



**Annual Report** Carl Zeiss Group  
2007/08



We make it visible.

*Carl Zeiss is an international group of companies in the optical and optoelectronic industry. The company has representatives in more than 30 countries. Carl Zeiss is a stock corporation which is wholly owned by the Carl-Zeiss-Stiftung (Carl Zeiss Foundation).*

*The products and services from Carl Zeiss set standards in the Medical and Research Solutions, Industrial Solutions and Lifestyle Products markets. The ZEISS brand has stood for innovative ideas, precision and quality for more than 160 years.*

*Around 13,000 employees work for Carl Zeiss around the world. During the past fiscal year, they generated revenues of 2.7 billion euros.*

# Business Groups of the Carl Zeiss Group

## Semiconductor Technology

- Increasingly smaller and more powerful microchips are needed for organizers, laptops and mobile phones. Carl Zeiss is the global market leader in lithography optics – the basic technology required for microchip production. Carl Zeiss is also a pioneer in electron and ion-beam technology. Scanning and transmission electron microscopes and ion-beam systems are used to make even the smallest structures visible.

## Medical Systems

- Medical systems from Carl Zeiss are used in ophthalmology, neurosurgery and ear, nose and throat surgery. Office-based doctors also put their trust in the know-how of Carl Zeiss. The company's diagnostic and therapy systems help healthcare professionals achieve better treatment outcomes. In this way, patients also benefit from the innovative, leading-edge technology produced by Carl Zeiss.

## Microscopy

- Researchers rely on the best technology: microscope systems from Carl Zeiss support them in gaining new insights in biology, medicine, pharmacy and chemistry. Microscopes can be used by industry to analyze materials and test their quality. Carl Zeiss also offers microscopes for students, which enable young people to become familiar with the fascination of microscopy.

## Industrial Metrology

- Measuring solutions from Carl Zeiss help make airplanes safer, cars faster, small plastic parts more resilient and wind turbines more efficient. Measuring machines and software from Carl Zeiss ensure maximum standards of quality wherever high precision is a must. Without measuring technology, the development, large-scale production and quality assurance of many everyday products would be inconceivable.

## Consumer Optics/ Optronics

- Carl Zeiss brings the night sky to planetariums and breathtakingly crisp images to the silver screen. Binoculars deliver perfect details for nature observation and optoelectronic solutions from Carl Zeiss ensure more security. Millions of people around the world value the quality and precision of optics from Carl Zeiss in digital cameras, camcorders and camera phones.

## Carl Zeiss Vision (Joint Venture)

- Carl Zeiss Vision is the world number two in the eyeglass market. Around the globe, two people per second decide to purchase eyeglass lenses from Carl Zeiss Vision. The company offers eye care professionals instruments to optimize the fitting of glasses. Carl Zeiss Vision is a joint venture of Carl Zeiss AG and Private Equity Fund EQT III.

# Financial Highlights

(IFRS)

	2007/08		2006/07		2005/06	
	EUR mill.	%	EUR mill.	%	EUR mill.	%
<b>Sales revenues</b>	<b>2,731</b>	<b>100</b>	2,604	100	2,433	100
Domestic (Germany)	449	16	432	17	380	16
Foreign	2,282	84	2,172	83	2,053	84
<b>EbIT</b>	<b>343</b>	<b>13</b>	394	15	313	13
<b>Consolidated net income</b>	<b>178</b>	<b>7</b>	233	9	167	7
Income taxes	100	3	142	5	89	4
Earnings before taxes	278	10	375	14	256	11
Depreciation/amortization of fixed assets net of post-capitalization/write-ups	134	5	146	6	120	5
Changes in the provisions for pensions and other non-current provisions <sup>1)</sup>	20	1	7	-	16	-
Adjustment for non-cash and unusual cash-relevant expenses and income of a material nature	64	2	21	1	18	1
<b>Cash flows before income taxes <sup>2)</sup></b>	<b>496</b>	<b>18</b>	549	21	410	17
<b>Cash flows from operating activities</b>	<b>266</b>		386		265	
<b>Cash flows from investing activities</b>	<b>-212</b>		-545		-304	
<b>Cash flows from financing activities</b>	<b>-46</b>		140		-62	
<b>Total assets</b>	<b>3,591</b>	<b>100</b>	3,433	100	3,017	100
<b>Property, plant and equipment</b>	<b>555</b>	<b>15</b>	528	15	551	18
Capital expenditure	118		107		118	
Depreciation	99		114		99	
<b>Inventories</b>	<b>829</b>	<b>23</b>	718	21	635	21
<b>Equity</b>	<b>1,197</b>	<b>33</b>	1,041	30	660	22
<b>Net liquid assets <sup>3)</sup></b>	<b>615</b>		612		275	
<b>Number of employees as of balance sheet date (September 30)</b>	<b>13,060</b>		12,257		11,249	
Domestic (Germany)	8,440		7,965		7,843	
Foreign	4,620		4,292		3,406	

<sup>1)</sup> Adjusted for investment in CTA in Germany and investments in plan assets abroad

<sup>2)</sup> Determined following the recommendation of the German Financial Analysis Association/Schmalenbach-Gesellschaft

<sup>3)</sup> Cash, cash equivalents, securities and fixed-term investments net of liabilities to banks



*Experience the fascinating world of optics:  
Carl Zeiss is highly dedicated to arousing interest  
in optics, technology and natural sciences. The  
company regularly invites children and young  
people to a training workshop. While there, the  
company's apprentices show them the optical  
properties of a perfectly ground lens.*

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*Cover photo:*

***What do you see?***

*With its innovative optical products and solutions, Carl Zeiss puts things in a new light. Completely in line with the company's corporate slogan: We make it visible.*



*Hermann Gerlinger, Dr. rer. nat.*

*Dieter Kurz, Dr. rer. nat.*

*Michael Kaschke, Dr. sc. nat.*



**Ladies and Gentlemen,  
Dear Friends of Carl Zeiss,**

A successful fiscal year 2007/08 is now behind us. Carl Zeiss has made very good progress in the implementation of its growth strategy. We have increased revenues and stabilized our profits at a healthy level.

We have been faced with a new challenge since the middle of 2008. Difficult times are ahead for the global economic climate. The turbulence prevalent on the international financial markets has crossed over to the real economy and has curbed the readiness of consumers and companies to make investments and purchases. Investment cycles are becoming longer. The pressures of globalization are not receding. On the contrary, the emerging economic crisis is once again clearly demonstrating how closely industry and services are intertwined internationally. The changes to the economic framework have also affected our markets and our customers in different ways.

We have more than risen to the challenges of fiscal year 2007/08: revenues and profit are well within our ambitious expectations. With a positive balance sheet result, financing from our own resources and high liquid assets Carl Zeiss is very well poised for the future. We are thus one of the companies in a position to excel even in these difficult times.

We manage the company with long-term perspectives without being dependent on short-term capital interests. Focusing on ambitious goals and sustained value creation is fully supported by the sole owner of the company – the Carl Zeiss Foundation.

An internationally successful company such as Carl Zeiss must address the changes of the economic climate. The challenges of our customers are building up, cost pressures are increasing, new competitors are intensifying competition, and markets in emerging countries outside Europe and the Americas are demanding new strategies for the future.

We will confront this increased competition. Our starting position is good. Carl Zeiss generates more than 84 percent of its revenues on international markets. This demonstrates our competitiveness, but also shows our dependence on global economic developments.

The outstanding level of our research and development activities, and the strength of our production and technology divisions, verifies that we are successful in combining the performance of German engineering expertise and our 160 year culture of innovation with the opportunities of an international, broad-based strategic orientation.

With excellent technology and marketable products, Carl Zeiss is helping shape future markets. We are also increasingly accessing the growth potential in industrial investment goods, medical systems, research and development, and consumer-related products. The explosive development seen in the semiconductor and measuring technology industries would be unfeasible without products carrying the ZEISS brand. This also applies to breakthroughs in medical research and therapy. The international movie-making industry also relies on our products – as do millions of end users around the world.

Our employees made the success of fiscal year 2007/08 possible with their outstanding dedication and performance. We'd like to thank them for their commitment. They are the ones who demonstrate on a daily basis that Carl Zeiss is a valuable partner that enables superior value creation. They ensure that the ZEISS brand is associated with global progress in optics and optoelectronics.

With the ideas and dedication of our employees, intelligent investments, high pace of development and innovation, as well as intensive work on our products and processes, we will also generate growth and value enhancement in the future.

In recent years, we have laid a solid foundation that will enable us to pursue our growth strategy over the long term. Thanks to our broad portfolio and international orientation, Carl Zeiss is well positioned to flexibly react to opportunities on the market. We are prepared to master the challenges of the future together with you – our customers, our business partners and our employees. We are looking forward to our joint success.

Oberkochen, December 2008



Dr. Dieter Kurz  
President & CEO



Dr. Hermann Gerlinger  
Member of the Executive Board



Dr. Michael Kaschke  
Member of the Executive Board

*“With a strong brand, an excellently motivated team and a healthy international starting position, we are setting course for further success. Like millions of people around the globe, entrepreneurs, researchers and medical professionals put their trust in leading ZEISS brand products.”*

*Dr. Dieter Kurz*

*“Carl Zeiss has stood for technological excellence in the optical and optoelectronic industry for more than 160 years. Our engineers and experts are shaping the markets of the future in medical and semiconductor technology, measuring methods, research and lifestyle products.”*

*Dr. Hermann Gerlinger*

*“In recent years, we have brought Carl Zeiss a great deal forward through the expansion of business and the financial enhancement of the Group. We are well-prepared to systematically pursue our strategic objectives in the future.”*

*Dr. Michael Kaschke*



*Eggert Voscherau, Dr. h. c.*

**Ladies and Gentlemen,**

Tilman Todenhöfer, Chairman of the Supervisory Board, resigned from this body at the end of fiscal year 2007/08. He stepped down as Chairman of the Shareholder Council of the Carl Zeiss Foundation and the associated Chairmanship of the supervisory bodies of the foundation companies Carl Zeiss AG and SCHOTT AG. This decision was facilitated by the acquisition of a company by Robert Bosch GmbH of whose supervisory body he is a member. This acquisition led to overlapping with divisions of SCHOTT AG. The Supervisory Board thanks Tilman Todenhöfer for his successful work over the past five years.

I was nominated to become Chairman of the Foundation Council by the administration of the Carl Zeiss Foundation. I was appointed a member of the Supervisory Board of Carl Zeiss AG effective October 1 during an extraordinary Shareholder's Meeting on September 5, 2008. I was elected Chairman of the body at the next meeting of the Supervisory Board. I will utilize all my experience and energy to fulfill the obligations of my position.

Over the past fiscal year, the Supervisory Board has dealt intensively with the position and perspectives of the company, as well as with special topics. The Executive Board reported regularly, promptly and extensively to the Supervisory Board. The supervisory body was involved in all important decisions. In addition to matters discussed during the three regular meetings, further resolutions were passed using written procedures. The Executive Board reported in writing between the meetings about business developments and key processes. The Chairman of the Supervisory Board was informed by the Executive Board on an ongoing basis about important developments and upcoming decisions.

The trends in revenues, earnings and manpower in the Carl Zeiss Group, the financial situation and all major acquisition and divestment projects or change projects were the subject of regular consultations. Thus, the Supervisory Board approved the realignment of the central production and service areas in Oberkochen and Jena on the basis of extensive documents and consultations. The Supervisory Board also approved the acquisition of the company Pixier Technology Ltd. in Karmiel, Israel, by a subsidiary of Carl Zeiss SMT AG.

Furthermore, the Supervisory Board dealt with the corporate tax reform and approved the measures presented by the Executive Board. In addition to overlapping topics, the body dealt with specific subjects of the single areas and passed the necessary resolutions when required.

In total, the Supervisory Board set up three committees to prepare topics that will be dealt with in the plenum, as well as resolutions of the Supervisory Board. The Chairman's committee is responsible for the employment contracts of the members of the Executive Board and for other matters of the Executive Board. It met twice during the reporting year and passed resolutions regarding compensation for the Members of the Executive Board and the extension of the contract for Dr. Michael Kaschke until September 30, 2013.

The Mediation Committee as defined by Article 27, Paragraph 3 of the German Co-determination Act did not have to convene during the reporting year.

The Auditing Committee met three times. In particular, it dealt with the annual and consolidated financial statements, as well as risk management topics and the compliance program of the company. It issued the auditing instructions and specified the key aspects of the audit.

Key matters of consultation also included approving the multi-year plan of the key aspects of auditing and the review of efficiency of its own work. Representatives of the auditor also took part in the committee meetings.

During the plenum meetings, the Committee Chairmen reported on the meetings and the work of the committees.

In addition to the change at the head of the body, there was one other change: Dr. Hansjörg Manger retired from the Supervisory Board effective December 31, 2007. Dr. Matthias Kammüller was elected to replace him during an extraordinary general meeting on October 7, 2007. The Supervisory Board thanks Dr. Hansjörg Manger for his constructive and professional contributions, and his years of mutually trusting teamwork.

The KPMG AG Wirtschaftsprüfungsgesellschaft (formerly known as KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft), Berlin audited the financial statements of Carl Zeiss AG and of the Carl Zeiss Group as of September 30, 2008, and the corresponding Management Reports. The auditors issued an unqualified auditor's report in each case.

The auditor's reports were provided to all members of the Supervisory Board. The approval documents were discussed in the Auditing Committee and in the balance sheet meeting of the Supervisory Board on February 12, 2009. The auditor took part in both meetings and explained the major results of the audit.

After its own in-depth examination, the Supervisory Board has approved the results of the audit and endorses the financial statements presented by the Executive Board. The financial statements submitted by the Executive Board have therefore been adopted.

The Supervisory Board accepted the Executive Board's proposal for the use of net income, including the payment of a dividend to the value of EUR 10 million to the sole shareholder, the Carl Zeiss Foundation.

The Supervisory Board thanks the Executive Board, the employees and the employee representatives for their work, which contributed to the success achieved during the fiscal year.

Oberkochen in February 2009

For the Supervisory Board



Dr. h. c. Eggert Voscherau  
Chairman

# Corporate Management Report

*The Carl Zeiss Group once again posted growth in fiscal year 2007/08 (balance sheet date: September 30). The international group of companies comprises five business groups: Semiconductor Technology, Medical Systems, Microscopy, Industrial Metrology and Consumer Optics/Optronics.*

*Carl Zeiss focuses its activities on the future-oriented markets of Medical and Research Solutions, Industrial Solutions and Lifestyle Products. Additionally, the company has an interest in the global eyeglass lens manufacturer Carl Zeiss Vision.*

## Business and Strategy

### Business Trend

2007/08 was a successful fiscal year for the Carl Zeiss Group: sales revenues grew once more and, thanks to a healthy level of profitability, net income remained stable after adjustment for one-time effects. The Industrial Metrology Group was particularly successful in the reporting period: Carl Zeiss posted two-digit growth in revenues in this area. The Microscopy and Medical Systems Groups were also on a growth trajectory. Despite difficult conditions in the semiconductor market, the Semiconductor Technology Group once more achieved revenues in excess of one billion euros.

### At Home in Future-oriented Markets

Carl Zeiss concentrates on the markets for Medical and Research Solutions, Industrial Solutions and Lifestyle Products. The company benefits from the future-focused trends in these areas: the world population is growing and life expectancy is rising, therefore triggering growth in the demand for diagnostic and therapy products. Patients and doctors expect constant improvements in therapy outcomes as well as modern diagnostic and treatment methods. The demands being made on research instruments – in the pharmaceuticals industry, for example – are also increasing. These trends open up further growth opportunities in the Medical and Research Solutions market for Carl Zeiss.

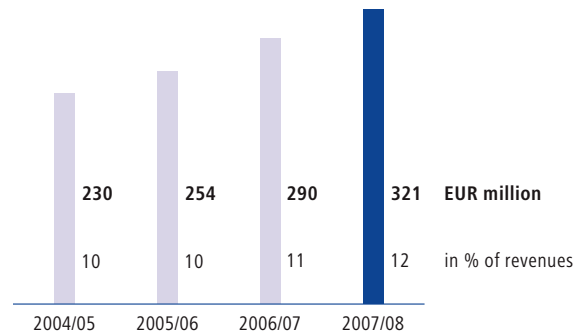
Current drivers of industrial development are digitization, automation and nano-technology. Many everyday products use state-of-the-art components from the microchip industry – in rapidly increasing numbers. With its innovative products and

systems, Carl Zeiss is enabling progress in the semiconductor industry. Metrology solutions from Carl Zeiss ensure high standards of quality in the automotive industry, mechanical engineering and in the development and manufacture of advanced systems for environmentally friendly energy generation.

ZEISS planetarium projectors conjure up the magic of the stars projected onto the domes of numerous planetariums around the globe, fascinating crowds of visitors and providing unforgettable insights into the universe. ZEISS cine lenses are used to film Hollywood movies that thrill audiences with their brilliant images. With the cinemizer video goggles, binoculars, spotting scopes and photographic lenses for cameras, cell phones and webcams, Carl Zeiss delivers quality in and outside the home, and plays its part in enhancing the quality of our lives.



## Expenditure on research and development



### Research and Development

Carl Zeiss spent EUR 321 million on research and development in the reporting period (last year: EUR 290 million), an amount equating to 12 percent of sales (last year: 11 percent). This high level of investment in research and development is a Carl Zeiss tradition, and an important factor for success: the company generates more than 60 percent of its revenues with products no more than five years old.

The efficient innovation management at Carl Zeiss is also reflected in the number of patent applications: during the 2007/08 year under review, the Carl Zeiss Group applied for patents for a total of 422 inventions (last year: 384), the equivalent of around 32 new patents per 1,000 employees.

### Environmental Protection

Environmental protection is an important component of the Carl Zeiss corporate policy. Economical use of natural resources and active environmental protection come as second nature to the company. In fiscal year 2007/08, Carl Zeiss invested eight million euros in environmental protection (last year: 11 million).

Carl Zeiss takes environmental aspects into account in product development and manufacturing processes, and also in packaging and shipping. The company focuses on resource-saving, low-energy solutions when purchasing new production equipment. Suppliers commit to the environmental protection requirements stipulated by Carl Zeiss.

All German production sites as well as a number of foreign subsidiaries are certified to international environmental standard ISO 14001.

### The Brand

The name Carl Zeiss stands for the highest quality and precision, tradition and, above all, innovation. Carl Zeiss ranks among the leaders in the Medical and Research Solutions and Industrial Solutions markets. Consumers are primarily familiar with ZEISS camera and cine lenses, planetariums, binoculars and eyeglass lenses. The Group is continuing to build awareness of its brand by collaborating with world famous manufacturers of consumer electronics and by introducing innovative products. In this way, young, technology-oriented consumers will come to know and value the ZEISS brand.

## The Portfolio

Value-oriented development of the corporate portfolio is an important feature of the Carl Zeiss Group's growth strategy. During the reporting period, the company expanded its portfolio and gained access to new technologies through strategic acquisitions and investments, enabling it to stabilize and expand the market position of its business groups.

Effective October 1, 2007, the stock market-listed subsidiary Carl Zeiss Meditec AG in Jena, Germany, acquired the entire equity of \*Acri.Tec® AG in Hennigsdorf, Germany, which specializes in innovative implants (intraocular lenses) and other products for ophthalmic surgery. With this acquisition, Carl Zeiss is expanding its product offering in this growing market and strengthening its position in ophthalmology. The acquired company was trading under the name of \*Acri.Tec GmbH as of the balance sheet date.

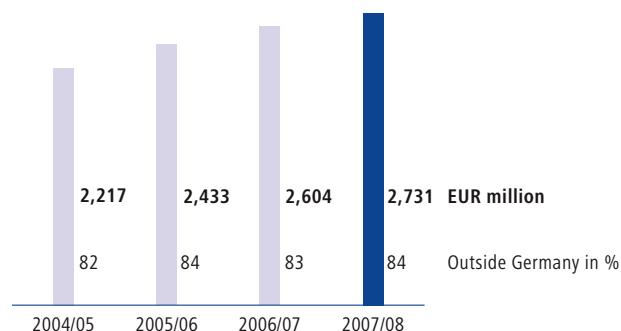
Also effective October 1, 2007, Carl Zeiss 3D Metrology Services GmbH, Aalen, took over 75.1 percent of the stock of Tholey-based Junker & Partner GmbH, Germany. By this move, Carl Zeiss has added measuring devices for the automotive industry to its Industrial Metrology Group's portfolio and opened up new customer segments.

In addition, Carl Zeiss Industrielle Messtechnik GmbH in Oberkochen, Germany, has fully acquired Dr. Wolf & Beck GmbH in Wangen, Germany, in which it had had a majority interest (75 percent) since 2002. Dr. Wolf & Beck GmbH specializes in non-contact optoelectronic sensors for coordinate measuring machines and software solutions for optical metrology.

In May 2008, the South African subsidiary of Carl Zeiss – Carl Zeiss (Pty) Ltd. in Randburg – acquired a majority interest (51 percent) in Anaspec CC in Gauteng, South Africa. The company trades under the name Anaspec (Pty) Ltd. and offers customers in South Africa and Australia technical services and care, particularly for the products of the Nanotechnology Systems Division as well as for those of the Industrial Metrology and Medical Systems Groups.

In August 2008, a subsidiary of Carl Zeiss SMT AG acquired Pixier Technology Ltd. in Karmiel, Israel, which develops unique yield enhancement solutions for the photomasks used in semiconductor production. Carl Zeiss has expanded its leading position as an equipment provider for the microchip industry with this acquisition. Pixier Technology Ltd. will be integrated into the Semiconductor Metrology Systems (SMS) Division.

## Revenues



## Results of Operations, Financial Position and Net Assets

### Sales Revenues Increase despite Softening Economy

The Carl Zeiss Group's sales revenues rose in fiscal year 2007/08, mainly because of a strong first half, to EUR 2,731 million (last year: EUR 2,604 million), corresponding to growth of five percent over the previous year. Adjusted for foreign exchange effects, this would have meant an increase of eight percent.

The upturn in revenues is primarily attributable to organic growth. Changes in the scope of consolidation had no major influence on the business in the reporting period. The main emphasis of acquisitions during this period was on technological competence and additions to the portfolio. Significant contributions to revenues are not to be expected from these transactions until subsequent years.

The Industrial Metrology Group was particularly successful, with double-digit growth. The licensing business posted in the Consumer Optics/Optronics Group also showed a very healthy trend.

The Medical Systems and Microscopy Groups achieved slight increases in revenues – despite the difficult economic situation on the important American market and the unfavorable exchange rate influences. Because of the slowdown in the semiconductor market, sales revenues in the Semiconductor Technology Group remained slightly below the previous year's figures for the first time in years.

Foreign business accounted for 84 percent (last year: 83 percent) of revenues. Taking currency effects into account, Carl Zeiss grew in every region of the world in the year under review. The Group was particularly successful in Eastern Europe and Asia.

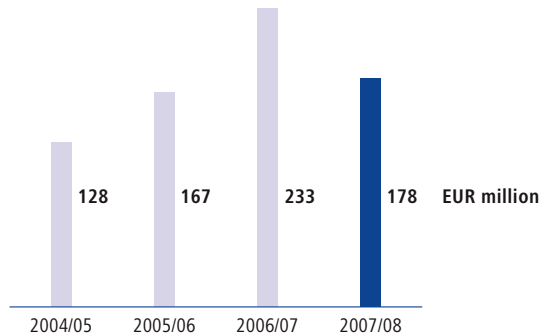
Incoming orders rose to EUR 3,202 million due to a change in the recording method. On a like-for-like basis, this value was four percent below last year's (EUR 2,704 million).

### Continued Good Results

After four consecutive record years, the Carl Zeiss Group achieved an increase in revenues of five percent in fiscal year 2007/08, with its results stabilizing at a high level. The cooldown in the economy caused by the financial market crisis, particularly in the USA, did not have any major effect on the company's development in the reporting period. The strength of the result is also due to the company's consistent focus on growth, earnings and value enhancement.

The EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) for 2007/08 came to EUR 477 million (last year: EUR 540 million). EBITDA does not take into account depreciation on property, plant and equipment or the amortization of intangible assets, which were capitalized particularly in connection with the acquisitions.

	2004/05	2005/06	2006/07	2007/08
	EUR mill.	EUR mill.	EUR mill.	EUR mill.
<b>EBITDA</b>	369	437	540	477
EBITDA margin	17%	18%	21%	17%
<b>EBIT</b>	250	313	394	343
EBIT margin	11%	13%	15%	13%
Consolidated net income	128	167	233	178

**Consolidated net income**

The Carl Zeiss Group generated an EBIT (Earnings before Interest and Taxes) of EUR 343 million, representing a fall of just under 13 percent compared to the previous year (EUR 394 million). This deterioration is largely attributable to the one-time effect of a compensation payment. In fiscal year 2006/07 an insurance company paid compensation for the fire damage at the Oberkochen production facilities in 2005. Taking this one-time effect into consideration, the company has maintained its results at a high level with an EBIT margin of 13 percent (last year: 15 percent).

The financial result for the reporting period was significantly below the previous year's figures. In particular, this demonstrates the negative effects of changing currency parities. Further reasons for the decrease are the one-time effect of an impairment and the results of equity consolidation.

Earnings before income taxes totaled EUR 278 million (last year: EUR 375 million). After taxes, the Carl Zeiss Group shows a consolidated net income of EUR 178 million for the reporting period (last year: EUR 233 million).

In the reporting period, Carl Zeiss pursued a policy of hiring employees for the service and sales divisions in order to further strengthen its proximity to the customer. As a result of this recruitment, personnel expenses grew disproportionately compared to sales revenues.

The cost of materials ratio (cost of materials in proportion to sales revenues) fell further in the reporting period, continuing the trend of previous years.

The increase in other operating expenses mainly results from higher sales volumes and an increased employee headcount. Major increases occurred in expenses for services and the costs of travel and warranty commitments.

**Further Rise in Corporate Value**

Carl Zeiss once more achieved a very high level of value enhancement in fiscal year 2007/08, just below the previous year's figure. Virtually all business groups created value on the basis of the EVA® (Economic Value Added) ratio, which serves as the internal benchmark for business performance. The figure results from net operating profit minus the cost of capital. The rate used to determine the cost of capital ranges between eight and twelve percent within the Carl Zeiss Group. In the reporting period, the Group's EVA® totaled EUR 122 million (last year: EUR 133 million).

**Goals and Principles of Financial Management**

Global financial management at the Carl Zeiss Group incorporates all subsidiaries and is centrally coordinated at the corporate level by Carl Zeiss Financial Services GmbH.

Financial management is geared to the operational and strategic orientation of the Carl Zeiss Group: the prime objectives are to provide liquid assets for operational business, to further strengthen financial flexibility for constant expansion of business activity and to limit financial risks.

Currency risks which are not covered by production and procurement in the local countries and currencies are hedged using derivative financial instruments. Financial investments are made exclusively in securities with first-class ratings.

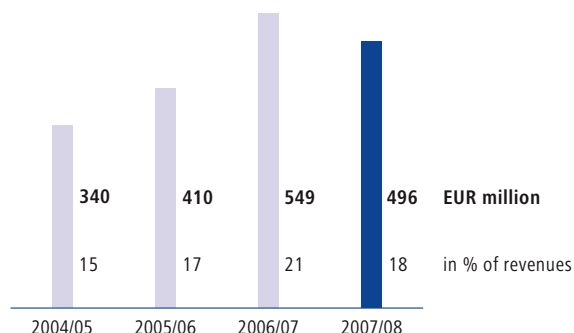
### Net Liquid Assets Rise Thanks to High Cash Flow

The earning power of the Carl Zeiss Group was also reflected in the cash flow before income taxes <sup>1)</sup>, recognized at EUR 496 million (last year: EUR 549 million). This equates to 18 percent of revenues.

The outflow of funds for investments, acquisitions and the financing of pension obligations through a Contractual Trust Arrangement (CTA) is fully covered by the inflow of funds from operating activities.

The cash flow from operating activities is significantly determined by the positive net income. The operating cash flow was reduced by higher inventories purchased to safeguard the market launch of new products. Trade receivables fell slightly in the reporting period, despite the increase in the Group's revenues.

### Cash flows



The cash flow from investing activities came to EUR –212 million in the reporting period (last year: EUR –545 million). The figure for last year was influenced by non-current investments (securities and fixed-term deposits maturing in more than 90 days) of EUR 347 million and a special investment of EUR 63 million.

In addition, this cash flow includes the non-current financial investments in securities and fixed-term deposits maturing in more than 90 days. The main development in the reporting period was a regrouping from securities into fixed-term deposits. On balance, this led to inpayments, i.e. regrouping towards cash and cash equivalents, amounting to EUR 16 million.

Investments in property, plant, equipment and intangible assets also rose compared to the previous year. Outflows of funds for acquisitions resulted in a further significant effect on the cash flow from investing activities.

The EUR 171 million capital increase in cash at Carl Zeiss Meditec AG, a stock market-listed subsidiary, had led to a higher cash flow from financing activities in the previous year. This combined capital increase in cash and kind was carried out for the purpose of merging the Carl Zeiss Group's Medical Systems activities under one umbrella – Carl Zeiss Meditec AG. These liquid assets are also carried in the Carl Zeiss Group's consolidated balance sheet, since Carl Zeiss Meditec AG is included in the scope of consolidation.

<sup>1)</sup> Based on the recommendations of the German Financial Analysis Association/Schmalenbach-Gesellschaft DVFA/SG.

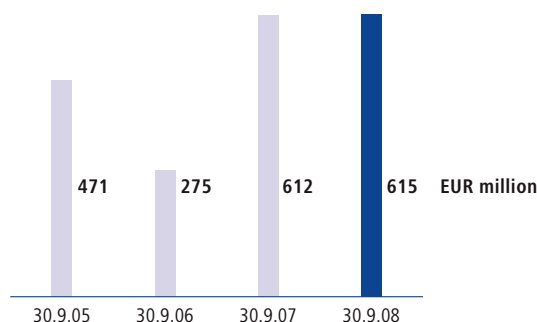
The Carl Zeiss Group's main sources of finance are its strong equity base and its pension provisions. Further sources of finance for the Group are the promissory note loans issued in 2004/05, totaling EUR 250 million, and other liabilities to banks of around EUR 85 million. Since fixed rates have been agreed, the changes in interest rates have had no impact on these borrowings.

Cash funds <sup>2)</sup> amounted to EUR 950 million as of the balance sheet date (last year: EUR 962 million). The net liquid assets <sup>3)</sup> were EUR 615 million (last year: EUR 612 million). The Carl Zeiss Group's liquidity remained virtually unchanged compared with the previous year, despite high investments and acquisitions in the reporting period. The company's position for the implementation of its long-term growth strategy therefore remains comfortable.

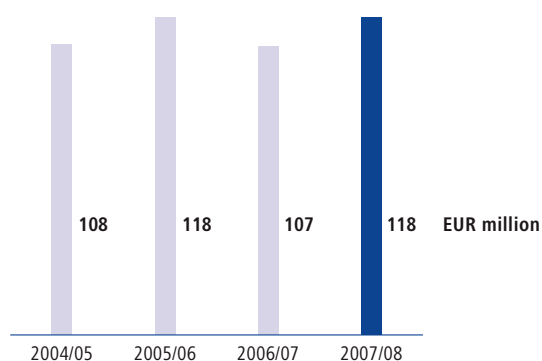
### Intangible Assets

Because more acquisitions were made than in the year before, intangible assets continued to rise in fiscal year 2007/08. In the reporting year intangible assets totaling EUR 56 million are contained in the consolidated balance sheet due to the acquisitions and initial consolidations.

### Net liquid assets



### Investments in property, plant and equipment



### Property, Plant and Equipment

The company invested a total of EUR 118 million in property, plant and equipment in 2007/08 (last year: EUR 107 million). Depreciation on property, plant and equipment amounted to EUR 99 million (last year: EUR 114 million).

The Carl Zeiss Group invested mainly in expanding state-of-the-art production facilities at its locations. Furthermore, investments were made in order to improve the infrastructure.

