



Fiscal Year 2007/2008

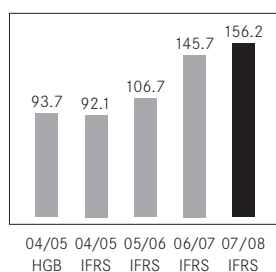


# The Leica Camera Group at a glance

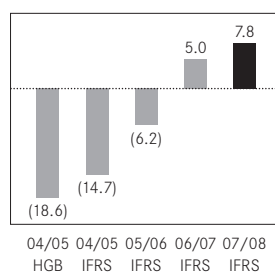
|                                   | 2007/2008<br>IFRS | 2006/2007<br>IFRS | 2005/2006<br>IFRS | 2004/2005<br>IFRS | 2004/2005<br>HGB |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Sales (€ 000)                     | 156,238           | 145,660           | 106,739           | 92,060            | 93,716           |
| Operating result (€ 000)          | 7,752             | 4,976             | (6,196)           | (14,657)          | (18,572)         |
| Income/(loss) before tax (€ 000)  | 6,182             | 2,870             | (8,949)           | (16,980)          | (20,426)         |
| Net income/(loss) (€ 000)         | 3,042             | 503               | (9,240)           | (18,105)          | (19,768)         |
| Total assets (€ 000)              | 103,109           | 108,883           | 89,680            | 93,290            | 80,862           |
| Equity ratio (%)                  | 20.78             | 18.11             | 18.34             | 7.59              | 3.35             |
| Capital expenditure (€ 000)       | 7,179             | 9,078             | 6,580             | 5,955             | 3,992            |
| Amortisation/depreciation (€ 000) | 9,438             | 8,528             | 7,195             | 8,903             | 7,843            |
| Cash flow (€ 000)                 | 21,358            | (1,342)           | 8,357             | (8,998)           | (11,869)*        |
| Employees (number)                | 991               | 939               | 985               | 1,076             | 1,057            |
| Personnel expenses (€ 000)        | 40,916            | 37,889            | 36,467            | 36,277            | 37,121           |

\* according to GAS 2

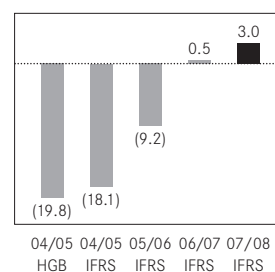
Sales  
€ million



Operating result  
€ million



Net income/(loss)  
€ million



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The German language version of this report is online at  
**[www.leica-camera.com](http://www.leica-camera.com)**.

# Introduction by the Chairman of the Board of Management

Dear Shareholders of Leica Camera AG

The Company's 2007/2008 fiscal year was successful but also saw turbulences.

On the basis of the success of the digital compact cameras and the digital rangefinder camera LEICA M8 the Company was able to post € 6.5 million of net income for the half-year period and sales of € 88.8 million in the first half of the fiscal year. Overall in 2007/2008, the Leica Camera Group achieved a net income of € 3.0 million and sales of € 156.2 million.

On July 31, 2007 ACM Projektentwicklung GmbH has informed Leica Camera AG that it directly owns shares in an amount exceeding 95% of the share capital of Leica Camera AG. In the same letter ACM Projektentwicklung GmbH has informed Leica Camera AG about its formal request according to section 327a of the *Aktengesetz* (AktG – German Stock Corporation Act) that the General Meeting of the Company may pass a resolution to transfer the shares of the other shareholders (minority shareholders) to ACM Projektentwicklung GmbH as the majority shareholder against an appropriate cash compensation (so-called squeeze out).

The General Meeting on November 20, 2007 resolved to transfer the outstanding shares to ACM Projektentwicklung GmbH. 14 shareholders have brought actions before the Frankfurt Superior Court for avoidance of this resolution. Thereupon Leica Camera AG prepared a petition for the issue of a clearance decision stating that the bringing of the actions for avoidance does not bar the entry of the resolution in the Register of Companies. The actions of 13 shareholders were aggregated for joint judicial hearing and decision.

In a decision of April 4, 2008 the Frankfurt Superior Court dismissed the abovementioned petition. The Company has lodged appeal against this decision.

The Court has fixed August 5, 2008 as the day for the oral hearing in the proceedings on the main issue.

On September 3, 2007 the Supervisory Board appointed Andreas Lobejäger as new, additional member of the Board of Management. Andreas Lobejäger heads finance/controlling, legal, human resources and information systems.

I resigned from my office as Chairman of the Supervisory Board on November 19, 2007; Wulf Matthias, hitherto Deputy Chairman, was elected Chairman, and I was elected Deputy Chairman of the Supervisory Board.

On February 22, 2008 Steven K. Lee was removed as member of the Board of Management with immediate effect. At the same time the Supervisory Board appointed me additional member and Chairman of the Board of Management, for the period until February 28, 2009. Since then we, Dr. Andreas Kaufmann and Andreas Lobejäger, have been running the Company jointly.

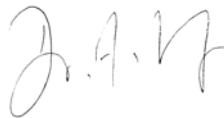
In the fiscal year the Company was able to recruit highly qualified employees. As at the end of the fiscal year, the number of employees had increased from 948 to 1,013.

Leica focuses on its basic principles – high-end, outstanding optics, elegant design, low energy input and intelligent additional functionalities. Not only in the Photo division, but also in Sports optics we aim at opening up new markets and target groups.

Leica's realignment includes a completely new production layout and thus a corporate restart – as represented by the Leitz Park 2010 project.

We will move to more modern premises, thereby underlining our commitment to Wetzlar as a location for the optics industry.

For fiscal year 2008/2009 we expect a budgeted net loss, resulting especially from the delay in development projects. For fiscal year 2009/2010 we intend to achieve a break-even or slightly positive result. The precondition therefor is, however, that the product portfolio will be reoriented according to plan.



Sincerely yours  
Dr. Andreas Kaufmann

# Group Management Report for the Fiscal Year from April 1, 2007 to March 31, 2008

## 1. Development of business

### Economic environment

#### Photo

In 2007, the global photo cameras market has grown as compared to 2006, reaching a new record high of 138 million units. This corresponds to a 10% increase on the previous year. 126 million of these cameras were digital ones. This number includes 7 million digital SLR (DSLR) cameras, up from 5.2 million in the previous year. On average 1.5 interchangeable lenses were purchased per DSLR. However, volume growth is accompanied by an erosion of purchase price levels by 15%. (Sources: GfK, Photoindustrieverband, CIPA)

The Leica Camera Group has registered 25.8% growth in its digital compact camera business, and thus has grown significantly faster than the market – keeping selling prices stable nonetheless. For the first time the Company succeeded in selling well above 100,000 units of a digital still camera model – the LEICA D-LUX 3 – in a single product life cycle.

The digital rangefinder system camera LEICA M8, newly presented at the 2006 photokina trade fair, has been very well received by the market and made a decisive contribution

to the sales expansion registered by the Leica Camera Group in the period under review. This camera dominated the rangefinder camera market segment both in terms of units sold and in terms of value and was head and shoulders above the competition, also as concerns worldwide product communications. Moreover, this camera, Leica's first digital rangefinder model, strengthened the demand for interchangeable lenses with a Leica M bayonet and thus enabled the Company to boost its sales of M lenses by 118.6% of the previous year's volume and, in addition, to generate orders for the following fiscal year. The new Summarit lens family significantly contributed to the increase in volume. Leica Summarit lenses employ classic, spherical lens designs and may thus be offered at attractive prices, thereby considerably strengthening Leica's competitive position. Together with the Summarit lenses Leica Camera Group has introduced new, highly productive manufacturing methods allowing for shorter throughput times and higher yield; the other parts of the Company's range of lenses also benefit from the new methods.

Towards the end of the reporting period dampening effects of the US subprime crisis and the Dollar weakness were beginning to make themselves felt in the North American sales.

### Sports optics

The global market situation can be described as sluggish. This applies to the market as a whole and particularly to the upper and mid-price segments. The latter segment is under increasing pressure from Chinese products low in price yet continuously improving in quality, which threaten the segment from below. As premium offerors were able to defend their position the mid-price segment is in a strategically difficult position. In sports optics, mass products from China continue to service large portions of the low-price segment.

In sports optics, Leica Camera Group confines its presence to the premium segment.

Leica Camera Group's assessment of the situation is as follows: As compared to the previous year, the development of overall sports optics sales was satisfactory. The core markets are showing saturation effects. The Company was able to counterbalance these effects by achieving higher sales volumes in other European countries where Leica's presence had been weaker in the past and because the products with rangefinders sold well. Problems were caused by the belated introduction of the new scope line.

A further slight decline in sales has been registered for the traditional Ultravid full-size binoculars. Such decline is based on the delay in the introduction of the new Ultravid HD binoculars.

Binoculars and scopes with electronic laser rangefinders continue their favourable development at a high level of sales. For the Geovid binoculars the number of units was just under 10% above the previous year figure.

The field of monocular rangefinders showed a very favourable development, with both the prior year sales volume and the budgeted sales strongly exceeded.

The sales volume of compact binoculars has decreased slightly.

The scopes sector saw thin sales only because the old scope product line meanwhile has been sold out and the new line is not yet in stock. An improvement of the situation is expected as from August 2008.

