the CRS Master™, allowing them

"Our booth rocked."

James Taylor, President of Carl Zeiss Meditec Inc.



to offer customised wavefront ablation for a truly individual treatment of refractive defects. The clinical study for the USA approval will start at the beginning of 2004. The new perimeter for field of vision tests – the PreView PHP™¹ - was shown to the public for the first time. Although not yet available for purchase, ophthalmologists from all over the world thronged to see the product and to find out all about this new technique for the early diagnosis of age-related macular degeneration (AMD). The device allows doctors to identify AMD-related visual defects much earlier than was previously possible – in many cases even before the patient notices any symptoms. Further attractions included applications for OCT technology to which Carl Zeiss Meditec has exclusive access.

1 Preferential Hyperacuity Perimeter



◀ *“Our booth rocked”:
Carl Zeiss Meditec products
were met with enthusiasm
by customers.*

- ▶ *Distinctive:
The new trade fair concept
was a highlight at the world's
largest ophthalmic fair.*



Overview of new products and technologies (selection)

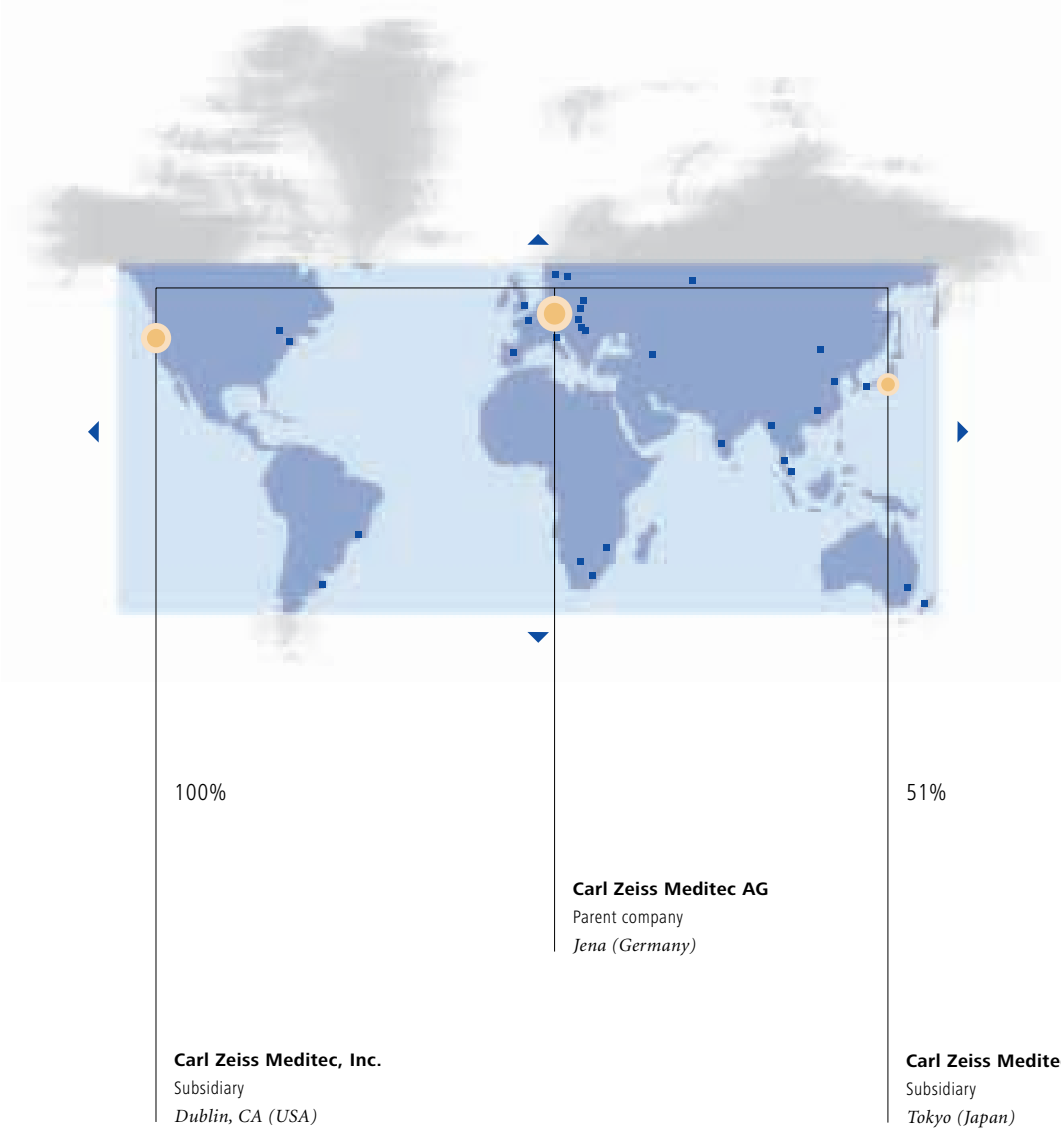
- Innovative technology used in the Preview PHP™ for early AMD diagnosis²
- New OCT technology applications: Imaging and measurement for the examination of the front parts of the eye (cornea and anterior chamber) to enhance the safety of refractive surgery and for the high-precision insertion of special intraocular lenses (IOL)³
- New GPA™⁴ Software: objective diagnostic tool for reliably charting the progress of glaucoma in connection with the Humphrey® Field Analyzer

^{2/3} In development

⁴ Humphrey® Glaucoma Progression Analysis™

- Software release 4.0 for STRATUSocr™ and normative data base for retinal neurofibre layer thickness
- Humphrey® Matrix™ – measuring the field of vision for the early recognition of glaucoma
- MEL 80™ excimer Laser and CRS Master™ system for the patient-specific treatment of vision defects
- VISUCAM™ system with VISUCAM™lite and VISUCAM™ C device solutions for fundus imaging

Coherent structures – worldwide



Already today, the development and marketing of ophthalmic systems and devices must be seen as a global challenge. In the dynamic global market for ophthalmic equipment, our systems and solutions and our global service open up attractive growth potential to Carl Zeiss Meditec.

A major prerequisite for the exploitation of this potential is a coherent structure. With our **European headquarters** (Jena/Germany) and the successful, long-established **subsidiaries** in **North America** (Dublin/USA) and **Japan** (Tokyo) we have a direct presence in the world's three most important markets and regions.

In all other countries we avail ourselves of the efficient sales network of the Carl Zeiss Group: About 40 sales companies and over 100 agencies in foreign countries provide access to customers worldwide and give us the extra clout needed to prevail in the global competition.

This will enable us to respond quickly to the different needs of the world's population in future – whether in Asia, Australia, Europe, America or Africa.

Global marketing strategy as a factor of success: The worldwide proximity to customers and strong service orientation enables us to strengthen customer commitment and create a basis for continued growth. The world is our market.

- ▶ *Our market is dynamic – we are, too.*



The workforce at Carl Zeiss Meditec

Employees are a precious asset. With their knowledge and skills they create values that make a brand cherished and unique. Qualified employees are thus the key to the success of a company. With unique products and first-class service, Carl Zeiss Meditec's worldwide workforce of about 750 strives to uphold the Company's premier position in the market for ophthalmic equipment in the future.