<sup>2)</sup> Cash, cash equivalents, securities and fixed-term investments

<sup>3)</sup> Cash funds net of liabilities to banks

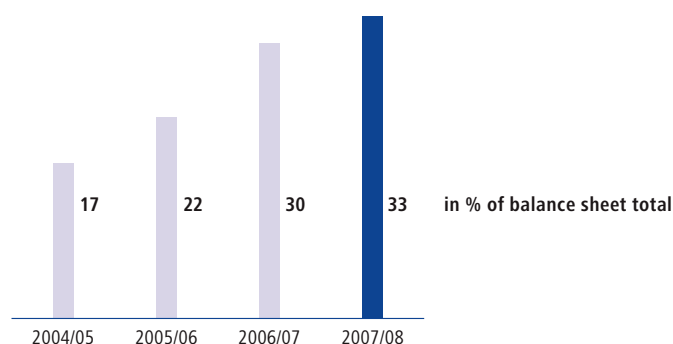
### **Business Downturn Increases Working Capital**

Inventories totaled EUR 829 million (last year: EUR 718 million) on the balance sheet date. The increase compared with the previous year is mainly due to measures to safeguard the market launch of new products.

Trade receivables, at EUR 515 million, are roughly at the previous year's level of EUR 518 million. This can be seen as a positive development in view of rising revenues. With regard to operations, the increase in current assets is offset by a slight rise in advance payments received on orders, EUR four million more than the year before. Liabilities towards suppliers as of the balance sheet date remain virtually unchanged at EUR 156 million (last year: EUR 153 million).

Provisions have decreased because of the slightly lower results and associated lower income taxes. The lower tax burden within Germany as a result of the income tax reform also affected this item.

### **Equity ratio**



### **Equity Ratio Reaches New Record Level**

The equity ratio grew by three percentage points to 33 percent (last year: 30 percent), continuing the positive development of the previous years. The net income for the year was the main contributor.

Within the framework of the appropriation of profits, Carl Zeiss paid over ten million euros as a dividend to the Carl Zeiss Foundation in line with the stipulations of the foundation statutes. A dividend payment was also made by Carl Zeiss Meditec AG. Both payments reduced the Carl Zeiss Group's equity accordingly.

### **External Financing of Pension Obligations Continues**

Carl Zeiss restructured the financing of its pension obligations in fiscal year 2005/06. The company's pension commitments remain unchanged.

The company transferred funds for its pension obligations toward active employees in Germany to a dedicated trust, thus clearly separating the resources for business operations from the pension obligations. This increases the transparency and international comparability of financial reporting. The legally independent trust invests the assets transferred to it on the basis of an appropriate long-term investment strategy.

Through ongoing investments, it was once again possible to fully finance pension obligations towards active employees in Germany using assets separate from business operations during the reporting year. These had a total value of approximately EUR 335 million as of the balance sheet date.

Pension obligations towards retirees will continue to be shown in full on the balance sheet of Carl Zeiss AG and its German subsidiaries. In addition, Carl Zeiss has pension obligations towards employees of foreign subsidiaries. Pension provisions of EUR 856 million are recognized in the consolidated balance sheet (last year: EUR 876 million). This corresponds to 24 percent of the balance sheet total (last year: 26 percent).

### Employees Benefit from Success

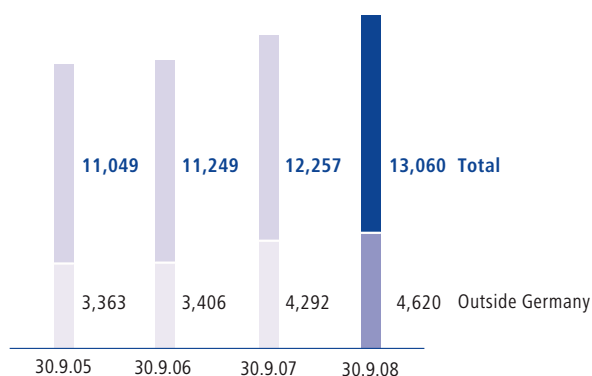
As in previous years, Carl Zeiss issued profit-participating certificates to the value of EUR 250 each to employees in Germany in fiscal 2007/08. The non-transferable certificates entitle employees to an annual profit distribution, depending on the performance of the company. The yield on the certificates depends on the company's return on sales. The certificates have a term of five years. After this time, the employee is reimbursed the value of the certificate. The certificates issued by the company in past years bore a yield of 20 percent in the reporting period, corresponding to a profit distribution of EUR 1.6 million.

In total, certificates amounting to almost eight million euros have been issued to employees over the past four years in recognition of their achievements. Employees in Germany received a special bonus of EUR 1,300 gross arising from the successful closure of the 2007/08 fiscal year, payable in November 2008 after the end of the reporting year.

### Employees

As of the balance sheet date, the Carl Zeiss Group had 13,060 employees (last year: 12,257) across the globe, over 800 (around seven percent) more than in the previous year. This includes 291 employees added due to changes in the scope of consolidation compared to the previous year.

### Employees



The company has a workforce of 4,620 people outside Germany (last year: 4,292). A total of 441 apprentices and trainees were working in Germany as of the balance sheet date (last year: 417), giving Carl Zeiss a trainee ratio of five percent.

In 2008, the Corporate Research Foundation (CRF) honored Carl Zeiss as the top employer. The CRF awards this honor annually to Germany's most attractive employer for university graduates.



## Risk Report

### Risk Management

Risk management is one of the key tools for value- and performance-oriented management at Carl Zeiss. Risk management is coordinated from the corporate center and consolidated at the Group level.

Internal and external risks are systematically captured and assessed on a uniform basis throughout the Group, applying the criteria of damage potential and the likelihood and possible time of occurrence.

The management of the respective business units is responsible for the early identification, control and communication of risks. Risk coordinators in the business units ensure uniform reporting.

The Executive Board of Carl Zeiss AG plays an active role in the Carl Zeiss Group's risk management: it constantly evaluates the risks and assesses the measures initiated in order to minimize known risks. In addition, the Executive Board continually reviews the effectiveness of the risk control systems together with the Supervisory Board's Auditing Committee. These systems are further developed and optimized on an ongoing basis.

Carl Zeiss has laid down a binding written Code of Conduct which is available to the public on the company's website.

### Risks for the Carl Zeiss Group

The future of Carl Zeiss may be influenced by external factors, such as changes in the global political situation, major natural disasters or negative developments in the global economy and the financial markets – for example, when the banking and financial crisis affects the real economy.

#### Financial Risks

The business operations of the Carl Zeiss Group are affected by fluctuations in interest and exchange rates. Risks are entailed by the trend in euro exchange rates, in particular with the US dollar, Japanese yen and British pound. In order to absorb these as far as possible, Carl Zeiss Financial Services GmbH performs hedging transactions for the whole Carl Zeiss Group.

Possible risks from interest rate fluctuations are also controlled centrally by Carl Zeiss Financial Services GmbH. Carl Zeiss pursues a value preserving investment strategy: there are internal directives and rules for financial investments and financing. Financial investments are made exclusively in securities with first-class ratings.

Possible risks from acquisitions, investments, strategic alliances and equity interests are checked systematically beforehand. When technology startups are acquired, their potential for success in future technological developments can only be predicted to a limited extent. To ensure that such transactions are concluded successfully, Carl Zeiss has established a standardized process for mergers & acquisitions. Particular attention is paid to due diligence testing: every transaction is systematically evaluated for its value and synergy potential. The transparency created by this procedure helps to ensure a reliable decision-making process.

Goodwill from acquisitions of EUR 167 million is recognized in Carl Zeiss's corporate balance sheet, and is subjected to regular impairment tests. A future deterioration in the net assets, financial position and results of operations of some or all acquired companies necessitating an impairment of the goodwill cannot be entirely ruled out for the future.

In October 2007, the Group founded Carl Zeiss Venture Beteiligungsgesellschaft mbH. The goals of this company are to finance innovative technology, process and product developments with a high market potential and to control their risks.

The trends in the capital markets and interest rates influence the development of the assets of the CTA mentioned above. The CTA's development is monitored through a clear, long-term investment strategy and permanent risk control. In addition, the investment portfolio is continuously optimized and adjusted to current financial market conditions within the defined investment strategy.

### **General Procurement Risks**

The Carl Zeiss Group addresses the risks that may arise from short-term changes in the commodity and energy markets and from dependency on suppliers with systematic supply chain measures.

Carl Zeiss is dependent on the availability of its IT infrastructure and applications. An external strategic partner operates the company's IT systems. Responsibility for the IT strategy and the relevant directives lies with Carl Zeiss.

### **Risk of Specialist Staff Shortage**

Today, attracting the best specialists and managers ranks among the most important tasks in future-proofing an organization. Attractiveness as an employer therefore becomes a decisive competitive factor. Carl Zeiss offers its staff challenging work, good social benefits and attractive training. With this attractive package, the company can still cover its needs for specialist employees and managers. In the long term, however, the company is preparing for an increased shortage of skilled specialists.

### **Legal Risks**

There is currently no pending litigation that could pose any substantial danger to any area of the company or to the company itself.

Intellectual property and protected patents are key factors for Carl Zeiss's technology lead and therefore its competitive position. The company protects this competitive factor with an active property rights strategy.

To minimize the risk of violating the property rights of third parties, Carl Zeiss checks systematically during and after development processes whether third party patents could be affected.

### **Risks for Business Groups**

In the past few years, the Semiconductor Technology Group has grown steadily to become one of the Carl Zeiss Group's biggest revenue earners. Carl Zeiss has succeeded in creating and maintaining a development lead in this area. If a rapid, unexpected change in technology occurs, this could impair growth potential.

A considerable portion of the revenues is dependent on one large customer, and the Semiconductor Technology Group's business is exposed to the high volatility of the industry. This was especially perceptible in the reporting period. The semiconductor market weakened considerably in the second half of the fiscal year. Reduced consumer confidence, customers' reluctance to invest and the existing overcapacities in the microchip industry led to a massive drop in prices for semiconductor components. Manufacturers of microchips held back on a significant volume of investments as a result.

Possible restrictions on the services offered in the healthcare system may affect the business development of the Medical Systems Group. On the other hand, growth opportunities are provided by the demographic trend in industrialized countries and the increasing demands being made on the efficiency of medical systems for the diagnosis and therapy of diseases.

The medical technology market is characterized by constant technological innovations. Innovativeness and fast product development cycles are key competitive factors. Success for the Medical Systems Group therefore depends partly on developing innovative and marketable products quickly, and partly on identifying new technology trends and new medical knowledge early and translating them into appropriate products without delay.

With the increasingly positive economic development of the emerging countries, their demand for medical equipment is growing. Sales volume is at risk in these markets due to new, sometimes mainly local competitors.

Budget cutbacks in research and education are affecting the Microscopy Group. Further risks to the microscopy business are exchange rate fluctuations, which benefit American and Japanese competitors in particular, and the fierce competition in the market.

To counter these risks, Carl Zeiss invests constantly in research and development and launches new microscope systems on the market. By restructuring its business units, the business group has positioned itself even more effectively to meet its customers' specific requirements.

The development of the capital goods industry – particularly the automotive engineering and supply sector – is of major importance to the Industrial Metrology Group. This market segment enjoyed two-digit growth in the last few years. The trend has weakened because of the financial and credit crisis. The automotive industry is suffering from consumers' increasing reluctance to buy, and is responding with restructuring measures. Carl Zeiss has therefore expanded the product portfolio of the Industrial Metrology Group to open up new customer segments and markets: for example, by introducing measuring machines in the low-end price segment or systems used for the measurement of large units such as in wind turbines.

The security and defense technology business is suffering from increasingly strong international competition, despite stable and in some areas even increasing demand. The long duration of projects is another risk factor. Carl Zeiss addresses these risks with optimized approaches to the management of projects, inventories and the supply chain.

Consumers' increasing caution about spending – particularly in the USA – and strong price pressure pose risks to the Sports Optics Group's business. Carl Zeiss focuses on innovative products, such as binoculars and riflescopes with added electronic features, to keep the business on track.

The Camera Lens Division has expanded its licensing business, a move which may lead to risks to the ZEISS brand's reputation. To minimize these, Carl Zeiss only grants licenses with simultaneous demands on the highest quality standards.

The planetarium business is showing a trend towards digital projection technology. This technology shift implies the risks of increased development expenses and lower market entry barriers for competitors. Carl Zeiss wins clients in this market with its competence and experience. The company is the only provider in the world to combine the traditional star projector with digital projection systems.

### **Overall Risk Situation**

As a result of the initiated and planned measures, no individual risks are discernible that, on the basis of the information currently available to the company, could significantly jeopardize the net assets, financial position and results of operations of the Carl Zeiss Group in the near future. However, there is a risk that the global recession will affect the company's earning power.

## Outlook

### Global Economic Expectations

In view of the crisis in the financial markets and its impact on economic developments, forecasts for the coming year entail a large amount of uncertainty. The global economy will soften significantly in the 2008/09 fiscal year. Trading for the various business groups of the Carl Zeiss Group will be affected in different ways.

### Market Forecasts

This is the second year of an industry downturn for the Semiconductor Technology Group, accompanied by a further drop in revenues. The slump in the semiconductor industry, partly caused by overinvestment, is being reinforced by the financial crisis. It is becoming increasingly difficult for microchip manufacturers to obtain loans for their future-oriented investments. No end to this trend is foreseeable at present; a short-term recovery is not to be expected.

In the medical technology sector, Carl Zeiss initially expects a largely stable business trend; this, however, will also depend on general economic developments going forward. The global financial crisis may temporarily hamper companies' willingness and ability to invest. In the medium term, Carl Zeiss expects the business to

grow considerably, since the underlying macro trends have remained unchanged. These macro trends include the aging population, improved healthcare in newly industrialized countries, and investments by individuals in improving their quality of life.

For Microscopy, the company assumes that government and research budgets will stay at around the current levels for the time being, which should stabilize demand in this area. The company expects a significant decline in the field of materials microscopy due to the general slowdown in the business of our customers in the industry.

The financial and economic crisis is having a very strong impact on the automotive engineering and supply industry, which will lead to a significant decline in investments in this market segment.

Carl Zeiss' Consumer Optics/Optronics Group will continue to benefit from the increasing need for security and from stable government budgets.

Despite consumers' increasing reluctance to spend, Carl Zeiss looks forward to a relatively stable business trend for the Camera Lens Division. Sports Optics expects a further drop in demand and continued strong competitive pressure.

### Development of the Carl Zeiss Group

With its broad portfolio and international structure, Carl Zeiss is sufficiently well positioned and flexible to tap future market opportunities. Over the past years, the company has created a good platform for continuing its growth strategy in the long term. The macro trends of the markets relevant for Carl Zeiss will remain positive in the long term. The company will make further targeted investments to build its innovativeness and improve customer satisfaction.

At the start of the new fiscal year, Carl Zeiss launched three strategic projects encompassing the entire Group. These are aimed particularly at further improving the company's customer orientation and optimizing the value chain.

## Events after the End of Fiscal Year

### Restructuring of the Jena and Oberkochen Service Centers

To strengthen the competitiveness of the Oberkochen and Jena production sites, the Service Centers at the two locations are being reorganized. The service units have been assigned to Carl Zeiss AG since October 1, 2008. From March 1, 2009, the company will combine the technology and production units in a joint manufacturing company – Carl Zeiss Jena GmbH – and develop them into suppliers of complex subsystems. This measure will help to provide long-term security for a total of around 1,800 jobs. Carl Zeiss Jena GmbH will therefore be given a new business orientation. Production in Oberkochen will be an operation of Carl Zeiss Jena GmbH.

### Majority Interest

Effective October 1, 2008, Carl Zeiss 3D Metrology Services GmbH, Aalen, acquired one percent of the shares of Carl Zeiss 3D Automation GmbH, Essingen, and now holds 51 percent of its equity. Carl Zeiss 3D automation develops, designs and distributes automated systems, particularly for coordinate measuring technology.

### New Branch Office in Istanbul

As of November 2008, Carl Zeiss is represented in Istanbul, Turkey, by its own Industrial Metrology branch office. The company holds a majority stake in the newly formed Carl Zeiss Ölçüm Cihazları. Many growth opportunities are opening up for the company in the Turkish market.

### Capital Increase at Carl Zeiss Vision

By a shareholders' resolution of November 10, 2008, a capital increase in cash was effected at Carl Zeiss Vision Holding GmbH, Aalen, in that month in the amount of EUR 35 million. The joint venture shareholders, Carl Zeiss AG and the private equity investor EQT, contributed funds on a fifty-fifty basis.

### Carl Zeiss Meditec AG Dividend

The Executive Board and Supervisory Board of Carl Zeiss Meditec AG propose the payment of a dividend of EUR 14.6 million (EUR 0.18 per share). The share of around 35 percent accruing to minority shareholders of Carl Zeiss Meditec AG will reduce the equity of the Carl Zeiss Group accordingly. The Annual General Meeting for the 2007/08 fiscal year has yet to approve this proposal.

The effects on net assets, financial position and results of operations of the events after the balance sheet date are explained in the Notes to the Consolidated Financial Statements.

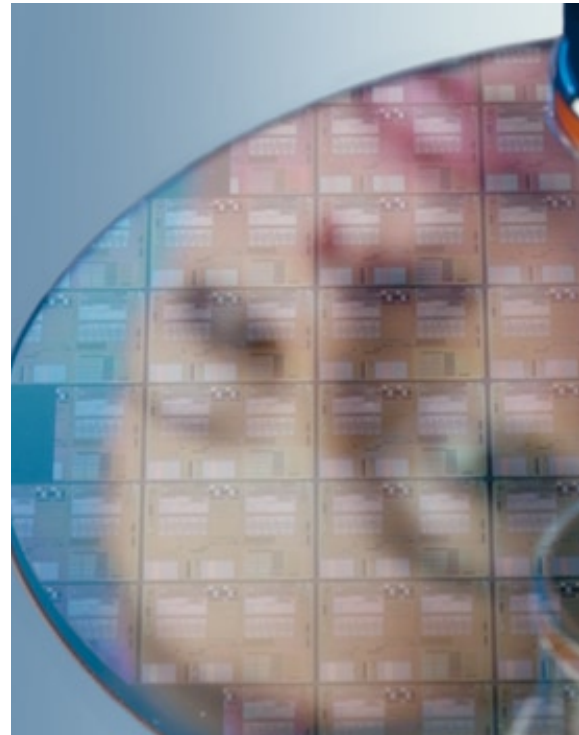
## Future Markets

*With trendsetting innovations, Carl Zeiss drives global progress in optics and optoelectronics. The company focuses on markets with long-term potential for growth: Medical and Research Solutions, Industrial Solutions and Lifestyle Products.*



### Medical and Research Solutions

The population around the world is aging, and the percentage of elderly is increasing rapidly. Doctors and patients rely on state-of-the-art diagnostic and therapy products that provide the required assistance to offset declining health and quality of life. The pharmaceutical industry and the life sciences are working intensively on the drugs and treatment methods of tomorrow – researchers rely on high-performance microscopes and imaging procedures to make this happen. Medical technology and research are among the international fields of growth with good development prospects for Carl Zeiss.



### Industrial Solutions

Digitization, automation and nanotechnologies are driving industrial development. The globally leading optics from Carl Zeiss provide the foundation for the production of high-performance microchips with highly complex nano structures, which are indispensable for the information society of tomorrow. With products and integrated solutions for measuring and analysis technology in the micro and nano ranges – as well as for industrial production – Carl Zeiss offers optimal solutions and sets technological standards that expand the existing imagination and precision.





### **Lifestyle Products**

For more than 160 years, Carl Zeiss has been a pioneer in technologies that open up new dimensions. ZEISS products enable millions of people to see and experience the world anew every day. In many planetariums, ZEISS planetarium projectors magically recreate the world of stars on the domes and fascinate with unforgettable insights into the universe. ZEISS cine lenses are used to film Hollywood movies that thrill audiences with their brilliant images. The cinemizer video goggles enable mobile cinema for the first time. Lenses for cameras and mobile radio devices, binoculars and spotting scopes from Carl Zeiss enrich life with ZEISS quality.

## A Day with Carl Zeiss

*Innovation is the domain of Carl Zeiss. The company develops high-tech solutions and products for industry, research and medicine. At least once a day, everyone comes into contact with something made using the know-how of Carl Zeiss. Dr. Gösta Strasding, a doctor in Frankfurt, is no different.*

Dr. med. Gösta Strasding is a Carl Zeiss customer who is served by various divisions of the company. He is a man around 50, athletic figure, firm handshake and a beaming smile. Strasding is one of the users who demands comprehensive services from a manufacturer – from the product features to aftersales services.

He is happy to talk about his experiences with the products from Carl Zeiss. “ZEISS is a name that has many positive associations for me,” he explains. “It is a brand that inspires trust.” Trust – a key criterion upon which the ear, nose and throat specialist relies when he purchases new instruments for his practice.

Strasding can still remember how impressed he was the first time he experienced the quality of a Carl Zeiss product many years ago. After completing his degree in medicine, he embarked on his period of military service with the navy, and, on one occasion, had the opportunity to take a trip in a submarine. During periscope operations, the commander let him use the periscope to take a look at the surface. “It was incredible,” remembers Dr. Strasding, “I would never have imagined that you could have such an impressive view from down there. The commander noticed how impressed I was and told me that periscopes of such quality only come from ZEISS.” Those are the kinds of experiences that stick in your memory.

Strasding runs his own practice with a colleague in Frankfurt. He also works in the nearby hospital, operating on patients who require inpatient treatment. He lives in the city with his wife, 17-year-old son and dog Hamlet. His daughter recently began her university studies in southern Germany.

Dr. Strasding uses his mobile phone as an alarm clock. The first thing he does every day is look at his phone: no new messages. That means nothing unusual has happened at the hospital, which is certainly a good start to the day. His cell phone is his constant companion. Strasding had not realized that the know-how of Carl Zeiss even flowed into the tiny electronic components of his phone: “I primarily associate the name with optics, like the lens on my digital camera, for example.”

But the functions controlled by the miniaturized chips in his pocket communicator, such as the loud ringtone that wakes him up every morning, are based on technology from Carl Zeiss: the company develops and manufactures lithography lenses which are used in the fabrication of semiconductor chips for memory and processors.





The circuits on the chips have now reached dimensions in which their width is measured in nanometers, much too small for mechanical production processes. At this order of magnitude, no other technology can keep pace with optics. The most sophisticated optics manufactured industrially are developed for chip fabrication. Carl Zeiss is the global market leader in this field.

ZEISS technology is also used for many other everyday products. After starting his day with a peek at his cell phone, Dr. Strasding grabs his electric razor which, of course, has no optical parts. Where is Carl Zeiss here? The answer lies in the mechanical precision. The primary advantage that modern razors have over their predecessors is the greater precision with which they are produced, a level of accuracy that is measured in micrometers. This is a great challenge in production – and for the measuring technology used to check the accuracy of the parts. Here, leading manufacturers rely on measuring systems from Carl Zeiss.

Strasding's morning continues in the kitchen; electronics also play a role here when it comes to a grabbing a quick bite. It is time for him to use his electric toothbrush, and once again this involves tiny chips made by a company that entrusts its measuring technology to Carl Zeiss. It is obvious that whenever you are dealing with things that move or rotate at high speed, accurate dimensions are a key issue.

The day got off to a good start and Strasding starts seeing the patients in his office. The instruments from Carl Zeiss can be seen in each of the treatment rooms. "Our fathers' generation had a totally different way of working," explains Strasding. "But for us it is impossible to imagine carrying out our daily work without a microscope." Hardly any patients leave the office without the diagnosis being verified using one of the ZEISS examination microscopes. Strasding



*"ZEISS is a name that has many positive associations for me." ENT specialist Dr. Gösta Strasding relies on ZEISS products in his job and during his leisure time.*

learned to always use the microscope while he was still a student at the Marburg University Teaching Hospital in Fulda, where he first became familiar with equipment from the medical technology arena – also in the operating room, of course, where the larger OPMI® systems were used.

His ENT practice now makes use of four examination microscopes with the ZEISS logo. "We really depend on them," he explains. "They enable us to make a quicker and more reliable diagnosis so we can treat the patient more effectively. The only disadvantage is the sense of how limited our scope is if a situation arises where we have to carry out an examination without a microscope." That is why he also values the availability of a rapid support service if something needs checking.

"The idea of working on a tricky surgical procedure in the operating room without a surgical microscope is completely inconceivable," emphasizes Strasding. The next operation is already scheduled for tomorrow. The ear, nose and throat specialist also performs operations at a nearby hospital two days a week. And it is here that he has witnessed another recent trend: "Our surgical techniques are increasingly oriented towards reducing any adverse effects of surgery by utilizing the smallest possible microsurgical interventions. The primary aim of patients nowadays is to get back to fully living their life as quickly as possible. Surgical microscopes have paved the way to achieving this goal."

The afternoon features another batch of appointments and the examination microscope is constantly on call to enable him to carry out precise examinations of people's ears, nose or throat. "When you think how much helpful information we see through an examination microscope, it seems clear that all the findings should be photographed," Dr. Strasding muses. "But back when we fitted out this surgery, that was still a practically unknown concept. However, as soon as the need arises to acquire some new equipment, we will certainly be looking into the option of buying a microscope with a camera connection."

Today, Strasding leaves the office shortly after six o'clock. After a quick stop at home, he heads off to the woods. "Whenever I get the chance, I go and spend some time hunting," he explains.

"It is the perfect environment to leave the complexities of my work behind and just get out in the fresh air." Hunting is his biggest hobby, and the hunting area is about 30 kilometers from his home, so it is fairly easy to reach. On the way, we chat about the reliability and performance of cars. He is amazed that Carl Zeiss plays a key role here as well. The international automotive industry is one of the most important users of our company's large-scale measuring machines. They are put to use both in large-scale serial production and in the overwhelming majority of Formula One racing teams.

Strasding again comes into contact with products from Carl Zeiss directly in his hunting area. His binoculars with the blue logo are always around, the same as his riflescope. "It goes without saying that I intentionally chose ZEISS products in this context too, and I would probably have done so even if I hadn't been so pleased with the microscopes over so many years of use," Dr. Strasding explains. "Good performance is what counts, and with such superb twilight capabilities I can still manage to do some hunting even if I am stuck in the office quite late and don't arrive here until the light is fading." The purpose of today's trip is simply to take a stroll through the hunting area and make a few improvements to the hide. "It's a pity that I don't have an examination microscope here," he says with a smile. "This is when you start to notice that you need glasses to view things close up!" And it is no wonder here that he also asked his optician for ZEISS lenses.

It is now half past eight. At home, Strasding sits in front of his computer and sets up his webcam with optics from Carl Zeiss to talk with his daughter via the Internet. They talk about the latest movies. Father and daughter also enjoy ZEISS quality here: many film productions rely on ZEISS cine lenses which ensure that brilliant images make it to the silver screen. But no movies are scheduled now. It is time to call it a day. His cell phone will wake him up again bright and early tomorrow and the surgical microscope in the hospital will no doubt be waiting for a pair of expert hands to put it into action.



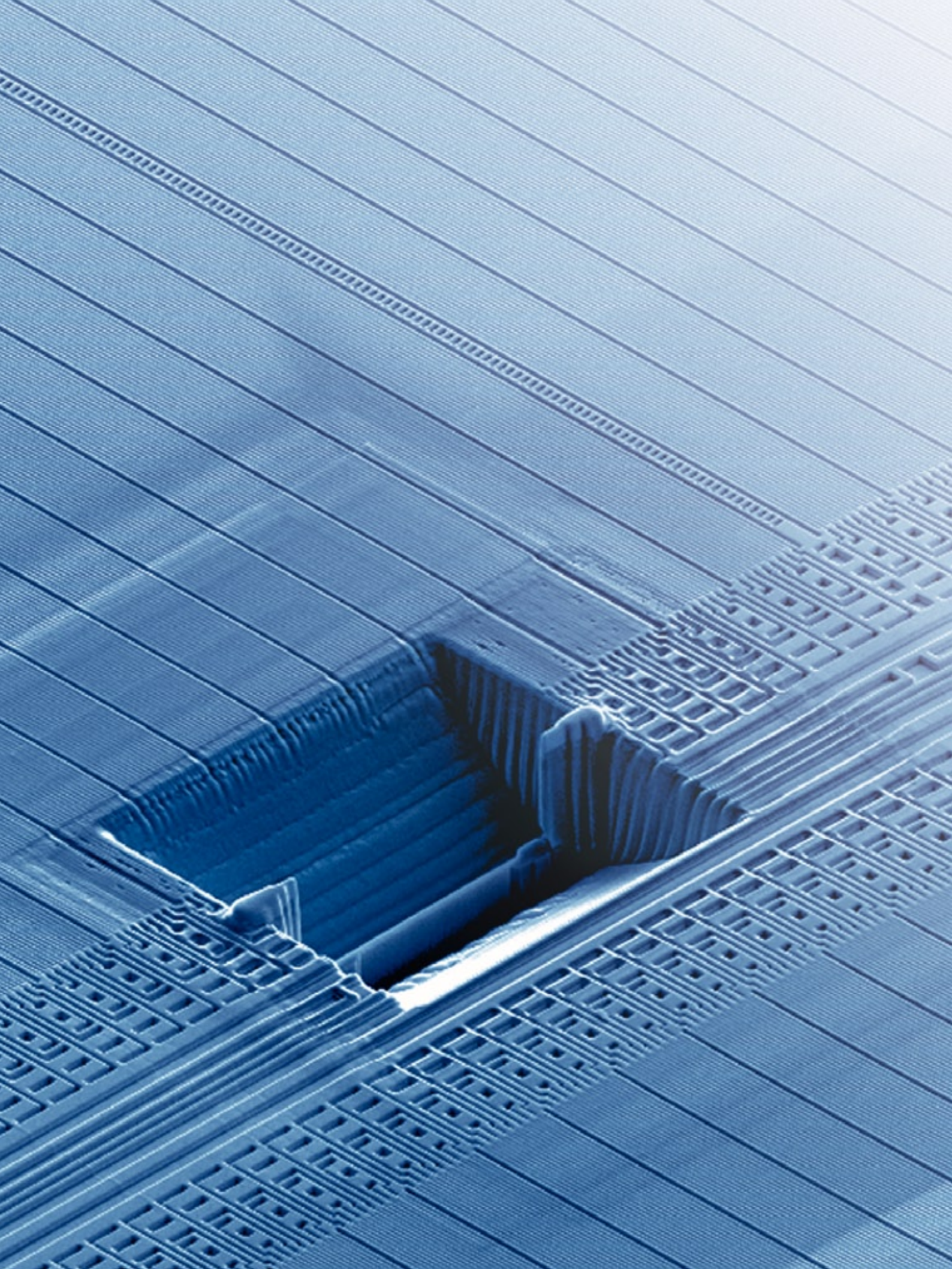
# How is something new created?

The limits of our thinking start in the realm beyond our imagination.

With a pioneering spirit and a passion for excellence, the **Semiconductor Technology Group** succeeds in pushing the limits of human thinking to embrace technologies of the future, therefore totally redefining competitive edge.









## Semiconductor Technology Group

*During fiscal year 2007/08, the Semiconductor Technology Group generated revenues of EUR 1,018 million. The business group thus virtually sustained its high revenue level from the year before despite the general downturn in the semiconductor market in the second half of the reporting period.*

During the first half of fiscal year 2007/08, the Semiconductor Technology Group increased its revenues by 16 percent over the previous year. The clear decline in the semiconductor market in the second half had a considerable impact on the revenue trend.

### Semiconductor Technology at a glance

#### Sales revenues

(EUR million)

2007/08	1,018
2006/07	1,042
2005/06	864
2004/05	658

#### Employees

(full-time equivalents)

30 SEP 2008	2,670
30 SEP 2007	2,496
30 SEP 2006	2,199
30 SEP 2005	1,977

Nonetheless, the business group once again achieved a high revenue level of EUR 1,018 million which was just under (minus two percent) the figure for the previous year (EUR 1,042 million).

Carl Zeiss is well-prepared for the market cycles in the semiconductor business. Its flexible organization enabled the Semiconductor Technology Group to absorb these fluctuations during the reporting year without cutbacks in manpower: the overtime worked by employees is stored in long-term accounts and taken as time off when necessary. Additionally, staff members can be deployed in other business groups within the Carl Zeiss Group.