## Earnings position

In the year under review, the Group reports a net income in the amount of € 3.0 million (previous year: € 0.5 million). The operating result has improved by € 2.8 million to € 7.8 million due to increased sales, massive cost savings in other operating expenses and improvements in production efficiency. On the other hand, personnel expenses increased by 8.0% due to higher staff intake and severance payments.

A multitude of key performance indicators is used Group-wide to manage Leica Camera Group. The key performance indicators collected on a Group-wide basis and used in managing mainly include the sales figures, the earnings figures, EBITDA, EBIT and EBT, as well as the number of units of products sold by the Company's divisions, broken down by product line and region. Further important performance indicators are cost of materials, personnel expenses and R&D expenditure.

The earnings figures are: income/loss before tax (earnings before tax, EBT), income/loss before income tax and financial result (earnings before interest and tax, EBIT), and income/loss before income tax, financial result and amortisation/depreciation or write-downs on fixed assets (earnings before interest, tax, depreciation and amortisation, EBITDA).

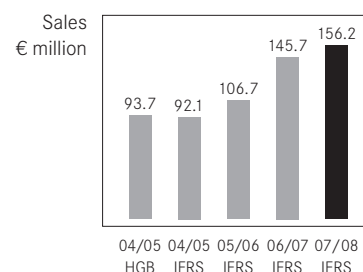
|                    | 2007/2008 | 2006/2007 |
|--------------------|-----------|-----------|
|                    | € 000     | € 000     |
| Sales              | 156,238   | 145,660   |
| Cost of materials  | 65,392    | 63,861    |
| Personnel expenses | 40,916    | 37,889    |
| R&D expenditure    | 13,518    | 9,242     |
| EBITDA*            | 17,190    | 12,824    |
| EBIT               | 7,729     | 4,976     |
| EBT                | 6,182     | 2,870     |

\* Previous year figure net of restructuring results.

## Sales

Leica Camera Group's total sales grew by € 10.6 million to € 156.2 million. This corresponds to a 7.3% increase on the previous year. The increase is mainly due to the expansion of sales volumes in the M system and digital compact cameras segments.

Sales abroad increased 10.8% as compared to the previous year and now stand at € 134.5 million or 86.1% of total sales.



At € 44.9 million or 28.7% of total sales, the US is the most important individual market for Leica Camera Group, followed by the German market, which accounts for € 21.8 million or 13.9% of total sales.

Sales of system cameras rose by 6.8% to € 57.2 million. Sales of compact cameras increased by 25.8% to € 49.5 million. Leica sports optics saw a sales decline by 3.1% to € 29.7 million.

### Regional development

#### Germany

Sales in Germany fell by 10.2% to € 21.8 million.

#### Europe (excluding Germany)

Sales in the rest of Europe rose by 3.5% to € 43.4 million.

#### Asia and Australia

Sales in Asia and Australia increased by 12.7% to € 45.4 million.

#### US, Canada and Mexico

Sales in the North American Free Trade Area grew by 18.8% to € 44.9 million.

#### Others

Sales in the rest of the world decreased from € 1.3 million to € 0.7 million.

### Other financial performance indicators

As a result of the sales increase, gross profit went up by € 1.0 million as compared to the previous year, to € 90.4 million. Cost of purchased merchandise and services rose from € 63.9 million to € 65.4 million due to the increase in sales.

Because of staff intake and severance payments personnel expenses rose by € 3.0 million to € 40.9 million.

The operating result improved by € 2.8 million to € 7.8 million on the previous year due to the sales increase and cost savings.

The interest result improved by € 0.6 million, mainly due to interest receipts on balances with banks.

| Sales by<br>product lines<br>and regions         | 2007/2008         |                            |
|--|-------------------|----------------------------|
|  | IFRS<br>€ million | Change<br>on previous year |
| System cameras                                   | 57.2              | + 6.8%                     |
| Compact cameras                                  | 49.5              | + 25.8%                    |
| Sports optics                                    | 29.7              | - 3.1%                     |
| Projectors                                       | 0.5               | - 30.1%                    |
| Spare parts and<br>technical after-sales service | 4.0               | + 9.5%                     |
| Licencing income                                 | 11.8              | - 8.1%                     |
| Other  | 3.5               | - 28.1%                    |
| Germany  | 21.8              | - 10.2%                    |
| Europe (excluding Germany)                       | 43.4              | + 3.5%                     |
| Asia and Australia                               | 45.4              | + 12.7%                    |
| US, Canada and Mexico                            | 44.9              | + 18.8%                    |
| Others   | 0.7               | - 49.4%                    |

## Assets and financial position

The key performance indicators used by the Leica Camera Group to evaluate and monitor the assets and financial position are short-term liquidity, the development of equity and short-term liabilities, as well as the development of inventories and trade receivables. The changes in these key performance indicators are analysed in the monthly statements of condition prepared during the fiscal year and are integrated into the short and medium-term planning and the corresponding decision-making processes.

|                      | 2007/2008 | 2006/2007 |
|----------------------|-----------|-----------|
|                      | € 000     | € 000     |
| Inventories          | 34,546    | 32,592    |
| Liquid funds         | 29,438    | 19,848    |
| Equity               | 21,426    | 19,717    |
| Liabilities to banks | 4,130     | 5,136     |
| Capital expenditure  | 7,179     | 9,078     |

In the year under review, the Group's total assets have decreased by 5.3% from € 108.9 million to € 103.1 million.

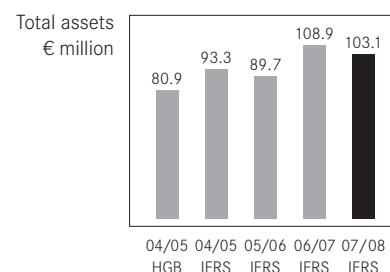
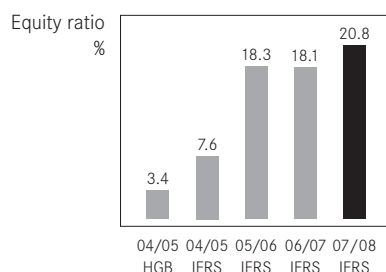
Tangible assets increased from € 13.9 million to € 14.1 million. Capital expenditure in respect of intangible and tangible assets decreased by € 2.0 million to € 7.1 million.

As a result of the declining sales in the second half of the fiscal year inventories have increased by € 2.0 million to € 34.5 million.

The fact that the Trade receivables position remains unchanged as compared to the previous year is solely due to a change in the accounting treatment resulting from the termination of a factoring agreement in the US. In actual fact, trade receivables decreased by € 7.9 million as a result of the massive sales downturn during the concluding months of the fiscal year. This is reflected in the decrease in other assets. The ratio of receivables to sales fell from 6.8% to 6.4%.

Liquid funds rose by € 9.6 million, from € 19.8 million to € 29.4 million, due largely to the strong sales in the first half of the fiscal year and the cost savings, as well as the postponement of development projects.

On May 16, 2006, the Company entered into agreements with Heller Bank AG, Mainz, concerning the provision of finance in an amount of approximately € 9,500,000 (based on sale of accounts receivable and on collateralised borrowing).



The funds were used for repayment of liabilities to the pool of lending banks. In fiscal year 2006/2007, these agreements were extended to include financing of inventories, as well as additional special financing. Therefore, Leica Camera AG has at its disposal a total financing volume of € 16,000,000; of this amount, € 9,000,000 relate to liabilities from factoring, € 5,430,000 to financing of inventories, € 570,000 to contingent liabilities and € 1,000,000 to special financing. The Group companies in the UK and in France have entered into similar contracts.

Provisions for pensions decreased by € 1.7 million to € 13.9 million due to the rise of the discount rate to 5.5% (previous year: 4.75%).

Short-term provisions rose by € 1.4 million to € 7.2 million, mainly as a result of accruals for severance payments.

Liabilities to banks were reduced from € 5.1 million to € 4.1 million.

Due to repayment of financial liabilities (€ 1.7 million), liabilities to affiliated companies fell to € 0.3 million.

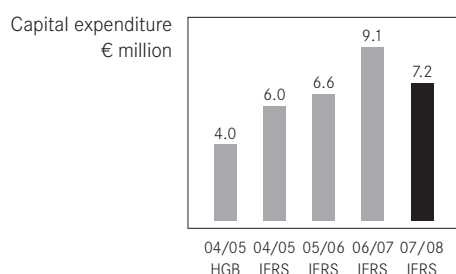
Due to repayment of financial liabilities (€ 2.1 million), other short-term liabilities decreased by € 2.4 million to € 10.8 million.

## 2. Other key non-financial performance indicators

In addition to the quantitative financial performance indicators used in managing the Company, the divisions of the Company and the lower levels of its organisational structure also collect non-financial qualitative indicators, such as information and market data, which are primarily used in managing business operations. These indicators enable the comparison of the current business position with the medium to long-term strategic goals.

Decisive factors in the development of the Company are its capability to develop and distribute products that fit customers' requirements, its existing customer base, its dealer distribution systems and its domestic and foreign employees, whose dedication and long-standing expertise contribute to the strategic reorientation of the Company and are instrumental in opening up market opportunities.