Qualified employees are the key to the success of our Company.

Our forward-oriented thinking starts with the fostering of young talent. Currently, 24 trainees are acquiring skills as mechatronics engineers, industrial mechanics, industrial electricians or industrial clerks. In a two-year basic training programme, the future mechatronics engineers, industrial mechanics or industrial electricians are prepared for their careers at our alliance partner Schott-Zeiss Educational Centre, and from the 3rd training year onwards they are employed in the assembly plant. In the first year of training the industrial clerks have the opportunity to spend several months learning the basic commercial skills in a "training company". In addition,

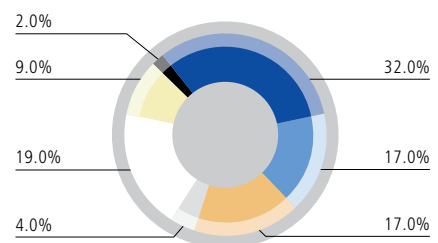
Our forward-oriented thinking starts with the fostering of young talent.

as part of their practical training they gain experience in our Purchasing, Finance/Controlling, Marketing and Sales departments.

Employees assessed as particularly promising in a potential recognition process take part in our programme for the promotion of junior management. To prepare them for their subsequent managerial responsibilities, in addition to their daily duties they participate in a seminar programme in which they, among other things, hone their public speaking and presentation techniques, improve their foreign language skills and learn conflict and project management.

The following graphic provides an overview of the personnel structure at Carl Zeiss Meditec in individual operating segments:

▼ *Personnel structure of the Carl Zeiss Meditec Group as of 30 September 2003*



- Production
- Research and development
- Service
- Sales and marketing
- Management board, commercial sector
- Product management
- Quality management

Each employee contributes to the overall value of our Company. The greater the know-how and commitment of each individual, the greater the competence of the Company as a whole. This results in the creation of real value – both to the outside and the inside. In order to achieve this goal, we organise regular training schemes: Professional qualifications are organised and

implemented in in-house training sessions or courses within the Carl Zeiss Group. Employee qualification requirements are determined in an ongoing process and the appropriate measures taken in the course of the year. Due regard must be paid to the specific demands on the qualification of employees as set forth in the pertinent regulations e.g. the Medical Products Act.

Each employee contributes to the overall value of our Company.



► *Zeiss precision and reliability have become a tradition over the past 150 years.*

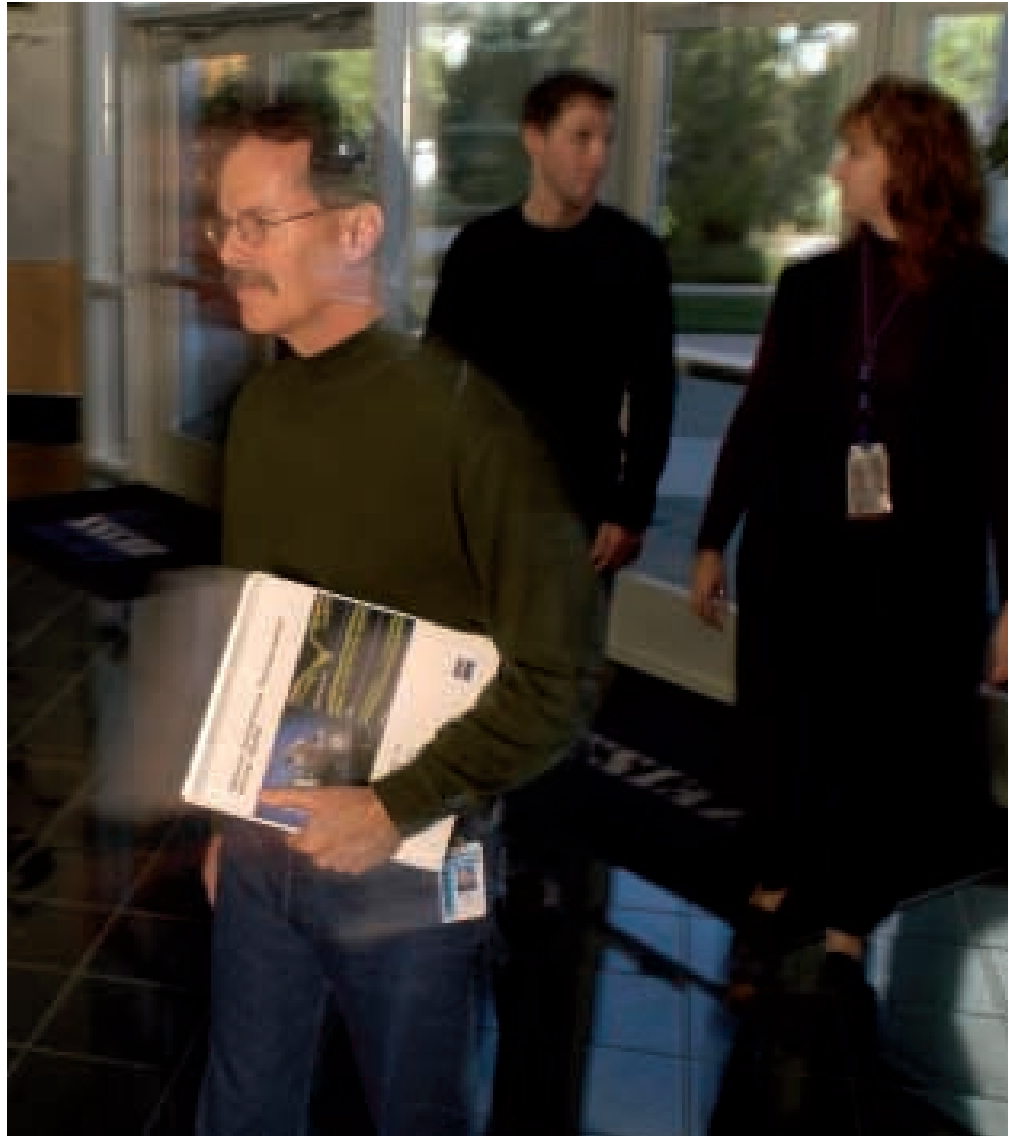
It is often details that create value. It is thus vitally important to us that employees continually question the processes and workflows within the Company and submit innovative solutions. Innovations that derive from personal commitment are always welcome at Carl Zeiss Meditec: Over 100 suggestions submitted by our employees in various divisions worldwide speak for themselves.

Internal dialogue is an important component of our corporate culture.

Internal dialogue is a further component of our corporate culture. Regular information, discourse and communication between employees, the works council, senior management and the Management Board are a prerequisite for the clarification of current issues and problems as well as the continued development of the organisation and the Company. This includes not only matters of strategy but also issues such as workplace configuration and working hours.

At quarterly staff meetings called by the works council, the works council and Management Board informs employees about the outcome of these discussions, the Company's performance, new products and strategic growth for the future.

Carl Zeiss Meditec knows what its employees are worth. They are our greatest asset for the future.



▲ *Seeing the world
with one's own eyes –
that's what we work for
every day.*





Tokyo, 7:00am

Also in Asia our powerful global sales and marketing network guarantees that our products quickly reach those who urgently need them: the people.