### Innovative Power as a Success Factor

The portfolio structure also enables the business group to counter market cycles. In addition to the business with production systems for the microchip industry, such as lithography and laser optics, the group is one of the leading providers of particle-beam systems for research and development in growth markets like nano-technology, materials development and analysis, and the life sciences.

Innovations are key competitive factors in the four divisions of the Semiconductor Technology Group: Lithography Optics, Laser Optics, Semiconductor Metrology Systems (SMS) and Nano Technology Systems (NTS). Development and production operate at the highest technological level. To ensure this over the long term, the business group is expanding its technology lead through investments in research and development and through strategic acquisitions.

### Technology of the Future

Carl Zeiss is working on the lithography systems of the future together with its strategic partner ASML, the leading manufacturer of wafer scanners. Business with immersion lithography systems such as the *Starlith® 1900i* was particularly successful during the reporting year. This technology, in which a liquid – currently water – is placed between the last lens element and the wafer, achieves higher detail resolution and depth of field compared to systems without immersion, thus enabling the manufacture of even more powerful microchips at even lower costs.



The next technology generation is extreme ultraviolet lithography (EUV). It permits chip structures with dimensions clearly below 30 nanometers, thus providing the foundation for further miniaturization of microchips. A team from Carl Zeiss was nominated in December 2007 for the German Future Prize – the prize awarded for technology and innovation by the German Federal President – for the development of EUV lithography.

*Large optics for small chips: lithography lenses from Carl Zeiss play a key role in the fabrication of microchips as they become ever smaller, increasingly powerful and more economical.*



*“The Starlith lithography systems deliver best-in-class results and are the key enabler in today's leading-edge integrated circuit fabrication. This achievement demonstrates the Carl Zeiss SMT team's passion and their commitment to excellent quality in high volume production.”*

*Tuan Pham, SanDisk, Engineering Director Flash Process & Device Technology, Milpitas, California, USA*

## Innovation Offensive in Nanotechnology

During the reporting year, the *ORION*<sup>®</sup> helium-ion microscope received several renowned awards: the Wall Street Journal Technology Innovation Award in the Materials and Other Base Technologies category, the 2008 Editors' Choice Best Product Award from Semiconductor International magazine and the 2008 R&D 100 Award. Carl Zeiss launched this high-performance microscope during the summer of 2007 and presented the first enhancement of the system in August 2008: the *ORION*<sup>®</sup> *PLUS* with improved source technology. In addition to the special features of this system, specimens can be directly cleaned in the specimen chamber.

Carl Zeiss presented three other new products for nanotechnology: an argon-ion beam was added to the *NVision40* dual-beam system. This enables polishing of material sections for further examination in a transmission electron microscope. Until now, this step was time-consuming and costly as a special system was required.



*Honored: Carl Zeiss SMT received several awards for the development of the ORION<sup>®</sup> helium-ion microscope during the reporting year.*

With *SIGMA*<sup>®</sup>, Carl Zeiss offers a new scanning electron microscope with an outstanding cost/benefit ratio for the analysis systems market. It can be very flexibly used. The target groups are research institutes with low budgets that do not want to forego the proven ZEISS quality in their analyses.

The *LIBRA*<sup>®</sup> 120 transmission electron microscope was also enhanced. The *LIBRA*<sup>®</sup> 120 *PLUS* features a new vacuum system that can be expanded in three steps to optimally meet the individual needs of the user. In particular, the

*LIBRA*<sup>®</sup> 120 *PLUS* enables examinations of frozen and radiation-sensitive specimens such as biological specimens and many plastics.





*Position improved: with the acquisition of Pixier Technology in Israel, Carl Zeiss expanded its expertise in the field of yield enhancement for photo masks.*

### **Sharpening Our Innovative Edge**

The acquisition of Pixier Technology Ltd. in Karmiel, Israel, in the summer of 2008 enabled Carl Zeiss to expand the leading position of the Semiconductor Metrology Systems Division in yield enhancement solutions for photo masks for the semiconductor industry. Pixier developed an innovative femtosecond laser technology with which critical parameters on photomasks can be inspected and improved. This is particularly important for the fabrication of future chip generations with even smaller structures.

### **Key to Success: Internationality**

The Semiconductor Technology Group is represented around the globe. It has six locations in Europe for sales, development and production: Cambridge, UK; Nanterre, France; and Oberkochen, Jena, Wetzlar and Rossdorf, Germany. During the reporting year, the group concentrated its activities in the USA in Peabody, Massachusetts. The group is represented in Asia in Singapore where Carl Zeiss opened the first Advanced Imaging Centre in March 2008. This center gives customers the opportunity to test light and electron-optical microscopes. All activities in

Southeast Asia, China and Japan are supported by the Singapore location. An additional location (Karmiel, Israel) was added to the portfolio with the purchase of Pixier Technology. Customers benefit from this international organization: at all locations, they can find a contact person and services for their systems locally.

## How decisive is reliability?

Decisions often have to be made in a matter of seconds. In extreme situations doctors have to rely on their team and equipment. Instruments and systems of the **Medical Systems Group** provide physicians with reliable tools for their work: they make the diagnosis easier and more precise, and the treatment more effective and safe.





SICU-15

ARTIFACT

PVC 0

J+ 60ms

V1 0.4 mm

72

ECG  
150  
50

ANT

INF

LAT

V1 0.4

II -0.2

I -0.1

III -0.3

AVL 0.1

AVF -0.3

X/

ADULT

X  
X

NSP  
190  
80

ALARM

13

MINI

## Medical Systems Group

*In fiscal year 2007/08, the Medical Systems Group successfully sustained its position in a hotly contested competitive scenario and generated revenues totaling EUR 661 million\*. The business group's activities are bundled under the umbrella of the company Carl Zeiss Meditec AG which is listed in the TecDAX technology index of the German stock exchange. Around 35 percent of the shares are in free float.*

### Medical Systems at a glance

#### Sales revenue\*

(EUR million)

2007/08	661
2006/07	638
2005/06	631
2004/05	552

#### Employees\*

(full-time equivalents)

30 SEP 2008	2,759
30 SEP 2007	2,467
30 SEP 2006	2,274
30 SEP 2005	2,177

The Medical Systems Group completed the reporting year with an increase in revenues of roughly nine percent over the previous year (EUR 638 million) after adjustments for currency influences. In the EMEA and Asia/Pacific regions in particular, the business group posted considerable increases in revenue and was therefore able to more than compensate for the modest trend in the US market.

#### Innovations with Practical Benefit

The goal of the Medical Systems Group is to offer innovative solutions that offer doctors and patients practical benefits: first, by developing gold standards which increase the precision of diagnosis and therapy. Second, by creating easy-to-use products that support the entire workflow of doctors and enable them to concentrate fully on their work and their patients. Third, through solutions that allow doctors to achieve optimal clinical outcomes and therefore a high level of patient satisfaction.

#### Three Strategic Business Units for Specific Customer Requirements

The three strategic business units of the Medical Systems Group – Ophthalmic Systems, Surgical Ophthalmology and Microsurgery (neuro/ENT surgery) – form powerful organizational units. They serve, above all, to align the business group's activities to the needs of the corresponding customer groups and the welfare of the patient.

#### Earlier Diagnosis – More Promising Treatment

More and more people are now suffering from eye diseases. Elderly people in particular are affected. For most of them, reliable possibilities for diagnosis and therapy are now available to ensure that they do not suffer any deterioration in their vision or even blindness. Timely and regular screening increases the likelihood of early detection – optimally with instruments from Carl Zeiss. These systems developed in the Ophthalmic Systems strategic business unit define the clinical standard for many diagnostic applications.

\*The values deviate from the published figures of Carl Zeiss Meditec AG as a result of different consolidation models.



*More safety: The illumination system on the OPMI Lumera® surgical microscope for ophthalmology guarantees a higher degree of safety during an operation. Even the finest structures in the eye become visible as a result of the brilliant visualization.*

In addition to diabetic retinopathy, a central disease of the retina is glaucoma, a disorder which adults can develop from about the age of 40 onwards. Early diagnosis of these eye diseases is an important factor in halting the progress of the condition. 20 percent of people over the age of 70 also suffer from age-related macular degeneration (AMD).

Medical technology has made enormous progress in the past decade. Instead of subjective assessments, doctors now have the possibility – thanks, for example, to modern optical coherence tomographs like the *Cirrus™ HD-OCT* from Carl Zeiss – to obtain objective data which they can then compare to patients with normal vision. This makes diagnosis more reliable, and the effectiveness of therapies can be more successfully monitored.

### Maintaining the Quality of Life

Cataract is the term used to describe the clouding of the natural lens of the eye, which is usually age-related. Most people over the age of 65 are affected by this condition. No possibility has yet been found to prevent this age-related opacity of the lens.

However, the patient's sight can be maintained or restored by the implantation of an artificial intraocular lens (IOL). Often, the patient does not even need to wear eyeglasses after the surgical procedure has been performed. The Medical Systems Group offers a complete, highly innovative solution portfolio for the entire treatment process: before the procedure, the eye is measured using the

*IOLMaster®* to determine a suitable IOL. Here, Carl Zeiss provides one of the most innovative and highest quality lines of products in the Surgical Ophthalmology strategic business unit. Modern, foldable IOLs like the *AT.LISA®* and *AT.LISAtoric*, for example, enable the minimally invasive microincision technique. To meet even the highest demands in cataract surgery, the business group developed the *OPMI Lumera®* surgical microscope which makes details visible that surgeons could only visualize with difficulty in the past. The new *CALLISTO eye®* information and documentation system specially developed for eye surgery additionally optimizes the workflow and data management in the operating room.

### See More – Treat More

First-class surgical microscopes from Carl Zeiss are developed in the Microsurgery (neuro/ENT surgery) strategic business unit. They permit complicated and minimally invasive surgical procedures and help doctors perform them more reliably and efficiently. Typical fields of application for such highly precise techniques include eye surgery, neurosurgery, spine and ENT surgery, as well as plastic and reconstructive surgery.

Brain and spine procedures which are increasingly being performed using minimally invasive techniques are particularly critical and complex. In this way, for example, it is now possible to more effectively treat brain tumors that were considered to be inoperable 25 years ago. In every procedure neurosurgeons are faced with a difficult situation: they must remove the tumor tissue in its entirety while damaging as little healthy brain tissue as possible. It is therefore understandable that an innovative method for neurosurgery – based on the *OPMI® Pentero®* surgical microscope with the *BLUE 400* fluorescence option – has been received with such enthusiasm. The fluorescence option makes it possible to visualize brain tumors more clearly and to distinguish them optically from healthy tissue.



*Successful: The IOLMaster® diagnostic system measures data to determine the optimal artificial lens implanted, for example, in the eye during cataract surgery. In October 2008, Carl Zeiss installed the 10,000th IOLMaster® system at a customer's location.*





*Small lenses with a big impact: intraocular lenses replace the natural lens of eyes affected by cataract, thus restoring the patient's vision and quality of life.*

### **The Future in Focus**

The general drivers of growth in medical technology are still intact. The global population is continuing to increase, and with it, the percentage of elderly people. Because the frequency of many diseases rises with increasing age, the need for diagnostic and treatment products in ophthalmology, as well as in neuro- and ENT surgery, is expected to increase further. Additionally, the rising expenditures on

health and the limited budgets in practically all economies of the world are pushing the drive for more efficiency in healthcare, thus increasing the demand for medical devices and systems that enable more efficient diagnostics and more effective treatments. With its solutions, the Medical Systems Group is ideally positioned to meet these challenges.

However, there is currently a large amount of uncertainty about the further development of the world economy. This will not leave doctors and hospitals unaffected. More than ever, their decisions to purchase equipment are driven by the necessity to optimize both the cost effectiveness of investments and the office and hospital processes. As a long-term and trustworthy partner of its customers, the business group is placing even more emphasis on excellent product quality and outstanding service and customer care. Over the mid-term, the group intends to further expand its market position in all strategic business units and sustain its current growth.



*“For many good reasons, AT.Lisa is my preferred multi-focal IOL for micro-incision surgery, and it is the only one I use. My patients simply have much better results with this IOL.”*

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







## When is small large?

Only with the advance into the world of the small and invisible by science, research and technology was humanity able to make really significant progress. With its systems and solutions, the **Microscopy Group** is laying the foundation for pioneering new insights in all areas.

## Microscopy Group

*During fiscal year 2007/08, the Microscopy Group increased its revenues by five percent over the previous year. Carl Zeiss offers products covering the entire spectrum of microscopy: systems for routine applications and clinical, biomedical and industrial research to microscopes for school and university students. During the reporting year, the company further expanded its product line.*

The Carl Zeiss Microscopy Group generated revenues totaling EUR 339 million in the reporting period, five percent more than the previous year's value (EUR 323 million). The development of the exchange rate of the euro relative to the US dollar and the Japanese yen curbed revenue growth: after adjustment for currency influences, the increase in revenues would have totaled ten percent.

### Global Market Presence Expanded

During the reporting year, Carl Zeiss maintained and further expanded its leading market position as a provider of high-end microscope systems for biomedical research. In addition, Carl Zeiss clearly expanded its market presence in other areas such as industrial research or in the field of routine and training microscopy.

The microscopy area of Carl Zeiss in the US market also gained additional market share. The new products introduced by Carl Zeiss during the reporting year generated positive momentum here. They are stimulating business especially on the European market, as well as in China, India, Brazil and Russia.

### Investments in the Future

By heavily investing in research and development for new product lines, the business group laid the foundation for further growth during the fiscal year. In particular, investments were made in the development and enhancement of research and materials microscopes.

### Strong in Research

Biomedical research deals with subjects such as how cardiovascular disorders, dementia or cancer are caused and how these diseases can be quickly and reliably detected and treated. To do this demanding research work, scientists need technologies and systems which provide them with optimal support, for the observation of living cells and their behavior, for example. The knowledge obtained in this way

### Microscopy at a glance

#### Sales revenues

(EUR mill.)

2007/08	339
2006/07	323
2005/06	340
2004/05	299

#### Employees

(full-time equivalents)

30 SEP 2008	1,731
30 SEP 2007	1,758
30 SEP 2006	1,562
30 SEP 2005	1,617



*Milestone in microscopy: the LSM 710 is the first microscope capable of imaging up to ten fluorescent dyes simultaneously, thus opening up new possibilities in biomedical research.*

makes it possible to better understand diseases, to detect them at an early stage, to improve diagnostic techniques and to enhance the development of drugs.

The new *LSM 710* microscope system introduced by Carl Zeiss during the reporting year sets a new milestone in confocal microscopy: it is the first microscope capable of imaging up to ten fluorescent dyes simultaneously, therefore offering users new possibilities. The system's sensitivity ensures high-contrast, detailed images even of very thick, living tissue samples. These are precisely the

requirements that neurobiologists, in particular, today place on a research microscope. This is where the benefits of the extremely powerful optics of the *LSM 710* and the *Axio® Examiner* research microscope are evident.





*Faster diagnosis: the Primo Star® iLED fluorescence microscope facilitates and accelerates the diagnosis of tuberculosis. The microscope is distributed by Carl Zeiss and the Foundation for Innovative New Diagnostics on special terms to countries with a high incidence of tuberculosis.*

### **Faster Detection of Tuberculosis**

During the reporting year, together with the Swiss Foundation for Innovative New Diagnostics (FIND), Carl Zeiss developed the *Primo Star® iLED* fluorescence microscope for the faster and more exact diagnosis of tuberculosis. The market introduction took place in October 2008. With the *Primo Star® iLED*, it is possible to detect tuberculosis four times faster than with traditional methods. All over the world, FIND supports the development of medical equipment and auxiliary material which allow faster and more efficient examinations.

The *Primo Star® iLED* is sharply focused on areas with weak infrastructures: the microscope entails low running costs. The system's energy-saving LED illumination has a lifecycle of over 10,000 operating hours. The microscope is offered at a subsidized price to countries where the incidence of tuberculosis is particularly high.

Tuberculosis diagnosis with microscopes from Carl Zeiss has a long tradition: as far back as 1882 Robert Koch succeeded in identifying a bacterial pathogen using a ZEISS microscope.



*The right microscope: from the modules of the Axio Scope® series, customers can configure the right microscope for their requirements.*

scanning and imaging. This special know-how is one of the core competencies of the Microscopy Group. In order to also make the digitized pathological findings available in the patient's file, linking with standard information systems in hospitals is an important success factor.

### **Offering for Industrial Applications Expanded**

Microscope systems from Carl Zeiss are used, for example, in the solar industry, microelectronics, materials research, the paper and printing industry, and the food and cosmetics industries, particularly for the purpose of quality inspection. Carl Zeiss has expanded its product offering in this market segment with the new microscope systems for industrial applications launched during the reporting year and the special sensors from the Optical Sensor Systems Division.

### **Challenges in Clinical Routine**

In pathology there is an increasing trend toward the digital archiving of tissue examination results. The challenge lies in the large amount of data produced by the digitization of these results. The archiving requires special knowledge in the fields of



*“There is no need to emphasize that the quality of detection and brightness offered by microscopes from Carl Zeiss is excellent. In addition, we have great technical and application support from experienced Carl Zeiss staff for our studies and research.”*

*Professor Dr. Kazunori Kataoka, University of Tokyo, Japan*

# What is quality?

How does something completely meet the specified requirements? This alone is the measure for quality. From development to production to quality assurance, the **Industrial Metrology Group** ensures that objectively measurable properties and expectations on a product can be met with maximum precision.





## Industrial Metrology Group

*During fiscal year 2007/08, the Industrial Metrology Group increased its revenues by 18 percent over the previous year. In addition to new products, the expansion of customer service centers and penetration into new consumer segments played a key role.*

The Industrial Metrology Group generated EUR 374 million (last year: EUR 316 million) during the reporting year. This corresponds to an increase of 18 percent over the year before. The favorable market environment in the mechanical engineering and automotive industries supported the business group's course to further growth.

### Industrial Metrology at a glance

#### Sales revenues

(EUR mill.)

2007/08	374
2006/07	316
2005/06	278
2004/05	247

#### Employees

(full-time equivalents)

30 SEP 2008	1,803
30 SEP 2007	1,509
30 SEP 2006	1,286
30 SEP 2005	1,260

The measuring technology wing of Carl Zeiss added to its market share particularly in Germany and in Asia. The highest growth rates by percentage were achieved in India: companies that export their goods to Europe or the USA must meet the quality standards of the destination country. Therefore, increasingly more Indian companies are turning to the precision and reliability of ZEISS measuring solutions. During the year under review, the business group opened a new service center in Bangalore to provide its Indian customers with comprehensive, on-site service. This gives customers the opportunity to become familiar with measuring technology from Carl Zeiss. Additionally, the center offers training courses and contract measurements.

The Industrial Metrology Group boasts an extensive product portfolio, ranging from cost-effective solutions such as *DuraMax*® which was launched during the fiscal year, to special measuring machines like the *F25* for micro-system technology. The business group enhanced its portfolio through acquisitions during the course of the year: Carl Zeiss increased its application expertise in October 2007 by acquiring a majority share in Junker &

Partner in Tholey, Germany, thus taking another step in its endeavors to become a total solutions provider for metrology. Junker & Partner develops and manufactures special measuring equipment for the automotive and aircraft industries. This includes car body parts such as doors, hoods and fenders.

In the same month, the business group also completed its total acquisition of Dr. Wolf & Beck GmbH in Wangen, Germany. Carl Zeiss had owned 75 percent of the company since 2002. This enables the business group to strengthen its expertise in optical measuring technology and multi-sensor applications.





*One-stop sourcing: the acquisition of Junker & Partner enables Carl Zeiss to offer special measuring equipment to the automotive and aircraft industries in addition to measuring machines.*

### **Customer Closeness**

With its factories operating at-capacity in Oberkochen, Germany; Minneapolis, Minnesota, USA; and Shanghai, China, the Industrial Metrology Group is well positioned and near its customers.

Furthermore, this global arrangement gives the group clear synergies in the procurement and assembly processes, thus enabling it to quickly react to market changes.



*“We are greatly appreciative of Zeiss’ strong and continual support over the many years, both as our technology partner and provider of innovative metrology solutions. Our strategic fit arises from our similar belief and focus on innovation as the key driver to excel in our goals.”*

*David Wong SK, Deputy Director of the School of Engineering, Nanyang Polytechnic, Singapore*



*Simply measure: the DuraMax® measuring system can be deployed directly in production. Investments in special measuring labs are not required.*

### **Small Machine – Great Interest**

The Industrial Metrology Group further expanded its product portfolio during the reporting year and introduced the new *DuraMax®* measuring system. This measuring machine is specially designed to meet the needs of small and mid-sized operations in the cutting and reshaping industry.

*DuraMax®* can be deployed directly in production and does not require a climate-controlled environment, thus eliminating the need for large investments in special measuring labs. *DuraMax®* has been well-received by customers, with more than 100 orders being placed within a few months of its market launch.

### **Wide Range of Uses**

ZEISS measuring systems are at home wherever maximum precision is a must – the manufacture of wind turbines for example. In particular, the bearing rings and gear parts subject to high stress are measured to ensure the efficiency of the systems. Another technically demanding area of application for ZEISS measuring machines is the production of printing machines. During the reporting year, Carl Zeiss installed one of the most accurate measuring machines in the world at one of the leading manufacturers of printing machines. The company's production facilities rely on ZEISS measuring systems to achieve the best possible results. To ensure that colors and images can be printed economically in brilliant quality, all components of the state-of-the-art printing machines must be precisely matched to each other – from the press cylinders to the high-speed paper feeding systems. The *PRISMO® ultra* measuring machine from Carl Zeiss fully meets these high demands.

The aerospace industry also benefits from the precision of industrial measuring technology from Carl Zeiss. During the reporting year, the business group delivered a gantry measuring machine to aircraft manufacturer Lockheed Martin in the USA. It is the largest measuring machine ever built by Carl Zeiss. The system can measure parts up to 16 meters long, five meters wide and two-and-a-half meters high. The machine is used for quality control measurements of large aircraft parts such as wings.

#### **Software Expertise Expanded**

With the *Master Control Center*, which was enhanced during the last fiscal year, Carl Zeiss is further expanding its extensive range of software for measuring applications. This server-based software controls and optimizes the use and capacity of measuring machines – even at several locations. The *Master Control Center* consists of several modules which include measuring program management and document management with an archiving function, for example. The modules can be configured to provide each user with a *Master Control Center* that optimally meets their needs.

#### **Customer Service Has Top Priority**

Services made a considerable contribution to the total revenues of the business group during the reporting year. These include technical support for measuring



*Carefree service: in addition to measuring machines, Carl Zeiss provides its customers with numerous metrology services.*

systems, application qualification, customer support for software, contract programming and the availability of expert measuring technicians.

During the year under review, the Industrial Metrology Group added the *METROTOM*® measuring system to its service offering. This enabled Carl Zeiss to become the leading provider of industrial computed tomography applications and to open up customer segments such as the plastics, electronics and consumer goods industries in many European countries, the USA, Japan and Singapore.

# Where does fresh wind come from?

The **Consumer Optics/Optronics Group** gets wind in its sails through inspiration, intuition and a strategy based on careful planning. Preceding trends with customers and partners, and establishing new trends in image quality and perception leads to pioneering optical solutions and systems.







## Consumer Optics/Optronics Group

*The Consumer Optics/Optronics Group posted revenues of EUR 309 million during fiscal year 2007/08 with camera and cine lenses, optoelectronic solutions, binoculars and spotting scopes, and planetariums. Consumer Optics products carry the ZEISS name to millions of users around the world.*

Revenues in the Consumer Optics/Optronics Group increased 26 percent over last year (EUR 245 million). The business group comprises the business with camera and cine lenses, binoculars and spotting scopes, optoelectronic solutions and planetariums.

### Consumer Optics/Optronics at a glance

#### Sales revenues

(EUR mill.)

2007/08	309
2006/07	245
2005/06	234
2004/05	280

#### Employees

(full-time equivalents)

30 SEP 2008	1,510
30 SEP 2007	1,504
30 SEP 2006	1,203
30 SEP 2005	1,357

### ZEISS in the World's Largest Planetarium

The projection of absolute black is a special feature of the *VELVET* video projector for planetarium applications presented by Carl Zeiss in Chicago in July 2008. With this innovation, the Planetariums business unit once again demonstrated its leading position in the market for planetarium technology: all traditional projectors project a gray background and cannot achieve the brilliance and contrast of the *VELVET* video projector.

Incoming orders in the Planetariums business unit turned in a very good performance during the reporting year. The utilization of analog and digital planetarium technology, in particular, was well-received by customers: the combination of a traditional star projector and digital projection systems was requested on more than 80 percent of orders.

In the summer of 2008, Carl Zeiss received an order to equip the largest planetarium in the world in Nagoya, Japan. The company will install a *UNIVERSARIUM*® system specially configured for the 35 meter dome.

### Systems for more Security

The Optronics Division completed the fiscal year with a considerable increase in revenues over the previous year.

The security policy situation around the world is constantly changing and repeatedly presenting policy makers with new challenges such as combating international terrorism. Security systems and components from Carl Zeiss play a key role in detecting threats at an early stage and thus also in preventing crises and solving conflicts. Optronic reconnaissance and surveillance systems are used to save lives and protect infrastructure such as airports and harbor facilities. Here, net-



*Maximum quality: all components for optronic systems are inspected in a test lab.*



*Eye catcher: Europe's largest planetarium, the giant eye, is equipped with ZEISS technology. It is part of the L'Hemisfèric in the „City of Arts and Sciences“ in Valencia, Spain.*

worked optronics enable a vital informational advantage and open up room for action – also for border monitoring.

The European Union placed the Optronics Division in charge of its AMASS project (Autonomous Maritime Surveillance System). This civilian research project began in March 2008 with the objective of developing observation and surveillance systems specifically for coastlines.

#### **Laser Communication Successfully Tested**

Laser communication, a new technology with extraordinary capabilities, is becoming established in the field of data transmission. Modulated laser light transmits large amounts of data – up to 5,500 megabytes – faster than traditional systems and is not dependent on cables or radio frequencies. Carl Zeiss develops the optical sub-systems that make this new communication technology possible. A focal point of the Optronics Division is terrestrial laser communications to land, sea and air platforms, which was successfully tested in early 2008.

#### **Modernization in South Africa**

The division restructured its Irene/Centurion, South Africa, location during fiscal year 2007/08. The production facilities were modernized and the product portfolio realigned.



*Discovering the new: spotting scopes from Carl Zeiss make nature observation a unique experience.*

### **Trend: Additional Electronic Functionality**

The Sports Optics Division performed well during the reporting year – despite difficult conditions, particularly on the important American market.

The trend in binoculars, spotting scopes and riflescopes for hunting is moving towards additional electronic functionality. Carl Zeiss already offers several products in this field. During the reporting year, the company presented the *Victory RF* binoculars. These binoculars – which are suitable for hunting, hiking or sailing – feature an integrated laser rangefinder. At the push of a button, this system delivers precise information on distances up to 1,200 meters. This product was honored with the renowned 2008 red dot design award in the Product Design category.

Furthermore, the German state of Hesse nominated the binoculars for the 2009 Design Prize of the German Government, the highest official design award in the country, which is presented annually by the German Federal Ministry of Economics.

Carl Zeiss is the only manufacturer to have developed a complete product portfolio based on rangefinding technology. Monoculars, binoculars and riflescopes are equipped with laser rangefinders.

Carl Zeiss presented a world innovation at the 2008 photokina: the *PhotoScope™*. This spotting scope features an integrated digital camera which enables unique snapshots, while birdwatching for example.

### **Successful Licensing Business**

Manufacturers of high-quality consumer electronics such as Sony, Nokia and Logitech equip their premium products with ZEISS lenses. This benefits both sides: during the last fiscal year, more than 50 million cameras, camcorders, camera phones and webcams featuring optics from Carl Zeiss were sold.

### **Hollywood Relies on ZEISS**

The demand in the movie industry for high-quality lenses for the production of feature films increased strongly during the reporting year. Together with Arnold & Richter (ARRI), a manufacturer of cine cameras, Carl Zeiss has equipped numerous big screen productions. For example, the latest installment in the James Bond series was shot using ZEISS lenses.

During fiscal year 2007/08, Carl Zeiss added new lenses to its production line for the movie industry. One of them is the *MasterPrime 150*. This extremely fast lens also delivers brilliant images even under natural lighting conditions. This practically eliminates the need for sophisticated illumination of the scenery, thus providing movie makers with new creative possibilities.





*High demand: during filming, many productions for the silver screen rely on camera lenses from Carl Zeiss, which deliver brilliant images even under difficult lighting conditions.*

#### **Lenses for Personalized Photography**

During the reporting year, Carl Zeiss added additional models to its line of lenses for SLR cameras and also made them available for another camera connector. ZEISS lenses are now available for the digital SLR cameras of all leading manufacturers. Carl Zeiss SLR lenses with manual focusing provide photographers with additional possibilities of precisely personalizing pictures.

#### **Outstanding Product Design**

The *VISIONMES*® line from Carl Zeiss received the renowned iF Product Design Award for its clear, elegant design. The lenses with the characteristic conical tube are primarily used for process monitoring and quality assurance in industrial production. The design supports the flexible integration of the lenses, even in complex systems.



*“Movie productions take us to unimaginable locations. Lenses from ZEISS are constant, reliable companions of our artistic work.”*

*Jon Fauer, ASC, Director and cameraman, New York*







## What is the meaning of advantage?

Companies that have their eyes on their goal and know the path to take are always a step ahead: **Carl Zeiss Vision**, for example. The company enables perfect vision – with the best eyeglasses, innovative coatings and systems for a perfect fit. Every year, around 200 million people all over the world place their trust in customized eyeglass lenses from Carl Zeiss Vision.

# Carl Zeiss Vision

*Carl Zeiss Vision is the world's second largest eyeglass lens manufacturer. The company is equally owned by Carl Zeiss AG and financial investor EQT. The business of Carl Zeiss Vision is valued at equity in the financial statements of the Carl Zeiss Group.*

With revenues totaling EUR 892 million (last year: 844 million), the business of Carl Zeiss Vision grew by just under six percent during the reporting year. The company operated in an overall difficult environment: a clear decrease in consumer confidence and a drop in lens prices were evident on the global market for eyeglass lenses. Despite this scenario, the company succeeded in winning market share in important regions.

## Carl Zeiss Vision at a glance

### Sales revenues

(EUR mill.)

2007/08	892
2006/07	844
2005/06	845
2004/05	789*

### Employees

(full-time equivalents)

30 SEP 2008	12,830
30 SEP 2007	10,293
30 SEP 2006	10,626
30 SEP 2005	9,995

The number of employees (full time equivalents) has increased. On the balance sheet date, 12,830 people (last year: 10,293) worked for the company in over 30 countries around the globe. In Germany, Carl Zeiss Vision had 1,189 employees (last year: 1,187).

### Successful Integration

In November 2007, Carl Zeiss Vision acquired the Grand Vision Lab (GVL) in Aubergenville, France – one of Europe's most modern eyeglass production facilities. Since November 2007, Carl Zeiss Vision has also been the main supplier to GrandVision, a French optical chain with pan-European operations. With this partnership, Carl Zeiss Vision is expanding its market position in Central and Western Europe: in fiscal year 2007/08 Carl Zeiss Vision and GrandVision jointly sold over eight million lenses.

Likewise in November 2007, Carl Zeiss Vision acquired a majority interest in lens manufacturer GKB Hi-Tech Lenses Ltd. and sales company GKB Optolab Ltd. in Mapusa/Goa, India, therefore securing a healthy position in the rapidly growing Indian market.

During the reporting year, the successful integration already made a key contribution to the revenue growth of Carl Zeiss Vision.

### New Product Lines Are Successful

Carl Zeiss Vision has renewed its supply contracts with Fielmann and Afflelou, two optical chains strongly represented in Europe. The company also posted growth in its business with independent opticians. The new GT2 3D progressive lenses and the i.Scripture® lens optimization procedure made particular contributions to this success.