The Leica Camera Group regularly informs its customers on new products, new possibilities of application and new campaigns. In this connection, Leica Camera uses the Web for an extensive presentation of its products, as well as for the regular distribution of an e-mail newsletter as a means of customer information and customer retention. *Leica Fotografie International*, an independent magazine having close ties with the Company, is devoted to the presentation of prime examples of Leica photography, as well as to giving practical support in perfecting one's technical skills as a photographer.



In the period under review, the areas of marketing and sales saw the implementation of a new communications strategy geared towards introducing new target groups, in addition to the existing customers, to the Leica brand. As a component of this strategy, a new Web presence was presented at the beginning of 2008, which aims at appealing to the emotions of Leica owners. From this time forth four characters will lead Web users through the virtual world at [www.leica-camera.com](http://www.leica-camera.com). The characters communicate by means of their Leica cameras and binoculars, and thus provide a very special brand experience. The aim to present the Leica brand and introduce it to new target groups was also central to the activities of the Leica specialised trade where new supporting communication media were introduced. A new Leica product display system, employed in the windows of selected dealers all around the world, will contribute to a trade presentation of Leica products that is appropriate to the brand, attractive and consistent.

To appeal to consumers' emotions in the purchase decision process and to support sales personnel the Company has developed a new image book especially for the trade. In the book, Leica positions itself as a competent manufacturer of digital products »Made in Germany« and deliberately does so in a very emotional way without referring to technical reasoning and features. The brochure focuses on what is special about Leica cameras and shows the Leica people responsible for the development of digital cameras. This direct contact with the Leica family will introduce customers to the brand in an emotional way.

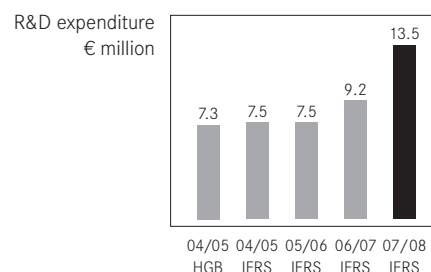
The crisis of the Company in fiscal years 2004/2005 and 2005/2006 has led to restructuring measures which also involved a retrenchment of staff. In fiscal year 2006/2007, this retrenchment was stopped and, due to the favourable development of business, could be reversed. At the end of the fiscal year under review, the number of employees at the Solms business location had increased by 65 on the previous year.

A large number of research and development projects in the Photo and Sports optics segments have enabled the Company to hold on to its market position and utilise existing opportunities for growth.

### Research and development

Research and development expenditure rose by 46.7%, from € 9.2 million to € 13.5 million.

To secure Leica Camera Group's competitive power on the main markets, innovations in products as well as in production processes are essential. The Company's R&D activities aim at the creation and further development of both products and production processes. In the fiscal year under review, the focus of R&D was on the digitalisation of the product range, on the development of new lenses and on updating the existing product portfolio in the sports optics range.



### Capacity utilisation

Up to the end of the fiscal year, production capacity was well utilised due to the manufacture of the successful M8 camera, the higher demand for lenses and the market introduction of the Ultravid HD binoculars. In the lenses sector especially, demand exceeds current capacities; this has resulted in a backlog of orders. In addition, the Company started a project to improve production processes.

### Technical alliance

The cooperation agreements with the well-known international company Matsushita for its »Panasonic« brand have been ratified in fiscal 2006/2007 and continue in force without change. The agreements embrace digital video cameras and digital cameras. Both partners add their respective know-how and create real synergies in manufacturing cutting edge digital products.

The Company has entered into further alliances for the development of new products.

### Corporate communications

Leica Summarit M lenses are a newly presented class of Leica precision lenses with an exceptional price-performance ratio that enhances their appeal for a broader market and new customer groups. The introduction of these lenses simultaneously marked the start of a campaign by Leica Camera AG that stresses the Company's core competencies in optics manufacture. Many years of experience in optics and precision mechanics, unique technologies, high-quality materials and the commitment and craftsmanship of qualified employees are the basis of the Leica high-performance optics, all of which are handcrafted in the Leica main plant at Solms near Wetzlar (Germany). The fascination of the Leica lenses is a key theme reflected in all communications measures and events, from the Arles photo festival to the Leica Academy's seminars, workshops and Leica experience day.

The opening of the new Leica Gallery in Salzburg (Austria) has extended the international network of the Leica Galleries. In addition, the Company annually invites entries for its photography competitions, Oskar Barnack Prize and Leica Publishers Award, underlining its internationally oriented communications strategy and cultural commitment.

### 3. Equity of Leica Camera AG

Since the simplified capital decrease and the subsequent capital increase effected in the year 2005 the subscribed capital of the Company has been composed of 15,000,000 no-par value bearer shares of € 1.00 each.

Each share grants one vote.

There are no voting right or stock transfer restrictions. The Board of Management has no knowledge of any pertinent agreements between shareholding parties.

There are no special rights of individual shareholders. All shares grant the same rights.

There are no agreements on indirect control of voting rights by employees. All employees of Leica Camera AG who are also shareholders of the Company exercise their membership rights in conformity with general regulations and, as a basic principle, on their own behalf.

The Board of Management was authorised to increase, with the consent of the Supervisory Board, once or several times the Company's share capital by up to a total of € 4,500,000.00 by issuing of new no-par value bearer shares against contribution in cash, for a period of five years beginning on the day of the entry of this authorisation in the Register of Companies (conditional capital). The corresponding resolution has been entered in the appropriate Register of Companies on June 7, 2005.

The Board of Management is authorised to exclude the subscription right of shareholders subject to certain conditions. There are no other authorisations to issue new shares or repurchase shares. Further information on the equity of Leica Camera AG is disclosed in the notes to the annual financial statements of Leica Camera AG.

As declared on March 13, 2007 in accordance with section 23 (1) sentence 1 no. 2 of the *Wertpapiererwerbs- und Übernahmegesetz* (WpÜG – German Securities Acquisition and Takeover Act), ACM Projektentwicklung GmbH held 14,450,702 Leica Camera shares, which corresponds to a share interest of 96.34%.

In a letter dated July 31, 2007, ACM Projektentwicklung GmbH informed Leica Camera AG about its request according to section 327a (1) sentence 1 of the *Aktiengesetz* (AktG – German Stock Corporation Act) that the General Meeting of the Company may pass a resolution to transfer the shares of the minority shareholders to ACM Projektentwicklung GmbH against an appropriate cash compensation. In a letter dated September 25, 2007, further detail was added to this request by fixing the cash compensation at € 12.15 per no-par value share, each with a proportionate amount of the share capital of € 1.00. In the same letter Leica Camera AG was informed that ACM Projektentwicklung GmbH holds 14,477,220 Leica Camera shares, which corresponds to a share interest of 96.51%.

The General Meeting on November 20, 2007 resolved to transfer the outstanding shares to ACM Projektentwicklung GmbH. 14 shareholders have brought actions before the Frankfurt Superior Court for avoidance of this resolution. Thereupon Leica Camera AG prepared a petition for the issue of a clearance decision stating that the bringing of the actions for avoidance does not bar the entry of the resolution in the Register of Companies. The actions of 13 shareholders were aggregated for joint judicial hearing and decision.

#### **Substantial agreements subject to a tender offer**

##### **Convertible bonds**

In February 2004, Leica Camera AG issued convertible bonds in the amount of € 15,000,000, consisting of 150,000 bonds, each with a nominal amount of € 100.00. The convertible bonds have a life of ten years and were issued carrying a coupon of 5.5%.

Each convertible bond in the nominal amount of € 100.00 entitles the holder to conversion into 13.1343 no-par value shares, each with a proportionate amount of the share capital of € 1.00. In accordance with the terms and conditions of the

bonds the conversion ratio was adjusted to conform to the capital measures carried out in fiscal 2005/2006 (capital decrease coupled with a subsequent capital increase against contribution in cash).

Pursuant to sections 12 and 13 of the terms and conditions of the bonds, the holders of the bonds are entitled to call in such bonds in accordance with the provisions of section 13 of the terms and conditions of the bonds if a change of control over Leica Camera AG occurs. According to section 12 no. 3 of the terms and conditions of the bonds this is the case if a party or several parties acting jointly (as defined by that section) purchases or purchase shares that are attributable to him/her or them either directly or pursuant to section 22 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) in a total amount of 50% or more of the ordinary shares of Leica Camera AG, or if in a tender offer the shares already under control of the bidder and the shares for which the tender offer has been accepted together grant 50% or more of the voting rights in Leica Camera AG and at the same time such offer has become unconditional.

### **Matsushita**

On signing of the contracts with the Japanese Matsushita Group pertaining to cooperation in the field of optical technology on September 25, 2006, Leica Camera AG also signed a loan agreement concerning a loan extended by Matsushita to Leica Camera AG in the amount of € 20,000,000. Section 8. a) xii) of the loan agreement stipulates that the agreement may be terminated for good cause without notice if either a competitor or a group of competitors in the business segment of Leica Camera AG gains or gain control over the Company or if a party or group of parties gains control over Leica and this exerts an influence upon the position of one or more members of the Board of Management of Leica Camera AG. In such case Matsushita pursuant to section 8. b) of the loan agreement additionally has the rights, inter alia, to demand indemnity including compensation for foregone profits and/or to liquidate the collateral.