The Market

The Company's markets

Carl Zeiss Meditec provides innovative and high-performance diagnostic and therapeutic systems for the four main diseases of the eye.

Carl Zeiss Meditec develops, manufactures and sells ophthalmic systems and devices. Our customers are ophthalmologists, eye clinics, optometrists and opticians. The Carl Zeiss Meditec systems enable them to work efficiently and help improve diagnosis and treatment.

Eye ailments can be broken down into four main ophthalmic disorder areas. These are vision defects (refraction), cataract, glaucoma and retinal disorders.

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For further information on the four main ophthalmic disorders turn to the inside front cover of this report.

The value-added chain within the four main ophthalmic syndromes covers not only diagnosis, but also therapy and follow-up examinations. Our Company provides **diagnostic systems** for all four main ophthalmic disorders. **Therapy** is divided into lasers and other therapeutic devices. The latter are not currently supplied by the Company.

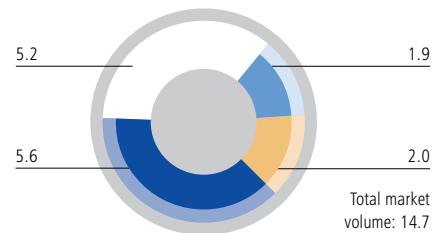
Further items in this area include consumables and implants (intraocular lenses), pharmaceuticals, contact lenses and care products plus spectacles. These products are also not provided by Carl Zeiss Meditec at the moment.

The Company estimates the total market for ophthalmic products at roughly € 14.7 billion. About € 2.0 billion of this is accounted for by the devices and systems market.¹

¹ Sources: own estimates on basis of external documents such as MarketScope Reports 2002, Theta Report 2002, Millenium Research Group 2002 et al.

▼ Annual volume of the ophthalmic market

(in € bn)



- Contact lenses and contact lens care products
- Pharmaceuticals
- Devices and systems
- Implants and consumables

Market growth

The market for ophthalmic products is growing world-wide. We are forecasting average annual growth of about 10 percent in the devices and systems segment for the period 2002 to 2008. Significantly higher growth has been recorded in the past by associated areas such as consumables. The Company expects the refraction and glaucoma markets to grow with a rate slightly above average.

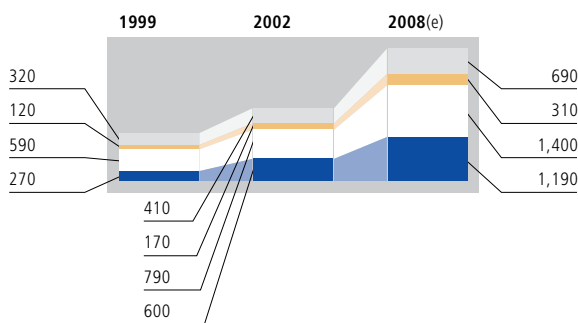
Furthermore, Carl Zeiss Meditec is expecting to see slightly above-average growth in the American and Asian markets in the future. The growth in Germany and Europe is expected to be rather less dynamic.

The market for ophthalmic products is growing world-wide. The devices and systems segment is set to grow by an average of 10% per year.

The estimated growth rates for the four main ophthalmic disorders and individual regions are shown in the following charts.

Market growth by syndrome 1999 - 2008(e)

(market volumes in € m)

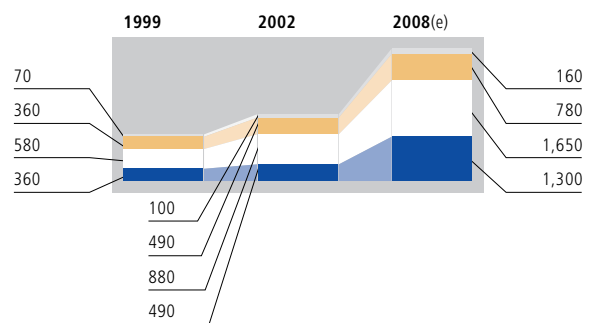


Compound annual growth rate:

Retina	≤ 10%
Glaucoma	> 10%
Cataract	10%
Refraction	> 10%

Market growth by region 1999 - 2008(e)

(market volumes in € m)



Compound annual growth rate:

Germany	≤ 10%
Europa (w/o Germany)	≤ 10%
Americas	> 10%
Asia	> 10%



▲ *Recognised perfection
and tested quality
are the hallmarks
of Carl Zeiss Meditec.*

The four trends in ophthalmology²

Demographic trends:

The global population is growing at an ever increasing rate and is getting older in general, and many eye disorders are age-related, with the result that the demand for eye treatments is growing. The treatment of eyesight disabilities amongst older citizens will become

*Eye disorders are geriatric disorders:
During the course of his or her life, each person
will experience eyesight problems.*

an important challenge in the industrialised countries in the coming years. Retinal diseases such as age-related macula degeneration (AMD) and diabetic retinopathy, cataract and glaucoma increase appreciably from the age of 65. The demographic shift will mean that ever growing numbers of people will be affected – especially in industrialised countries. During the course of one's life, everyone will experience a deterioration of vision.³

² Sources: UN World Population Trends 2002, US National Eye Institute 2002, MarketScope Reports 2002, Theta Report 2002, Millennium Research Group 2002 et al.

³ This and the following statements are based on a lecture given by Prof. Dr. med. Anselm Kampik, Director of the University Eye Clinic, held on 8 September 2003 at the 1st Carl Zeiss Meditec Forum during the ESCRS.

The latest incidence figures emerging from the USA underline this disproportionately large rise which takes place during old age: according to an extensive survey carried out in 2002 by the National Eye Institute, over 10% of 65 year-old Americans have been treated for cataract, whereas this figure rises to 50% in 80 year-olds. A similar pattern is evident in the case of retinal disorders in Germany: one in four people over 60 has noted symptoms of age-related macular degeneration (AMD).

Decrease in illiteracy

Studies show that there is a link between the level of literacy and the incidence of short-sightedness (myopia). The greater the degree of literacy in the world, the greater the number of people who suffer from myopia.

Advances in medical technology

New devices and systems are permitting new forms of therapy both for disorders which were previously either unknown or untreatable, and also for disorders already identified. Early diagnosis is increasing in importance here: the earlier the diseases can be recognised, the earlier their progress can be halted or even cured. Today medical science is already capable of checking the progress of retinal diseases associated with glaucoma, and thereby saving eyesight. The interlinking of systems and the combination of diagnosis and treatment are taking on ever increasing importance.

Thanks to modern technologies, even cataract can now be treated comprehensively at an ever earlier stage. The future trend is therefore clear: due to the rising frequency of operations, the constant improvement in surgical techniques and the increasing average age of the population, the number of cataract operations is set to increase by an average of 10% per year.

*New devices and systems enable new treatments.
Early diagnosis of serious eye diseases is becoming increasingly important.*

▶ *We build on the ideas
of our employees.*

Increase in health care spending

In **developing countries** the struggle against blindness is one of the top priorities of health policy. For example, the World Health Organisation (WHO) – together with other organisations – has set itself the goal of reducing the number of cases of treatable blindness in the world to zero by the year 2020. This will create a huge need for consumer goods (e.g. intraocular lenses) and equipment for diagnosis and treatment (e.g. YAG lasers and

slit lamps). In the **industrialised countries** the very latest treatment methods are increasingly in demand. Wellness and lifestyle trends are creating demand for privately financed operations such as the laser correction of vision defects. At the same time, the increasing health expenditure is leading to greater efficiency in the therapies paid for by health insurance schemes. This means increasing demand for devices and systems which help to make diagnosis and treatment faster, more efficient and more precise.