### Market Shares Won

In fiscal year 2007/08, Carl Zeiss Vision further increased its market share in the USA where the company was particularly successful in expanding its business with large retail chains like Wal\*Mart and Costco. During the year under review, Carl Zeiss Vision received awards from both chains for product quality and on-time delivery.

\*Pro forma revenues





*Highest precision: with the i.Profiler®, eyeglass lenses are optimized to one hundredth of a diopter – considerably more exact than with previous lens fitting systems.*

In June 2008, Carl Zeiss Vision expanded its lab and service center network in California and Florida together with Vision Service Plan (VSP), one of the largest US eye care insurance companies.

Carl Zeiss Vision increased its activities in South America during the reporting year. Very good growth rates were achieved in the Brazilian market in particular.

#### **Growth in Asia**

Carl Zeiss Vision gained market share in China and India and generated growth of more than 30 percent in the individual markets.

#### **Fit for the Future**

During the reporting year, the company received several large orders and therefore expanded its production capacities: a new production facility for prescription lenses went into operation in the Chinese city of Guangzhou where about 8,000 lenses are produced daily. A similar facility is being set up in Mexico and can come on line next year.

#### **Top-precision Eyeglass Lenses**

With *i.Scription*®, a new eyeglass lens optimization technique, Carl Zeiss Vision was a finalist for the Innovation Award of German Industry. This technique, along with the new *i.Profiler*® measuring system, exactly optimizes the lenses to one hundredth of a diopter. *i.Scription*® is high tech ophthalmic technology: even complex visual defects can be corrected with this lens optimization approach.

## Research and Development – Thinking about Tomorrow Today

*Which technologies will be the future standards in research, in industry and in everyday life? Which products and solutions will drive technological progress? Research and Development is one of the pillars of the success of Carl Zeiss: the company is developing the technologies of tomorrow today. This, of course, requires an environment in which pioneering ideas are generated and can be transformed into market success.*

It looks like a pair of futuristic sunglasses – the *cinemizer*® video eyewear introduced by Carl Zeiss during fiscal year 2007/08. The goggles were designed by renowned agency frog design; the innovative technology by Carl Zeiss: the *cinemizer*® is a take-along movie theater. All you need is a video-capable iPod or a mobile phone with video function. Game consoles and DVD players can also be connected to the *cinemizer*.

These video goggles show movies as they would appear on a 115 cm screen at a distance of two meters. Major consumer electronics manufacturers tinkered with the idea of mobile movie glasses at the turn of the millennium. However, the resolution and image quality did not meet the expectations of consumers and mobile video players – primarily the iPod – were not yet widely used. The *cinemizer*®, on the other hand, features ZEISS optics.

The company has been dealing with this subject for medical technology since 1999. The experts in Corporate Research at Carl Zeiss have been working on the technological foundation for the current video goggles since 2002.

In April 2006, a cross-location, cross-divisional team began developing a product based on this technology specifically for the consumer electronics market. The team worked with partners in Germany, the USA and Asia on development for the volume production of the innovative lifestyle video goggles. The *cinemizer*® was launched in January 2008.

# Innovation Award

Leading Edge  
Technology

**ZEISS**

### **Career Path for Experts**

Research at Carl Zeiss leads to ideas, new approaches, technologies and solutions for all areas of optics and optoelectronics. Carl Zeiss applied for 422 patents during the reporting year (last year: 384) – in other words, the company submits two applications per workday.

Carl Zeiss has laid the ideal foundation to promote the creativity of the nearly 2,000 employees in the research and development departments in the business groups. This includes the technical ladder, for example, a career path tailored to particularly qualified employees in technical scientific areas. The technical ladder offers several career levels – similar to the traditional management ladder – that meet international standards and are not connected to leadership roles.

Employees nominated to the technical ladder receive time budgets for research activities in their specialist field of work.

### **Fostering Innovations**

At Carl Zeiss, innovations are not left to chance. New business and development processes are utilized to systematically research and develop new approaches and solutions for the different areas of the company.

Carl Zeiss promotes innovations by recognizing the creative abilities and the enthusiasm with which employees make their projects successful. This is also the goal of the annual internal Innovation Awards. Various categories such as High-risk Project, Leading-edge Technology and Short Time to Market honor projects that entail increased risk, show completely new technological approaches or initiatives that cannot be pursued, but which have lead to new ideas.

The annual internal Innovation Days give employees in research and development a platform to discuss their thoughts and experiences with their colleagues.

### **Minimize Risks**

The company founded the Carl Zeiss Venture Beteiligungsgesellschaft mbH during fiscal year 2007/08 to increase the opportunities of innovative ideas with clearly defined risks and transform them into marketable products. This company finances new technologies and product concepts with high market potential. The first project financed by the Carl Zeiss Venture Beteiligungsgesellschaft is Carl Zeiss OIM GmbH. The start-up company is working on new systems for surface quality checks.

### **Investments in the Future**

Overall, Carl Zeiss invests at least ten percent of revenues annually in research and development. During the reporting year, the company spent EUR 321 million or 12 percent of revenues (last year: EUR 290 million, 11 percent) to solidify its technology leadership and expand it in the future.

Carl Zeiss also ensures its access to pioneering technologies through acquisitions and investments, thus also contributing to the market success of these technologies at the same time.



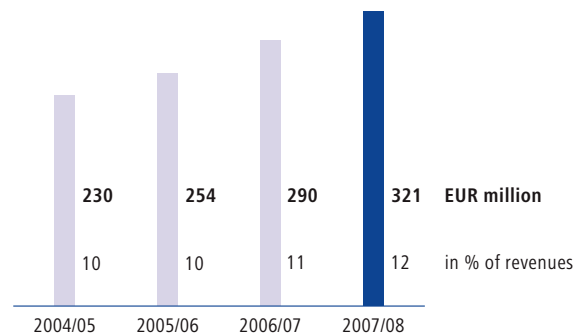
Carl Zeiss acquired shares in Karlsruhe-based Nanoscribe GmbH after the close of fiscal year 2007/08. The start-up company develops laser lithography systems for the manufacture of 3D nano and micro-structures which are used in life sciences and biotechnology, for example. Carl Zeiss also provides the young company with know-how. Employees from Carl Zeiss are supporting the company in the development of a prototype and helping it set up its business.

### Success in Networks

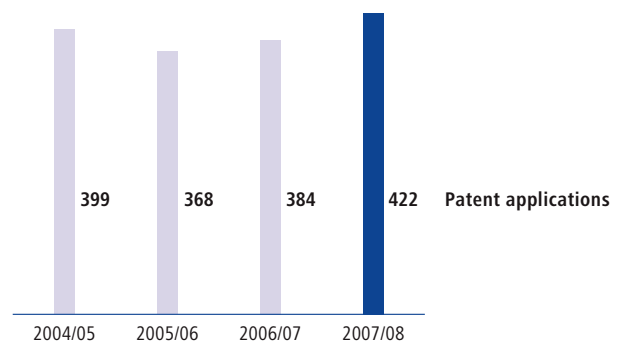
The ongoing international exchange of information amongst specialists is vital to the development of products that optimally meet the needs of customers and to the optimum utilization of the latest technologies.

The transfer of know-how between the company, universities, research centers, customers and suppliers provides valuable stimuli for innovations. The network of Carl Zeiss unites more than 400 external partners and is being continually expanded.

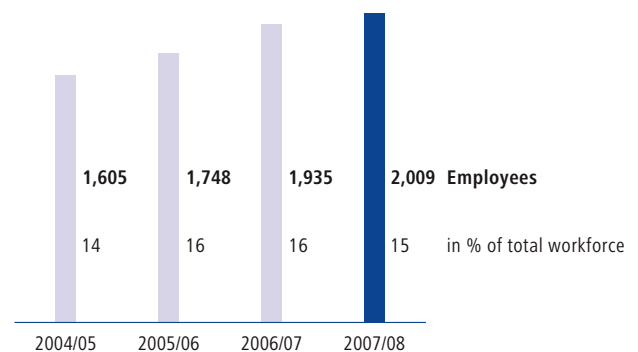
### Expenditures for research and development



### Patents



### Employees in research and development



## Human Resources at Carl Zeiss

*The skill and expertise of its employees and their experience and dedication are the foundation upon which the success of Carl Zeiss is based. The objective of Human Resources at Carl Zeiss is to attract qualified employees to the company, develop their potential individually and actively shape the working conditions and environment at the locations.*

As of the balance sheet date (September 30, 2008), Carl Zeiss had 13,060 employees around the world. This equates to 803 (around seven percent) more than last year (12,257). 291 of them were the result of changes to the scope of consolidation.

There are 8,440 (7,965 last year) workers at locations in Germany, of whom 15 percent (16 percent last year) work in research and development.

During the reporting year, Carl Zeiss created 540 new jobs around the globe for highly qualified scientists, economists and engineers (last year: more than 500).

Carl Zeiss is also feeling the lack of specialists on the market. Nonetheless, the company was able to cover its need for highly qualified specialists and executives during the reporting year. The reputation of the ZEISS brand, as well as the opportunities and benefits provided by the company contribute to this situation. In addition to challenging jobs, and extensive training and development opportunities, Carl Zeiss also offers attractive social benefits.

### Successful Career Start

Carl Zeiss places great emphasis on developing young people and provides educational opportunities in commercial and technical jobs. In all, the Carl Zeiss Group had 447 trainees and apprentices on the balance sheet date (417 last year). This corresponds to five percent of the workforce. The company intends to increase this figure to six percent.

Students who have completed their education with above-average marks can join Carl Zeiss as trainees: over a period of 15 months, trainees become familiar with the company, are sent abroad and attend seminars. Upon completion of the program, graduates begin the jobs they envisioned at the start of their training. The company offers up to 15 traineeships annually.



**Junior Leadership  
Program**

TOP Trainee  
Program

Global Mobility  
Program



Markus Ehrensperger

### Fostering Potential

Carl Zeiss has implemented an extensive training program to expand the skills of its employees. In addition to technical and commercial seminars, it also includes language and health courses. More than 10,000 employees attended internal and external courses and seminars during the reporting year to enhance their skills and solidify their knowledge.

Carl Zeiss also has special programs in place to hone the skills of junior executives. The Junior Leadership Program prepares young employees for the tasks faced by management personnel. 250 employees around the world have already qualified for this program.

With the technical ladder, Carl Zeiss opens up new career opportunities to particularly qualified employees in technical and scientific areas. Similar to the traditional management ladder, it offers several career levels that are not connected to leadership roles. During the reporting

year, Carl Zeiss nominated an employee to the highest level of the technical ladder for the first time: Dr. Winfried Kaiser, Head of Product Strategy for Lithography Optics in the Semiconductor Technology Group, was appointed a Fellow.

### Expanding Horizons

Carl Zeiss promotes the international exchange of information with its Global Mobility program. For employees on

assignment in another country or on another continent, the company takes care of all formalities regarding the organization of their stay abroad.

### Talents for Carl Zeiss

HR recruiting activities are key elements of the personnel strategy. These were once again strengthened during the reporting year. Carl Zeiss attempts to contact potential employees at an early stage. This is demonstrated by the company's attendance at more than 30 job fairs for students. Furthermore, the company is in close contact with numerous universities. Carl Zeiss was named the most attractive employer in Germany for university graduates in 2008. This honor serves primarily as incentive for the future.

### Combining Family and Career

Carl Zeiss helps its employees optimize their work-life balance. Part-time regulations and telecommuting models for parents are available. Flex-time agreements in many areas of the company

*"I am proud to be an apprentice in a company that everyone knows. Starting at Carl Zeiss provides me with very good opportunities for the future."*

*Markus Ehrensperger is in his third year of training to become an industrial mechanic. He will join the Semiconductor Metrology Group upon completion of his apprenticeship.*



enable employees to flexibly schedule their work hours. Carl Zeiss also supports child care offerings at its locations in Germany.

Furthermore, children of employees have the opportunity to spend a school year abroad. The company has already given out more than 30 such scholarships.

### **Staying Healthy**

The health of employees is very important to the company. Therefore, together with the company health insurer (BKK SCHOTT ZEISS), Carl Zeiss runs a modern company health services program. Campaigns, seminars and collaborations – with gyms, for example – give employees a wide range of opportunities to stay healthy.

### **The Rewards of Success**

Carl Zeiss offers its employees attractive retirement benefits to help minimize possible pension shortfalls. Furthermore, the company shares the wealth of economic success with its employees.



*Alexandra Vorbröker with her daughter Sophia*

They received an annual bonus comprised of a one-time payment of EUR 1,300 (gross) and a profit-participation certificate with a value of EUR 250 (net). These certificates are non-transferrable securities and bear interest once a year depending on the company's return on sales. Carl Zeiss takes responsibility for taxation of these certificates. Employees in Germany have therefore received around EUR 1,750

(gross) within the scope of profit sharing during the just completed fiscal year. In total, the company paid out approximately EUR 17 million to employees, corresponding to around ten percent of the result.

*"Family and career? Not a problem thanks to the flexibility of Carl Zeiss. I am working part time from home during my maternity leave. I stay involved in the happenings in the company via telephone, email and net meetings."*

*Alexandra Vorbröker has two small children. She uses the flexible work models at Carl Zeiss and works for Corporate Human Resources from home.*

## Commitment to Education

*Carl Zeiss is committed to the promotion of education in the fields of science and technology in many different aspects. In particular, the company supports not only projects, initiatives and institutions that arouse the interest of children and young people in science and technology, but also scientific fields of study at universities.*

It all starts with curiosity: during the 2008 Regional Garden Show in Bad Rappenau, Germany, schoolchildren eagerly gathered grasses, flowers, beetles and caterpillars in order to examine them at 32x magnification under ZEISS microscopes in the "Green Classroom." What the children discovered absolutely amazed them: their drive for knowledge and enthusiasm had been awakened. That is precisely why Carl Zeiss equipped the Green Classroom with microscopes and magnifiers: to trigger the children's curiosity and provide them with new insights into nature.

### Creating a Basis

This commitment to the Green Classroom is just one of many examples illustrating the company's strong dedication to the subject of education during fiscal year 2007/08. In its endeavors to promote educational initiatives and facilities, Carl Zeiss focuses its attention on the areas surrounding its corporate sites. With the company's support, for example, the Ernst Abbe High School in Oberkochen set up a

new molecular biology lab during the reporting year. Here, students can now, for example, examine DNA molecules, create genetic fingerprints and become familiar with many other subjects from the fields of biology and medicine. The Carl Zeiss High School in Jena is also supported financially and otherwise by Carl Zeiss: in February 2008 the school received 15 ZEISS microscopes for biology instruction. In both schools, Carl Zeiss has created ideal conditions to arouse the students' enthusiasm for scientific insights and knowledge.





*Arousing curiosity: Carl Zeiss supports initiatives which trigger young people's enthusiasm for science and technology.*

### **Fostering Creativity**

Science and technology also play an important role in "Jugend forscht," a national competition held for young people in Germany. For over ten years now, Carl Zeiss has sponsored the competition in the Ost-Württemberg region of Germany and organizes the annual regional contest. In the areas of the working environment, biology, chemistry, geo and space sciences, mathematics/computer sciences, physics

or technology, children research into aspects of their environment and make some astounding discoveries or developments in the process – how water can be obtained from sugar beet or new possibilities of data encryption, for example. As part of the competition, the company awards the "Carl Zeiss School Prize" to those schools whose students who have been most successful overall in the regional rankings of the contest. The prize money is provided to acquire utensils used in scientific experiments.



### **Discover Something New**

For the children of employees, in particular, Carl Zeiss offers the possibility of gaining new experience and spending a school year abroad. Every year, the company awards an average of ten such scholarships; the stays abroad are coordinated by the German branch of AFS.

### **Showing Perspectives**

In order to arouse the interest of girls in technical careers, Carl Zeiss takes part in Germany's nation-wide "Girls' Day" event. On this day, female students aged 12 and up can get an initial taste of technical trades in the company's training workshop and try out their skills on the machines. The goal is to introduce girls to careers in which men traditionally work and to trigger their interest in technology.

### **Intensifying Exchange**

Carl Zeiss has sponsored several guest professorships for optics at the Friedrich Schiller University in Jena: in fiscal year 2007/08, the physicists Dr. Rainer Heintzmann and Dr. Peter Török each spent two months as guests at the university. By financing these professorships, Carl Zeiss is providing a platform for a dialog between students and international scientists. This diversifies research and teaching in the scientific fields of study at the University of Jena.

The dialog between students and young researchers with renowned scientists is also the focus of attention at the annual Lindau Nobel Laureate event supported by Carl Zeiss. At this meeting, around 500 specially selected, up-and-coming young scientists have the opportunity to meet and converse with Nobel Laureates from different disciplines.

### **Sharing Knowledge – Forming Networks**

As one of the leading companies in the field of optics, it is particularly important for Carl Zeiss to promote the training of future scientists. Therefore, together with the Ernst Abbe Foundation, the company has been sponsoring a junior professorship titled "Advanced Computational Photonics" at the Institute for Solid Body Theory and Optics at Jena's Friedrich Schiller University.

In Jena, Carl Zeiss also supports the Graduate Research School of Photonics at the Friedrich Schiller University and awards three scholarships for it. The goal of the graduate school is to promote the next generation of scientists. The focal points are biophotonics, laser applications, and optical materials and systems.

Many Carl Zeiss employees are active as lecturers at universities and convey their knowledge to students in lectures and seminars. This also provides possibilities of entering into contact with potential new recruits.

### **Shaping Our Surroundings**

In line with the constitution of the Carl Zeiss Foundation, the company supports not only science and education, but also social and cultural facilities at the corporate sites and selected humanitarian projects and organizations. Here, the company contributes its technical and scientific expertise, non-financial benefits and financial funds. In this way, Carl Zeiss plays an active, responsible role in society.

## Highlights during the Fiscal Year



October **2007**

### R&D 100 Award for Carl Zeiss

Carl Zeiss received the renowned R&D 100 Award for its *LIBRA® 200 MC* scanning transmission electron microscope. US science magazine *R&D* selected the system as one of the 100 most important new technological products of 2007. The high-power microscope enables pioneering analyses and insights into the atomic structure of new materials in materials development and research.

### 70 Years of Successful Cooperation

Cine lens manufacturer Arnold & Richter (ARRI) and Carl Zeiss have been setting the standards together in the movie industry for years. The two companies celebrated the 70th anniversary of their cooperation in October 2007. Leading movie productions rely on equipment from ARRI and ZEISS to bring impressive images to the silver screen. ARRI and Carl Zeiss have twice received the renowned Scientific and Engineering Award, the highest honor in the recording technology industry, from the Academy of Motion Picture Arts and Sciences which also presents the Oscar for acting and directing.

November

### Photonics Graduate School in Jena

Together with other companies in the optics industry, Carl Zeiss supports the Graduate Research School of Photonics at the Friedrich Schiller University in Jena. In November 2007, the university announced that it was establishing this graduate school with a focus on biophotonics, lasers, and optical materials and systems. Carl Zeiss is providing EUR 155,000 for three scholarship holders. Dr. Michael Kaschke, Member of the Executive Board at Carl Zeiss and one of the initiators of the graduate school, justified the company's involvement: "As one of the leading companies in the field of optics, it is particularly important for Carl Zeiss to promote the training of highly qualified up-and-coming scientists in the field of photonics."



January 2008

February

#### **i.Scription® on the Shortlist**

Carl Zeiss Vision was honored as a finalist for the Innovation Award of German Industry, the world's first innovation prize, which has been given out since 1980. The company was in the running in the Large Company category with the *i.Scription®* eyeglass optimization system. With this new procedure, newly developed algorithms can be used to calculate eyeglass lenses and better correct defective vision. Eyeglass lenses calculated and manufactured with *i.Scription®* optimization are accurate down to a hundredth of a diopter. Dagmar Wöhrl, State Secretary in the German Ministry for Economics and Technology, presented the award to the President and CEO of Carl Zeiss Vision.

#### **Peer Steinbrück Attends New Year Reception**

German Secretary of the Treasury Peer Steinbrück spoke about science, the economy and innovation at the joint New Year reception in 2008 held by the Friedrich Schiller University in Jena and Carl Zeiss. "A large number of innovations is the driver of any economy. Getting this motor up to speed requires a culture – ideally without obstacles – of cooperation between education, science and economy that promotes the transfer of knowledge and technology between the disciplines." Carl Zeiss and the university held the New Year reception in honor of the school's 450th anniversary and the start of its year as Germany's City of Science.

#### **Cooperation with German National Metrology Institute**

Carl Zeiss and the German National Metrology Institute (PTB) in Brunswick are collaborating to promote and intensify the research and development of 3D coordinate metrology for micro-parts. The intention is to develop procedures and test pieces to inspect and increase the accuracy of measuring machines. An additional objective is to develop methods of expanding the range of application of measuring systems for micro-parts. For its part, Carl Zeiss has provided an *F25* 3D coordinate measuring machine used by industry for the quality assurance of micro-parts.



### The Scream under the Microscope

Using a specially modified surgical microscope from Carl Zeiss, art conservator Gry Landro from the Munch Museum in Oslo, Norway, examined and restored millimeter by millimeter Edvard Munch's world famous painting The Scream. In addition to high magnification, this detailed work also demands special illumination – exactly as provided by the surgical microscope. Carl Zeiss thus played its part in restoring a historically important painting.

### Outstanding Design

The *Victory RF* from Carl Zeiss – binoculars with an integrated laser rangefinder – was honored with the renowned 2008 red dot award for product design. The space required for the additional functionality was found in slightly raised areas that ensure a better grip. The jury was impressed by the ergonomically designed, compact housing and the ease of use of the binoculars. Carl Zeiss also received a design prize for its *VISIONMES*® lenses. The optics for industrial applications were honored with the iF Product Design Award. A characteristic feature of the lenses is the conical shape of the tube, whose bright, matt metal surface impressively underscores the contouring.

### Inspiring Enthusiasm for Science

The Carl Zeiss High School in Jena, which received 15 *Stemi*® *DV4* stereomicroscopes from Carl Zeiss, is well-prepared for biology lessons. The company is supporting the school to generate enthusiasm in young people for natural sciences and to optimally promote the specialists of tomorrow in the field of natural sciences.





March

### **Carl Zeiss Supports School of Dentistry in Torino**

The School of Dentistry at the University of Torino in Italy is one of the world's most renowned training centers for dentists and is known for its high quality in teaching and research. As a cooperation partner, the Medical Systems Group supports training at the university and has equipped several workstations with ZEISS dental microscopes. At the Torino dental school, students learn how to use a microscope which is an indispensable tool in certain cases – such as for root canal treatment.

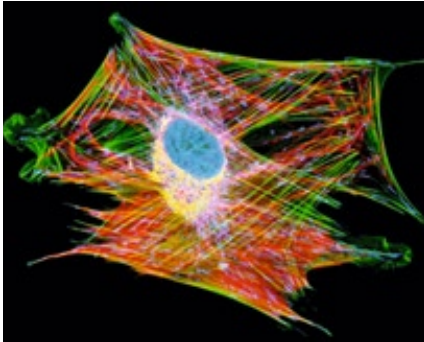
### **Honors for Sustained Dedication**

The listed medical wing of Carl Zeiss took home second place in the TecDax Company category of the ESG Award. Companies that actively combine return optimization, environmental and social topics, and investor-oriented corporate governance were honored. The DVFA (Deutsche Vereinigung für Finanzanalyse und Assetmanagement) and *Wirtschaftswoche* magazine present the award to German companies who perform best in environmental, social and governance (ESG) aspects. The winners of the award are determined using a comprehensive catalog of criteria in accordance with the requirements of investors.

April

### **Carl Zeiss Named Best Employer in Germany for 2008**

The Corporate Research Foundation (CRF) identified Carl Zeiss as the Best Employer in 2008. The CRF awards this honor annually to Germany's most attractive employer for university graduates. The corporate culture, working conditions and development opportunities, salary and reputation of the company are assessed. Thorsten Jacoby, President of the CRF in Germany (right), presents the award to Dr. Dieter Kurz, President and CEO of Carl Zeiss AG (center) and Bernhard Just, Senior Vice President of Corporate Human Resources. "The results of our survey clearly show that university graduates will find the best working conditions at Carl Zeiss. The company had the best scores in all categories," emphasized Jacoby.



May

### 100 Years of Fluorescence Microscopy

Carl Zeiss introduced fluorescence microscopy 100 years ago. Since then, the company has been the leader in the development of these methods and has perfected them with microscope systems that are now capable of displaying up to ten fluorescent dyes simultaneously. Modern cell biology research would be inconceivable without fluorescence microscopy.

### Day of Microscopy Celebrates Anniversary

Test the latest microscopes, listen to interesting lectures and exchange information with colleagues – the successful concept of the Day of Microscopy. Carl Zeiss hosted the tenth installment of this event in May 2008. Around 400 guests from research, education and clinical routine used the opportunity to discuss their experiences. In various workshops, the company presented the latest laser scanning microscope (*LSM 710*) and provided insights into the life of cells with the *High-speed Life Cell Imaging* system.

### Record Number of Visitors to Open House

More than 24,000 visitors attended the Open House at Carl Zeiss in Jena. A 2.4 kilometer tour enabled the guests to become familiar with the company at 30 different stations. They received insights into research and instrument development and the production area. An all-dome video projection whisked visitors off to the far reaches of the universe. They also embarked on a journey of the human body. School kids built magnifying glasses and experimented with light and optics.



June

#### Visiting Professors in Jena

Physicists Dr. Rainer Heintzmann and Dr. Peter Török each worked for two months as Carl Zeiss Visiting Professors at the Friedrich Schiller University in Jena. In their seminars, they provided students with insights into their research work. Carl Zeiss made a EUR 150,000 donation to the university for these visiting optics professorships in 2005 in commemoration of the 100th anniversary of the death of Ernst Abbe. Until now, the university has already attracted eight international scientists for the professorships.

July

#### Swiss Sales Organization Celebrates Anniversary

Carl Zeiss has been active on the Swiss market since 1914. Following its reconstruction, the University of Zurich required micro-projection instruments and reflected-light projectors. This led to a collaboration between Carl Zeiss in Jena and Ganz & Co. in Switzerland which became a representative for microscopes and measuring machines. Following World War II, Ganz & Co. became the general representative for ZEISS products from Oberkochen. This led to the founding of Ganz Optar AG in 1958. Carl Zeiss held a considerable share in this entity, acquiring it completely in 1970. The company was finally renamed as Carl Zeiss and has since been one of the most successful European sales organizations of the Carl Zeiss Group.

#### Carl Zeiss and ARRI Present International Movie Award

Italian director Matteo Garrone (center) received the first ARRI-ZEISS Award in July 2008 for his movie *Gomorrah*. The award for the best international film, with a value of EUR 50,000, was presented during the Munich Film Festival. The jury assessed Garrone's movie – which combines fiction with reality to tell the story of organized crime in southern Italy – as a realistic work that is capable of influencing the point of view of everyday life through gripping images and an original story. Dr. Dieter Kurz, President and CEO of Carl Zeiss AG (left), and Professor Franz Kraus, Managing Director of ARRI, congratulate Garrone.



September

### Honors for the ORION® Helium-ion Microscope

Carl Zeiss received three awards during fiscal year 2007/08 for the development of the ORION® helium-ion microscope. It was honored with the 2008 Editor's Choice Best Product Award from Semiconductor International magazine, the renowned 2008 R&D 100 Award from US science magazine *R&D* and the 2007 Wall Street Journal Technology Innovation Award in the Materials and Other Base Technologies category. On the occasion of the awards ceremony, the *Wall Street Journal* wrote: "The technology of helium-ion microscopy promises a significantly improved resolution over more widely used electron microscopes."

### Wim Wenders Takes Pictures for Carl Zeiss

"We're pretending to make a movie. And we're taking photos of ourselves shooting this make-believe film. These 24 photos will be used for the new Carl Zeiss calendar," explained star director Wim Wenders, who took the pictures for the 2009 calendar. The ruins of the Palace of the Republic in Berlin served as the backdrop for the movie *Tomorrow Morning*. The main subject of this fictional film is the suspense between near and far, the past, transience and future. The beginning shows scenes full of melancholy – two people in a destroyed world longing for each other, who finally find each other and head off to a new world. The leading roles were played by US top model Amber Valletta and actor Willem Dafoe.

### 40 Years of Carl Zeiss in Mexico

Carl Zeiss has had its own sales organization in Mexico City for 40 years: Carl Zeiss de México S.A. de C.V. The location was gradually expanded for the production of optical components, for microscopes, for example. The nearly 100 employees of the sales organization distribute products from Microscopy, Nano Technology Systems, Industrial Metrology, Medical Systems and Consumer Optics/Optronics.





October

#### **Microscopes for Peru**

Carl Zeiss is donating two microscopes for ENT surgery to the training center of the Christoffel Mission for the Blind at the University of Lima where Latin American doctors will receive training on the systems. "As the number of specialists in Latin America increases, we will be able to help more people with disabilities and draw more attention to disadvantaged people," said Martin Georgi, Director of the Christoffel Mission for the Blind. The Christoffel Mission for the Blind, which has been a partner to Carl Zeiss AG for many years, supports people with disabilities – around 18 million worldwide last year.

#### **25 Years of the "Junior Company"**

For 25 years, the "Junior Company" of Carl Zeiss AG has been a small company run by trainees within the company. In addition to training in the various departments, all commercial apprentices work in the Junior Company during their second year as a regular part of their training and become familiar with the various workflows of a company. "The anniversary documents the success of an idea that started as part of a pilot project 25 years ago," underscores Volker Thumm, Head of Training at Carl Zeiss.

#### **Thuringian Innovation Award for LSM 710**

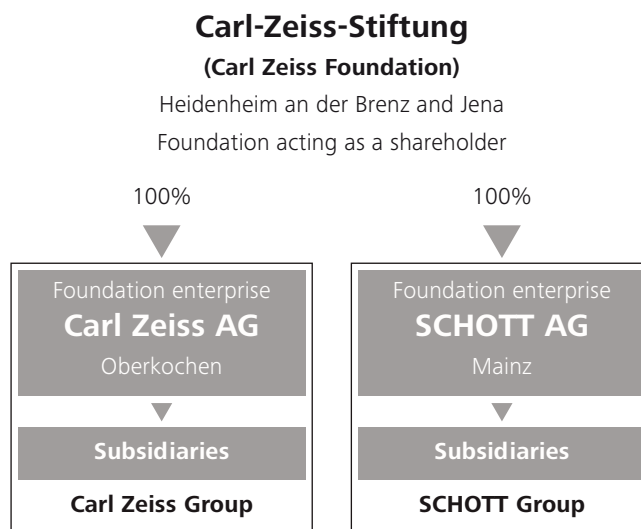
Carl Zeiss won the 2008 Innovation Award presented by the German federal state of Thuringia in the Products category for the *LSM 710* laser scanning microscope. The award is given out by the state's Ministry of Economic Affairs for outstanding new technological developments. The *LSM 710* laser scanning microscope sets new standards in the examination of fluorescing specimens in biology and biomedicine and opens up new opportunities in research. Carl Zeiss has now won the Thuringian Innovation Award for the fourth time: in 2000 for the *IOLMaster®*, a precision system for eye measurement, for the *LSM 510* laser scanning microscope in 2002 and for *Phame®*, a measuring system for semiconductor technology, in 2007.

## Long-term Perspectives

*The Carl Zeiss Foundation is the sole owner of Carl Zeiss AG, Oberkochen. It gives the company independence and a long-term perspective. Founded in 1889 by Ernst Abbe, it is committed to the continued existence of its companies – Carl Zeiss AG and SCHOTT AG – and promotes science and research, particularly in the field of the natural and engineering sciences.*

Through their sole owner, the Carl Zeiss Foundation, the companies Carl Zeiss and SCHOTT have the security of long-term ownership stability: the sale of shares, e.g. through flotation, is prohibited by the foundation's constitution. In their management of the companies, the Executive Boards can concentrate on sustained and strategic development.