### **No other agreements**

There are no other significant agreements of the Company conditional on a change of control.

### **Amendments to the Articles of Association**

According to section 179 of the AktG amendments to the Company's Articles of Association are made by resolution of the General Meeting with a majority of at least three quarters of the share capital represented at the time the resolution is passed.

The Supervisory Board has the power to resolve changes to the Articles of Association that affect only their wording. In addition, the Supervisory Board is authorised to adjust section 4 of the Articles of Association (share capital) to the utilisation of authorised capital in a complete or partial increase of the share capital after such increase has been effected.

### **Events after the balance sheet date**

The General Meeting on November 20, 2007 resolved to transfer the outstanding shares to ACM Projektentwicklung GmbH. 14 shareholders have brought actions before the Frankfurt Superior Court for avoidance of this resolution. Thereupon Leica Camera AG prepared a petition for the issue of a clearance decision stating that the bringing of the actions for avoidance does not bar the entry of the resolution in the Register of Companies. The actions of 13 shareholders were aggregated for joint judicial hearing and decision.

In a decision of April 4, 2008 the Frankfurt Superior Court dismissed the abovementioned petition. The Company has lodged appeal against this decision. The Court has fixed August 5, 2008 as the day for the hearing.

In April 2008, Dr. Wolf Schumacher was appointed member of the Supervisory Board by court decision.

## 4. Risk management of Leica Camera Group

### Risk report

Comprehensive risk management is an essential element of the management system of an internationally operating group. The purposes of the Company's risk management system are early identification, as well as measurement and documentation of risks in order to guarantee the adoption of appropriate precautionary and safety measures. The Board of Management of Leica Camera is responsible for the design of the risk management system. Opportunities as well as risks of Leica Camera Group are directly influenced by the business situation of the Company's operating divisions, Photo and Sports optics.

The risk management system established at Leica Camera AG forms an integral part of Leica Camera Group's business, planning and control processes embedded in its information and communications systems.

Regular meetings guarantee that on a Group-wide basis risk-related information is passed on to the Board of Management in a timely manner and that information is discussed, as well as ensuring that risk avoidance or risk reduction measures are adopted. In case considerable risks are identified which could become fundamental or existence-threatening the chairmanship of the Supervisory Board is to be informed immediately.

The risks can be classified into different risk categories, such as business environment risks, performance and profitability risks or financial risks. The quality of the individual risk is assessed by establishing the risk value, which results from the probability of occurrence and the potential damage.

### Risk profile

Leica Camera Group has identified the following risk categories as essential for its development in the past, as well as for its future development:

#### Business environment risks

The Leica Camera Group operates in a demanding market environment and thus is exposed to international competition. The market for analogue cameras has been in decline for years, with no end to the trend in sight. In the future, analogue cameras will be in demand in special niche markets only. On the other hand the fast-growing digital camera market is characterised by intense competition among the offerors and declining margins. In addition, the sports optics market harbours potential risks due to the increasing pressure on innovation in this field. Marketing the licence rights and rights of use for the »Leica« brand and the related product names also represents a significant source of revenue.

**Product risks**

A considerable risk has arisen with the rapid increase in sales of digital cameras at the expense of analogue cameras and with the accompanying acceleration of product life cycles. The process of digitalisation constitutes a great challenge for Leica Camera AG. The Company has identified digital technologies as the key to corporate success and the timely market introduction of products as essential for the continuation of the Company as a going concern. Cooperating with its technology partners Leica Camera makes every effort to achieve success in the field of digital compact cameras as well as in the field of digital system cameras.

There are risks from the acceleration of product life cycles also in sports optics. The Company counteracts by developing innovative products incorporating digital technologies, and thereby strengthens its market position.

**Financial risks**

In fiscal year 2007/2008 further stabilisation of the Company's economic situation and liquidity has been achieved. In order to strengthen this development further capital expenditure in respect of the products and capacities of the Company is necessary.

Being equity funds and funds from long-term loans, the funds available to the Group for upcoming capital expenditure projects are limited. In case of final maturities of long-term

loans, prolongations of the provisions of funds may have to be negotiated if necessary. In the process, the terms will greatly depend on the future economic situation of the Group.

In addition to the risk related to the general business trend, the day-to-day business of the Company is exposed to currency risk due to its international orientation. All future payment flows not processed in the accounting currency of the respective Group company are subject to currency risk. The Company is primarily dependent on the development of the Japanese Yen, the US Dollar and the British Pound. The Company uses appropriate financial instruments to limit currency exposure. These currency hedging transactions are currency forwards and currency swaps.

Usually, Leica Camera Group is refinanced by borrowing floating-rate funds. Interest rate risk is hedged by interest-rate swaps on a case-to-case basis.

**Personnel risks**

At the end of fiscal year 2007/2008 the number of employees showed an increase by 65. There is a risk that in the future Leica Camera may not succeed in continuously retaining well-trained and highly specialised employees. There is a further risk that highly specialised knowledge carriers and high performers from all divisions of the Company may leave the Company.

To prevent headhunting the Company tries to establish close ties to its employees by offering a system of variable compensation, supplementary vocational training and an attractive work environment.

#### **Other risks**

In the field of digital photography, particularly in the development of digital compact cameras, the Company is dependent on strategic alliances, licences and important suppliers. If important suppliers should experience difficulties or bottlenecks in delivery or deliver defective products, this would lead to considerable difficulties in production and delivery at Leica Camera Group. Additionally, thorough attention must be paid to the use rights under software licences and patents.

To satisfy the high demands on quality associated with the Leica brand the Company has taken measures encompassing the overall process of origination of a product: uncompromising product development, continuous process optimisation, permanent enhancement of employees' professional skills, close and cooperative partnership with suppliers and firm adherence to a zero mistake strategy in all processes.

To intensify and secure its relations with strategic suppliers the Company cooperates with them on development projects.

#### **Corporate governance**

The management of Leica Camera Group has undertaken to follow the code of best practice issued by the Commission of the German Corporate Governance Code. The corresponding Declaration of Conformity according to section 161 of the AktG is available at the Web site of Leica Camera AG under Investor Relations, Finance Releases.

#### **Report on expected developments**

##### **Economic environment / business prospects**

The Group's sales are dependent on the consumption behaviour of the end customers both at home and abroad. Leica Camera Group offers high-quality products in the high-price segment. The Company's offer is targeted at a clearly defined group of customers. The general state of the economy and economic growth may have an influence on the demand by this group of customers. The Company expects the economic situation on the relevant markets to be heterogeneous in the short to medium term, especially due to the subprime crisis and the Dollar weakness.

### **Development of business in the operating divisions**

After a longer period of experiencing considerable losses and unsatisfactory results, Leica Camera Group will be put back on a path of profitable growth in the medium term by achieving a turnaround. There is growth potential in all of the Company's divisions.

In the system cameras range the Company has identified as an opportunity for profitable growth the planned extension of the portfolio of digital system cameras. In the lenses range the Company has marketed new products and has further products in the planning stage. In the digital compact cameras range the product initiative will be continued. In sports optics the existing products will be renewed and additional product groups introduced.

For the fiscal year 2008/2009 the Board of Management expects a Group net loss in the higher one-digit Euro million range, resulting from research and development expenditure, selling costs and delayed market introduction of new products. Provided innovative products be successfully introduced to the market at the 2008 photokina trade fair the Board of Management deems probable a break-even or slightly positive result in fiscal year 2009/2010. The precondition therefor is, however, that the product portfolio will be reoriented according to plan.

### **Corporate strategy**

With its analogue and digital system cameras Leica Camera Group is to regain a strengthened position in the upper market segment. As a complement the Company will, in cooperation with a partner, continue and strengthen the digital compact camera range for the medium and upper price segments. Further market segments for high-grade lenses are being targeted.

The sports optics division will improve its market position as concerns both its regional presence and its individual product segments. Product innovation will be continued, and digital technology will be integrated where this seems reasonable and in line with market demand.

The Company's core competencies in mechanics and mechatronics, respectively, and optics, as well as its ability in assembling and testing complex products of the highest quality shall be maintained and strengthened.

A »roadmap« for the coming years has been laid out for the respective product portfolios of the abovementioned divisions. The feasibility of certain products and product groups is to be checked in relation to timescales and available technologies. If required, modifications and supplements will be introduced into the roadmap.

For all product lines marketing and sales are uncompromisingly geared towards the upper price segment. Structures are being adjusted, and the Company presses ahead with the implementation of the Top Dealer Concept, as well as the harmonisation of prices.

The areas of development and engineering – mechanics (mechatronics), optics, electronics, as well as digital technology – are run as units spanning the whole of the Group. The Company's leading role in optics and mechanics (mechatronics) shall be developed further; in digital technology the Company's knowledge base must be extended to enable the management and realisation of complex projects in cooperation with partners.

The process of manufacture will be optimised with special attention to the »Made in Germany« label. The German business location is strengthening its assembly and development capabilities. The Portuguese location is further optimised for its role as a supplier of parts and components for Leica Camera Group.

#### **Opportunities and risks**

In addition to the circumstances relevant to the future development of the Group already described in the risk profile, the Company is dependent on the general state of the economy, which is subject to uncertainties, in particular as a result of the current weakness of the Dollar.