Health expenditure is increasing in industrialised and developing countries.

Carl Zeiss Meditec monitors the market developments and its trends. Our Company is perfectly placed to play a major role in this growth market in the coming years.



VISION 2020 – the right to sight

The operations of Carl Zeiss Meditec are worldwide. It thus, thinks and acts globally. As a manufacturer of clinical systems for ophthalmology, it is our aim to maintain the eyesight of people all over the world. Our tenet is that everyone has the right to see the world with his or her own eyes.

Our tenet is that everyone has the right to see the world with his or her own eyes.

For us it was only natural that we should answer the global call of the VISION 2020 initiative. VISION 2020 is a global programme launched by the World Health Organization (WHO) in which currently over 20 non-governmental organisations are participating, e.g. the "Christoffel Mission for the Blind" in Germany. The mission defined for the project is to eliminate avoidable blindness all over the world by 2020. The majority of the world's 45 million blind population lives

As a corporate sponsor, Carl Zeiss Meditec is providing idealistic and financial support to the WHO's VISION 2020 programme.

in the poorest regions of the developing world. According to estimates, without international help this figure could increase to 75 million by 2020. Already over two thirds of all blindness in the worldwide is curable. The treatments available today are more successful and effective than ever – thanks also to Carl Zeiss Meditec.

In this context, Carl Zeiss Meditec supported the global efforts by many non-government organisations under the umbrella of VISION 2020 to eliminate avoidable blindness in the past financial year.

With its commitment for this initiative Carl Zeiss Meditec is endeavouring to create long-term perspectives and thus "help people to help themselves". A portion of the six-digit euro sum with which Carl Zeiss Meditec is funding VISION 2020 is being used to purchase ophthalmic diagnostic and therapeutic systems from Carl Zeiss and Carl Zeiss Meditec. A further relief measure is the provision of equipment in the affected countries, directly where it is needed: This technical support



contributes to demand-oriented development in the deprived regions of the world. With state-of-the-art equipment for all stages from diagnosis to post-treatment, distributed through the Zeiss global network, it enables the effective provision of medical care to needy people with eye ailments. A wide range of high-quality products geared to local needs is already provided by relief organisations such as the Christoffel Mission for the Blind and the Purchasing Agency of Protestant Missionary Societies (WEM). Experienced Zeiss and Zeiss-Meditec specialists also organise induction training sessions for medical personnel: Training and quality centres are being set up for this purpose in poorly developed regions of the world. The declared goal is to introduce modern ophthalmic procedures to rural areas of the developing world and to ensure the availability and quality of treatment by eye specialists.

ophthalmic systems. This will contribute to an improvement in medical care in developing countries with the aim of not only treating blindness, but also preventing it. The VISION 2020 initiative has set itself the goal of preventing over 100 million people from losing their sight. This is a goal that we can support with our commitment and determination – we will continue to strive in future to ensure that everybody has the right to see the world with his or her own eyes.

To us, social responsibility in foreign aid means helping people to help themselves.

Over the next years we propose to further expand our commitment to VISION 2020. A focus will be the development of high-quality diagnostic and therapeutic devices to facilitate even better treatment of peoples in remote or rural areas. In addition, further training centres are to be equipped with state-of-the-art

Active overseas development aid within the framework of VISION 2020 will continue to rank highly with Carl Zeiss Meditec in future.

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*For more information
on the VISION 2020 initiative
please consult*

*www.v2020.org
www.who.int
www.woche-des-sehens.de
www.iapb.org*

*and
www.christoffel-blindenmission.de*

Our Strategy

Preconditions for further growth

Ophthalmology is a growth market in which Carl Zeiss Meditec will further consolidate its position in future. Our concerted efforts in the financial year 2002/2003 have put us on a profitable expansion path. For example, the integration of the two companies that were merged last year has been brought to a fast and successful conclusion. With the sale of the peripheral operations

Aesthetic and Dental, the Company made a convincing start to its strategy of consistently focusing on the ophthalmic market. This will now enable us to concentrate all our efforts on further consolidating our leading position in the world's markets. Our goals are ambitious, but nevertheless realistic: In the next five years we plan to double our sales and increase the EBIT margin up to a minimum of 15%. The average growth of Carl Zeiss Meditec should thus exceed the rate of the market for ophthalmic systems.

*Carl Zeiss Meditec's strategic focus is clearly on its core ophthalmic business.
The Company has thus fulfilled a major prerequisite for achieving its ambitious goals.*



The most notable recognition for the strategic alignment of Carl Zeiss Meditec was our extremely successful capital increase. It was undisputable evidence that many renowned investors acknowledge our success to date and believe in our strategy. Furthermore, with the capital increase we have also secured the maximum possible flexibility for accelerating growth. As in the past, our strong technology position, our high degree of innovation and our global presence will continue to be the basis of our success.

It is the recognised **high level of technological innovation**, as manifested in our product highlights STRATUSocT™, MEL 80™ and IOLMaster®, that distinguishes Carl Zeiss Meditec from the competition. This is guaranteed by our strong scientific development potential – one in five of our company's employees works in research and development on product innovations and projects for the future. In the past financial year we invested € 24 million (about 10% of our sales revenue) in this sector. The success achieved was quite substantial: The OCT and IOLMaster® technologies at our disposal are unique basic technologies that are not available to any other company. Our strong patent portfolio secures our excellent ranking in the competitive field: Each year about 50 new patents are added to our current holding of over 500.

◀ *One in five employees is engaged in research for the future of ophthalmology.*

In addition to technologically superior products, another factor of success is the **global marketing strategy**: Over a number of years our own large and highly successful sales teams have helped us to establish a strong presence in the world's major markets USA, Japan and Germany. 130 employees all over the world are engaged in Marketing and Sales. Two thirds of them are in the USA. On other markets we have been able

A high level of technological innovation and unique basic technologies, in conjunction with efficient worldwide distribution channels and a sound financial structure are further prerequisites we have created for the fulfilment of our expansion goals.

to exploit considerable synergies deriving from our affiliation to the Carl Zeiss Group. Through about 40 distributors and 100 other agencies of the Carl Zeiss Group we have access to a powerful and extremely efficient distribution network. These companies each have their own divisions that are specialised in the sale of medical devices and ophthalmic systems. We are, so to speak, wherever our customers need us – all over the world.

Our excellent **financial situation** secures our future growth plans. In the financial year 2002/2003 we were able to further increase our cash inflow from operating activities. Operative cash flow stood at approx. € 28 million. This and the inflow of funds from the capital increase have provided Carl Zeiss Meditec with over € 45 million in liquid assets as of 30 September 2003. The extremely healthy balance sheet position is also demonstrated by the equity ratio of 59 percent, a substantial increase over the previous year.