For physicist Ernst Abbe, who founded the Carl Zeiss Foundation in 1889, the primary objective in creating the foundation was to promote the natural sciences and mathematics in research and education from the earnings of the foundation enterprises. At the same time, the Foundation was intended to secure the economic future of the companies Carl Zeiss und SCHOTT, meet social obligations toward employees and represent the general interests of the precision engineering industry.



The foundation was extensively reformed in 2004. The Carl Zeiss Foundation adapted its constitution and the legal form of the two operating enterprises to the markedly changed economic environment. The companies were transformed into stock corporations.

Today the Carl Zeiss Foundation advertises programs to promote up-and-coming young scientists and to strengthen research structures at universities. In accordance with the foundation's constitution, the promotional activity is limited to the German federal states of Baden-Wuerttemberg, Rhineland-Palatinate and Thuringia, where the foundation and its operating enterprises are based.

The funds provided by the Foundation for this purpose are financed from dividend payments of the enterprises Carl Zeiss and SCHOTT. The amount depends on the equity ratio and the net annual income of the companies.

When, in the spring of 2009, the annual shareholders' meeting passes a resolution on the dividend for fiscal year 2007/08 as proposed, Carl Zeiss will have made dividend payments in the amount of EUR 29 million to the Carl Zeiss Foundation in the span of four years.

34 postgraduates, 14 postdoctoral students and eight junior professors are currently benefiting from these funds. In 2007, the foundation additionally advertised a program to strengthen research structures in universities. The goal of this initiative is to close gaps in the research structures of the universities. Since September 2008, the Foundation has been supporting the Center for Mathematical and Computational Modeling (CMCM) at the Technical University of Kaiserslautern and the Center for Applied Photonics (CAP) at the University of Constance, each with one million euros.

The bodies of the Carl Zeiss Foundation are the Foundation Administration, the Shareholder Council and the Management Advisory Board. The Foundation Administration, comprising the Ministers of Science from the federal states of Baden-Wuerttemberg and Thuringia, is responsible for allocating funds, appointing the members of the Shareholder Council and implementing amendments to the Foundation constitution.

The Shareholder Council attends to the economic interests of the foundation as the sole shareholder of Carl Zeiss AG and SCHOTT AG. The Chairman of the Shareholder Council – who is assisted by two leading personalities from the fields of science and industry – is simultaneously Chairman of the Supervisory Boards of the two operating enterprises. The third body – the Management Advisory Board – is made up of the Members of the Board of the two enterprises. This board supports and advises the Foundation Administration and the Shareholder Council.





**Carl Zeiss AG**  
**Executive Board**  
**Supervisory Board**

# Executive Board and Supervisory Board of Carl Zeiss AG

## Carl Zeiss AG Executive Board

### Dieter Kurz, Dr. rer. nat.

Aalen

#### **President and CEO, Labor Director**

Member of the Board responsible for Industrial Measuring Technology, Consumer Optics, Optronics, Strategic Corporate Development, Corporate Research and Technology, Corporate Communications, Corporate Human Resources, Corporate Auditing and Risk Management, and Legal Affairs and Patents

Born in Tübingen, Germany, in 1948. 1969 - 1974 Studies of physics at the Eberhard Karls University in Tübingen, subsequently member of scientific staff and doctorate.

1979 Joined Carl Zeiss. Management positions in development, research, marketing, sales and general management, including two years in North America. Vice President and General Manager of the Semiconductor Optics Division, and Executive Vice President and General Manager of the Semiconductor Technology Group. Member of the Executive Board since January 1, 1999. President and Chief Executive Officer of Carl Zeiss since January 1, 2001; President and CEO of Carl Zeiss AG since September 6, 2004.

### Hermann Gerlinger, Dr. rer. nat.

Aalen

Member of the Executive Board responsible for Semiconductor Technology, Production, Business Process Excellence, Business Services and Infrastructure, and Corporate Purchasing, as well as President and CEO of Carl Zeiss SMT AG.

Born in Bad Mergentheim, Germany, in 1953. 1973 – 1979 Studies of physics at the University of Würzburg. Subsequent doctorate at the same university. Appointment to the Academic Committee in 1984.

1984 Joined Carl Zeiss. Project manager and head of a product area. 1995 Development Manager in the Lithography Optics Division. 1997 Operations Manager in the Lithography Optics Division. 1999 Executive Vice President and General Manager of the Semiconductor Technology Group. Since 2001, President and CEO of Carl Zeiss SMT AG. Since October 1, 2006, Member of the Carl Zeiss AG Executive Board

### Michael Kaschke, Dr. sc. nat.

Oberkochen

Member of the Executive Board responsible for Medical Systems, Microscopy and Corporate Finances, Controlling and Taxes, and President and CEO of Carl Zeiss Meditec AG.

Born in Greiz, Germany, in 1957. 1979 - 1983 Studies of physics at the Friedrich Schiller University in Jena. Subsequently scientific assistant, doctorate, guest scientist at the Max Planck Institute, Göttingen and member of the scientific staff at IBM, USA.

Joined Carl Zeiss in Oberkochen in 1992. Management positions in development, research, and general management, Vice President and General Manager of the Surgical Products Division and Executive Vice President and General Manager of the Medical Systems Group. Since October 1, 2000, Member of the Carl Zeiss AG Executive Board. Since July 2008, President and CEO of Carl Zeiss Meditec AG.

## Carl Zeiss AG Supervisory Board

### **Tilman Todenhöfer <sup>1)</sup>**

Stuttgart

#### **Chairman**

Personally liable shareholder of Robert Bosch Industrietreuhand KG, Stuttgart

### **Dr. h. c. Eggert Voscherau <sup>2)</sup>**

Wachenheim

#### **Chairman**

Former Deputy Chairman of the Board and Labor Director of BASF SE; Chairman of the Shareholder Council of the Carl Zeiss Foundation, Heidenheim an der Brenz and Jena; President of the German Federal Employers' Association for the chemical industry; Vice President of the German Federal Employers' Associations

### **Jürgen Dömel <sup>3)</sup>**

Jena

#### **Deputy Chairman**

Chairman of the Group Employee Representative Council of Carl Zeiss AG, Oberkochen

### **PD Dr. Martin Allespach <sup>3)</sup>**

Kelkheim-Fischbach

Secretary for Key Issues and Social Policy on the Board of Directors of the IG Metall union, Frankfurt am Main

### **Dr. Michael Claus <sup>3)</sup>**

Aalen

First Deputy Chairman of the Group

Employee Representative Council of Carl Zeiss AG, Oberkochen

### **Prof. Dr. Dres. h. c.**

#### **Adolf G. Coenberg**

Stadtbergen

Former Chair of Auditing and Controlling, Faculty of Business Administration, University of Augsburg

### **Roland Hamm <sup>3)</sup>**

Aalen

First Authorized Representative of the IG Metall union, Administration Office Aalen, Aalen

### **Hans-Jürgen Heinicke <sup>3)</sup>**

Aalen

Head of Product Data Management, Carl Zeiss Optronics GmbH, Oberkochen

### **Dr. Mathias Kammüller <sup>4)</sup>**

Gerlingen

Member of the Board of TRUMPF GmbH + Co. KG, Ditzingen

### **Hermann-Josef Lamberti**

Königstein im Taunus

Member of the Board of Managing Directors, Deutsche Bank AG, Frankfurt am Main

### **Dr. Hansjörg Manger <sup>5)</sup>**

Uhlidingen-Mühlhofen

Former Managing Director of Robert Bosch GmbH, Stuttgart

### **Dr. Winfried Scherle <sup>3)</sup>**

Aalen

Vice President & General Manager of the Camera Lens Division, Carl Zeiss AG, Oberkochen

### **Dr. Michael Rogowski**

Heidenheim an der Brenz

Chairman of the Shareholders' Committee of Voith and of the Supervisory Board of Voith AG, Heidenheim an der Brenz

### **Prof. Dr. Klaus-Dieter Vöhringer**

Baden-Baden

Former Member of the Board of Managing Directors, DaimlerChrysler AG, Stuttgart

## Committees of the Supervisory Board of Carl Zeiss AG

<b>Chairman's Committee</b>	Tilman Todenhöfer (Chairman) <sup>1)</sup> , Dr. h. c. Eggert Voscherau (Chairman) <sup>2)</sup> , Jürgen Dömel, Roland Hamm, Dr. Michael Rogowski
<b>Auditing Committee</b>	Prof. Dr. Dres. h. c. Adolf G. Coenberg (Chairman), Dr. Michael Claus, Dr. Winfried Scherle, Tilman Todenhöfer <sup>1)</sup> , Dr. h. c. Eggert Voscherau <sup>2)</sup>
<b>Mediation Committee</b>	Tilman Todenhöfer (Vorsitz) <sup>1)</sup> , Dr. h. c. Eggert Voscherau (Chairman) <sup>2)</sup> , Jürgen Dömel, Hans-Jürgen Heinicke, Hermann-Josef Lamberti

<sup>1)</sup> Until September 30, 2008

<sup>2)</sup> Since October 1, 2008

<sup>3)</sup> Employee representative

<sup>4)</sup> Since January 1, 2008

<sup>5)</sup> Until December 31, 2007

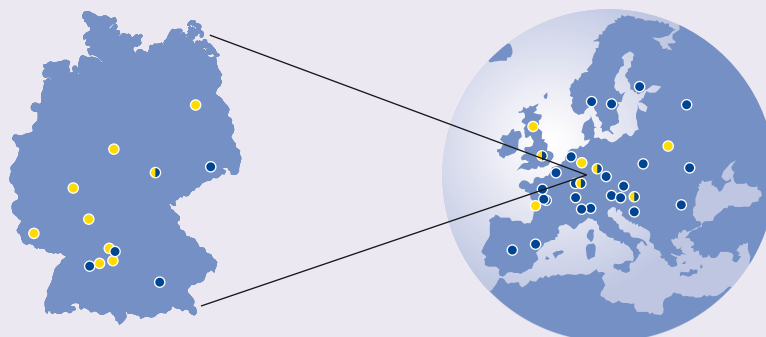
# Business structure of the Carl Zeiss Group by strategic business units

## Germany

- 9 production sites
- 5 sales locations

## Europe (including Germany)

- 14 production sites in 5 countries
- 28 sales locations in 19 countries



## Corporate Management

### Corporate functions

### Service and infrastructure divisions

## • Carl Zeiss AG, Oberkochen

- Carl Zeiss Jena GmbH, Jena
- Carl Zeiss Financial Services GmbH, Oberkochen

## Medical and Research Solutions

### Medical Systems

Ophthalmic Systems    Surgical Ophthalmology    Neuro/ Ear, Nose and Throat Surgery

**Carl Zeiss Meditec AG, Jena**

### Microscopy

Bio Sciences    Industrial

**Carl Zeiss MicroImaging GmbH, Jena**

## Industrial Solutions

### Semiconductor Technology

Lithography Optics    Laser Optics    Semiconductor Metrology Systems    Nano Technology Systems

**Carl Zeiss SMT AG, Oberkochen**

Carl Zeiss Laser Optics GmbH, Oberkochen

Carl Zeiss SMS GmbH, Jena

Carl Zeiss NTS GmbH, Oberkochen

<sup>1)</sup> consolidated at equity



### Americas

- 3 production sites in 1 country
- 7 sales locations in 5 countries



### Asia/ Australia

- 2 production sites in 1 country
- 10 sales locations in 10 countries



### Africa/ Middle East

- 2 production sites in 2 countries
- 2 sales locations in 1 country



### Lifestyle Products

#### Industrial Metrology

Industrial Metrology

**Carl Zeiss Industrielle  
Messtechnik GmbH,  
Oberkochen**

#### Consumer Optics/Optronics

Optronics

**Carl Zeiss  
Optronics GmbH,  
Oberkochen**

Camera Lenses

**Carl Zeiss AG,  
Oberkochen**  
Camera Lens  
Division

Sports Optics

**Carl Zeiss  
Sports Optics  
GmbH,  
Wetzlar**

Planetariums

**Carl Zeiss  
Jena GmbH,  
Jena**  
Planetariums  
Business Unit

Joint venture

**Carl Zeiss Vision**

Carl Zeiss Vision

Carl Zeiss Vision  
Holding GmbH <sup>1)</sup>,  
Aalen

- ▶ Markets
- ▶ Business Groups
- ▶ Strategic Business Units

# Major Affiliated and Associated Companies (1)

(Share percentage relative to entire Group)

## Medical and Research Solutions

### Medical Systems

<b>Carl Zeiss Meditec AG <sup>2)</sup></b> Jena (listed) 65.1% Germany	<b>Carl Zeiss Surgical GmbH <sup>2)</sup></b> Oberkochen 65.1% Germany	<b>*Acri.Tec GmbH <sup>2)</sup></b> Hennigsdorf 65.1% Germany	<b>Carl Zeiss Meditec S.A.S. <sup>2)</sup></b> La Rochelle 65.1% France
<b>HYALTECH Ltd. <sup>2)</sup></b> Edinburgh 65.1% United Kingdom	<b>Carl Zeiss Meditec Inc. <sup>2)</sup></b> Dublin 65.1% USA		

### Sales organizations

<b>Carl Zeiss Meditec Vertriebsgesellschaft mbH,</b> Jena 65.1% Germany	<b>Carl Zeiss Meditec France S.A.S.</b> Le Pecq 65.1% France	<b>Carl Zeiss Meditec Iberia SA</b> Tres Cantos (Madrid) 65.1% Spain	<b>Carl Zeiss Meditec Co., Ltd.</b> Tokyo 82.2% Japan
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### Microscopy

<b>Carl Zeiss MicroImaging GmbH <sup>2)</sup></b> Jena 100% Germany	<b>Carl Zeiss Imaging Solutions GmbH</b> Munich 100% Germany	<b>Carl Zeiss MicroImaging AIS Inc. <sup>2)</sup></b> Aliso Viejo (Los Angeles) 100% USA	<b>Carl Zeiss MicroImaging (Suzhou) Co. Ltd. <sup>2)</sup></b> Suzhou 100% People's Republic of China
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### Sales organizations

<b>Carl Zeiss MicroImaging S.L.</b> Sant Just Desvern (Barcelona) 100% Spain	<b>Carl Zeiss MicroImaging Inc.</b> Thornwood 100% USA	<b>Carl Zeiss MicroImaging Co., Ltd.</b> Tokyo 100% Japan
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<sup>1)</sup> Not consolidated

<sup>2)</sup> Production unit (generally has own sales area)

## Industrial Solutions

### Semiconductor Technology

#### Carl Zeiss SMT AG <sup>2)</sup>

Oberkochen  
100%  
Germany

#### Carl Zeiss

#### Laser Optics GmbH <sup>2)</sup>

Oberkochen  
100%  
Germany

#### Carl Zeiss SMS GmbH <sup>2)</sup>

Jena  
100%  
Germany

#### Carl Zeiss NTS GmbH <sup>2)</sup>

Oberkochen  
100%  
Germany

#### NaWoTec GmbH <sup>2)</sup>

Jena  
100%  
Germany

#### Carl Zeiss SMT Ltd. <sup>2)</sup>

Cambridge  
100%  
United Kingdom

#### Pixar Technology Ltd. <sup>2)</sup>

Karmiel  
100%  
Israel

### Sales organizations

#### Carl Zeiss SMT S.A.S.,

Nanterre  
100%  
France

#### Carl Zeiss SMT Inc.

Peabody (MA)  
100%  
USA

#### Carl Zeiss SMT Pte. Ltd.

Singapore  
100%  
Singapore

### Industrial Metrology

#### Carl Zeiss Industrielle Messtechnik GmbH <sup>2)</sup>

Oberkochen  
100%  
Germany

#### Junker & Partner GmbH <sup>2)</sup>

Tholey  
75.1%  
Germany

#### Carl Zeiss

#### 3D Automation GmbH <sup>1) 2)</sup>

Essingen  
50%  
Germany

#### Carl Zeiss IMT Corporation <sup>2)</sup>

Minneapolis  
100%  
USA

#### Carl Zeiss IMT (Shanghai) Co. Ltd. <sup>2)</sup>

Shanghai  
100%  
People's Republic of China

#### Carl Zeiss IMT Co., Ltd.

Tokyo  
100%  
Japan

### Sales organizations

#### Carl Zeiss 3D Metrology Services GmbH

Aalen  
100%  
Germany

#### Dr. Wolf & Beck GmbH <sup>1)</sup>

Wangen  
100%  
Germany

#### Carl Zeiss

#### 3D Metrology Services GmbH Stuttgart

Ostfildern  
72%  
Germany

#### Carl Zeiss Innovations Center for Messtechnik GmbH <sup>1)</sup>

Dresden  
51%  
Germany

#### Carl Zeiss Industrielle Metrology Austria GmbH

Graz  
100%  
Austria

#### Carl Zeiss Quality Services s.r.l.

Novara  
100%  
Italy

#### Carl Zeiss IMT Iberia S.L.

Tres Cantos (Madrid)  
100%  
Spain

#### Saphir 3D S.à.r.l. <sup>1)</sup>

Sablé sur Sarthe  
76%  
France

#### P.S.M.C. S.à.r.l. <sup>1)</sup>

Le Pecq  
100%  
France

# Major Affiliated and Associated Companies (2)

(Share percentage relative to entire Group)

## Lifestyle Products

### Consumer Optics/Optronics

<b>Carl Zeiss Optronics GmbH <sup>2)</sup></b>	<b>Carl Zeiss Optronics (Pty.) Ltd. <sup>2)</sup></b>	<b>Carl Zeiss Sports Optics GmbH <sup>2)</sup></b>	<b>Carl Zeiss Sport Optikai Hungaria Kft. <sup>2)</sup></b>
Oberkochen	Centurion	Wetzlar	Mátészalka
100%	70%	100%	100%
Germany	South Africa	Germany	Hungary

### Sales organizations

<b>Carl Zeiss Optical Inc.</b>
Chester
100%
USA

### Eyeglass lenses

<b>Carl Zeiss Vision Holding GmbH <sup>3)</sup></b>
Aalen
50% <sup>4)</sup>
Germany

<sup>1)</sup> Not consolidated

<sup>2)</sup> Production unit (generally has own sales area)

<sup>3)</sup> Consolidated at equity

<sup>4)</sup> Proportion of voting rights

## Other Affiliated Companies

### Carl Zeiss Jena GmbH <sup>2)</sup>

Jena  
100%  
Germany

### Carl Zeiss Financial Services GmbH

Oberkochen  
100%  
Germany

### Zeiss-BelOMO OOO <sup>1) 2)</sup>

Minsk  
60%  
Belarus

### Carl Zeiss Inc.

Thornwood  
100%  
USA

## Cross-Group sales organizations

### Carl Zeiss N.V.-S.A.

Zaventem  
100%  
Belgium

### Carl Zeiss Oy

Tuusula  
100%  
Finland

### Carl Zeiss S.A.S.

Le Pecq  
100%  
France

### Carl Zeiss Ltd.

Welwyn Garden City  
100%  
United Kingdom

### Carl Zeiss S.p.A.

Arese  
100%  
Italy

### Carl Zeiss d.o.o. <sup>1)</sup>

Zagreb  
100%  
Croatia

### Carl Zeiss B.V.

Sliedrecht  
100%  
Netherlands

### Carl Zeiss AS

Oslo  
100%  
Norway

### Carl Zeiss GmbH

Vienna  
100%  
Austria

### Carl Zeiss Sp. z o. o.

Posen  
100%  
Poland

### Carl Zeiss Instruments s.r.l. <sup>1)</sup>

Bucharest  
100%  
Romania

### Carl Zeiss OOO <sup>1)</sup>

Moscow  
100%  
Russia

### Carl Zeiss AB

Stockholm  
100%  
Sweden

### Carl Zeiss AG

Feldbach  
100%  
Switzerland

### Carl Zeiss s.r.o.

Prague  
100%  
Czech Republic

### Carl Zeiss TOV <sup>1)</sup>

Kiev  
100%  
Ukraine

### Carl Zeiss Technika Kft. <sup>1)</sup>

Budapest  
100%  
Hungary

### Carl Zeiss Argentina S.A. <sup>1)</sup>

Buenos Aires  
100%  
Argentina

### Carl Zeiss do Brasil Ltda.

Sao Paulo  
100%  
Brazil

### Carl Zeiss de México S.A. de C.V.

Mexico City  
100%  
Mexico

### Carl Zeiss Canada Ltd.

Toronto  
100%  
Canada

### Carl Zeiss Shanghai Co. Ltd.

Shanghai  
100%  
People's Republic of China

### Carl Zeiss Far East Co. Ltd.

Kowloon  
100%  
Hong Kong

### Carl Zeiss Co. Ltd.

Tokyo  
100%  
Japan

### Carl Zeiss Sdn. Bhd.

Kuala Lumpur  
100%  
Malaysia

### Carl Zeiss Pte. Ltd.

Singapore  
100%  
Singapore

### Carl Zeiss India Pte. Ltd.

Singapore  
100%  
Singapore  
(Branch in India)

### Carl Zeiss Co. Ltd.

Seoul  
100%  
South Korea

### Carl Zeiss Co. Ltd.

Bangkok  
49%  
Thailand

### Carl Zeiss Pty. Ltd.

North Ryde  
100%  
Australia

### Carl Zeiss (N.Z.) Ltd.

Auckland  
100%  
New Zealand

### ANASPEC (Pty.) Ltd.

Gauteng/Johannesburg  
51%  
South Africa

### Carl Zeiss (Pty.) Ltd.

Randburg  
100%  
South Africa





**Carl Zeiss Group**  
**Consolidated Financial Statements**



# Consolidated Income Statement

## October 1, 2007 to September 30, 2008

	Notes	2007/08	2006/07
		EUR thou	EUR thou
<b>Sales revenues</b>	7	<b>2,730,716</b>	<b>2,603,605</b>
Increase in finished goods and work in progress		30,041	31,296
Own work capitalized		52,746	67,483
<b>Total operating performance</b>		<b>2,813,503</b>	<b>2,702,384</b>
Other operating income	8	122,219	181,902
Cost of materials	9	987,647	982,459
Personnel expenses	10	877,765	828,606
Depreciation of property, plant and equipment and amortization of intangible assets	11	134,082	145,834
Other operating expenses	12	588,196	527,682
Other taxes	13	5,116	5,393
<b>Earnings before interest and taxes (EBIT)</b>		<b>342,916</b>	<b>394,312</b>
Result from investments accounted for using the equity method	14	–42,931	–21,244
Interest income	14	56,083	46,014
Interest expenses	14	84,083	82,091
Other financial result	14	5,639	38,399
<b>Financial result</b>		<b>–65,292</b>	<b>–18,922</b>
<b>Earnings before taxes</b>		<b>277,624</b>	<b>375,390</b>
Income taxes	15	99,440	142,192
<b>Consolidated net income</b>		<b>178,184</b>	<b>233,198</b>
<i>Minority interests in income</i>		<i>21,154</i>	<i>15,429</i>
<i>Interests of the parent company's shareholder in income</i>		<i>157,030</i>	<i>217,769</i>

## Consolidated Balance Sheet as of September 30, 2008

Assets	Notes	Sept. 30, 2008	Sept. 30, 2007
		EUR thou	EUR thou
Noncurrent assets			
Intangible assets	16	312,858	269,634
Property, plant and equipment	17	555,414	527,783
Investments accounted for using the equity method	18	6,467	46,601
Other noncurrent financial assets	19	124,288	97,632
		999,027	941,650
Deferred taxes	15	145,987	145,978
Other noncurrent non-financial assets	20	16,836	16,303
		1,161,850	1,103,931
Current assets			
Inventories	21	829,003	717,982
Trade receivables	22	515,462	517,655
Tax refund claims		9,389	5,559
Other current assets	23	569,707	392,321
Securities	24	40,359	234,661
Cash / cash equivalents	25	464,865	461,005
		2,428,785	2,329,183
		3,590,635	3,433,114



Liabilities	Notes	Sept. 30, 2008	Sept. 30, 2007
		EUR thou	EUR thou
<b>Equity</b>	26		
Common stock		120,000	120,000
Additional paid-in capital		52,770	52,770
Consolidated retained earnings		904,885	762,751
Cumulative other reserves		-25,483	-31,396
Minority interests		144,538	136,684
		<b>1,196,710</b>	<b>1,040,809</b>
<b>Noncurrent liabilities</b>			
Provisions for pensions and similar obligations	27	856,328	876,430
Other noncurrent provisions	28	88,649	72,102
Noncurrent financial liabilities	29	362,576	362,417
Noncurrent liabilities from income taxes		—	—
Other noncurrent non-financial liabilities	31	30,584	17,381
		<b>1,338,137</b>	<b>1,328,330</b>
Deferred taxes	15	73,494	73,631
		<b>1,411,631</b>	<b>1,401,961</b>
<b>Current liabilities</b>			
Current provisions	28	270,894	305,039
Current financial liabilities	29	32,249	25,107
Trade payables	30	155,964	153,053
Current liabilities from income taxes		7,462	8,476
Other current liabilities	31	515,725	498,669
		<b>982,294</b>	<b>990,344</b>
		<b>3,590,635</b>	<b>3,433,114</b>

# Statement of Changes in Consolidated Equity during the 2007/08 Fiscal Year

	Common stock	Additional paid-in capital	Consolidated retained earnings
	EUR thou	EUR thou	EUR thou
<b>October 1, 2006</b>	<b>120,000</b>	<b>52,770</b>	<b>446,708</b>
<b>Dividends</b>	–	–	–6,251
<b>Capital increase CZ Meditec AG</b>	–	–	91,869
<b>Change in scope of consolidation</b>	–	–	17,603
<b>Other changes</b>	–	–	–4,947
Consolidated net income	–	–	217,769
Other reserves	–	–	–
<b>Consolidated comprehensive income</b>	–	–	217,769
<b>September 30, 2007</b>	<b>120,000</b>	<b>52,770</b>	<b>762,751</b>
<b>Dividends</b>	–	–	–10,000
<b>Change in scope of consolidation</b>	–	–	272
<b>Other changes</b>	–	–	–5,168
Consolidated net income	–	–	157,030
Other reserves	–	–	–
<b>Consolidated comprehensive income</b>	–	–	157,030
<b>September 30, 2008</b>	<b>120,000</b>	<b>52,770</b>	<b>904,885</b>

	Cumulative other reserves	Equity	Minority interests	Consolidated equity
Foreign exchange translation	Results of measurement of financial instruments IAS 39 <sup>1)</sup>			
EUR thou	EUR thou	EUR thou	EUR thou	EUR thou
<b>-9,033</b>	<b>-141</b>	<b>610,304</b>	<b>49,771</b>	<b>660,075</b>
–	–	<b>-6,251</b>	<b>-4,009</b>	<b>-10,260</b>
–	–	<b>91,869</b>	<b>78,685</b>	<b>170,554</b>
–	–	<b>17,603</b>	<b>552</b>	<b>18,155</b>
–	–	<b>-4,947</b>	<b>-1,232</b>	<b>-6,179</b>
–	–	217,769	15,429	233,198
-26,522	4,300	-22,222	-2,512	-24,734
-26,522	4,300	<b>195,547</b>	<b>12,917</b>	<b>208,464</b>
<b>-35,555</b>	<b>4,159</b>	<b>904,125</b>	<b>136,684</b>	<b>1,040,809</b>
–	–	<b>-10,000</b>	<b>-12,286</b>	<b>-22,286</b>
–	–	<b>272</b>	<b>-1,949</b>	<b>-1,677</b>
–	–	<b>-5,168</b>	<b>1,874</b>	<b>-3,294</b>
–	–	157,030	21,154	178,184
-3,102	9,015	5,913	-939	4,974
-3,102	9,015	<b>162,943</b>	<b>20,215</b>	<b>183,158</b>
<b>-38,657</b>	<b>13,174</b>	<b>1,052,172</b>	<b>144,538</b>	<b>1,196,710</b>

<sup>1)</sup> Market valuation of available-for-sale securities in accordance with IAS 39

# Consolidated Cash Flow Statement

## October 1, 2007 to September 30, 2008

	2007/08	2006/07
	EUR thou	EUR thou
Consolidated net income	178,184	233,198
Depreciation / amortization of fixed assets net of write-ups	133,291	145,160
Result from investments accounted for using the equity method	42,931	21,244
Other material nonoperating income and expenses (net)	31,507	–
Increase of provisions for pensions and similar obligations	7,394	5,870
Decrease (last year: increase) in other provisions	–14,554	35,183
Loss from the disposal of fixed assets (net)	353	3,080
Income from the disposal of current securities (net)	–966	–1,112
Increase in inventories	–110,191	–86,626
Increase in receivables	–1,125	–42,735
Change in deferred taxes	–8,046	33,872
Increase in other assets	–23,463	–49,645
Decrease (last year: increase) in payables	–571	37,865
Increase in other liabilities	31,324	50,227
<b>Cash flows from operating activities</b>	<b>266,068</b>	<b>385,581</b>
Proceeds from the disposal of property, plant and equipment and intangible assets	1,178	7,441
Purchases of property, plant and equipment and intangible assets	–140,404	–132,866
Proceeds from the disposal of financial assets	4,322	3,739
Net cash inflow from (last year: outflow for) the acquisition of financial assets including fixed-term investments and securities maturing in > 90 days	12,595	–347,144
Net cash outflow for (last year: inflow from) the acquisition of consolidated companies (net of cash acquired amounting to EUR 2,422,000; last year: EUR 22,547,000)	–62,037	13,705
Investment into Contractual Trust Arrangement and other plan assets abroad	–27,593	–89,527
<b>Cash flows from investing activities</b>	<b>–211,939</b>	<b>–544,652</b>
Dividend to the Carl-Zeiss-Stiftung	–10,000	–6,251
Payments to other shareholders	–12,286	–4,009
Proceeds from the capital increase of CZ Meditec AG (net)	–	167,948
Proceeds from (financial) loans acquired	6,219	2,984
Repayments of (financial) loans acquired	–29,637	–20,727
<b>Cash flows from financing activities</b>	<b>–45,704</b>	<b>139,945</b>
<b>Cash and cash equivalents provided by operating, investing and financing activities</b>	<b>8,425</b>	<b>–19,126</b>
Changes in cash and cash equivalents from exchange rate movements and changes in the scope of consolidation	–4,565	–3,868
Cash and cash equivalents as of October 1	461,005	483,999
<b>Cash and cash equivalents as of September 30</b>	<b>464,865</b>	<b>461,005</b>

	2007/08	2006/07
	EUR thou	EUR thou
<b>Additional information on the Consolidated Cash Flow Statement</b>		
Payments of		
Income taxes <sup>1)</sup>	127,007	110,355
Interest <sup>1)</sup>	13,795	13,664
Dividends <sup>2)</sup>	22,286	10,260
Proceeds from		
Income taxes <sup>1)</sup>	10,354	7,947
Interest <sup>1)</sup>	46,215	33,048
Dividends <sup>2)</sup>	820	3,257

<sup>1)</sup> considered in cash flows from operating activities

<sup>2)</sup> considered in cash flows from financing activities



# Notes to the Consolidated Financial Statements for the 2007/08 Fiscal Year

## Principles and Methods

### 1 General Accounting Principles

Carl Zeiss AG is a non-listed stock company incorporated under German law and operating globally in the segments Medical and Research Solutions, Industrial Solutions and Lifestyle Products. Carl Zeiss AG's sole stockholder is the Carl-Zeiss-Stiftung (Carl Zeiss Foundation), Heidenheim an der Brenz and Jena.

Carl Zeiss AG exercises the option under Section 315a Para. 3 German Commercial Code (HGB) which gives non-capital market oriented companies the freedom to prepare their consolidated financial statements in accordance with International Accounting Standards on the basis of the member states' option enabled by the EU regulation of July 19, 2002.

The consolidated financial statements of Carl Zeiss AG, Oberkochen, comprising the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Equity Statement, the Consolidated Cash Flow Statement and the Notes to the Consolidated Financial Statements have therefore been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the EU, and the supplementary rules applicable under Section 315a Para. 1 HGB. All mandatory pronouncements of the International Accounting Standards Board (IASB) have been observed.