The Group sees opportunities for its business in the opening-up of new market segments for high-grade lenses and in the extension of the existing product portfolio by complementary product groups in the sports optics range.

The implementation of a new dealer concept and the concomitant quality upgrading of the photo dealer network can contribute to the strengthening of the Group's market position.

#### **Appointment and revocation of members of the Board of Management and basic principles of the compensation of members of the Board of Management and the Supervisory Board**

In accordance with section 84 et seq. of the AktG members of the Board of Management are appointed and removed by the Supervisory Board.

Members of the Board of Management receive contractually fixed remuneration. No performance-related remuneration is granted.

The Company has not entered into indemnification contracts taking effect in case of a tender offer with either members of the Board of Management or employees.

Members of the Supervisory Board receive a fixed compensation defined by the Articles of Association for their activities and a reimbursement for their expenses.

The Supervisory Board of Leica Camera AG has removed Steven K. Lee as Chairman of the Board of Management with effect from February 22, 2008. Simultaneously the Supervisory Board appointed Dr. Andreas Kaufmann additional member of the Board of Management and, for the period until February 28, 2009, Chairman of the Board of Management. For the time being, Dr. Kaufmann will run the Company jointly with Andreas Lobejäger, each of them being authorised to represent the Company singly.

## **Organisation and processes**

Processes are defined and documented in most of the Company's divisions; in many cases the instruments already exist. Further optimisation of processes is of very great importance especially for sales and marketing, development and engineering.

The Company has commissioned a renowned consulting firm to further improve the process chain and thereby the production potential in the Leica Camera Group. On the basis of an optimisation analysis, this firm is currently preparing concepts and monitoring their implementation.

The systems existing in the Leica Camera Group are regularly analysed. This includes the uniform utilisation of an EDP system. The introduction of an SAP system in the French distribution company was completed in fiscal 2007/2008. The introduction of SAP in the United Kingdom is expected to be completed in fiscal year 2008/2009.

The Company thoroughly plans the production capacity necessary to meet the demand resulting from the sales expected in the short to medium term. In this connection, the concepts drawn up by the aforementioned consulting firm are taken into account.

## **Other**

### **Employees**

The average number of employees – excluding trainees – in the Leica Camera Group increased from 939 in the previous year to 991 in the year under review. On average over the fiscal year 2007/2008, 50% were employed in production and 50% in research and development, sales and administration.

As of the balance sheet date of March 31, the number of employees in the Group increased year on year by 6.9% to 1,013.

The Board of Management would like to thank all of the Company's employees for their work and for their unrelenting commitment.

### **Shareholder structure**

Since September 25, 2007, ACM Projektentwicklung GmbH, Salzburg, Austria, has held 96.5148% of the voting rights of Leica Camera AG. This corresponds to 14,477,220 votes.

### **Statement in accordance with section 312 of the AktG**

In the report on relationships with associated companies, the Board of Management has made the following closing statement: »We state that Leica Camera AG received fair and adequate compensation in each and every legal transaction conducted with an associated company, under the circumstances known to us at the time that any such legal transaction was conducted.«

Solms, June 17, 2008

The Board of Management

Leica Camera Group, Solms  
Group Financial Statements as at March 31, 2008

# Leica Camera Group, Solms Group Balance Sheet

| <b>Assets</b>  | March 31, 2008 | March 31, 2007 |
|--|----------------|----------------|
|  | € 000          | € 000          |
| <b>Non-current assets</b>  |                |                |
| <b>Intangible assets</b>   |                |                |
| Concessions, industrial rights and similar rights<br>and assets and licences in such rights and assets | 1,220          | 963            |
| Proprietary developments   | 1,448          | 4,172          |
| Payments on account and proprietary developments under construction                                    | 64             | 241            |
|  | <b>2,732</b>   | <b>5,376</b>   |
| <b>Tangible assets</b>   |                |                |
| Land, land rights and buildings including buildings on third-party land                                | 5,046          | 5,841          |
| Technical equipment and machinery  | 3,678          | 3,080          |
| Other equipment, operating and office equipment  | 3,986          | 4,465          |
| Payments on account and assets under construction  | 1,358          | 523            |
|  | <b>14,068</b>  | <b>13,909</b>  |
| <b>Financial assets</b>  |                |                |
| Participations   | -              | 5              |
| Investment securities  | 678            | 616            |
| Other loans  | 460            | 463            |
|  | <b>1,138</b>   | <b>1,084</b>   |
| <b>Deferred tax assets</b>   | <b>6,356</b>   | <b>8,816</b>   |
|  | <b>24,294</b>  | <b>29,185</b>  |
| <b>Current assets</b>  |                |                |
| <b>Inventories</b>   |                |                |
| Raw materials, consumables and supplies  | 10,967         | 11,969         |
| Work-in-process  | 3,993          | 4,333          |
| Finished goods and merchandise   | 18,779         | 16,245         |
| Payments on account  | 807            | 45             |
|  | <b>34,546</b>  | <b>32,592</b>  |
| <b>Trade receivables</b>   | <b>9,957</b>   | <b>9,850</b>   |
| <b>Receivables from affiliated companies</b>   | <b>52</b>      | <b>-</b>       |
| <b>Other receivables and other assets</b>  |                |                |
| Receivables  | 37             | 37             |
| Other assets   | 4,263          | 16,908         |
|  | <b>29,438</b>  | <b>19,848</b>  |
| <b>Liquid funds</b>  | <b>43,747</b>  | <b>46,643</b>  |
| <b>Prepaid expenses</b>  | <b>522</b>     | <b>463</b>     |
|  | <b>78,815</b>  | <b>79,698</b>  |
|  | <b>103,109</b> | <b>108,883</b> |

| <b>Equity and liabilities</b>             | March 31, 2008 | March 31, 2007 |
|---|----------------|----------------|
|   | € 000          | € 000          |
| <b>Equity</b>                             |                |                |
| Subscribed capital                        | 15,000         | 15,000         |
| Capital reserves                          | 12,327         | 12,327         |
| Revenue reserves                          | (8,674)        | (9,005)        |
| Currency translation                      | (1,465)        | (132)          |
| Net retained profits of the Group         | 2,808          | 331            |
| Minority interests                        | 1,430          | 1,196          |
|   | <b>21,426</b>  | <b>19,717</b>  |
| <b>Liabilities</b>                        |                |                |
| <b>Long and medium-term liabilities</b>   |                |                |
| Provisions for pensions                   | 13,920         | 15,634         |
| Other long and medium-term provisions     | 2,276          | 2,020          |
| Convertible bonds                         | 11,391         | 11,391         |
| Long and medium-term liabilities to banks | -              | 58             |
| Other long and medium-term liabilities    | 23,483         | 24,163         |
| Deferred taxes                            | 1,268          | 2,908          |
|   | <b>52,338</b>  | <b>56,174</b>  |
| <b>Short-term liabilities</b>             |                |                |
| Short-term provisions                     | 7,184          | 5,832          |
| Liabilities to banks                      | 4,130          | 5,078          |
| Payments received                         | 118            | -              |
| Trade payables                            | 6,569          | 6,943          |
| Liabilities to affiliated companies       | 307            | 1,787          |
| Other short-term liabilities              | 10,775         | 13,125         |
| Prepaid income                            | 262            | 227            |
|   | <b>29,345</b>  | <b>32,992</b>  |
|   | <b>103,109</b> | <b>108,883</b> |

# Leica Camera Group, Solms

## Group Income Statement

|   | 2007/2008       | 2006/2007       |
|---|-----------------|-----------------|
|   | € 000           | € 000           |
| <b>Sales</b>  | <b>156,238</b>  | <b>145,660</b>  |
| Change of finished goods and work-in-process                              | (3,232)         | 884             |
| Own work capitalised  | 1,110           | 4,357           |
| <b>Other operating income</b>   | <b>1,662</b>    | <b>2,352</b>    |
| <b>Cost of materials</b>  |                 |                 |
| Cost of raw materials, consumables and supplies and purchased merchandise | (60,356)        | (59,199)        |
| Cost of purchased services  | (5,036)         | (4,662)         |
|   | <b>(65,392)</b> | <b>(63,861)</b> |
| <b>Personnel expenses</b>   |                 |                 |
| Wages and salaries  | (35,407)        | (31,024)        |
| Social security, pension and other benefit costs                          | (5,509)         | (6,865)         |
|   | <b>(40,916)</b> | <b>(37,889)</b> |
| <b>Amortisation/depreciation</b>  |                 |                 |
| on intangible and tangible assets   | (9,438)         | (8,528)         |
| <b>Other operating expenses</b>   | <b>(32,280)</b> | <b>(37,999)</b> |
| <b>Operating result</b>   | <b>7,752</b>    | <b>4,976</b>    |
| Interest result   | (1,547)         | (2,106)         |
| Depreciation on financial assets  | (23)            | -               |
| <b>Earnings before income taxes</b>                                       | <b>6,182</b>    | <b>2,870</b>    |
| Income taxes  | (3,140)         | (2,367)         |
| <b>Group net income</b>   | <b>3,042</b>    | <b>503</b>      |
| Thereof relating to shareholders of Leica Camera AG                       | 2,808           | 331             |
| Thereof relating to minority shareholders                                 | 234             | 172             |

|   | 2007/2008  | 2006/2007  |
|---|------------|------------|
| <b>Earnings per share</b>                           |            |            |
| basic, Group net income for the period (€)          | 0.19       | 0.023      |
| diluted, Group net income for the period (€)        | 0.17       | 0.020      |
| Average number of shares in issue during the period | 15,000,000 | 15,000,000 |