Strategy for the future

The future trend in ophthalmology is evident: Instead of a wide variety of devices, each for a different eye examination, there will be intelligent networked systems. That is why we wish to pursue the development of innovative software solutions in the future. This is an important step on the path towards our strategic goal of aiding specialists with intelligent all-round diagnostic systems in support of faster and even more precise decisions on the course of treatment.

In addition, an emphasis will continue to be placed on the exploitation of growth potential in the area of technology. Further areas of application are to be opened up for the OCT technology that forms the nucleus of the top-quality STRATUSOCT™ product. Other innovations, e.g. in the field of customised correction of vision defects and intraocular lenses, are also being worked on. Completion of the product portfolio and further market penetration are additional main focuses for strategic investment.

Future projects aimed at promoting the strategic growth of Carl Zeiss Meditec pursue the following explicit goal: to safeguard and expand our leading position in the market for ophthalmic systems in the long-term.

Innovative software solutions, new products founded on our basic technologies and the goal-oriented complementation of our product portfolios are important elements of our growth strategy.



▲ *Basic technologies
are a vital component
of our growth strategy.*



ZEISS

CARL ZEISS MEDITE

Jena, 11:00pm

*Our leading position in ophthalmology is an achievement
that requires a concerted effort every day anew.
We work around the clock to maintain it, all over the world.*

Value-based management

The goal of our business activities is to create value. Basically this means deploying the equity and borrowed capital, supplied by investors, in such a way as to generate added value. The prerequisite for this is orienting all areas of the Company - from development and sales through to administration - to ensure that they work as efficiently and as profitably as possible.

We use the Economic Value Added® (EVA®) assessment method as a one of the means to assess the corporate added value. EVA® is a profit figure which takes all costs, especially those required for borrowed and equity capital used, into account. All the company processes from strategic planning and operative decision-making through to performance measurement are incorporated in the EVA® figure.

To determine the Economic Value Added®, the net income after tax and before interest from ordinary operations is adjusted by the costs required for financing the business assets. The business assets include the entire capital tied up in the operative business. This emphasises the fact that the corporate value rises more steeply the more successful it is in its operative business and the less it has to expend on financing its business assets. The working capital management system introduced by Carl Zeiss Meditec therefore has an important value-raising

function. It is used to control and monitor trade accounts payable and receivable, thereby lowering the corresponding financing costs.

In the current financial year our aim is to implement the EVA® method even more extensively at Carl Zeiss Meditec in order to raise the long term corporate value. In doing so we strengthen the competitiveness of our Company and raise its growth prospects – which are equally attractive to both our employees and shareholders.

Report by the Supervisory Board

*Dear Shareholders,
Ladies and Gentlemen,*

The financial year 2002/2003 was an important and extremely successful period for Carl Zeiss Meditec AG on its path into the future. Innovative products and strong global sales combined with a strategy geared to increasing corporate value were the prerequisites for a substantial boost in sales revenue, profits and cash flow compared to the previous year. The Company has thus succeeded in counteracting the general trend by consolidating its market position. The Management and Supervisory Boards cooperated closely in the financial year 2002/2003. In the financial year 2002/2003 the Supervisory Board discharged its duties in accordance with the law and the Company's procedural rules and Articles of Association. It monitored the work of the Management Board at regular intervals and acted in an advisory capacity. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company.

The Management Board keeps the Supervisory Board regularly and comprehensively informed by means of detailed verbal and written reports on all relevant issues concerning business policy, company planning, risks, profitability and raising the company's value.

In addition, the Chairman of the Supervisory Board has also engaged in a regular exchange of information and ideas with the Management Board outside meetings of the Supervisory Board. The main topics discussed on such occasions were the current business outlook and the strategic development of the Company. On his part, the Chairman of the Supervisory Board was engaged in a close exchange of information with the other members of the Supervisory Board. This ensures close collaboration between the Management and Supervisory Boards.

The Supervisory Board held five meetings during the financial year 2002/2003. Three further resolutions were passed by written agreement in accordance with the Articles of Association.

With one exception, all members of the Supervisory Board were present at all meetings. One member of the executive body was unable to attend a meeting.

Committees of the Supervisory Board

The Supervisory Board formed three committees that were concerned with various specific issues to supplement the work of the former. The General Committee advises the Management Board on the strategic alignment of the Company. In addition, the General Committee supports the Chairman of the Supervisory Board between meetings and in the coordination and preparation of meetings of the Supervisory Board. The tasks of the Audit Committee include major issues in connection with risk management and the audit of the annual financial statements such as the required neutrality of the auditor and the setting of priorities for the audit. The Personnel Committee prepares staff decisions for the Supervisory Board.

The General Committee held four meetings during the financial year 2002/2003. In addition, one resolution was passed by written agreement. The Audit Committee met at the end of the financial year in connection with the audit of the annual financial statements for the financial year 2002/2003. No meetings of the Personnel Committee were necessary, as the Supervisory Board did not make any staff decisions.

The composition of the Supervisory Board and its committees, including the duties of individual members, is shown in the following table:

▼ *Composition of the Supervisory Board and its committees, including duties of individual members*

	Supervisory Board	General Committee	Audit Committee	Personnel Committee
Dr. Michael Kaschke	<i>Chairman</i>	<i>Chairman</i>	<i>Chairman</i>	<i>Chairman</i>
Alexander von Witzleben	<i>Deputy chairman</i>	<i>Member</i>	<i>Member</i>	<i>Member</i>
Dr. Franz-Ferdinand von Falkenhausen	<i>Member</i>	<i>Member</i>	-	-
Dr. Manfred Fritsch	<i>Member</i>	-	<i>Member</i>	-
Franz-Jörg Stündel	<i>Member</i>	-	-	<i>Member</i>
Jürgen Dömel	<i>Member</i>	-	-	-

Corporate Governance

At one meeting the Supervisory Board deliberated on the development of corporate governance at Carl Zeiss Meditec. The recommendations and suggestions of the German Corporate Governance Code as adopted in 2002 were discussed in detail. The Supervisory Board came to the conclusion that essential parts of the code had already been implemented at all levels of Carl Zeiss Meditec. No major material adjustments were thus required. In response to the recommendations in the January 2002 version of the code the bye-laws of the Managing and Supervisory Boards were supplemented and amended, and the latter unanimously adopted in this form.

The Supervisory Board expressly welcomes the stipulations of the German Corporate Governance Code, as it is in the interests of all persons directly or indirectly related to the Company. As in the past, the recommendations and suggestions of the code will thus rate highly in the management of the Company. The declaration of the Management and Supervisory Board on corporate governance on the basis of the German Corporate Governance Code of May 2003 contains a restriction with regard to the individualised disclosure of the remuneration received by members of the Management Board. Payments received by the Management Board are shown as a total in the notes to the consolidated financial statements for the financial year 2002/2003. The Management and Supervisory Boards will examine the possibility of an individualised declaration in future. The amount of fixed and variable remuneration of individual Supervisory Board members for the financial year 2002/2003 is calculated in accordance with the Company's Articles of Association.

Focus of deliberations of the Supervisory Board

The development of business of Carl Zeiss Meditec AG was a regular item on the agenda at meetings of the Supervisory Board. The sales and earnings situation of the Company overall was discussed at length, as well as individual sectors, products and product groups. Numerous Management Board reports on these topics formed a basis for these deliberations.