Carl Zeiss AG applied IFRS 7 *Financial Instruments: Disclosures* and the associated amendment to IAS 1 *Presentation of Financial Statements* in the reporting period for the first time. The resulting amendments refer solely to additional disclosures in the Notes. The relevant comparative information on the additional disclosures has been adjusted accordingly. Consequently, this first-time application has no effect on the net assets, financial position, results of operations or cash flows of the Carl Zeiss Group.

In a number of projects, the IASB and the IFRIC have adopted a number of standards and interpretations and issued new standards and interpretations which must always be used for fiscal years commencing on or after January 1, 2009. The prerequisite for the application of these standards is their endorsement by the European Union. Carl Zeiss AG has opted not to voluntarily adopt these innovations early in its consolidated financial statements.

Only one new accounting standard was endorsed by the European Union in the reporting period:

IFRS 8 *Operating Segments*, which was adopted by the IASB in November 2006 and which succeeds IAS 14 *Segment Reporting*, was adopted by the European Union on November 21, 2007. This standard is not relevant to the Carl Zeiss Group, since as a non-capital market oriented company it is not obliged to prepare segment reporting.

The European Union did not endorse any new IFRIC interpretations in the reporting period.

The consolidated financial statements have been compiled in euros. Unless stated otherwise, all amounts are given in thousands of euros (EUR thou).

For the sake of clarity, individual items are combined in the consolidated balance sheet and the consolidated income statement and shown separately in the notes. The consolidated income statement is prepared in accordance with the nature of expenses method.

The consolidated financial statements prepared as of September 30, 2008 and the Corporate Management Report were approved by the Executive Board on December 15, 2008 for submission to the Supervisory Board.

The list of shares held by the Group, the consolidated financial statements, the Corporate Management Report and the Report of the Supervisory Board will be published in the electronic *Bundesanzeiger*.

### 2 Scope of Consolidation

The consolidated financial statements include Carl Zeiss AG and all of its subsidiaries, joint ventures and associated companies. Subsidiaries are companies that are under the direct or indirect control of Carl Zeiss AG and are included in full in the scope of consolidation. Joint ventures are companies controlled jointly by Carl Zeiss AG together with other

companies. Associated companies are companies over which Carl Zeiss AG exercises a significant influence but which are neither subsidiaries nor joint ventures. Associated companies and joint ventures are included in the consolidated financial statements in accordance with the equity method.

The consolidated financial statements contain Carl Zeiss AG and 33 (last year: 30) domestic and 63 (last year: 59) foreign companies whose business activities are controlled by Carl Zeiss AG or where it

directly or indirectly holds a majority voting interest. The companies are included in the consolidated financial statements from the time at which Carl Zeiss AG obtained the power of control.

In addition, two (last year: one) domestic joint venture and one foreign investment have been accounted for using the equity method.

The scope of consolidation changed as follows in the reporting period:

	Germany	Other countries	Total
Sept. 30, 2007	31	59	90
Additions in the reporting period	4	5	9
Disposals in the reporting period	1	1	2
<b>Sept. 30, 2008</b>	<b>34</b>	<b>63</b>	<b>97</b>

The following companies were withdrawn from the scope of consolidation in the reporting period:

- Carl Zeiss Optronics Wetzlar GmbH, Wetzlar (*merged into Carl Zeiss Optronics GmbH, Oberkochen, as of October 1, 2007*)
- IOLTECH Italia S.r.l., Arese, Italy (*merged into Carl Zeiss S.p.A., Arese, Italy, as of October 1, 2007*)

The following nine companies were included in the consolidated financial statements for the first time in the reporting period:

- \*Acric.Tec GmbH (previously \*Acric.Tec AG), Hennigsdorf (*acquisition, effective October 1, 2007*)
- Carl Zeiss 3D Metrology Services GmbH Stuttgart, Ostfildern (*first inclusion*)
- Junker & Partner GmbH, Tholey (*acquisition, effective October 1, 2007*)
- Carl Zeiss Services N.V.-S.A., Zaventem, Belgium (*new formation, effective October 29, 2007*)
- Carl Zeiss Oy, Tuusula, Finland (*new formation; effective January 1, 2008*)
- Carl Zeiss Quality Services S.r.l., Novara, Italy (*first inclusion*)
- Anaspec (Pty.) Ltd., Gauteng, South Africa (*acquisition; effective May 29, 2008*)

- Pixier Technology GmbH & Co. KG, Oberkochen (*new formation, effective August 28, 2008*)
- Pixier Technology Ltd., Karmiel, Israel (*acquisition, effective August 28, 2008*)

The changes to the scope of consolidation in the reporting period shown here had no material effects on the net assets, financial position, results of operations or cash flows of the Carl Zeiss Group, with the exception of the additions to intangible assets. Any effects which appear relevant to individual items are explained at the appropriate points.

### 3 Business Combinations

#### Business combinations in the 2007/08 fiscal year

The following companies were acquired in the 2007/08 fiscal year:

	Initial consolidation	Voting shares %	Acquisition cost EUR mill
<b>*Acri.Tec AG, Hennigsdorf</b>	October 1, 2007	65.1	21.6
<b>Junker &amp; Partner GmbH, Tholey</b>	October 1, 2007	75.1	2.4
<b>Anaspec CC, Gauteng, South Africa</b>	May 29, 2008	51.0	0.3
<b>Pixar Technology Ltd., Karmiel, Israel</b>	August 28, 2008	100	40.4

Effective October 1, 2007, Carl Zeiss Meditec AG, Jena acquired 100 percent of the shares in \*Acri.Tec AG, based in Hennigsdorf, through a subsidiary. The company specializes in innovative implants (intra-ocular lenses, IOL) and other products (viscoelastic solutions and products for vitreoretinal surgery) for ophthalmic surgery. As of the balance sheet date, the company's name was \*Acri.Tec GmbH. Carl Zeiss AG holds only 65.1% of the equity of Carl Zeiss Meditec AG. The table above shows Carl Zeiss AG's calculative share in the voting rights, while the acquisition cost is recognized in full.

Likewise effective October 1, Carl Zeiss 3D Metrology Services GmbH, Aalen, acquired 75.1% of the equity of Junker & Partner GmbH, Tholey. Junker & Partner GmbH is a partner to the automotive and aviation industries specializing in the design, development and production of sophisticated measuring devices for automotive parts, thus complementing the portfolio of the Industrial Metrology business group.

The South African subsidiary Carl Zeiss (Pty.) Ltd., Randburg, South Africa, acquired a majority stake (51.0% of the shares) in Anaspec CC, Gauteng, South Africa, in May 2008. The company, which has branch offices in South Africa and Australia, is now known as Anaspec (Pty.) Ltd. and will offer both local markets and some developing countries technical services and care for the fast-growing customer base of the Nano Technology Systems (NTS) division. Anaspec (Pty.) Ltd. also offers technical services for the products of the Industrial Metrology business group and some products of the Medical Systems business group in South Africa and the southern African countries.

A Carl Zeiss SMT AG subsidiary acquired Pixar Technology Ltd., Karmiel, Israel as of August 28, 2008. The acquired company develops unique solutions for the correction of errors in photo masks for semi-conductor production on a global basis. With this move, the Semiconductor Technology business group aims to further strengthen its position as a leading technology provider for the semiconductor industry with lithography and laser optics, particle-beam systems and quality assurance and process optimization systems. Pixar Technology Ltd. will be integrated into the Semiconductor Metrology Systems (SMS) division.

The acquisitions made in the 2007/08 fiscal year had the following impact on the Carl Zeiss Group's assets and liabilities at the time of the initial consolidation:

	EUR mill
Goodwill	31.9
Other intangible assets	27.4
Property, plant and equipment	8.4
Other noncurrent assets	1.5
Noncurrent assets	69.2
Current assets	24.0
Noncurrent liabilities	17.4
Current liabilities	13.2
Minority interests	-2.1

The purchase price allocations conducted for the initial consolidation are based on provisional estimates by the company which could therefore change up to the final assessment and audit of the fair values of the acquired intangible assets, deferred taxes and goodwill.

The companies newly acquired in the reporting period are included in the consolidated financial statements with the following revenues and net profit for the year:

	EUR mill
Sales revenues	24.8
Net profit	2.2

#### Business combinations in the 2006/07 fiscal year

Carl Zeiss Microlmaging AIS Inc., Aliso Viejo (CA), USA, purchased the instrument business of Clariant Inc., Aliso Viejo (CA), USA, in March 2007 in an asset deal, strengthening its engagement in the promising future area of clinical cancer diagnostics and research.

Leospore Pte. Ltd., Singapore, Singapore, was previously a Carl Zeiss sales partner for the Nano Technology Systems (NTS) division, and will ensure direct sales and services in the South-east Asia region. The company was re-named after the acquisition and trades as Carl Zeiss SMT Pte. Ltd.

DENEL Optronics (Pty.) Ltd., Centurion, South Africa, and the Carl Zeiss Group had already enjoyed close cooperation in the technical field for some years. DENEL Optronics belonged to the state-owned group DENEL (Pty.) Ltd., Centurion, South Africa, which focuses mainly on the field

of defense engineering. DENEL Optronics' product line includes innovative products for the areas of civil security and defense which are an ideal fit with the product portfolio of Carl Zeiss Optronics GmbH, Oberkochen. The acquisition was realized in the context of partial privatization of individual divisions of DENEL (Pty.) Ltd. The acquired company now trades as Carl Zeiss Optronics (Pty.) Ltd.

Effective November 15, 2006, Carl Zeiss Meditec AG, Jena, acquired the remaining 3.5% of the shares in IOLTECH S.A., La Rochelle, France. The remaining minority shareholders were squeezed out against a cash compensation payment after the company exceeded the required 95% stake. Also effective November 15, IOLTECH S.A. was delisted from Euronext Section C on the Euronext exchange in Paris. This transaction led to changes in the minority interests and in the goodwill. The Carl Zeiss Group's calculative share in the company was 65.1% as of the balance sheet date.

The business combinations described above had no significant effect on the net assets, financial position or results of operations of the Carl Zeiss Group.

#### 4 Principles of Consolidation

The consolidated financial statements are based on the annual financial statements of the subsidiaries included in the consolidated financial statements prepared as of September 30, 2008 in accordance with uniform accounting policies.

Since May 14, 2002, capital consolidation by the purchase method in accordance with IFRS 3 *Business Combinations* has been applied upon the initial consolidation of subsidiaries. Accordingly, the identifiable assets and liabilities are recognized at their fair values on the acquisition date. Minority interests (shares held by other stockholders) are consequently assessed at the amount of their share in the fair values of the assets and liabilities. The acquisition costs of the shares acquired are offset against the Group's share of the subsidiary's equity at fair value. If a difference remains on the assets side after the calculation, it is recognized as goodwill under intangible assets. Liabilities-side differences are recognized through the income statement. For acquisitions before May 14, 2002 the option in IFRS 1.15 was used to

the effect that these business combinations were accounted for in the consolidated financial statements in accordance with IFRS similarly to the HGB accounting method. Transactions under common control are accounted for at book value. The results of the subsidiaries acquired in the reporting period are included in the consolidated income statement from the time when power of control is effectively obtained.

A subsidiary is removed from the scope of consolidation at the time when Carl Zeiss AG loses control of the company.

The equity shares held by outside shareholders are recognized in the consolidated financial statements within the consolidated equity capital under minority interests.

Companies under common control within the meaning of IAS 31 *Interests in Joint Ventures* are accounted for using the equity method, in accordance with the alternative treatment in IAS 31.38.

When the equity method in accordance with IAS 28 *Investments in associates* is used, the shares are recognized at purchase cost in the balance sheet upon initial assessment. These costs are adjusted in subsequent valuations for changes in the Group's share in the equity (net assets) after the acquisition date and for losses due to impairment.

Receivables and payables between consolidated companies are eliminated. Any resulting currency differences are included in cumulative other reserves. Intercompany profits and losses resulting from goods and services transactions are eliminated.

The income tax aspects of the consolidation are dealt with by applying deferred taxation.

In the consolidated income statement, intercompany sales and other internal gains have been offset against corresponding expenses or have been reclassified as changes in inventory or own work capitalized.

#### 5 Foreign Exchange Translation

The consolidated financial statements are denominated in euros, the functional and reporting currency of the Group. In the individual statements, receivables and payables in foreign currencies are valued at the rate applicable on the date of the transaction. Changes in exchange rates are accounted for by revaluation at the average rate of exchange as of the balance sheet date, the resulting gains or losses are recognized in the consolidated income statement under financial results.



The annual financial statements of consolidated subsidiaries prepared in foreign currencies are translated on the basis of the concept of the functional currency in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. This means that all assets and liabilities are translated into euros at average rates of exchange as of the balance sheet date, but the equity is converted at historic rates.

The income and expenses in the income statements are converted at annual average rates of exchange.

Differences arising from the foreign exchange translation are included under cumulative other reserves within equity, outside profit or loss.

The consolidated financial statements of September 30, 2008 and 2007 were based on the following exchange rates for foreign currencies with a material influence:

		Rates as of balance sheet date		Average rates	
EUR 1 =		Sept. 30, 2008	Sept. 30, 2007	2007/08	2006/07
United Kingdom	GBP	0.7961	0.6983	0.7636	0.6756
Japan	JPY	150.5600	163.5800	161.6225	158.2402
USA	USD	1.4340	1.4187	1.5037	1.3307

## 6 Principles of Accounting and Valuation

The annual financial statements of the companies included in the consolidation have all been prepared in accordance with the accounting and valuation principles applicable to the Group. In cases where the local financial statements of individual companies depart from these principles, the necessary adjustments have been made.

The same principles of accounting and valuation have been applied to this year and last year.

For subsidiaries whose balance sheet date differs from that of the Group, interim financial statements are used as a basis for consolidation.

### Use of estimates

In order to prepare financial statements according to IFRS, estimates are required which influence not only the valuation of the assets and liabilities, the nature and scope of contingent liabilities and concrete references to purchase commitments as of the balance sheet date, but also the amount of income and expenditure in the reporting period. The assumptions and estimates chiefly relate to the application of standard useful life periods across the Group, the collectability of receivables, accounting for and valuing provisions, and the possibility of realizing future tax relief. The actual results may differ from these estimates. Changes are recognized in the income statement when better information becomes available.

Specific valuation risks are addressed in more detail under other provisions.

### Intangible assets

Purchased and self-created intangible assets are only capitalized according to IAS 38 *Intangible Assets* if it is probable that future economic benefits are attributable to the assets and the purchase or manufacturing cost of the asset can be measured reliably. These assets are recognized initially at cost (purchase or manufacturing cost). Subsequently, intangible assets with a finite useful life are measured at cost less cumulative amortization and impairment. The amortization is calculated using the straight-line method over the economic useful life of the asset.

Intangible assets with an indefinite useful life and goodwill are not amortized and are therefore assessed at cost less impairment losses.

Development costs have been capitalized wherever the criteria stated in IAS 38.57 were fulfilled on a cumulative basis. The criteria to be fulfilled include the fact that the completion of the intangible asset in question must be technically feasible so that it can be available for sale or use. Furthermore, the intention and the ability to complete the intangible asset and to use it or sell it in the future are required.

In addition, it must be possible to use or sell the self-created intangible asset. An economic benefit to the company must also arise from this.

The companies of the Carl Zeiss Group carry out development that stretches technology to its limits, setting new technological benchmarks. For this reason, only a small proportion of development costs is capitalized in the Carl Zeiss Group, since the capitalization criteria are only cumulatively fulfilled at a relatively late point in time.

The costs directly attributable to a development, including reasonable

development-related overhead, are recognized as manufacturing costs. Capitalized development costs are amortized by the straight-line method from the time at which the developments are ready for use over the expected product life cycle (as a rule, between 3 and 7 years), or in relation to the unit volumes laid down in the relevant business plans. Research costs and development costs that cannot be capitalized are recognized as expenses at the time they are incurred.

### Property, plant and equipment

Property, plant and equipment are measured in accordance with IAS 16 *Property, Plant and Equipment*, at cost less accumulated depreciation and impairment. The manufacturing cost of self-created assets includes not only direct costs, but also reasonable overhead costs for materials and production. Borrowing costs are not included. The assets are depreciated by the straight-line method over their economic useful lives.

Depreciation is based on the following ranges for the useful lives:

	Useful life
Buildings	2 to 50 years
Technical equipment and machinery	2 to 21 years
Other equipment, plant and office equipment	1 to 23 years

### **Impairment of intangible assets and property, plant and equipment**

IAS 36 *Impairment of Assets* demands a review as of every balance sheet date of whether there are any indications of impairment in the values of assets carried in the balance sheet. If such indications are identifiable or if an annual review is mandatory, as in the case of intangible assets which do not have a finite useful life and goodwill, an impairment test is carried out. The recoverable amount of the asset or of a cash generating unit (CGU) is estimated to determine whether its book value needs to be adjusted. The recoverable amount is the higher of the individual asset's or cash generating unit's fair value less costs to sell and its value in use. To determine the value in use, the estimated future cash flows are discounted to the present value by a risk-adjusted rate after tax using the discounted cash flow method. This risk-adjusted discount rate lies within a range of 8.0% to 11.7% for the Carl Zeiss Group, depending on the CGU. If the analysis is performed before tax, the range for the risk-adjusted discount rate is from 8.6% to 12.2%. The discount rates are determined by the Weighted Average Cost of Capital (WACC) method. The detailed planning period for the future cash flows is five fiscal years. For the fiscal years thereafter, the cash flow for the fifth year of detailed planning is carried forward with no growth factor.

The value of an asset has to be adjusted downwards if the book value of the asset or cash generating unit exceeds the higher of the fair value less costs to sell and the value in use. An impairment loss is recognized immediately in the income statement.

An impairment loss recognized in previous years can be corrected in the income statement if the reasons for the impairment no longer exist, for all assets except goodwill. However, the write-up can only be made to the extent that the value of the asset does not exceed the book value that would have arisen through depreciation if the impairment had not been recognized in previous years. Write-ups of goodwill are prohibited.

### **Government grants**

Government grants are recognized, in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. Investment grants are always recognized as accruals on the liabilities side and amortized over the life of the asset. Profit- and loss-related grants are recognized in the period in which the corresponding expenses are incurred.

### **Leases**

Leases are classified as finance leases if they transfer substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

Leased assets which need to be classified as finance leases according to IAS 17 *Leases*, so that in economic terms they actually take the form of purchases of assets with long-term financing, are recorded at the commencement of the lease term at the lower of the fair value of the asset or the present value of the minimum lease payments. The corresponding liability is recognized in the balance sheet as a lease liability. The asset is depreciated over the shorter of the life of the asset or the lease term if it is not certain whether the lessee will obtain ownership at the end of the lease. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability, in accordance with their financing character.

The finance charge is recognized as an interest expense in the income statement. For operating leases, the lease payments are recognized as expenses in the period in which they are incurred.

## Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

According to IAS 39 *Financial Instruments: Recognition and Measurement*, financial instruments fall into the following categories:

- Financial assets and liabilities valued at fair value through profit or loss or financial assets and liabilities held for trading;
- Available-for-sale financial assets;
- Held-to-maturity investments and
- Loans and receivables.

Financial instruments are recognized at the time when the obligation to purchase or sell an asset is entered into. They are measured at fair value or amortized cost, depending on their classification.

The fair value generally corresponds to the market value. If there is no active market, the fair value is determined by adequate valuation methods (e.g. discounted cash flows or option pricing models).

The amortized cost is the purchase cost taking into account repayments, impairments and the amortization of a premium or discount.

The fair value option described in IAS 39 is not used by the Carl Zeiss Group.

Financial assets held for trading are carried at the fair value, with changes in market value being recorded in the income statement. These assets are solely derivative financial instruments, which are used in the Carl Zeiss Group mainly in the context of interest and currency hedging. The Carl Zeiss Group does not use hedge accounting.

Other investments as well as securities and holdings in equity or bond funds are classified as “available-for-sale” and are therefore measured at fair value. If there is no active market for investments so that the market value cannot be estimated reliably, these are carried at amortized cost. Lower fair values are applied if indicated. Unrealized profits and losses are recorded outside profit and loss in a separate item under equity, taking deferred taxation into account. If the asset is disposed of or in the event of a probably permanent impairment of market value to a level below cost, the changes in market value are recorded as a profit or loss. Increases in the market value of equity instruments are always recorded outside of profit or loss, even if a prior allowance for impairment has been posted to the income statement.

Held-to-maturity investments, loans and receivables and current and noncurrent financial liabilities are measured at amortized cost. These are generally loans, trade receivables and current and noncurrent other financial assets and liabilities. Interest-free or low-interest loans are carried at their present value and marked up over the period to their maturity.

## Inventories

Raw materials, supplies and merchandise for resale are valued at cost, which is determined by the average-cost method. Unfinished and finished products are valued at manufacturing cost. This includes not only the cost of materials and wages, but also reasonable factory overhead costs for materials and production, production-related depreciation and production-related administrative costs. Borrowing costs are not capitalized. An allowance is made for impairment on inventories if the cost is higher than the expected net realizable value. Inventory, sales and revenue risks are therefore taken adequately into account.

### **Receivables and other assets**

Receivables and other assets are carried at their nominal value or at cost. Perceivable default risks are taken into account by individual adjustments.

### **Customized manufacturing orders**

Customized manufacturing orders are carried according to the percentage-of-completion (PoC) method. A percentage of sales revenues as well as the sales costs incurred, based on contracts concluded with customers, are recognized in accordance with the level of completion as of the balance sheet date as soon as the outcome of a production order can be reliably estimated. Completion is determined on the basis of the project costs incurred as of the balance sheet date in relation to the total costs of the project (cost-to-cost method). The sales recognized in accordance with the PoC method are recorded under trade receivables in the balance sheet, after deduction of advanced payments received.

If the outcome of a production order cannot be reliably estimated, revenues are only recorded in the amount of the costs incurred for the order which are probably recoverable. Expected losses on an order are recognized immediately and in full as an expense.

### **Cash and cash equivalents**

Cash in hand and at bank and all funds originally repayable within three months are recognized as liquid assets.

### **Pension plan provisions and other post-employment benefits**

The companies of the Carl Zeiss Group have different pension plans. Moreover, foreign subsidiaries have entered into commitments to provide a certain level of medical care after employment has terminated.

Payments for defined contribution-based commitments and contributions to statutory pension insurance schemes are recorded as expenses for the period in which they are incurred.

Obligations arising from defined benefit plans are calculated by the projected unit credit method taking expected future increases in salaries and pension benefits into account, in accordance with IAS 19 *Employee Benefits*.

The provisions for pensions and other post-employment benefits of the domestic companies are based on actuarial computations and the 2005 G mortality tables compiled by Professor Dr. Klaus Heubeck. At foreign subsidiaries, provisions for pensions and other post-employment benefits are recognized on the basis of country-specific parameters. Differences between the defined benefit obligation (DBO) and external plan assets and the pension provisions in the balance sheet mainly result from actuarial gains or losses in connection with changes in the portfolio and the divergence of real trends from the parameters assumed in the calculation.

In recognizing these actuarial gains or losses arising from defined benefit pension obligations, the Carl Zeiss Group uses the corridor method. In other words,

actuarial gains and losses that lie outside a range of 10% of the higher of the DBO or the fair value of the plan assets at the beginning of the fiscal year are amortized over the expected average remaining service period of the beneficiaries.

The service costs are recognized under personnel expenses, the interest component of the allocations to provisions and the expected return on the plan assets are recorded in financial results.

### *Deferred compensation*

The Group allows permanent employees to use untaxed earnings towards old age provisions. On the basis of individual contracts, every employee can convert a maximum of three months' salary. The amounts converted are paid into a pension liability insurance policy and the associated benefits are pledged to the employees. The claim against the insurance policy matures at the same time as the obligation towards the employees. Should the future benefits from the pension liability insurance be higher than the agreed benefits, the employees receive the surplus.

The amount of the benefit depends on the age of the employee at the time the income is converted and on the employee's decision as to whether he wishes to have the deferred compensation paid out as a lump sum or as a pension. In addition to the simple conversion of income, the deferred income system includes entitlements to invalidity benefit or surviving dependents' pension, depending on the model selected.



**Other provisions**

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, present obligations to third parties resulting from past events are recognized under other provisions if settlement is expected to result in an outflow of resources of which the amount can be measured with reasonable certainty. Provisions are carried at full cost. If the discount effect has a material impact on the amount of the provision and the remaining period of the obligations can be determined with certainty, noncurrent provisions are recognized at their discounted present value. In such cases, the accretion of the provision over time is recorded as an interest expense.

Provisions for partial retirement schemes, anniversary bonuses and death benefit are valued on the basis of actuarial opinions.

*Restructuring provisions*

Restructuring provisions are recognized if a decision on a restructuring program has been taken or the economic necessity of such a program exists before the balance sheet date, and a restructuring plan has been drawn up before the balance sheet date which gives details of the business area or location affected, the approximate number of employees affected and the period of implementation, and the employees concerned or their representatives have been informed. The amount of the provision will include all expenses directly related to the restructuring program which will necessarily be incurred in the course of restructuring and which are not related to the present or future activities of the company.

*Provisions for warranties*

Warranty or guarantee obligations may arise for legal reasons or from contractual terms or goodwill. Provisions are recognized for expected payments under warranty or guarantee obligations. Use of such provisions is to be expected if the warranty period has not yet expired, if warranty expenses have been incurred in the past or if there is reason to believe that actual warranty cases will arise. Depending on the situation, the warranty risk is derived from either individual estimates or past empirical values and provisions are made accordingly.

*Provisions for litigation risks*

Provisions are recognized for risks arising from litigation in which companies of the Carl Zeiss Group are the defendants. They cover the costs that the company will incur if the court finds against it and if there is a greater chance of a negative than a positive decision. This sum includes payments to be made by the company, in particular damages and compensation, as well as the expected costs of litigation. Where the company is the plaintiff, provisions are only made for the costs of litigation.

**Deferred taxes**

Deferred taxes are recognized on the basis of the liability method in accordance with IAS 12 *Income Taxes*.

Deferred tax assets and liabilities are recognized for all temporary differences between the carrying amount in accordance with IFRS and the tax balance sheet values of the companies included, as well as for consolidation measures. In addition, deferred tax assets are

recognized for future benefits arising from unused tax losses and unused tax credits to the extent that their use is probable.

The carrying amount of deferred tax assets is reviewed as of each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of those deferred tax assets to be utilized. Any such reduction is also reviewed annually and subsequently reversed to the extent that it becomes probable that sufficient taxable profit will be available for the benefit to be utilized.

Deferred tax liabilities are not recognized if they arise from temporary differences relating to investments in subsidiaries where Carl Zeiss is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred taxes relating to temporary differences that are recognized directly in equity are also recorded under equity and not shown in the income statement.

Deferred tax assets and deferred tax liabilities are netted off in the balance sheet if the enterprise has the legal right to settle on a net basis and the taxes are levied by the same taxing authority on the same entity. Accordingly, deferred tax assets and deferred tax liabilities are also netted off within the combined tax returns.

**Liabilities**

Liabilities are recognized in the balance sheet at amortized cost using the effective interest method.

**Recognition of revenue and other income**

The company recognizes revenue from the sale of goods on the basis of appropriate contracts as soon as all parts of the product have been delivered, risk has passed to the buyer, payment has been agreed or can be determined, no significant obligations towards the customer are outstanding and collection of the receivable can be considered probable. Sales revenues are measured after deduction of all discounts, price reductions and customer bonuses. If the sale includes subsequent services or maintenance contracts, the revenue pertaining to these is recognized in the period in which it is earned and in accordance with the stage of completion of the services or pro rata over the period of the contract.

If the right to return goods is agreed in the case of product sales, the revenue is only recognized if the company has appropriate historic data available. On the basis of this data, the value of probable returns can be estimated and recognized as an expense against revenue in the period in which the expense is incurred.

Interest income is recorded over time using the effective interest method.

Dividends are not recognized until the legal right to payment arises. If license fees are payable under multi-period contracts, the revenue is generally recognized on a straight-line basis.

**Recognition of expenses**

In general, expenses are recorded where there is a probability of an outflow of economic resources from the company. Research and development costs are recorded directly as expenses for the period, unless they can be capitalized. Grants towards research and development costs are offset against expenses if the entitlement arises for work that has already been performed and therefore paid for.

The company is liable towards the buyer for the flawless functioning of the products sold during the contractual warranty period. Appropriate provisions for warranties are recorded under other operating expenses at the time when the revenue from the sales is recognized.

## Notes to the Consolidated Income Statement

### 7 Sales Revenues

Sums invoiced to customers for goods and services are reported in sales revenues. Deductions such as discounts are offset against these sales.

Sales revenues were generated with products and technical and other services for biomedical research and medical systems, system solutions for the semiconductor, automotive and mechanical engineering industries, planetaria and high-end consumer articles such as camera lenses and binoculars. In addition,

this item also includes certain license revenues (EUR 35,561,000) in the reporting period for the first time. These

were previously carried in other operating income. The sales revenues can be broken down by geographic markets as follows:

	2007/08		2006/07	
	EUR thou	%	EUR thou	%
Germany	448,679	16	432,496	17
Europe (without Germany)	1,331,977	49	1,285,630	49
America	529,844	19	529,862	20
Asia, other regions	420,216	16	355,617	14
	<b>2,730,716</b>	<b>100</b>	<b>2,603,605</b>	<b>100</b>

### 8 Other Operating Income

This item includes on-charged overhead, research and development grants and income from rentals and leases.

Other operating income also includes:

	2007/08	2006/07
	EUR thou	EUR thou
Income from license agreements	9,179	40,901
Insurance compensation	1,137	36,245
Release of other provisions	28,518	26,610
Gains from the disposal of noncurrent assets	815	393
Write-ups of noncurrent assets	791	674
Release of value adjustments on receivables	2,485	2,073

Certain license revenues are being recorded under sales revenues from this reporting period onwards, as a result of which this revenue item has decreased in value compared with the previous year. Insurance compensation in the previous year mainly comprised payments in connection with the fire damage at the Oberkochen production facilities in October 2005, which were recognized as

profit in that reporting period after completion of the investigation and subsequent confirmation of the loss by the loss adjuster in fiscal 2006/2007.

The income from the release of other provisions mainly includes the release of provisions for risks resulting from trade and other risks.

As in the year before, the gains from the disposal of noncurrent assets shown for the reporting period mainly result from the sale of technical equipment and machinery.

Government grants for the year of EUR 7,362,000 (last year: EUR 12,057,000) were written to profit.

## 9 Cost of Materials

	2007/08	2006/07
	EUR thou	EUR thou
Cost of raw materials, consumables and supplies, and of purchased materials	924,379	926,574
Allowances for impairment on inventories	4,124	8,258
Cost of purchased services	59,144	47,627
	<b>987,647</b>	<b>982,459</b>

## 10 Personnel Expenses

	2007/08	2006/07
	EUR thou	EUR thou
Wages and salaries	724,609	682,013
Social security costs	121,341	113,563
Pension costs	31,274	32,054
Other benefits	541	976
	<b>877,765</b>	<b>828,606</b>

## 11 Depreciation of Property, Plant and Equipment and Amortization of Intangible Assets

	2007/08	2006/07
	EUR thou	EUR thou
Amortization of intangible assets	35,560	31,561
Depreciation of property, plant and equipment	98,522	114,273
	<b>134,082</b>	<b>145,834</b>
of which impairments in accordance with IAS 36	107	11,048

Impairments on various intangible assets whose value in use was below their book value on the balance sheet were recognized in the reporting period. Of the impairments for the previous year,

EUR 188,000 related to unusable software at two foreign subsidiaries. In addition, downward value adjustments were made in Germany on technical equipment and plant in the area of production and on an

empty building. The reasons for the impairments arose from a use of assets that was already known to be of limited duration, closures and the technical obsolescence of technical equipment and plant.

**12 Other Operating Expenses**

Other operating expenses consist primarily of administration costs, sales costs, professional fees and allocations to other provisions.

Also included are:

Losses from the disposal of noncurrent assets

Maintenance

Representatives' commissions

License fees

Warranty costs

	2007/08	2006/07
	EUR thou	EUR thou
Losses from the disposal of noncurrent assets	1,168	3,473
Maintenance	41,523	43,181
Representatives' commissions	40,209	41,930
License fees	11,449	10,989
Warranty costs	22,049	17,017

**13 Other Taxes**

Other taxes consist of tax expenses and gains arising independently of income.