# Leica Camera Group, Solms Group Cash Flow Statement

|   | March 31, 2008 | March 31, 2007 |
|---|----------------|----------------|
|   | € 000          | € 000          |
| <b>Group net income relating to shareholders of Leica Camera AG</b> | <b>2,808</b>   | <b>331</b>     |
| Change in minority interests  | 234            | 172            |
| Income taxes  | 3,140          | 2,367          |
| Interest result   | 1,547          | 2,106          |
| Amortisation/depreciation on intangible and tangible assets         | 9,438          | 8,528          |
| Unrealised losses on participations                                 | (26)           | 0              |
| Depreciation on financial assets                                    | 23             | 0              |
| Profit/loss from disposal of non-current assets                     | (18)           | (24)           |
| Other non-cash expenses/income                                      | (1,278)        | (2,826)        |
| <b>Operating result before changes in working capital</b>           | <b>15,868</b>  | <b>10,654</b>  |
| Changes in inventories, receivables and other assets                | 10,435         | (12,854)       |
| Changes in trade payables and other liabilities                     | (883)          | 2,695          |
| Income taxes paid   | (2,561)        | (23)           |
| Interest paid   | (2,163)        | (2,091)        |
| Interest received   | 662            | 277            |
| <b>Cash flows from operating activities</b>                         | <b>21,358</b>  | <b>(1,342)</b> |
| Proceeds from disposal of intangible and tangible assets            | 135            | 145            |
| Investments in intangible and tangible assets                       | (7,102)        | (9,077)        |
| Investments in financial assets                                     | (51)           | (1)            |
| <b>Cash flows from investing activities</b>                         | <b>(7,018)</b> | <b>(8,933)</b> |
| Proceeds from the cash capital increase                             | 0              | 3,588          |
| Cash receipt from short or long-term borrowings                     | 0              | 20,156         |
| Payments to minority shareholders                                   | 0              | (463)          |
| Repayments of financial liabilities                                 | (4,750)        | (6,923)        |
| <b>Cash flows from financing activities</b>                         | <b>(4,750)</b> | <b>16,358</b>  |
| <b>Changes in liquid funds</b>                                      | <b>9,590</b>   | <b>6,083</b>   |
| Liquid funds at the beginning of the period                         | 19,848         | 13,765         |
| <b>Liquid funds at the end of the period</b>                        | <b>29,438</b>  | <b>19,848</b>  |

# Leica Camera Group, Solms

## Statement of Changes in Group Equity

|  | Ordinary shares<br>number | Subscribed<br>capital<br>€ 000 | Capital<br>reserves<br>€ 000 | Revenue<br>reserves<br>€ 000 |
|--|---------------------------|--------------------------------|------------------------------|------------------------------|
| <b>Balance on April 1, 2006</b>                | <b>15,000,000</b>         | <b>12,889</b>                  | <b>10,850</b>                | <b>(554)</b>                 |
| Loss carryforward                              |                           |                                |                              | (8,447)                      |
| Dividends paid                                 |                           |                                |                              |                              |
| Outstanding capital contributions paid in      |                           | 2,111                          | 1,477                        |                              |
| Currency translation                           |                           |                                |                              |                              |
| Net retained profits of the Group              |                           |                                |                              |                              |
| Fair market valuation of financial instruments |                           |                                |                              | (4)                          |
| <b>Balance on March 31 / April 1, 2007</b>     | <b>15,000,000</b>         | <b>15,000</b>                  | <b>12,327</b>                | <b>(9,005)</b>               |
| Profit carryforward                            |                           |                                |                              | 331                          |
| Currency translation                           |                           |                                |                              |                              |
| Net retained profits of the Group              |                           |                                |                              |                              |
| <b>Balance on March 31, 2008</b>               | <b>15,000,000</b>         | <b>15,000</b>                  | <b>12,327</b>                | <b>(8,674)</b>               |

| Currency translation | Accumulated loss / net retained profits of the Group | Total         | Minority interests | Group equity  |
|----------------------|--|---------------|--------------------|---------------|
| € 000                | € 000  | € 000         | € 000              | € 000         |
| <b>217</b>           | <b>(8,447)</b>                                       | <b>14,955</b> | <b>1,487</b>       | <b>16,442</b> |
|                      | 8,447  | 0             |                    | 0             |
|                      |  |               | (463)              | (463)         |
|                      |  | 3,588         |                    | 3,588         |
| (349)                |  | (349)         |                    | (349)         |
|                      | 331  | 331           | 172                | 503           |
|                      |  | (4)           |                    | (4)           |
| <b>(132)</b>         | <b>331</b>   | <b>18,521</b> | <b>1,196</b>       | <b>19,717</b> |
|                      | (331)  | 0             |                    | 0             |
| (1,333)              |  | (1,333)       |                    | (1,333)       |
|                      | 2,808  | 2,808         | 234                | 3,042         |
| <b>(1,465)</b>       | <b>2,808</b>   | <b>19,996</b> | <b>1,430</b>       | <b>21,426</b> |

# Leica Camera Group, Solms

## Notes to the Group Financial Statements

### 1. General principles

Leica Camera AG is a registered *Aktiengesellschaft* (stock corporation according to German law), headquartered at Solms, Germany. The objective of the Company is to develop, manufacture and distribute products for picture taking, picture processing and picture reproduction, binoculars and scopes, additional equipment and accessories of any kind, as well as consumer durables of high quality, including furnishing of related services. The Group financial statements are prepared in the functional currency Euro (€), which is also the reporting currency. For reasons of simplification the Group financial statements are prepared in thousands of Euros (€ 000).

The Group financial statements of Leica Camera AG are prepared in accordance with the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB). In this connection, due regard was given to the International Accounting Standards (IAS), the IFRS and the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC; previously SIC) applicable as at March 31, 2008. The accounting and valuation principles applied are identical to those applied in the preparation of the Group financial statements as at March 31, 2007. As compared to the prior year financial statements the notes have been augmented by information on the management of capital (IAS 1) and on financial instruments (IFRS 7).

The IASB has issued the following standards, interpretations and amendments to existing standards whose application is not yet mandatory; Leica Camera AG has decided not to apply these ahead of schedule:

The amendment to IAS 1 relating to the presentation of financial statements is mandatorily applicable to fiscal years commencing in 2010; the amendment to IAS 23 relating to borrowing costs is mandatorily applicable to fiscal years commencing in 2009; the amendments to IFRS 3 relating to business combinations are mandatorily applicable to fiscal years commencing in 2010; the amendment to IFRS 8 Operating Segments is mandatorily applicable to fiscal years commencing in 2009; the amendment to IAS 27 relating to consolidated and separate financial statements according to IFRS is mandatorily applicable to fiscal years commencing in 2010; IFRIC 12 relating to service concession arrangements is mandatorily applicable to fiscal years commencing in 2009; IFRIC 13 relating to customer loyalty programmes is mandatorily applicable to fiscal years commencing in 2009; IFRIC 14 – IAS 19 relating to the limit on a defined benefit asset, minimum funding requirements and their interaction is mandatorily applicable to fiscal years commencing in 2009.

The application of these IFRS is conditional on their being adopted by the EU via the IFRS endorsement process.

The amendment to IAS 1 will lead to changes in the terms used in the Group financial statements. IFRS 8 will result in a change in the presentation of segment reporting. According to the Company's current estimation the first-time application of the other provisions mentioned will have no material effect on the presentation of the financial statements.

As from September 25, 2007, ACM Projektentwicklung GmbH, Salzburg holds 96.51% of the voting rights in Leica Camera AG. ACM Projektentwicklung GmbH is a 100% subsidiary of SOCRATES Privatstiftung, Vienna. SOCRATES Privatstiftung does not prepare consolidated financial statements. Leica Camera AG has prepared a dependence report according to section 312 of the *Aktiengesetz* (AktG – German Stock Corporation Act) as at March 31, 2008.

Within the SOCRATES Group, Leica Camera AG together with its subsidiaries forms the smallest group of consolidated companies among the sub-groups. The present Group financial statements are published in the German electronic federal gazette.

The Company's economic relationships and exchange of performances with related parties are detailed under Other disclosures.

**2. Group of consolidated companies**

In addition to Leica Camera AG, the group of consolidated companies includes the following:

| Company name and location  | Date of initial consolidation | Equity interest |
|--|-------------------------------|-----------------|
| Leica Aparelhos Ópticos de Precisão S.A., Vila Nova de Famalicão, Portugal | March 31, 1994                | 91.66%          |
| Leica Camera Inc., Allendale, New Jersey, USA                              | March 31, 1995                | 100.00%         |
| Leica Camera Ltd., Knowlhill, Milton Keynes, UK                            | March 31, 1996                | 100.00%         |
| Leica Camera S.A.R.L., Gennevilliers, France                               | March 31, 1996                | 100.00%         |
| Leica Camera Japan Co., Ltd., Tokyo, Japan                                 | February 28, 2005             | 51.00%          |
| Leica Cinema GmbH, Zurich, Switzerland                                     | December 22, 2006             | 100.00%         |

Leica Cinema GmbH, Zurich, Switzerland, founded in December 2006, does not yet conduct any business. The purpose of the company is the development, production and distribution of film cameras and other optical equipment.