Issues related to the strategic focusing of Carl Zeiss Meditec continued to be a major concern for the Supervisory Board. In particular, in-depth discussions were held on the integration of subsidiaries' sales activities and options for handling the Aesthetic and Dental sectors that were not part of the Company's core ophthalmic business. Both tasks were completed in the financial year 2002/2003 on the basis of the decisions reached. The sales integration was implemented and the Aesthetic and Dental sectors were disposed of with effect from 1 May 2003.

A further item on the Supervisory Board's agenda was the strategic alignment of Carl Zeiss Meditec AG. It also deliberated on issues related to the Company's capital market strategy. The main focus in this context was the preparation and implementation of the increase in the Company's share capital under the exclusion of shareholders' subscription rights. The capital increase was successfully implemented on 18 September 2003.

Audit of the annual financial statements

Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungsgesellschaft und Steuerberatungsgesellschaft (Auditors and Tax Consultants) of Stuttgart were appointed by resolution of the shareholders' meeting on 11 March 2003 as auditors for the annual financial statements. Before making their proposal, the Supervisory Board obtained a declaration from the auditor confirming that there are no professional, financial or other relationships between the auditor and his bodies and head auditors on the one hand and the Company and its body members on the other. Having obtained the approval of the shareholders, the Supervisory Board authorised Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH to conduct the audit of the individual and consolidated annual financial statements of the .

The annual financial statements prepared by the Management Board for the year ended 30 September 2003 including the management report for the financial year 2002/2003 were examined by Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH. The auditors found that the annual financial statements and management report are in compliance with the properly prepared accounts, legal provisions and the articles of association, and that the management report presents an accurate view of the risks to future development. The auditor confirmed this with his unqualified audit opinion.

The annual individual and consolidated financial statements, including the appropriate management and audit reports, were submitted to all the members of the Supervisory Board and discussed in detail in accordance with the requirements of Art. 171 Section 1 Sentence 2 of the German Stock Corporation Act (*AktG*) at the balance sheet meeting of the Supervisory Board in the presence of the auditor. In addition, the Management Board submitted its proposal to the Supervisory Board that the net loss for the financial year 2002/2003 is carried forward to new account.

Following its detailed examination, the Supervisory Board concluded that there were no objections to the Company's annual financial statements and the management report for the financial year 2002/2003. The Supervisory Board approved the annual financial statements for the year ending 30 September 2003 as prepared by the Management Board. The annual financial statements have thus been approved. The Supervisory Board concurs with the proposal by the Management Board to carry forward the net loss of the financial year 2002/2003 to new account. The Supervisory Board concurs also with the proposal of the Management Board to transfer the sum of € 32.8 million from capital reserves to fully compensate for the loss carried forward from the previous year and to withdraw € 0.1 million for transfer to reserves for treasury stock. The Company thus fulfilled one of the conditions for the future distribution of dividends.

The Supervisory Board's examination also included the consolidated financial statements and the consolidated management report. The consolidated annual financial statements prepared by the Management Board for the year ended 30 September 2003 including the Group management report for the financial year were examined by Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH. The consolidated financial statements were prepared in compliance with United States Generally Accepted Accounting Principles (US GAAP). The auditors found that the consolidated annual financial statements and management report are in compliance with the properly prepared accounts, legal provisions, US accounting standards and the articles of association, and that the management report presents an accurate view of the risks to future development. They have confirmed this in their audit opinion. This contains a qualification with regard to the reference date for the preparation of accounts to reflect the previous year's merger of Carl Zeiss Ophthalmic Systems AG and Asclepion-Meditec AG. In this respect the opinion of the Management and Supervisory Boards differs from that

of the auditor for the previous year and the financial year 2002/2003. In the auditors' opinion, a € 13.7 million increase in the corporate value of Asclepion-Meditec AG would have resulted in the previous year, producing a correspondingly higher goodwill. In the financial year 2002/2003, however, an impairment test would have necessitated a value adjustment of € 13.7 million. Based on these facts, the total goodwill shown in the consolidated financial statements for the year ended 30 September 2003 is correct. The Management and Supervisory Boards are therefore assuming that for the above reasons no further qualification of the audit report will be necessary. For the financial year 2002/2003 there are no differences of opinion between the auditors and the Management Board with regard to the amount and disclosure of goodwill. For all other purposes, reference is made to the particulars under (3) *Business acquisitions and sales* in the notes to the consolidated financial statements.

Following its detailed examination, the Supervisory Board concluded that there were no objections to the consolidated annual financial statements and the management report for the financial year 2002/2003. The Supervisory Board approved the annual consolidated financial statements for the year ending 30 September 2003 as prepared by the Management Board.

Pursuant to Article 292 HGB (German Commercial Code), the current consolidated financial statements in accordance with US GAAP exempts the Management Board from its obligation to prepare consolidated financial statements in accordance with German law.

As a member of the Carl Zeiss Group, pursuant to Article 312 *AktG* (German Stock Corporation Act) Carl Zeiss Meditec AG has prepared a report on the relations with affiliated companies in the financial year 2002/2003. This report has been examined by the Company's auditor. Both the dependency report and the respective audit report were submitted to the Supervisory Board. Upon examination of the reports pursuant to Article 314 *AktG* the Supervisory Board raised no objections to the statement of the Management Board.

Composition of the Management and Supervisory Boards

No changes were made to the Management and Supervisory Boards in the financial year 2002/2003.

The successes achieved in the financial year 2002/2003 would not have been possible without the great commitment of all employees of Carl Zeiss Meditec AG. The Supervisory Board would like to express its sincere appreciation to all employees of Carl Zeiss Meditec AG. Thanks are also due to the Management Board for its commitment and excellent cooperation.

Jena, 8 December 2003
For the Supervisory Board



Dr. Michael Kaschke
(Chairman)

Executive bodies of the Company

Management Board

Ulrich Krauss, Dipl.-Kaufmann (MBA)
President and CEO
 (*1964), Weimar



▲ Ulrich Krauss

Bernd Hirsch, Dipl.-Kaufmann (MBA)
Member of the Management Board
 (*1970), Weimar



▲ Bernd Hirsch

Dr. Walter-Gerhard Wrobel, Physicist
Member of the Management Board
 (*1952), Jena



▲ Dr. Walter-Gerhard Wrobel

▼ Areas of responsibility of the Management Board members

	Responsibilities
Ulrich Krauss	Sales, Marketing, Service, HR, IT, Refractive Surgery, Business Development
Bernd Hirsch	Finance, Investor Relations, Law
Dr. Walter-Gerhard Wrobel	Logistics and Production, Research and Development, Product Management and Quality

Supervisory Board

Dr. Michael Kaschke

Chairman of the Supervisory Board

(*1957), Oberkochen,

*Member of the Management Board
of Carl Zeiss Group, Oberkochen*

Other mandates:

Member of the Supervisory Board of Carl Zeiss Semiconductor Manufacturing Technologies AG, Oberkochen, Germany; Chairman of the Board of Carl Zeiss Meditec Inc., Dublin, USA; Chairman of the Board of Carl Zeiss Optical, Inc., Chester, USA; Chairman of the Board of Carl Zeiss Australia Ltd., Camperdown, Australia; Chairman of the Board of Carl Zeiss Co. Ltd., Tokyo, Japan; Chairman of the Board of Carl Zeiss Surgical, Inc., Thornwood, USA; Chairman of SPECTARIS, the German Industrial Association for Optical, Medical and Mechatronical Technologies, Cologne

Alexander von Witzleben

Deputy Chairman of the Supervisory Board

(*1963), Weimar,

*Chairman of the Management Board
of Jenoptik AG, Jena*

Other mandates:

Chairman of the Supervisory Board of Analytik Jena AG, Jena; Chairman of the Supervisory Board of Meissner+Wurst Zander Holding AG, Stuttgart; Chairman of the Supervisory Board of JENOPTIK Photonics AG, Jena; Chairman of the Supervisory Board of DEWB AG, Jena; Member of the Supervisory Board of KRONE GmbH, Berlin



▲ *Dr. Michael Kaschke*

Dr. Franz-Ferdinand von Falkenhausen

Member of the Supervisory Board

(*1945), Jena,

*Spokesman of the management of
Carl Zeiss Jena GmbH, Jena*

Other mandates:

Member of the Supervisory Board of Carl Zeiss Semiconductor Manufacturing Technologies AG, Oberkochen, Germany; Member of the Supervisory Board of FC Carl Zeiss Jena, Jena; President of the IHK (Chamber of Commerce) East Thuringia, Gera; Chairman of the Board of Trustees of the Fraunhofer Institute (IOF), Jena; Member of the Board of Trustees of Innovent Jena e.V., Jena; Chairman of the Advisory Board of the Thüringer Aufbaubank, Erfurt; Member of the Advisory Board of ZSP Geodätische System GmbH, Jena (Trimble Group); Member of the Advisory Board of AJZ Engineering GmbH, Jena



Dr. Manfred Fritsch

Member of the Supervisory Board
 (*1941), Kleinpüschütz/Jena,
Member of the Management of
Carl Zeiss Jena GmbH, Jena

Other mandates:

Member of the Supervisory Board of MAZet Mikroelektronik
 Anwendungszentrum Thüringen, Erfurt, Germany; Member
 of the Supervisory Board of Messe AG, Erfurt

Franz-Jörg Stündel

Member of the Supervisory Board
 (*1954), Jena,
Service Engineer at
Carl Zeiss Meditec AG, Jena

Other mandates:

none

▲ *Members of the Supervisory Board from left to right*

- *Franz-Jörg Stündel*
- *Dr. Manfred Fritsch*
- *Dr. Michael Kaschke*
- *Alexander von Witzleben*
- *Dr. Franz-Ferdinand von Falkenhausen*
- *Jürgen Dömel*

Jürgen Dömel

Member of the Supervisory Board
 (*1950), Jena,
Chairman of the Works Council at
Carl Zeiss Jena GmbH, Jena

Other mandates:

Member of the Supervisory Board of Carl Zeiss Jena
 GmbH, Jena

Directors' Holdings and Directors' Dealings

▶ *Directors' Holdings –
Details on shareholdings
of members of the Management
or Supervisory Board of
Carl Zeiss Meditec AG*

Number of Carl Zeiss Meditec shares
30 September 2003

Management Board			
Ulrich Krauss	Shares		500
Dr. Walter-Gerhard Wrobel	Shares		-
Bernd Hirsch	Shares		500

▼ *Supervisory Board*

Dr. Michael Kaschke	Shares		750
Alexander von Witzleben	Shares		3,094
Dr. Franz-Ferdinand von Falkenhausen	Shares		794
Dr. Manfred Fritsch	Shares		450
Jürgen Dömel	Shares		291
Franz-Jörg Stündel	Shares		488

▼ *Directors' Dealings –
securities transactions subject
to reporting requirements made
by members of the Management
or Supervisory Board of
Carl Zeiss Meditec AG*

▼ *Company*

Carl Zeiss Meditec AG	Shares		14,252
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	Function	Date	Purchase / sale	Number of shares	Price
Bernd Hirsch	Member of the Management Board, CFO	20.2.2003	Purchase	500	€ 7.28
Ulrich Krauss	President and CEO	26.2.2003	Purchase	500	€ 7.03
Dr. Manfred Fritsch	Member of the Supervisory Board	4.3.2003	Purchase	450	€ 7.85
Alexander von Witzleben	Deputy Chairman of the Supervisory Board	4.3.2003	Purchase	594	€ 7.80
Jürgen Dömel	Member of the Supervisory Board	5.3.2003	Purchase	291	€ 7.79
Dr. Franz-Ferdinand von Falkenhausen	Member of the Supervisory Board	5.3.2003	Purchase	450	€ 7.85
Franz-Jörg Stündel	Member of the Supervisory Board	5.3.2003	Purchase	284	€ 7.85
Dr. Michael Kaschke	Member of the Supervisory Board	6.3.2003	Purchase	750	€ 7.85
Franz-Jörg Stündel	Member of the Supervisory Board	26.9.2003	Sale	190	€ 10.70

Corporate Governance¹

Carl Zeiss Meditec AG highly values a responsible and professional management. We are convinced that management based on raising the Company's long-term value and on a transparent and fair communication policy benefits all the groups with vested interests in Carl Zeiss Meditec. We therefore deemed it only logical to follow the recommendations contained in the 2002 version of the German Corporate Governance Code without any exception.

Carl Zeiss Meditec AG highly values a responsible and professional management.

We will continue to take our commitment to good corporate governance seriously in the future; the intention here is to protect the interests of the shareholders, business partners and employees. All the main recommendations contained in the May 2003 German Corporate Governance Code were once again followed in the financial year 2002/2003. Only the future individualised presentation of the Board's fixed and variable remuneration elements - as recommended in clause 4.2.4 of the Code in the current version of May 2003 – is currently being examined by the Management Board and Supervisory Board. Payments received by the Management Board are shown as a total in the notes to the consolidated financial statements for the financial year 2002/2003.

¹ Constitutes report of corporate governance in accordance with clause 3.10 of the German Corporate Governance Code (May 2003)

The German Corporate Governance Code constitutes the main requirements concerning the management and monitoring of listed companies and contains nationally and internationally recognised standards of good and responsible management. The Code was developed to clarify the rights of shareholders and the tasks of management and supervisory boards. The aim of the Code's recommendations and suggestions is to promote trust on the part of international and national investors and the public in the management and monitoring of listed companies in Germany.

The Code is usually reviewed once per year and revised to take national and international developments into account.



Further information and the latest version of the German Corporate Governance Code can be obtained from

www.corporate-governance-code.de



▲ *Ideas are born of dialogue.*

Corporate Governance at Carl Zeiss Meditec

Shareholder rights

The forum for the Carl Zeiss Meditec AG shareholders is the general meeting, which is where they are entitled to exercise their voting rights. Each Carl Zeiss Meditec share entitles its bearer to one vote. There are no shares with multiple, preferential or maximum voting rights. Every shareholder who has submitted his or her shares is entitled to take part in the general meeting. S/he has

the possibility to speak out on items on the agenda, to ask relevant questions and to make proposals. The general meeting is chaired by the Chairman of the Supervisory Board. The Management Board of Carl Zeiss Meditec AG presents the annual statement and the consolidated statement to the general meeting. As the body for expressing the will of our shareholders, the general meeting resolves on amendments to the Articles of Associations of the company and essential measures such as, in particular, inter-company agreements and transformations, on the issuance of new shares and other financial instruments as well as on the authorization to purchase own shares.