**14 Financial Result****Result from investments accounted for using the equity method**

The notes on this subject are to be found in section 18 "Investments Accounted for using the Equity Method".

**Net Interest Income**

	2007/08	2006/07
	EUR thou	EUR thou
<b>Other interest and similar income</b>	<b>56,083</b>	<b>46,014</b>
attributable to subsidiaries	287	177
<b>Interest and similar expenses</b>	<b>84,083</b>	<b>82,091</b>
attributable to subsidiaries	75	79
interest costs (pensions)	62,564	60,371
	<b>-28,000</b>	<b>-36,077</b>

The interest costs for pensions have to be viewed in connection with the expected return on plan assets shown below in other financial results. The balance of

these two figures represents the Carl Zeiss Group's net financing expenses for pensions.



## Other financial results

### Results from investments

	2007/08	2006/07
	EUR thou	EUR thou
Investment income	1,121	3,458
Income from profit transfer agreements	332	90
Expenses from loss absorption	3,485	935
Taxes charged to subsidiaries	99	40
	<b>-1,933</b>	<b>2,653</b>

Investment income includes income of EUR 352,000 (last year: EUR 2,975,000) attributable to subsidiaries.

The other financial results also include the following expenses and income:

	2007/08	2006/07
	EUR thou	EUR thou
Income from exchange rate differences	51,776	38,133
Expenses from exchange rate differences	40,191	24,866
Income from changes in market value	2,389	58
Expenses from changes in market value	6,831	953
Expected return on plan assets (pensions)	26,400	23,348
Depreciation of financial assets	658	268
Income from the disposal of current securities	966	1,112

The increase in income and expenses from exchange rate differences and income and expenses from changes in market value is due to the high volatility of currency

parities in the reporting period.

The other financial results also contain a one-time effect. An impairment of EUR 21,420,000 on a financial asset was

recognized at one German company which is not connected with its operational activities and is therefore recorded under this item.

## 15 Income Taxes

The income taxes include domestic and foreign income taxes, the release of provisions for taxes, tax refunds and deferred taxes.

The income taxes can be broken down as follows according to their origin:

	2007/08	2006/07
	EUR thou	EUR thou
Current tax expenses less tax refunds and release of tax provisions	109,405	109,390
Deferred tax expenses	–	32,802
Deferred tax income	9,965	–
<b>Income taxes</b>	<b>99,440</b>	<b>142,192</b>

Deferred taxes are calculated on the basis of the statutory rates of tax that apply or that will very probably apply in the individual countries at the expected time of realization. The current corporate income tax rate in Germany is 15.0%. Taking into account the solidarity surcharge and the different trade tax rates, the tax rates for domestic companies ranged from 27.7% to 33.0% (last year: 37.1% to 40.9%). These rates form the basis for calculating the current tax.

The rate applicable to the tax reconciliation account is a consolidated tax rate of 31.1% (last year: 38.8%).

The nominal tax rates applying outside Germany in the fiscal year are the same as last year, ranging between 15.0% and 44.2%.

The income tax expenses do not include any income and expenses arising in connection with changes to accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The deferred tax assets and liabilities as of September 30 can be assigned to individual balance sheet items as follows:

	Sept. 30, 2008		Sept. 30, 2007	
	Assets	Liabilities	Assets	Liabilities
	EUR thou	EUR thou	EUR thou	EUR thou
Intangible assets	764	31,908	469	29,719
Property, plant and equipment	5,788	70,229	6,434	69,154
Other noncurrent assets	17,586	35,806	10,336	1,917
Inventories	22,568	5,257	19,347	3,485
Receivables and other current assets	14,608	18,700	4,177	37,783
Noncurrent liabilities	155,043	2,753	153,366	333
Current liabilities	47,961	15,982	30,533	9,589
Tax loss carryforwards	3,052	–	6,691	–
<b>Total deferred taxes</b>	<b>267,370</b>	<b>180,635</b>	<b>231,353</b>	<b>151,980</b>
Impairment	14,242	–	7,026	–
Netting	107,141	107,141	78,349	78,349
<b>Deferred taxes (net)</b>	<b>145,987</b>	<b>73,494</b>	<b>145,978</b>	<b>73,631</b>

As of the balance sheet date, the Carl Zeiss Group has unused tax loss carryforwards available to offset against future profits. Deferred tax assets amounting to EUR 3,052,000 (last year: EUR 6,691,000) as of the balance sheet date will be formed for the usable tax loss carryforwards. As in the previous year, these concern Germany, France, Austria and Japan.

Loss carryforwards in the amount of EUR 17,948,000 (last year: EUR 39,021,000) exist regarding which no deferred taxes are accounted for. Most of these can be offset for longer than five years or are totally unforfeitable. These loss carryforwards were classified as probably unusable as of the balance sheet date.

Consolidation has resulted in EUR 13,789,000 of deferred tax assets (last year: EUR 11,650,000) and EUR 54,740,000 of deferred tax liabilities (last year: EUR 54,290,000).

The reconciliation of the expected income tax expenses based on earnings before taxes on income at a consolidated tax rate of 31.1% (last year: 38.8%) for the reporting period of EUR 86,341,000 (last year: EUR 145,651,000) and the actual tax expenses shown in the consolidated income statement is as follows:

	2007/08	2006/07
	EUR thou	EUR thou
Earnings before income taxes	277,624	375,390
<b>Expected income tax expenses (= 31.1% x earnings before income taxes; last year: = 38.8% x earnings before income taxes)</b>	<b>86,341</b>	<b>145,651</b>
Differences arising from different tax rates	-10,843	-8,358
Effects of changes in tax rates	-353	9,421
Effects of results from investments accounted for using the equity method	13,352	8,243
Effects of non-deductible expenses	12,567	5,749
Effects of tax-free income	-6,379	-11,983
Effects unrelated to the accounting period	1,478	-5,297
Other	3,277	-1,234
<b>Actual income tax expenses</b>	<b>99,440</b>	<b>142,192</b>

## Notes to the Consolidated Balance Sheet

### 16 Intangible Assets

The goodwill, in the amount of EUR 166,524,000 (last year: EUR 132,434,000), is subjected to an impairment test every year at the level of the cash generating units. The cash flows used for the calculation are based on detailed plans with a planning horizon of five years. For the

subsequent fiscal years, the cash flow for the last year of detailed planning is carried forward. No growth factor was assumed here. The discount rates applied are weighted average costs of capital after taxes between 8.0% and 11.7% (8.6% to 12.2% before taxes), depending on the cash generating unit.

Like last year's, the impairment tests in the reporting period did not lead to any allowances against the goodwill on the balance sheet.

The following table shows the most important goodwill items carried in the consolidated balance sheet per segment.

Transaction	Sept. 30, 2008	Goodwill Sept. 30, 2007	Segment
	EUR mill	EUR mill	
Reverse acquisition of CZ Meditec AG	10.4	10.4	Medical and Research Solutions
Acquisition of LDT	6.8	6.9	Medical and Research Solutions
Acquisition of P.A.L.M.	7.8	7.8	Medical and Research Solutions
Acquisition of IOLTECH	49.5	49.5	Medical and Research Solutions
Acquisition of Carl Zeiss MicroImaging AIS Inc.	2.2	2.5	Medical and Research Solutions
Acquisition of *Acri.Tec	5.3	–	Medical and Research Solutions
Acquisition of Carl Zeiss 3D Aalen	5.7	5.7	Industrial Solutions
Acquisition of NaWoTec	22.2	22.2	Industrial Solutions
Acquisition of ALIS Corp.	20.6	20.8	Industrial Solutions
Acquisition of Pixier Techn.	26.7	–	Industrial Solutions
Acquisition of SMT Pte. Ltd.	2.2	2.1	Industrial Solutions

The change in goodwill from the acquisitions of ALIS Corp. Carl Zeiss MicroImaging AIS Inc., LDT Inc. and SMT Pte. Ltd. results from the valuation of foreign currency in accordance with IAS 21.47.

A total of EUR 321,000,000 (last year: EUR 290,000,000) was invested in research and development in the report-

ing period. EUR 10,245,000 (last year: EUR 18,102,000) of the total was capitalized, since the criteria of IAS 38 were met for these development expenses.

One domestic subsidiary uses software under leasing agreements that are classified as finance leases in accordance

with IAS 17, with economic ownership of the asset being assigned to the lessee. Software with a net book value of EUR 534,000 (last year: EUR 779,000) is carried under intangible assets in the consolidated balance sheet as a result of these leases.



	Patents, industrial property rights, licenses, software	Goodwill	Development costs	Other intangible assets	Total
	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou
<b>Purchase / manufacturing costs</b>					
<b>Oct. 1, 2006</b>	<b>169,485</b>	<b>131,949</b>	<b>22,650</b>	<b>9,651</b>	<b>333,735</b>
Change in scope of consolidation	-24	4,844	-	551	5,371
Additions	5,314	2,263	18,102	8,408	34,087
Disposals	1,883	-	14	403	2,300
Transfers	-521	-	-	2,292	1,771
Currency differences	-505	-3,659	-	-1,110	-5,274
<b>Sept. 30, 2007</b>	<b>171,866</b>	<b>135,397</b>	<b>40,738</b>	<b>19,389</b>	<b>367,390</b>
<b>Amortization / impairment</b>					
<b>Oct. 1, 2006</b>	<b>47,398</b>	<b>3,154</b>	<b>12,669</b>	<b>4,796</b>	<b>68,017</b>
Change in scope of consolidation	-63	-	-	2	-61
Additions	23,015	-	5,422	3,124	31,561
Disposals	1,546	-	-	394	1,940
Write-ups	-	-	-	-	-
Transfers	-540	-	-	1,514	974
Currency differences	-318	-191	-	-286	-795
<b>Sept. 30, 2007</b>	<b>67,946</b>	<b>2,963</b>	<b>18,091</b>	<b>8,756</b>	<b>97,756</b>
<b>Book values Sept. 30, 2007</b>	<b>103,920</b>	<b>132,434</b>	<b>22,647</b>	<b>10,633</b>	<b>269,634</b>
<b>Purchase / manufacturing costs</b>					
<b>Oct. 1, 2007</b>	<b>171,866</b>	<b>135,397</b>	<b>40,738</b>	<b>19,389</b>	<b>367,390</b>
Change in scope of consolidation	15,466	34,347	-	12,210	62,023
Additions	7,218	-	10,245	4,160	21,623
Disposals	1,493	-	-	1,275	2,768
Transfers	4,345	-	-	-4,328	17
Currency differences	345	-274	-	16	87
<b>Sept. 30, 2008</b>	<b>197,747</b>	<b>169,470</b>	<b>50,983</b>	<b>30,172</b>	<b>448,372</b>
<b>Amortization / impairment</b>					
<b>Oct. 1, 2007</b>	<b>67,946</b>	<b>2,963</b>	<b>18,091</b>	<b>8,756</b>	<b>97,756</b>
Change in scope of consolidation	421	-	-	162	583
Additions	23,389	-	8,799	3,372	35,560
Disposals	1,023	-	-	1,466	2,489
Write-ups	63	-	-	-	63
Transfers	1	-	-	-	1
Currency differences	4,210	-17	-	-27	4,166
<b>Sept. 30, 2008</b>	<b>94,881</b>	<b>2,946</b>	<b>26,890</b>	<b>10,797</b>	<b>135,514</b>
<b>Book values Sept. 30, 2008</b>	<b>102,866</b>	<b>166,524</b>	<b>24,093</b>	<b>19,375</b>	<b>312,858</b>

## 17 Property, Plant and Equipment

	Land and equivalent rights and buildings including buildings on land owned by third parties	Technical equipment and machinery	Other equipment, plant and office equipment	Advance payments and construction in progress	Total
	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou
<b>Purchase / manufacturing costs</b>					
<b>Oct. 1, 2006</b>	<b>411,220</b>	<b>408,406</b>	<b>494,260</b>	<b>24,336</b>	<b>1,338,222</b>
Change in scope of consolidation	-8,167	-19,692	-1,572	-7	-29,438
Additions	4,386	31,416	51,763	20,142	107,707
Disposals	1,099	14,043	25,047	1,723	41,912
Transfers	1,165	2,960	15,191	-21,087	-1,771
Currency differences	-4,509	-1,219	-2,865	-73	-8,666
<b>Sept. 30, 2007</b>	<b>402,996</b>	<b>407,828</b>	<b>531,730</b>	<b>21,588</b>	<b>1,364,142</b>
<b>Amortization / impairment</b>					
<b>Oct. 1, 2006</b>	<b>151,665</b>	<b>284,591</b>	<b>350,500</b>	<b>-</b>	<b>786,756</b>
Change in scope of consolidation	-6,578	-16,532	-2,946	-	-26,056
Additions	11,264	35,190	67,819	-	114,273
Disposals	660	12,248	19,442	-	32,350
Write-ups	34	-	-	-	34
Transfers	209	-1,065	-118	-	-974
Currency differences	-2,182	-1,097	-1,977	-	-5,256
<b>Sept. 30, 2007</b>	<b>153,684</b>	<b>288,839</b>	<b>393,836</b>	<b>-</b>	<b>836,359</b>
<b>Book values Sept. 30, 2007</b>	<b>249,312</b>	<b>118,989</b>	<b>137,894</b>	<b>21,588</b>	<b>527,783</b>
<b>Purchase / manufacturing costs</b>					
<b>Oct. 1, 2007</b>	<b>402,996</b>	<b>407,828</b>	<b>531,730</b>	<b>21,588</b>	<b>1,364,142</b>
Change in scope of consolidation	2,298	8,560	4,312	237	15,407
Additions	16,942	33,602	45,059	23,178	118,781
Disposals	1,232	10,071	20,113	346	31,762
Transfers	2,009	2,769	12,732	-17,527	-17
Currency differences	460	-230	-536	3	-303
<b>Sept. 30, 2008</b>	<b>423,473</b>	<b>442,458</b>	<b>573,184</b>	<b>27,133</b>	<b>1,466,248</b>
<b>Amortization / impairment</b>					
<b>Oct. 1, 2007</b>	<b>153,684</b>	<b>288,839</b>	<b>393,836</b>	<b>-</b>	<b>836,359</b>
Change in scope of consolidation	385	2,680	2,368	-	5,433
Additions	10,575	31,955	55,992	-	98,522
Disposals	983	9,613	18,550	-	29,146
Write-ups	-	1	-	-	1
Transfers	45	-1,314	1,268	-	-1
Currency differences	194	-113	-413	-	-332
<b>Sept. 30, 2008</b>	<b>163,900</b>	<b>312,433</b>	<b>434,501</b>	<b>-</b>	<b>910,834</b>
<b>Book values Sept. 30, 2008</b>	<b>259,573</b>	<b>130,025</b>	<b>138,683</b>	<b>27,133</b>	<b>555,414</b>

The book values include the following amounts from finance leases with the Carl Zeiss Group as the lessee:

	Sept. 30, 2008	Sept. 30, 2007
	EUR thou	EUR thou
Land and buildings	125,979	114,155
Technical equipment and machinery	21,720	22,715
Other equipment, plant and office equipment	1,605	1,259
Construction in progress	–	1,261

The book values above include one domestic production facility which was classified under IAS 17 as a finance lease and is carried in the consolidated balance sheet as of the balance sheet date with a book value of EUR 135,727,000 (last year: EUR 126,846,000). Furthermore, a sale-and-lease-back transaction by a US subsidiary is also classed as a finance lease in accordance with IAS 17, so that the land, buildings and improvements continue to be on the balance sheet of

the lessee and depreciated there. They are carried at a book value of EUR 7,139,000 (last year: EUR 8,100,000).

Further details of these leases are to be found in section 29 "Financial Liabilities".

Property, plant and equipment with a net book value of EUR 6,249,000 are subject to restraints on disposal or serve as collateral for liabilities.

The Group had entered into contractual obligations of EUR 25,278,000 for the purchase of property, plant and equipment as of the balance sheet date.

## 18 Investments Accounted for using the Equity Method

Carl Zeiss AG has valued one associated company by the equity method in these consolidated financial statements. In

addition, its shares in Carl Zeiss Vision Holding GmbH and the Advanced Research Institute GmbH, which represent joint ventures in accordance with IAS 31, are also carried in accordance with the

equity method on the basis of their consolidated or individual financial statements using the alternative treatment permitted by IAS 31.38.

	Country	Stockholding	
		Sept. 30, 2008	Sept. 30, 2007
Carl Zeiss Vision Holding GmbH	Germany	48%	48%
Advanced Research Institute GmbH	Germany	49%	–
TCZ Pte. Ltd.	Singapore	40%	40%

The Carl Zeiss Group holds 50% of the voting stock of Carl Zeiss Vision Holding GmbH, Aalen.

The Advanced Research Institute GmbH, Hennigsdorf, in which a German subsidiary holds 49% of the stock, was founded in the reporting period.

A capital increase was carried out at TCZ

Pte. Ltd. in this period. A German subsidiary contributed EUR 2,727,000 in line with its share in the equity.

The Carl Zeiss Group's share in the losses of the above-mentioned companies, amounting to EUR 42,931,000 (last year: EUR 21,244,000) is shown in the consoli-

dated income statement under results from investments accounted for using the equity method.

Summary of the financial information for investments accounted for using the equity method  
(Base 100%; September 30):

	Assets	Liabilities	Equity	Sales revenues	Ebit	Result
	EUR mill	EUR mill	EUR mill	EUR mill	EUR mill	EUR mill
<b>2007/08</b>	<b>1,336</b>	<b>1,321</b>	<b>15</b>	<b>892</b>	<b>52</b>	<b>-90</b>
<b>2006/07</b>	<b>1,288</b>	<b>1,178</b>	<b>110</b>	<b>844</b>	<b>69</b>	<b>-45</b>

## 19 Other Noncurrent Financial Assets

	Sept. 30, 2008	Sept. 30, 2007
	EUR thou	EUR thou
Shares in subsidiaries	14,120	6,778
Loans to subsidiaries	2,784	2,235
Profit-participating certificates	70,000	70,000
Investments	12,555	14,773
Securities	627	641
Other noncurrent financial assets	24,202	3,205
	<b>124,288</b>	<b>97,632</b>

The increase in shares in subsidiaries arises solely from the valuation at fair value of a non-consolidated subsidiary. The valuation was recorded directly under equity capital without affecting income.

The profit-participating certificates relate solely to the Carl Zeiss Vision Group.

The remaining noncurrent financial assets mainly consist of assets of foreign companies relating to the financing of

pension commitments as well as loans and rent deposit accounts which are payable in more than one year.

In addition, trustee accounts in connection with the acquisition of a company are carried in this item in the reporting period.

## 20 Other Noncurrent

### Non-financial assets

The other noncurrent non-financial assets of EUR 16,836,000 (last year: EUR 16,303,000) chiefly consist of the assets for pension liability insurance policies to cover deferred compensation.

## 21 Inventories

	Sept. 30, 2008	Sept. 30, 2007
	EUR thou	EUR thou
Raw materials and supplies	215,659	176,472
Unfinished goods, other work in progress	347,243	314,526
Finished goods and goods for resale	259,150	223,605
Advance payments made	6,951	3,379
<b>Inventories</b>	<b>829,003</b>	<b>717,982</b>

The book values include impairments of EUR 125,735,000 (last year: EUR 128,327,000). Of the total amount, inventories in the amount of EUR 338,872,000 (last year: EUR 318,621,000) were recognized at a net realizable value below cost.

Impairments on inventory, which are recorded as an expense and shown in the consolidated income statement under cost of materials, amount to EUR 14,838,000 in the reporting period (last year: EUR 20,503,000). Writeups of EUR 10,714,000 (last year: EUR 12,245,000) were recorded in the income statement.

Purchase obligations towards suppliers worth EUR 44,303,000 (last year: EUR 42,324,000) spread over a number of years existed as of the balance sheet date.

## 22 Trade receivables

	Sept. 30, 2008	Sept. 30, 2007
	EUR thou	EUR thou
<b>Trade receivables (gross)</b>	<b>533,366</b>	<b>535,221</b>
(Lump-sum) individual value adjustments	19,186	17,426
Value adjustments for foreign currencies	1,282	–140
<b>Trade receivables (net)</b>	<b>515,462</b>	<b>517,655</b>
of which due after more than one year	6,921	5,760

The trade receivables as of September 30, 2008 include receivables in the amount of EUR 10,680,000 from billings of manufacturing orders according to the percentage-of-completion method. Advance payments received for these projects

(EUR 17,416,000) are also considered in this total. EUR 20,257,000 of revenues from production to order were recognized in the reporting period. The total revenues from projects in progress as of the balance sheet date are EUR 53,058,000.

The individual value adjustments and the lump-sum individual value adjustments on trade receivables developed as follows:

	2007/08	2006/07
	EUR thou	EUR thou
<b>Oct. 1</b>	<b>17,426</b>	<b>17,522</b>
Change in scope of consolidation	173	860
Consumption	–3,164	–2,979
Release	–2,337	–2,064
Additions including reclassification	7,381	4,484
Foreign exchange effects	–293	–397
<b>Sept. 30</b>	<b>19,186</b>	<b>17,426</b>



The following table provides information on the credit risks associated with the trade receivables:

	Sept. 30, 2008	Sept. 30, 2007
	EUR thou	EUR thou
<b>Trade receivables (net)</b>	<b>515,462</b>	<b>517,655</b>
of which neither overdue nor impaired as of the balance sheet date	330,422	327,803
of which not impaired although overdue within the following time ranges as of the balance sheet date:		
up to 30 days	52,892	58,637
31 to 90 days	23,139	27,806
91 to 180 days	19,901	11,641
181 to 360 days	14,341	8,531
361 days and over	5,254	4,822

Further information on financial risks and types of risk is provided in section 37 "Financial Instruments and Risk Provisioning".

### 23 Other Current Assets

	Sept. 30, 2008	of which due after more than one year	Sept. 30, 2007	of which due after more than one year
	EUR thou	EUR thou	EUR thou	EUR thou
Receivables from subsidiaries	12,088	100	8,648	138
Receivables from associated and related companies	44,295	–	48,694	–
Other current financial assets	466,278	–	286,655	–
Other current non-financial assets	47,046	–	48,324	–
	<b>569,707</b>	<b>100</b>	<b>392,321</b>	<b>138</b>

Receivables from subsidiaries result from cash management and from trade receivables from companies not included in Carl Zeiss AG's consolidated financial statements.

The other current financial assets mainly show fixed-term deposits maturing in

more than 90 days and financial derivatives with a positive market value. The rise in the reporting period results from the restructuring of the investment from short-term securities into fixed-term deposits.

The other current non-financial assets chiefly show tax credits from non-income taxes and prepaid expenses.

The following table provides information on the credit risks associated with the receivables from subsidiaries and from associated and related companies.

	Sept. 30, 2008	Sept. 30, 2007
	EUR thou	EUR thou
Receivables from subsidiaries	12,088	8,648
Receivables from associated and related companies	44,295	48,694
	<b>56,383</b>	<b>57,342</b>
of which neither overdue nor impaired as of the balance sheet date	51,663	49,232
of which not impaired although overdue within the following ranges as of the balance sheet date:		
up to 30 days	1,250	2,433
31 to 90 days	472	572
91 to 180 days	93	7
181 to 360 days	245	56
361 days and over	2,650	2,521

An impairment of EUR 21,420,000 was recognized in the receivables from associated and related companies.

Further information on financial risks and types of risk is provided in section 37 "Financial Instruments and Risk Provisioning".

## 24 Securities

The current securities consist of stocks and other available-for-sale securities

maturing more than 90 days from the time of acquisition. These are recorded at fair value in the consolidated balance

sheet, with changes in market value up to the time of sale being shown under equity, outside profit and loss.

	Sept. 30, 2008	Sept. 30, 2007
	EUR thou	EUR thou
Stocks	–	4,933
Other securities	40,359	229,728
	<b>40,359</b>	<b>234,661</b>

The stocks in the previous year referred to listed stocks held by a German subsidiary, which were tendered in the context of a takeover bid in the present reporting

period. The other securities are largely made up of commercial paper maturing in less than one year or intended for sale within one year. The fall in these in the

reporting period results from a restructuring of the investment into short-term fixed-term deposits.

## 25 Cash and Cash Equivalents

	Sept. 30, 2008	Sept. 30, 2007
	EUR thou	EUR thou
Liquid assets	464,284	428,481
Securities maturing in less than 90 days from the time of acquisition	581	32,524
	<b>464,865</b>	<b>461,005</b>

Liquid assets include checks, cash in hand and cash at bank. The effective rates of interest on 90-day cash at bank generally

lie between 4% and 5%, unchanged from last year.

## 26 Equity

As in the previous year, the **common stock** of Carl Zeiss AG amounts to EUR 120,000,000 and is divided into 120,000,000 par-value stocks which are all held by the Carl-Zeiss-Stiftung.

**Additional paid-in capital** is constant at EUR 52,770,000.

The **consolidated retained earnings** include the statutory reserves of Carl Zeiss AG, amounting to EUR 5,950,000, retained earnings from consolidated subsidiaries, liabilities-side differences arising from capital consolidation, the

provisions from the first application of IFRS and the cumulative currency differences as of October 1, 2004, which were reclassified as of the transition date in accordance with the alternative treatment permitted by IFRS 1.22. In addition, goodwill resulting from the capital consolidation of subsidiaries consolidated in previous years has been deducted from this item.

The **cumulative other reserves** contain the differences arising from the translation outside profit and loss of the foreign currencies used for the financial statements of foreign subsidiaries from the

time of the first application of IFRS onwards. Likewise, the effects of the valuation outside profit and loss of financial instruments classed as available-for-sale is reflected here.

**Minority interests** consist of third-party shares in the equity of domestic and foreign subsidiaries.

The development of the consolidated equity is shown in the equity statement, which is based on the rules of IAS 1 *Presentation of Financial Statements*.

## 27 Pension Provisions

The pension provisions include commitments of Carl Zeiss AG and various subsidiaries for current pensions and for future pension entitlements. This item also includes the provisions recognized by our US companies for post-retirement healthcare liabilities.

The Carl Zeiss Group has both defined contribution and defined benefit post-employment benefit systems.

With the defined contribution plans, the obligation of the companies in question is limited to the payment of the agreed sums.

Defined benefit plans entail a commitment towards beneficiaries – both active and former employees – and their surviving dependents to pay the agreed benefits. The Carl Zeiss Group has such commitments in respect of both domestic and foreign Group companies. The Carl Zeiss Group finances defined benefit plans partly from provisions and partly from external funds.

The 2005/06 fiscal year saw the introduction in Germany of a Contractual Trust Arrangement (CTA), under which assets are transferred to a legally independent trust so that plan assets are created which are entirely dedicated to meeting pension

obligations. These assets meet the criteria of IAS 19.7 for plan assets, which allows them to be netted off against the pension obligations in these consolidated financial statements. If the plan assets exceed the underlying assured benefits, the surplus is recognized under noncurrent financial assets.

Actuarial assumptions are unavoidable in any defined benefit pension system. In addition to life expectancy, which is obtained in Germany, for example, from the 2005 G mortality tables compiled by Professor Dr. Klaus Heubeck, the following assumptions were adopted in the actuarial calculations:

	Germany		Other countries	
	2007/08	2006/07	2007/08	2006/07
	%	%	%	%
Discount rate	6.4	5.25	1.5 – 9.4	1.7 – 8.0
Trend in salaries	3.0	3.0	2.0 – 7.0	2.0 – 4.9
Trend in pensions	2.0	1.75	1.0 – 5.0	1.0 – 5.0
Trend in cost of medical care	–	–	9.0	8.5
Expected return on plan assets	5.0	5.0	1.7 – 7.6	1.7 – 8.0

The expected return on plan assets is derived from the portfolio structure of the

plan assets in conjunction with the market returns on comparable investments.

The financing status of the defined benefit plans according to IAS 19 is as follows:

	Germany		Other countries	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
	EUR thou	EUR thou	EUR thou	EUR thou
Present value of defined benefit obligations not financed by a fund	678,026	743,411	1,769	2,180
Present value of defined benefit obligations wholly or partly financed by a fund	322,824	353,297	124,457	135,443
<b>Total present value of defined benefit obligations</b>	<b>1,000,850</b>	<b>1,096,708</b>	<b>126,226</b>	<b>137,623</b>
Fair value of plan assets	337,005	345,139	90,016	119,699
<b>Net obligations</b>	<b>663,845</b>	<b>751,569</b>	<b>36,210</b>	<b>17,924</b>
Unrecognized past service cost	–	–	72	–
Unrecognized actuarial gains / losses	155,306	86,465	895	20,472
	<b>819,151</b>	<b>838,034</b>	<b>37,177</b>	<b>38,396</b>

The consolidated income statement contains the following:

	Germany		Other countries	
	2007/08	2006/07	2007/08	2006/07
	EUR thou	EUR thou	EUR thou	EUR thou
Current service cost	23,047	24,666	3,841	5,709
Interest cost	55,213	52,120	7,351	8,251
Expected return on plan assets	-18,259	-14,207	-8,141	-9,141
Past service cost	3,884	–	6	615
Amortization of actuarial gains / losses	-640	264	-1,305	-2,453
Other	–	–	-325	132
<b>Net expenses for the fiscal year</b>	<b>63,245</b>	<b>62,843</b>	<b>1,427</b>	<b>3,113</b>

The **pension provisions** have developed as follows:

	Germany		Other countries	
	2007/08	2006/07	2007/08	2006/07
	EUR thou	EUR thou	EUR thou	EUR thou
<b>Consolidated pension provisions on Oct. 1</b>	<b>838,034</b>	<b>934,923</b>	<b>38,396</b>	<b>49,267</b>
Foreign exchange differences	–	–	-293	-5,467
Changes in scope of consolidation	90	-21,733	–	160
Net expenses for the fiscal year	63,245	62,843	1,427	3,113
Pension benefits paid	-61,766	-52,245	-5,908	-4,904
Investment in Contractual Trust Arrangement and other investments in plan assets outside Germany	-20,397	-86,438	-7,196	-3,773
Effect of change in non-nettable components	-55	684	10,751	–
<b>Consolidated pension provisions on Sept. 30</b>	<b>819,151</b>	<b>838,034</b>	<b>37,177</b>	<b>38,396</b>



The **plan assets** have developed as follows:

	Germany		Other countries	
	2007/08	2006/07	2007/08	2006/07
	EUR thou	EUR thou	EUR thou	EUR thou
<b>Plan assets on Oct. 1</b>	<b>345,139</b>	<b>241,624</b>	<b>119,699</b>	<b>114,532</b>
Foreign exchange differences	–	–	–7,922	–8,275
Changes in scope of consolidation	77	–	–	1,539
Actual return on plan assets	–28,663	17,761	–13,170	12,161
Employers' contributions	20,397	86,438	7,196	3,773
Employees' contributions	–	–	169	503
Pension payments	–	–	–5,205	–4,534
Effect of change in non-nettable components	55	–684	–10,751	–
<b>Plan assets on Sept. 30</b>	<b>337,005</b>	<b>345,139</b>	<b>90,016</b>	<b>119,699</b>

The market value of the plan assets in Germany recognized above is based on the situation on the valuation date of September 22, 2008. The market value was EUR 2,374,000 lower on the balance sheet date. This difference would only have affected the cumulative actuarial gains and losses and therefore has no influence on the values recognized. In addition to the annual investment into service costs, the employer's contributions for last year also include the one-time investments into the CTA made in Germany to a total of EUR 62,990,000. In addition, plan assets of EUR

11,382,000 (last year: EUR 684,000) exist which are in excess of the underlying assured pension entitlements or are not classified as plan assets within the meaning of IAS 19 *Employee Benefits*. This amount consequently does not form part of the plan assets, but is recognized under noncurrent financial assets. The part resulting from employer's contributions in the reporting period is shown in the cash flow statement under Payments for Investments in Financial Assets and not as "Investment into Contractual Trust Arrangement and Other Plan Assets outside Germany".