**Consolidation methods**

The consolidated financial statements include all subsidiaries under legal and/or factual control of Leica Camera AG. There are no interests in joint ventures and no associated companies.

For the purpose of initial consolidation of subsidiaries, the acquisition cost of equity investments is compared to the Group's share in the carrying amount of the equity of the company concerned. The difference between acquisition cost and prorated equity is, as a rule, initially allocated to the subsidiary's assets and liabilities if there is any difference between fair value and carrying amount. Any remaining asset-side difference from capital consolidation is recognised as goodwill and annually subjected to an impairment test. Negative goodwill is immediately recognised in the income statement.

Effects resulting from intra-Group transactions are eliminated. Receivables and payables between consolidated companies are netted; intra-Group profits and losses with regard to fixed assets and inventories are eliminated, and intra-Group income is set off against the corresponding expenses. For all temporary differences from consolidation, tax deferrals are recognised as required by IAS 12.

### **3. Management of capital**

The Leica Camera Group is committed to achieve profitable long-term growth. Therefore the profits and equity of the Group are key indicators used in managing the company. A high equity ratio constitutes the basis of further internal and external growth and increases the Company's appeal for the shareholders. The Company plans to pay dividends in the medium term.

### **4. Currency translation**

The financial statements of foreign Group companies are translated in accordance with the functional currency and modified reporting date methods according to IAS 21. The subsidiaries are operating on an independent basis organisationally, financially and economically.

In the local single-entity statements of the consolidated companies, foreign currency receivables and liabilities are valued at the balance sheet date rate. Gains and losses not yet realised at the balance sheet date are recognised with effect on income for the period. In the Group financial statements, expenses and income of the consolidated companies are translated into € at monthly average rates, assets and liabilities at the balance sheet date rate and the respective subsidiary's equity at historical rates. Differences from currency translation are taken directly to equity, as shown in a separate column of the statement of changes in Group equity.

Any currency translation differences arising from the consolidation of liabilities are recognised as income in the income statement under Other operating income and Other operating expenses.

In the statement of changes in fixed assets, the balances at the beginning and at the end of the fiscal year are translated at the respective balance sheet date rate and the other items at average rates. Differences from exchange rate movements are recognised in separate columns as currency translation differences for acquisition/historical cost, as well as for accumulated amortisation/depreciation.

**5. Application of estimated values**

In some cases estimates were carried out and assumptions made in the Group financial statements, having an effect on the presentation and amount of the assets, liabilities, earnings and expenses, as well as contingent liabilities. The actual values may differ from these estimates.

**6. Accounting and valuation principles**

**Intangible and tangible assets**

Acquired intangible assets are valued at original cost and written off applying the straight-line method of depreciation spread over their expected useful life.

Research and development costs are recorded in the income statement as affecting expenditures at the time they are incurred. As an exception to this principle, costs for the development of new products are capitalised as from the point in time when the technical practicability and the future economic benefit of the new development are proved with sufficient probability. Scheduled depreciation applying the straight-line method spread over expected useful life is effected beginning with the start of the exploitation.

Tangible assets are carried at their acquisition or manufacturing costs, subject to scheduled depreciation. Tangible assets are written off applying the straight-line method of depreciation spread over their expected useful life. Low-value assets are written off in full in their year of acquisition. Unscheduled depreciation of tangible assets is effected in case both the realisable and the utility value of the asset have decreased below its book value.

Tangible assets used on the basis of leasing agreements are capitalised in accordance with IAS 17 and are written off over the term of the leasing agreement if the requirements of a »finance lease« are met.

**Participations**

Participations are accounted for at fair value, if a reliable fair value is available. Changes in fair value are shown in revenue reserves. If no reliable fair value of the participations is available, participations are reflected at acquisition cost or at the lower attributable value as at the balance sheet date.

**Investment securities**

Investment securities (basically securities for the purpose of safeguarding the benefits from the partial retirement scheme) and securities under current assets are accounted for as securities »available for sale« at their respective fair value as at the balance sheet date. Fair value changes not yet realised are reported in the revenue reserves of the Group with no effect on income after recognition of deferred taxes.

**Current assets**

Inventories are carried at their acquisition or manufacturing costs or at lower realisable market values. In addition to direct costs of materials and manufacturing, manufacturing costs comprise appropriate allocations of material and manufacturing overheads, as well as depreciation and write-downs of assets used in construction. Overhead portions are mostly determined on a normal workload basis. Selling costs, general administrative expenses, as well as debt interest costs are not capitalised. Raw materials and merchandise are generally valued at average purchase cost. Risks resulting from slow-moving items and from the obsolescence or reduced utility of inventories are adequately and sufficiently allowed for, while for the purpose of loss-free valuation in case of decreases in selling prices inventories are stated at their net realisable values.

Receivables and Other assets are carried at amortised cost. Adequate specific allowances are charged to doubtful receivables and receivables from countries subject to transfer risks. General collection risk is provided for on the basis of empirical data.

Liquid funds consist of cash in banks payable on demand or invested for a term of up to three months and cash on hand.

**Provisions, liabilities, prepaid expenses**

Pension accruals provide for future pension obligations according to the projected unit credit method, taking into account future payroll and pension increases. Effects resulting from changes in actuarial assumptions are fully recognised in the Group income statement in the year of their occurrence.

Warranty accruals provide for specific warranties for known claims, as well as for obligations derived from the total warranty expenses of the warranty period and the sale of warranted products. Accrued costs yet to be billed and other business obligations are provided for at the best estimate of future cash outflows or, where owed in kind, the future production cost thereof. The remaining accruals provide for all identifiable risks and uncertain commitments at the amount expected to be realised or utilised. Long-term provisions are discounted.

Liabilities are stated at the higher of face value or realisable settlement value.

Deferred income allocates interperiod income – such as rental or licencing income – by prorating it to the year when earned.

**Deferred taxation**

Deferred taxes are recognised for differences between the valuation of items in the Group balance sheet and in the annual accounts underlying local (non-German) taxation, as well as for tax loss carryforwards.

Deferred tax assets are not recognised unless the attendant tax reductions will probably materialise. Deferred taxes account only for those amounts of loss carryforwards for which taxable income sufficient for realising the deferred tax assets is expected in the future according to estimates made as at the balance sheet date.

Deferred taxes are calculated at the tax rate current at the balance sheet date. In Germany this rate, inclusive of the solidarity surcharge and trade tax, is 28.08% (previous year: 37.35%).

**Financial derivatives and hedge transactions**

Financial derivatives are measured at fair value, which value is determined on the basis of exchange-quoted prices or by means of standardised pricing techniques. Financial derivatives are shown under Other assets if their fair value is positive; if their fair value is negative, they are shown under Other short-term liabilities.

For derivative financial instruments that bear a hedging relationship, changes in fair value are recognised according to the nature of the underlying hedging relationship.

If the financial derivative hedges an effective underlying transaction, in particular the currency of an uncompleted contract or a trade receivable, it is a fair value hedge. In this case changes in the fair value of the derivative correspond to opposite changes in the fair value of the hedged underlying transaction. Therefore, if the hedge is highly effective, these changes will be offsetting each other in the income statement. In the balance sheet, the changes in fair value are recognised in the appropriate line of the underlying transaction, particularly in Trade receivables, Inventories and Trade payables.

Cash flow hedges basically include upstream exchange rate hedges for future sales revenues from series manufacture. In this case any change in the fair value of the hedge is reported in revenue reserves after recognition of deferred taxes and is not recognised in net income until realisation of the hedged transaction.

Any financial derivatives that do not meet the stringent requirements of IAS 39 for a hedging relationship are considered instruments held for trading purposes. For these, any differences from fair value remeasurement are immediately and fully recognised in the income statement.

#### Income and expenses

Sales are recognised as and when the underlying products or goods have been delivered or the services rendered, always net of sales deductions such as cash and other discounts, allowances granted to customers etc.

Operating expenses are recorded when the underlying products or services are utilised. Expenses for advertising and sales promotion, as well as other sales-related expenditures are recognised when incurred. The Company provides for accrued warranty obligations when products are sold. Interest expense and other cost of debt are recognised as expenses of the period.