All Carl Zeiss Meditec shareholders have the same rights – each share entitles the bearer to one vote.



Cooperation of Management and Supervisory Boards

Carl Zeiss Meditec AG, Jena, is subject to German law which is also the basis of the Corporate Governance Code. This stipulates a dual management system whereby the Management Board carries out managerial functions and the Supervisory Board fulfils a monitoring and advisory role. To ensure successful management of the Company, the Management Board and the Supervisory Board maintain a close dialogue with each other.

The Board of Management coordinates the Company's strategic orientation with the Supervisory Board and discusses the progress of strategy implementation with it at regular intervals.

The Supervisory Board is directly involved in decisions which are of fundamental importance for Carl Zeiss Meditec AG. These include decisions which could have a major impact on the Company's net worth, financial position or earnings. The Management Board and the Chairman of the Supervisory Board are jointly responsible for providing the Supervisory Board with sufficient information.

The Management and Supervisory boards work together closely for the benefit of the Company. The Management Board keeps the Supervisory Board regularly and comprehensively informed by means of detailed verbal and written reports on all relevant issues concerning business policy, company planning, risks, profitability and raising the company's value.

◀ *Concerted action is also essential at management level.*

The Management Board

The Management Board of Carl Zeiss Meditec AG runs the Company. It is committed to defending the Company's interests and thereby to raising its long-term value.

The Chief Executive Officer coordinates the Company's basic policies. The main responsibilities of the Management Board are defining corporate strategy, setting the Company budget and distributing resources. It publishes quarterly and annual statements for the Group and is responsible for filling important posts in the Company. It also keeps the Supervisory Board informed regularly, comprehensively and with no delay on all issues concerning planning, business performance, risks and risk management for Carl Zeiss Meditec AG. Any secondary occupations require the consent of the Supervisory Board. None of the Management Board members has such a secondary occupation.

Remuneration of the Management Board

The Management Board remuneration consists of fixed and variable components. The appropriateness of these components is reviewed at the beginning of each financial year by the Chairman of the Personnel Committee of the Supervisory Board.

The variable component is contingent upon certain quantitative goals being reached. These goals also form the basis of the corporate control and should take both

short and long term business performance (e.g. sales, EBIT, Δ EVA®) into account. Strategic goals as agreed with the Supervisory Board are also taken into consideration.

The Company is currently checking the feasibility of introducing a long-term incentive programme aimed at rewarding the Company's management and employees for pursuing long-term goals and allowing it to focus on raising the corporate value in the long term.

The Supervisory Board

In the financial year 2002/2003 the Supervisory Board of Carl Zeiss Meditec AG consisted of six members. Four of the members were elected by shareholders at the general meeting. Two further members are employee representatives. They have joined the monitoring body on a voluntary basis and, as such, are legally appointed. Like the Management Board members, all the Supervisory Board members are committed to defending the Company's interests.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and chairs its meetings.

Transparency in reporting

To ensure maximum transparency, Carl Zeiss Meditec provides regular and topical information to its shareholders, financial analysts, shareholder associations, the media and the general public about the Company's performance and about any important changes to the business. All the shareholders and the main target groups receive the same information simultaneously. We take great pains to ensure that all the information we provide is issued to the interest groups without any delay.

The annual statement is published in German and English within 90 days of the end of the financial year and the interim reports within 45 days of the end of the quarter. We use the Internet as a platform for publishing continually updated information. The dates of the main publications – such as annual and interim reports or general meetings – and a whole range of other information are held there for general access.

In addition to its regular financial reports, Carl Zeiss Meditec issues ad-hoc announcements and explanatory press releases to provide immediate and comprehensive information about events which could impact on the Company's assets and finances or the general day-to-day business, making them capable of exerting a considerable influence on the Carl Zeiss Meditec share price.

Moreover, the Management Board also issues an immediate statement if there are any notifiable changes to share ownership. This is deemed to be the case if an individual's shares go above or below 5, 10, 25, 50 or 75 percent of the voting rights of Carl Zeiss Meditec AG through buying, selling or some other method. Also, in accordance with the law, Carl Zeiss Meditec AG immediately issues a statement when Management Board or Supervisory Board members buy or sell Carl Zeiss Meditec AG shares. This information is published on the Company's website without any delay in German and English.

Open and fair communication generates trust. Carl Zeiss Meditec provides regular and topical information to all interest groups about the Company's performance and about any important changes to the business.

Financial records and auditing

Shareholders and third parties are informed principally via the consolidated financial statement. Carl Zeiss Meditec consolidated financial statements are drawn up in accordance with the US GAAP (United States Generally Accepted Accounting Principles). The financial statements of Carl Zeiss Meditec AG are prepared by the Management Board, approved by the Supervisory Board and checked and certified by an independent

no professional, financial or other relationships between the auditor and his bodies and head auditors on the one hand and the Company and its body members on the other.

A continuing and open dialogue with our shareholders is the ambitious goal we have set ourselves and one which we intend to continue fulfilling in the future through comprehensive and transparent communication. As the result of rapid and open reporting we will continue to promote trust on the part of investors and the general public in our Company.

*A healthy financial structure –
audited by independent auditors – guarantees
ongoing reliability.*

auditor. Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH, Stuttgart, were chosen as the auditors for the annual individual and consolidated statements at the general meeting on 12 March 2003. Before making their proposal, the Supervisory Board obtained a declaration from the auditor confirming that there are



*Important financial dates
are to be found on
the rear cover or at*

www.meditec.zeiss.com/ir



▲ *Financial transparency starts with carefully checked figures.*

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

Pursuant to Art. 161 AktG the Management and Supervisory Boards of Carl Zeiss Meditec AG are obliged to submit an annual declaration that the recommendations of the *Government Commission on the German Corporate Governance Code* have been complied with. This declaration must be made permanently accessible to shareholders.

The Management Board and Supervisory Board declare herewith

that since its last declaration of 6 December 2002, Carl Zeiss Meditec AG has applied the recommendations of the “*Government Commission on the German Governance Code*” in the version dated 26 February 2002 without limitation. The Management and Supervisory Boards furthermore declare that Carl Zeiss Meditec AG observes and will continue to observe the recommendations of the Code in the version dated 21 May 2003. Merely the following recommendation is applied in a qualified form.

Art. 4.2.4:

In the notes to the consolidated financial statements, remuneration paid to members of the Management Board shall be shown divided into fixed allowances, profit-orientated components and components with long-term incentive effect. The figures shall be shown for each director individually.

Payments received by the Management Board are shown as a total in the notes to the consolidated financial statements for the financial year 2002/2003. The Management and Supervisory Boards will examine the possibility of an individualised declaration in future.

Jena, 8 December 2003

For the Supervisory Board
Dr. Michael Kaschke

For the Management Board
Ulrich Krauss