## Portfolio Structure of the Plan Assets

	Germany		Other countries	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
	EUR thou	EUR thou	EUR thou	EUR thou
Stocks	24,975	100,363	29,702	57,738
Securities	195,235	150,417	35,987	21,281
Cash	108,184	75,314	2,795	10,254
Others	8,611	19,045	21,532	30,426
	<b>337,005</b>	<b>345,139</b>	<b>90,016</b>	<b>119,699</b>

	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2006	Sept. 30, 2005
	EUR thou	EUR thou	EUR thou	EUR thou
Present value of defined benefit obligations	1,127,076	1,234,331	1,376,500	1,327,311
Fair value of plan assets	427,021	464,838	356,156	109,566
Plan deficit	-700,055	-769,493	-1,020,344	-1,217,745
Empirical adjustment of plan liabilities as of the balance sheet date	-126,495	-133,044	-65,380	11,645
Empirical adjustment of plan assets as of the balance sheet date	-68,233	6,574	1,922	7,559

Changes in the assumed cost trends in healthcare, which relate solely to the US subsidiaries, would have the following impact:

	Increase by 1 percentage point	Reduction by 1 percentage point
	EUR thou	EUR thou
Total of the current past service cost and interest expense components of the net costs for the period of post-employment healthcare	302	-236
Cumulative obligations relating to healthcare costs for post-employment benefits	2,341	-1,892

## 28 Other Provisions

	Sept. 30, 2008	of which due in one year or less	Sept. 30, 2007	of which due in one year or less
	EUR thou	EUR thou	EUR thou	EUR thou
Provisions for income taxes	55,049	55,049	74,021	74,021
Provisions for personnel-related obligations	111,602	62,655	114,138	60,365
Provisions for sales-related obligations	130,245	130,245	133,674	133,674
Other provisions	62,647	22,945	55,308	36,979
	<b>359,543</b>	<b>270,894</b>	<b>377,141</b>	<b>305,039</b>

The tax provisions include amounts for taxes not yet finally assessed.

Personnel-related provisions are for obligations under partial retirement schemes, anniversary expenses and

vacation not yet taken, the timing or volume of which cannot yet be precisely determined. Sales-related provisions mainly include warranties, services still to be rendered and anticipated losses from onerous contracts. The other provisions

mainly include amounts for environmental risks, restructuring and the risk of litigation costs. They also contain provisions recognized for a purchase price allocation during initial consolidation in the previous year.

	Oct. 1, 2007	Change in scope of consolidation	Consumption	Release	Additions including re- classification	Accretion	Foreign exchange differences	Sept. 30, 2008
	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou
Provisions for income taxes	74,021	101	24,475	2,170	7,933	–	–361	<b>55,049</b>
Provisions for personnel-related obligations	114,138	782	73,732	1,069	71,680	–	–197	<b>111,602</b>
Provisions for sales-related obligations	133,674	557	44,010	15,591	57,048	–	–1,433	<b>130,245</b>
Other provisions	55,308	366	8,058	11,858	28,767	708	–2,586	<b>62,647</b>
	<b>377,141</b>	<b>1,806</b>	<b>150,275</b>	<b>30,688</b>	<b>165,428</b>	<b>708</b>	<b>–4,577</b>	<b>359,543</b>

## 29 Financial Liabilities

	Sept. 30, 2008	of which due in one year or less	of which maturing in more than five years	Sept. 30, 2007	of which due in one year or less	of which maturing in more than five years
	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou
Profit-participating certificates	7,930	–	–	6,011	–	–
Liabilities to banks	335,155	22,279	19,700	349,797	20,147	33,599
Liabilities from finance leases	22,906	2,500	13,098	23,036	2,884	18,836
Other financial liabilities	28,834	7,470	44	8,680	2,076	–
	<b>394,825</b>	<b>32,249</b>	<b>32,842</b>	<b>387,524</b>	<b>25,107</b>	<b>52,435</b>

### Profit-participating certificates

The profit-participating certificates comprise those of series 2004-D, 2005-D, 2006-D and 2007-D, all with a term of five years. These certificates were issued this year and in previous years for employees of the Carl Zeiss Group in Germany to enable all employees to share in the company's success. Each certificate has a par value of EUR 250.

The arrangement may only be cancelled by either party in narrowly defined exceptional cases.

Yield is on a variable scale from 0% to 20%, depending on the Carl Zeiss Group's return on sales. The profit-participating certificates are carried in the balance sheet at par value.

### Promissory note loans

Under agreements dated June 16, 2005 Carl Zeiss AG took up two promissory note loans in the amount of EUR 80 million and EUR 170 million, maturing on June 24, 2010 and June 25, 2012 respectively. Fixed interest of 3.25% and 3.625% respectively is payable annually.

EUR 244,393,000 (last year: EUR 224,201,000) of these loans is included in the liabilities to banks. Another EUR 4,989,000 (last year: EUR 4,985,000) is shown under other financial liabilities, as the lender of this amount is an insurance company.

**Liabilities to banks**

This item also recognizes liabilities arising from a finance lease transaction. In the year 2001, two Group companies concluded several leases and sub-leases with two property leasing companies for a large production facility. The leases and sub-leases will expire in December 2013. They are classified as finance leases within the meaning of IAS 17 *Leases*. The leasing companies carry out refinancing through bank loans. Therefore, the consolidated balance sheet shows not only the production facility but also the liabilities to banks, which of the balance sheet date were EUR 80,220,000 (last year: EUR 96,624,000), and bear 6% (last year: 6%) interest. The current portion amounts to EUR 16,076,000 (last year: EUR 15,143,000). The creditors have collateral for the loans in the form of the land acquired with the credit facility including the buildings erected on it, they do not have any right of recourse against companies of the Carl Zeiss Group. The loans are being repaid in monthly installments and run until 2013.

**Liabilities from finance leases**

The Carl Zeiss Group has concluded finance leases for a number of fixed assets, mainly for premises abroad, technical equipment and machinery and software.

The most significant liability arising from a finance lease results from a sale-and-lease-back transaction at a US subsidiary. On September 28, 1999 the company, based in Dublin (CA), USA, sold existing land, buildings and improvements and leased them back. The lease-back transaction is classified as a finance lease according to IAS 17 *Leases*. The lease will run for a period of 20 years. When the original lease expires in the year 2019, the lessee will be granted the right to two extensions of five years each. In addition, the agreement contains a clause allowing the lease payments to be increased by 13% every five years.

The liabilities can be broken down as follows:

	Sept. 30, 2008	of which due in one year or less	of which due in more than five years	Sept. 30, 2007	of which due in one year or less	of which due in more than five years
	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou
Future minimum lease payments	32,626	3,955	16,588	34,211	4,427	27,655
Share of interest / future cost of finance	9,720	1,455	3,490	11,175	1,543	8,819
<b>Present value of future minimum lease payments</b>	<b>22,906</b>	<b>2,500</b>	<b>13,098</b>	<b>23,036</b>	<b>2,884</b>	<b>18,836</b>

Further notes on the contractually agreed, undiscounted cash outflows associated with the primary financial liabilities and the derivative financial instruments are to be found in section 37 "Financial Instruments and Risk Provisioning".

### 30 Trade payables

EUR 627,000 of the trade payables are due in more than one year (last year: EUR 598,000).

Further notes on the contractually agreed, undiscounted cash outflows associated with the primary financial liabilities and the derivative financial instruments are to be found in section 37 "Financial Instruments and Risk Provisioning".



### 31 Other Liabilities

	Sept. 30, 2008	of which due in one year or less	Sept. 30, 2007	of which due in one year or less
	EUR thou	EUR thou	EUR thou	EUR thou
Accrued personnel liabilities	88,323	88,323	74,473	74,473
Accruals in sales	142,495	142,495	143,551	143,551
Other accruals	7,423	7,423	7,613	7,613
Liabilities to subsidiaries	15,652	15,652	11,961	11,961
Liabilities to associated and related companies	4,676	4,676	2,394	2,394
Advance payments received on orders	204,570	178,327	200,224	186,317
Tax liabilities (non-income)	12,608	12,608	11,892	11,892
Wage tax withheld	9,348	9,348	10,134	10,134
Liabilities for social security	5,390	5,390	4,984	4,984
Deferred income	37,483	33,391	31,252	28,014
Other non-financial liabilities	18,341	18,092	17,572	17,336
	<b>546,309</b>	<b>515,725</b>	<b>516,050</b>	<b>498,669</b>

The accrued personnel liabilities mainly relate to vacation pay and salary entitlements and to accrued special payments. In sales, mainly outstanding invoices and bonus and commission payments are shown.

Liabilities to subsidiaries include liabilities from cash management and from trade payables to companies not included in Carl Zeiss AG's consolidated financial statements.

Government grants of EUR 294,000 (last year: EUR 70,000) are recognized as deferred income for this year as of the balance sheet date.

Further notes on the contractually agreed, undiscounted cash outflows associated with the primary financial liabilities and the derivative financial instruments are to be found in section 37 "Financial Instruments and Risk Provisioning".

## Other Information

### 32 Notes to the Consolidated Cash Flow Statement

The consolidated cash flow statement shows how the cash and cash equivalents of the Carl Zeiss Group have changed due to inflows and outflows in the course of the fiscal year. In accordance with IAS 7 *Statement of Cash Flows*, a distinction is made between cash flows from operating, investing and financing activities.

The cash and cash equivalents considered in the cash flow statement comprise all cash and cash equivalents carried in the balance sheet.

Cash flows from investing and financing activities are determined on the basis of payments. The operating cash flow, in contrast, is derived indirectly starting from the consolidated net income for the year. With the indirect method, adjustments are made for changes recorded in balance sheet items in connection with operating activities that arise from the effects of foreign exchange translation and changes in the scope of consolidation. Non-operating influences are also eliminated. The changes in the balance sheet items concerned therefore cannot be reconciled with the corresponding figures in the published consolidated balance sheet.

EUR 350,000 (last year: EUR 415,000) of the cash and cash equivalents is subject to a restraint on disposal or transfer.

### 33 Contingent Liabilities

	Sept. 30, 2008	Sept. 30, 2007
	EUR thou	EUR thou
<b>Note liability</b>	<b>124</b>	<b>97</b>
<b>Contingent guarantees</b>	<b>1,594</b>	<b>1,958</b>
attributable to subsidiaries	1,412	1,781
<b>Contingencies from warranty contracts</b>	<b>–</b>	<b>221</b>
<b>Contingencies arising from collateral put up to secure liabilities</b>	<b>78</b>	<b>78</b>
<b>Other contingent liabilities</b>	<b>4,128</b>	<b>3,999</b>

The other contingent liabilities mainly include environmental and litigation risks for which no provisions have been recognized since their use is held to be highly improbable.

### 34 Other Financial Obligations / Operating Leases

Other financial obligations arise from rent contracts and leases for office premises and equipment. These arrangements run for terms between one and more than five years. Some of them entail options for extensions or purchase and price adjustment clauses.

Expenses arising from leases, rent contracts and similar arrangements in the reporting period came to EUR 32,547,000 (last year: EUR 29,270,000).

The future minimum rent and lease payments under non-cancelable operating leases come to:

Period	EUR thou
One year or less	21,730
Between 1 and 5 years	28,999
More than 5 years	3,194

### 35 Events after the Balance Sheet Date

#### Majority stake

Effective October 1, 2008 Carl Zeiss 3D Metrology Services GmbH, Aalen, acquired 1% of the shares of Carl Zeiss 3D Automation GmbH, Essingen, and now holds 51% of its equity.

Carl Zeiss 3D Automation develops, designs and distributes automated systems, particularly for three-dimensional measuring technology (3D metrology).

#### New branch office in Istanbul

As of November 2008, Carl Zeiss is now represented in Istanbul, Turkey by its own Industrial Metrology branch office. The company holds a majority share in the new Carl Zeiss Ölçüm Cihazları Ticaret Ltd. Sti. A wealth of growth opportunities is opening up to the company in the Turkish market.

### Capital increase at Carl Zeiss Vision

By a shareholders' resolution of November 10, 2008, a cash capital increase totaling EUR 35 million took place at Carl Zeiss Vision Holding GmbH, Aalen in the same month. The joint venture shareholders, Carl Zeiss AG and the private equity investor EQT, contributed funds on a fifty-fifty basis.

### CZ Meditec AG dividend

The Executive Board and Supervisory Board of Carl Zeiss Meditec AG propose the payment of a dividend of EUR 14.6 million (EUR 0.18 per stock). The share of around 35% accruing to minority shareholders of Carl Zeiss Meditec AG will reduce the equity of the Carl Zeiss Group accordingly. The Annual General Meeting for the 2007/08 fiscal year still has to give its approval.

The effects on net assets, financial position and results of operations of the events after the balance sheet date are explained in the Notes to the Consolidated Financial Statements.

### 36 Average Number of Employees for the Year

	2007/08	2006/07
	Heads	Heads
Germany	8,208	7,678
Europe (without Germany)	1,483	1,394
America	1,671	1,608
Asia, other regions	1,275	868
	<b>12,637</b>	<b>11,548</b>
Trainees / interns	404	388
	<b>13,041</b>	<b>11,936</b>

The employees are those working for the companies included in the scope of consolidation. The above numbers also include the relevant proportions of employees working part-time and those with temporary employment contracts.

Of the total increase in the employee headcount in Germany, 212 employees are due to changes in the scope of consolidation. The increase in the other regions is principally derived from a subsidiary acquired in the previous year

which is included for the full 12-month period for the first time in the reporting period.

### 37 Financial Instruments and Risk Provisioning

Financial instruments are contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. According to IAS 32, these include primary financial instruments such as trade payables and receivables and financial payables and receivables. They also include derivative financial instruments that are used to hedge against foreign exchange risks.

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

The following applies to the performance relationships underlying all primary financial instruments: depending on the

type and amount of the respective performance, to minimize the default risk collateral is required, credit information / references are obtained or historical data from the previous business relationship, in particular payment patterns, is used. If default risks are perceived for the individual financial assets, they are covered by allowances.

### Book Values and Fair Values by Measurement Categories

The following table shows the book values and fair values of financial

instruments in accordance with the measurement categories of IAS 39 *Financial Instruments: Recognition and Measurement*.

#### Financial assets Sept. 30, 2008

	Book value						Fair value
		Loans and receivables	Held-to-maturity investments	Assets valued at fair value through the income statement	Available-for-sale financial assets	Financial instruments outside IAS 39	
	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou
Shares in subsidiaries	14,120	–	–	–	14,120	–	14,120
Investments and securities	53,541	–	–	–	53,541	–	53,541
Trade receivables	515,462	515,462	–	–	–	–	515,462
Other financial receivables	56,383	56,383	–	–	–	–	56,383
Other financial assets	563,265	557,404	–	5,861	–	–	566,482
of which derivatives with a positive market value	5,861	–	–	5,861	–	–	5,861
Cash and cash equivalents	464,865	–	–	–	–	464,865	464,865
<b>Total</b>	<b>1,667,636</b>	1,129,249	–	5,861	67,661	464,865	<b>1,670,853</b>

**Financial assets  
Sept. 30, 2007**

	Book value						Fair value
		Loans and receivables	Held-to- maturity investments	Assets valued at fair value through the income statement	Available- for-sale financial assets	Financial instruments outside IAS 39	
	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou
Shares in subsidiaries	<b>6,778</b>	–	–	–	6,778	–	6,778
Investments and securities	<b>250,075</b>	–	–	–	250,075	–	250,075
Trade receivables	<b>517,655</b>	517,655	–	–	–	–	517,655
Other financial receivables	<b>57,342</b>	57,342	–	–	–	–	65,590
Other financial assets	<b>362,095</b>	355,964	–	6,131	–	–	362,962
of which derivatives with a positive market value	<b>6,131</b>	–	–	6,131	–	–	6,131
Cash and cash equivalents	<b>461,005</b>	–	–	–	–	461,005	461,005
<b>Total</b>	<b>1,654,950</b>	930,961	–	6,131	256,853	461,005	<b>1,664,065</b>



**Financial liabilities  
Sept. 30, 2008**

	Book value		of which		Fair value
		Financial liabilities at amortized cost	Liabilities valued at fair value through the income statement	Financial instruments outside IAS 39	
	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou
Liabilities to banks	<b>335,155</b>	335,155	–	–	325,613
Trade payables	<b>155,964</b>	155,964	–	–	155,964
Other financial liabilities	<b>46,051</b>	41,696	4,355	–	46,051
of which derivatives with a negative market value	<b>4,355</b>	–	4,355	–	4,355
Liabilities arising from finance leases	<b>22,906</b>	–	–	22,906	22,886
<b>Total</b>	<b>560,076</b>	532,815	4,355	22,906	<b>550,514</b>

**Financial liabilities  
Sept. 30, 2007**

	Book value		of which		Fair value
		Financial liabilities at amortized cost	Liabilities valued at fair value through the income statement	Financial instruments outside IAS 39	
	EUR thou	EUR thou	EUR thou	EUR thou	EUR thou
Liabilities to banks	<b>349,797</b>	349,797	–	–	337,677
Trade payables	<b>153,053</b>	153,053	–	–	153,053
Other financial liabilities	<b>29,046</b>	28,337	709	–	28,811
of which derivatives with a negative market value	<b>709</b>	–	709	–	709
Liabilities arising from finance leases	<b>23,036</b>	–	–	23,036	23,036
<b>Total</b>	<b>554,932</b>	531,187	709	23,036	<b>542,577</b>

Most of the cash and cash equivalents and trade receivables are due within a short time. Their book values therefore correspond to their fair values on the balance sheet date.

The other financial receivables include receivables from subsidiaries and from associated and related companies. In the reporting period, their book value corresponds to their fair value. The difference between the book value and

fair value which occurred in the previous year resulted from the discounted interest payments contained in the receivables from associated and related companies, relating to the profit-participating certificates issued by Carl Zeiss Vision GmbH. The present value of these interest payments is calculated taking into account the relevant interest rate parameters, which reflect market-related changes to terms and expectations.

Trade liabilities are due within a short time as a rule; the values carried therefore represent the fair value.

The fair values of liabilities to banks, promissory note loans and other financial liabilities are determined as present values of the payments associated with the debts based on the current interest yield curve.

### Net results by measurement categories

The table below shows the impact of financial instruments carried in income, classed according to the categories in IAS 39 *Financial Instruments: Recognition and Measurement*, netted:

Net result 2007/08	of which			
		from interest	from subsequent measurement	from disposal
	EUR thou	EUR thou	EUR thou	EUR thou
From loans and receivables	20,850	38,439	–17,589	–
From available-for-sale assets and liabilities	1,631	671	–	960
From financial assets and liabilities valued at fair value through the income statement	–3,458	222	–3,686	6
From financial liabilities carried at amortized cost	–10,861	–10,858	–3	–

Net result 2006/07	of which			
		from interest	from subsequent measurement	from disposal
	EUR thou	EUR thou	EUR thou	EUR thou
From loans and receivables	6,742	16,132	–9,390	–
From available-for-sale assets and liabilities	4,150	3,139	–	1,011
From financial assets and liabilities valued at fair value through the income statement	8,344	–116	8,359	101
From financial liabilities carried at amortized cost	–8,414	–17,056	8,642	–

The effects on equity capital resulting from the market valuation of available-for-sale financial instruments are shown separately in the equity statement.

### **Capital Management**

The superordinate goal of capital management at the Carl Zeiss Group is to secure the continuity of the firm. The key issue here is to have sufficient financial scope at our disposal to achieve the targeted growth, while taking an optimized balance sheet structure into account. Apart from acquisitions and strategic alliances, the principal growth options come from ongoing investments in innovativeness. Capital management is constantly monitored on the basis of a number of financial ratios.

### **General Information on Financial Risks and Risk Provisioning**

The Carl Zeiss Group's operational business is exposed to market price risks through changes in foreign exchange rates and interest rates. In addition, the Group is subject to credit risks, particularly those arising from trade receivables. Liquidity risks also exist in connection with credit and market price risks. Our business policy aims to minimize these risks by hedging activities, which are carried out at the corporate center. Binding internal regulations and directives determine the scope of action and accountabilities in investment and

hedging transactions. Hedging transactions are conducted only with banks holding first-class credit ratings from leading agencies. Value-at-risk analyses supplemented by scenario, sensitivity and stress-test analyses are used to quantify the market risks for risk management and monitoring purposes. The Executive Board has set a limit on the maximum accepted market risk in the form of a constantly monitored risk potential. In addition, a hedge quota is determined for all relevant currencies for the purpose of detailed operational management. This quota lies within the relevant ranges approved by the Executive Board. Furthermore, risk limits have been determined for counterparties and types of transaction. All contracts are with reputable international financial institutions.

The transactions are executed with strict segregation of duties into front office (trading), back office (execution, documentation) and middle office (controlling, financial risk management) tasks.

### **Credit risks**

Credit risk occurs if the business situation of the company's borrowers or counterparties deteriorates, resulting in the danger of partial or complete default on contractually agreed payments or performances on the one hand, and of reductions in the value of financial instruments due to lower creditworthiness on the other.

### *Liquid assets*

The liquid assets mainly consist of cash and cash equivalents. The Carl Zeiss Group is exposed to credit risks in connection with the investment of liquid assets if financial institutions are no longer able to meet their commitments. The maximum risk position from liquid assets corresponds to the book values of these assets in the balance sheet. Financial credit risks are limited by making investments at a number of different credit institutions, setting limits per asset category, issuer or bank, and requiring that business partners have high ratings.

### *Trade receivables*

Trade receivables result almost entirely from the business groups' sales activities in both a variety of markets and a number of industry and customer segments. This risk is limited by the Group companies setting credit limits for customers and constantly checking that they are observed. In addition, a large proportion of the trade receivables are hedged in various forms, some specific to the countries in question. The most frequently selected form of hedging is retention of title.

In addition, value adjustments are made for the risk inherent in trade receivables. The maximum risk position in trade receivables, stating overdue and impaired receivables separately, is shown in section 22 "Trade Receivables".

*Derivative Financial Instruments*

Derivative financial instruments are used solely to hedge against currency risks.

They cover the Group companies' underlying trade transactions and the primary (underlying) financial transactions.

The foreign exchange hedging contracts relate in particular to standard currency options and forward exchange deals. They are chiefly used to hedge receivables and payables that are already carried in the balance sheet, transactions in the currencies of major industrialized countries as well as the currency exposure derived from a rolling 12-month plan that is continuously updated.

The nominal values represent the total of all purchase and sales contracts for derivative financial transactions, without netting off.

The market values are derived from the amounts at which the relevant derivative financial instruments were traded or quoted as of the balance sheet date, without offsetting developments in the

underlying transactions. Where no market values are available, they are calculated by accepted methods (including the net present value method and option pricing models).

The Carl Zeiss Group's maximum risk position as of the balance sheet date is the book value of the financial assets shown as financial instruments. The default risk is limited by ensuring that counterparties have first-class credit ratings from external rating agencies. Concentration risks are limited and controlled by concluding hedging contracts with a variety of credit institutions.

*Other receivables and assets*

The maximum credit risk position from other receivables and assets is the book value of these instruments. The Carl Zeiss Group's exposure to credit risk from other receivables and assets is low.

**Liquidity risk**

The Carl Zeiss Group's liquidity risk consists of Carl Zeiss AG or a subsidiary being unable to meet its financial obligations (e.g. repayment of loans, interest payments).

The Carl Zeiss Group generates cash and cash equivalents mainly from its operating business. If necessary or strategically opportune, external finance is also added. Such finance is mainly represented by the promissory note loan.

Liquidity is ensured by Carl Zeiss Financial Services GmbH with ongoing, Group-wide liquidity monitoring and planning and a diversified and carefully timed investment policy. In addition, appropriate bank credit lines are available.

Further details of the Carl Zeiss Group's financial liabilities are provided in section 29 "Financial Liabilities".

The table below presents the contractually arising from the primary financial liabilities negative market value:  
agreed, undiscounted cash outflows and derivative financial instruments with

	<b>Book value Sept. 30, 2008</b>	Undiscounted cash outflows					<b>Total Sept. 30, 2008</b>
		up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	more than 360 days	
		EUR thou	EUR thou	EUR thou	EUR thou	EUR thou	
Profit-participating certificates	<b>7,930</b>	–	–	–	–	7,930	<b>7,930</b>
Liabilities to banks	<b>335,155</b>	4,507	2,896	4,291	10,848	339,473	<b>362,015</b>
Lease liabilities	<b>22,906</b>	449	789	1,201	1,516	28,671	<b>32,626</b>
Other financial liabilities	<b>28,834</b>	1,075	1,335	2,843	2,216	24,167	<b>31,636</b>
of which derivative financial instruments with a negative market value	<b>4,355</b>	551	897	915	1,353	639	<b>4,355</b>
Trade payables	<b>155,964</b>	126,089	28,979	1,442	1,144	1,098	<b>158,752</b>
Liabilities to associated and related companies	<b>4,676</b>	4,158	518	–	–	–	<b>4,676</b>
Liabilities to subsidiaries	<b>15,652</b>	10,613	537	4,588	–	–	<b>15,738</b>

	<b>Book value Sept. 30, 2007</b>	Undiscounted cash outflows					<b>Total Sept. 30, 2007</b>
		up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	more than 360 days	
		EUR thou	EUR thou	EUR thou	EUR thou	EUR thou	
Profit-participating certificates	<b>6,011</b>	–	–	–	–	6,011	<b>6,011</b>
Liabilities to banks	<b>349,797</b>	3,677	2,648	3,910	10,165	367,615	<b>388,015</b>
Lease liabilities	<b>23,036</b>	392	935	1,038	2,043	29,803	<b>34,211</b>
Other financial liabilities	<b>8,680</b>	186	384	1,345	160	7,269	<b>9,344</b>
of which derivative financial instruments with a negative market value	<b>709</b>	102	351	114	142	–	<b>709</b>
Trade payables	<b>153,053</b>	118,370	31,823	1,734	386	740	<b>153,053</b>
Liabilities to associated and related companies	<b>2,394</b>	1,759	635	–	–	–	<b>2,394</b>
Liabilities to subsidiaries	<b>11,961</b>	7,053	88	4,592	321	–	<b>12,054</b>



The par value of the profit-participating certificates as of the balance sheet date is the book value, since the annual interest payments only arise later, depending on the return on sales for the fiscal year just ended. The interest ranges between 0% and 20% and is shown in other financial liabilities.

The liquid assets held and credit lines arranged give the Carl Zeiss Group sufficient flexibility to cover the Group's refinancing requirements. Because the sources of finance and the cash and cash equivalents are diversified, the Carl Zeiss Group is not exposed to concentration risk in this area.

### Financial market risks

The Carl Zeiss Group is exposed to market price risks through changes in foreign exchange rates and interest rates because of its global business activities.

The Carl Zeiss Group uses value-at-risk analyses as part of its risk management. In these analyses, the risk position is regularly measured against changes in foreign exchange rates and interest rates by calculating a maximum loss based on a stipulated confidence level and holding period. The value-at-risk is calculated on the basis of historic data taking into account the correlations between the transactions considered. The value-at-risk calculated therefore shows the maximum loss which will not be exceeded within ten days with a probability of 95% (historic simulation).

### Currency risk

As a consequence of the Carl Zeiss Group's global orientation, the operating business and the reported financial results and cash flows are exposed to risks from exchange rate fluctuations, mainly in the US dollar, the Japanese yen and the British pound. The currency risk arises primarily in the operating business when sales revenues are generated in a currency different from that in which the associated costs are incurred. In order to reduce the impact of exchange rate fluctuations in the operating business, currency transaction risks are extensively hedged using standard currency options and forward exchange deals with financial institutions with first-class credit ratings.

The risk position of all operational transactions in foreign currencies is determined through cash-flow accounting in different currencies and budgeting. Value-at-risk analyses supplemented by scenario, sensitivity and stress-test analyses are used for risk monitoring. These risk analyses and the results of hedging are calculated monthly and reported to the Executive Board.

The risk of exchange rate fluctuations is monitored for purposes of external control on the basis of a value-at-risk relating to the positions in currencies other than the functional currency. The value-at-risk of the foreign exchange hedging contracts increased in the fiscal year just ended compared with the previous year, amounting to EUR 2.6 million (last year: EUR 1.8 million) as of September 30, 2008. The increase is largely due to high market volatility.

### Interest rate risk

Interest rate risks basically arise from possible fluctuations in the value of a financial instrument due to changes in market interest rates.

The Carl Zeiss Group holds a number of interest rate-sensitive assets and liabilities, partly to meet the liquidity requirements of the day-to-day business, and is therefore exposed to interest rate risk in the context of asset and liability management. Most of it results from short-term investments.

The Carl Zeiss Group's interest rate risk is analyzed and controlled centrally by Carl Zeiss Financial Services GmbH. The Carl Zeiss Group bears the following cash flow and fair value risk on the basis of the variable and fixed-interest instruments.

**Cash flow risk:** The variable-interest instruments held by the Carl Zeiss Group would have an impact on income in the event of a change of  $\pm 100$  base points of EUR 9.4 million (last year:  $\pm$  EUR 9.2 million).

**Fair value risk:** In the case of the available-for-sale fixed-interest instruments, a change of  $\pm 100$  base points would have an impact on equity in the amount of EUR 0.1 million (last year:  $\pm$  EUR 0.2 million).

### Other price risks

The Carl Zeiss Group is not exposed to significant other price risks, which are also numbered among the financial market risks.

### 38 Information on Related Party Transactions

The term "related party" comprises the Carl-Zeiss-Stiftung, Heidenheim an der Brenz and Jena, the operating enterprise SCHOTT AG, Mainz, and non-consolidated subsidiaries. Business relations with these companies are handled on generally accepted market terms and conditions. Relationships with associated companies and joint ventures are also dealt with on this basis. The resulting effects on the consolidated financial statements are negligible, with the exception of the brand license agreement and the agency agreements with the Carl Zeiss Vision Group. The above-mentioned agreements are reflected in the consolidated financial statements in the income from licenses (EUR 7,500,000, unchanged from last year), other operating income (EUR 3,665,000; last year: EUR 3,800,000) as well as receivables from associated and related companies (EUR 43,418,000; last year: EUR 46,680,000). In the context of the reform of the foundation and the associated move to become legally independent of the Carl-Zeiss-Stiftung, a loan of EUR 5,000,000 was granted to Carl Zeiss AG which is shown in the consolidated balance sheet under liabilities to subsidiaries.

No relationships exist with key persons exercising a material influence.

### 39 Corporate Governance Code

The Executive Board and the Supervisory Board of Carl Zeiss Meditec AG, Jena, a listed company included in the Group's financial statements, have issued a declaration on the recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with § 161 of the German Stock Corporation Act (AktG). This declaration has been made public and is available to stockholders on the company's website ([www.meditec.zeiss.de](http://www.meditec.zeiss.de)).

### 40 Remuneration of the Executive Board and the Supervisory Board

The short-term benefits due to the Members of the Executive Board amounted to EUR 4,706,000 in the 2007/08 fiscal year (last year: EUR 4,320,000). EUR 496,000 was paid in the form of post-employment benefits (last year: EUR 662,000).

A fee of EUR 329,000 was paid to the Members of the Supervisory Board for their supervisory activities in the reporting period (last year: EUR 329,000).

As of the balance sheet date, pension obligations towards former Members of the Executive Board and their surviving dependents totaled EUR 15,858,000 (last year: EUR 17,553,000). They received EUR 1,176,000 in post-employment benefits and EUR 180,000 in other long-term benefits in the reporting period.

The Members of the Executive Board and Supervisory Board are listed on pages 92 and 93.

Oberkochen, December 15, 2008


### Executive Board of Carl Zeiss AG



Dr. Dieter Kurz



Dr. Hermann Gerlinger



Dr. Michael Kaschke

**Auditor's Report**

We have audited the consolidated financial statements prepared by the Carl Zeiss AG, Oberkochen comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 October 2007 to 30 September 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB ["Handelsgesetzbuch" / „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business

activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations. In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, December 16, 2008

KPMG AG Wirtschaftsprüfungsgesellschaft  
(vormals  
KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft)

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von Hohnhorst  
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The Annual Report is also available in  
German.

More information about the company is  
available at [www.zeiss.de/en](http://www.zeiss.de/en).

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