#### 7. Notes to the income statement

| <b>Sales by regions</b>    | 2007/2008      | 2006/2007      |
|----------------------------|----------------|----------------|
|                            | € 000          | € 000          |
| Germany                    | 21,778         | 24,241         |
| Europe (excluding Germany) | 43,419         | 41,944         |
| Asia and Australia         | 45,427         | 40,309         |
| US, Canada and Mexico      | 44,931         | 37,817         |
| Others                     | 683            | 1,349          |
|                            | <b>156,238</b> | <b>145,660</b> |

| <b>Sales by product lines</b>                 | 2007/2008      | 2006/2007      |
|---|----------------|----------------|
|   | € 000          | € 000          |
| System cameras                                | 57,206         | 53,571         |
| Compact cameras                               | 49,456         | 39,306         |
| Sports optics                                 | 29,744         | 30,692         |
| Projectors                                    | 467            | 668            |
| Spare parts and technical after-sales service | 4,055          | 3,703          |
| Licencing income                              | 11,823         | 12,872         |
| Other   | 3,487          | 4,848          |
|   | <b>156,238</b> | <b>145,660</b> |

Licencing income is due to the cooperation between Leica Camera AG and Matsushita Electric Industrial Co., Ltd., Osaka, Japan. The cooperation concerns the exchange of technical know-how on optical solutions in digital cameras. Leica Camera AG receives digital camera components from Matsushita. The contracts also include a licence agreement which enables Matsushita to use the Leica brand and product trademarks of lenses for certain jointly developed and jointly manufactured lenses.

#### Other operating income

|   | 2007/2008    | 2006/2007    |
|---|--------------|--------------|
|   | € 000        | € 000        |
| Release of provisions, deferred income and allowances | 624          | 930          |
| Exchange gains  | 747          | 548          |
| Gain on disposal of non-current assets                | 18           | 12           |
| Release of restructuring provisions                   | 7            | 680          |
| Other income  | 266          | 182          |
|   | <b>1,662</b> | <b>2,352</b> |

#### Personnel expenses

The personnel expenses include income (previous year: expenses) for pension commitments at the following amounts:

|                     | 2007/2008 | 2006/2007 |
|---------------------|-----------|-----------|
|                     | € 000     | € 000     |
| Pension commitments | (279)     | 1,453     |

#### Other operating expenses

|                          | 2007/2008     | 2006/2007     |
|--------------------------|---------------|---------------|
|                          | € 000         | € 000         |
| Selling costs            | 8,131         | 12,133        |
| Administrative expenses  | 9,067         | 8,820         |
| Foreign exchange losses  | 1,912         | 1,178         |
| Warranties               | 1,059         | 1,412         |
| Licence and patent fees  | 4,586         | 5,306         |
| Other operating expenses | 7,525         | 9,150         |
|                          | <b>32,280</b> | <b>37,999</b> |

Licence and patent fees relate to the brand licence agreement with Leica Microsystems IR GmbH, Wetzlar. Due to the licence agreements entered into with Matsushita Leica Microsystems also receives licence fees.

### Interest result

|                   | 2007/2008      | 2006/2007      |
|-------------------|----------------|----------------|
|                   | € 000          | € 000          |
| Interest income   | 662            | 277            |
| Interest expenses | (2,209)        | (2,383)        |
|                   | <b>(1,547)</b> | <b>(2,106)</b> |

### Depreciation on financial assets

In the fiscal year, the participation (€ 5,000) in Photonik Zentrum Hessen in Wetzlar AG, Wetzlar, amounting to 10% of that company's subscribed capital, and the claim under a loan agreement (€ 18,000) vis-à-vis Photonik Zentrum Hessen in Wetzlar AG were fully written off due to lack of economic value.

### Income taxes

|                           | 2007/2008      | 2006/2007      |
|---------------------------|----------------|----------------|
|                           | € 000          | € 000          |
| Current taxes domestic    | (257)          | 1              |
| Current taxes foreign     | (1,892)        | (1,569)        |
|                           | <b>(2,149)</b> | <b>(1,568)</b> |
| Deferred taxes domestic   | (886)          | (671)          |
| Deferred taxes foreign    | (105)          | (128)          |
|                           | <b>(991)</b>   | <b>(799)</b>   |
| <b>Total income taxes</b> | <b>(3,140)</b> | <b>(2,367)</b> |

### Reconciliation of earnings before income taxes to income tax expense

|  | 2007/2008 |              | 2006/2007 |              |
|--|-----------|--------------|-----------|--------------|
|  | %         | € 000        | %         | € 000        |
| Earnings before income taxes                               | 100.00    | 6,182        | 100.00    | 2,870        |
| Income taxes   | 28.08     | 1,735        | 37.35     | 1,074        |
| Non-utilisation and value adjustment of loss carryforwards |           | 0            |           | 898          |
| Tax rate differentials                                     |           | 520          |           | 70           |
| Non-period taxes   |           | (2)          |           | (1)          |
| Deferred taxes from consolidation                          |           | 18           |           | 326          |
| Tax increase due to non-deductible expenses                |           | 869          |           | 0            |
|  |           | <b>3,140</b> |           | <b>2,367</b> |

The corporate income tax was calculated using the tax rate of 15% applicable in Germany and adding the solidarity surcharge of 5.5% thereof, hence a total of 15.8% (previous year: 26.4%), which was applied to earnings before income taxes.

The tax charge changed significantly, by € 1,230,000, as a result of the change in the German tax rate.

While loss carryforwards utilisable for an indefinite period of time exist in Germany for corporate income tax and trade tax purposes in the total amount of € 31,652,000 (previous year: € 33,391,000) and abroad in the total amount of € 4,568,000 (previous year: € 4,768,000), their recognition was waived due to vague realisability. In actual fact, there were tax loss carryforwards in Germany in the amount of € 39,652,000 (previous year: € 39,791,000) and abroad in the amount of € 4,718,000 (previous year: € 4,768,000).

#### **Earnings attributable to minority interests**

The earnings attributable to minority interests relate to the 8.34% interest of Banco Espirito Santo in Leica Aparelhos Ópticos de Precisão S.A., Vila Nova de Famalicão, Portugal, and to the 49% interest of Hermès Japon Co., Ltd., Tokyo, Japan, in Leica Camera Japan Co., Ltd., Tokyo, Japan.

#### **Earnings per share**

The basic (or undiluted) earnings per share are determined by dividing the net loss for the period attributable to the shareholders of Leica Camera AG (2007/2008: € +2,808,000; 2006/2007: € +331,000) by the weighted average number of shares in issue during the respective fiscal year.

In each of the fiscal years shown, a dilution of the earnings per share is possible due to the possible exercise of conversion rights in accordance with the terms and conditions of the convertible bonds issued by the Company; such exercise would increase the number of ordinary shares.

### **8. Notes to the balance sheet    Non-current assets**

#### **Changes in fixed assets**

The changes in fixed assets are shown on pages 62 to 65.

Concessions, industrial rights and similar rights and assets and licences in such rights and assets, goodwill, as well as capitalised proprietary developments have useful lives of between six months and five years. In the fiscal year, straight-line depreciation totalled € 4,495,000 (previous year: € 3,928,000).

In the period under review, research and development costs were expensed in the amount of € 13,518,000 (previous year: € 9,242,000). In the fiscal year, unscheduled depreciation on capitalised proprietary developments was effected in the amount of € 857,000 due to lack of earnings prospects.

There was unscheduled depreciation on other equipment and an existing licence in the amount of € 519,000 due to lack of usability.

Land and buildings are assets of the parent company and of Leica Aparelhos Ópticos de Precisão S.A., Vila Nova de Famalicão, Portugal. Land and building of the parent are leased.

Investment securities mainly include portfolios held as reimbursement fund for employee pensions. The portfolios comprise investments in a money market fund, CCR Gestion CB Centr. EUR FCP and are fair-valued. The fair value of the investment securities amounts to a total of € 678,000 (previous year: € 616,000).

#### **Deferred tax assets and liabilities**

Deferred tax assets and liabilities were established according to the liability method. They result from the following balance sheet items:

|                                 | 2007/2008    | 2006/2007    |
|---------------------------------|--------------|--------------|
|                                 | € 000        | € 000        |
| <b>Deferred tax assets</b>      |              |              |
| Fixed assets                    | 8            | 173          |
| Inventories and receivables     | 1,466        | 2,121        |
| Pension accruals                | 627          | 1,418        |
| Other accruals and liabilities  | 442          | 436          |
| Obligations under leases        | 1,136        | 1,692        |
| Loss carryforwards              | 2,284        | 2,453        |
| Capital procurement costs       | 393          | 523          |
|                                 | <b>6,356</b> | <b>8,816</b> |
| <b>Deferred tax liabilities</b> |              |              |
| Fixed assets                    | 1,221        | 2,907        |
| Liabilities                     | 47           | 0            |
| Other                           | 0            | 1            |
|                                 | <b>1,268</b> | <b>2,908</b> |

### Current assets

#### Inventories

The inventories are composed as follows:

|   | Gross value   |                 | Net value     |               | Gross value     |               | Net value  |            |
|---|---------------|-----------------|---------------|---------------|-----------------|---------------|------------|------------|
|   | 03/31/2008    | Deduction       | 03/31/2008    | 03/31/2007    | Deduction       | 03/31/2007    | 03/31/2007 | 03/31/2007 |
|   | € 000         | € 000           | € 000         | € 000         | € 000           | € 000         | € 000      | € 000      |
| Raw materials, consumables and supplies | 21,215        | (10,248)        | 10,967        | 25,517        | (13,548)        | 11,969        |            |            |
| Work-in-process                         | 5,601         | (1,608)         | 3,993         | 6,030         | (1,697)         | 4,333         |            |            |
| Finished goods and merchandise          | 27,404        | (8,625)         | 18,779        | 20,227        | (3,982)         | 16,245        |            |            |
| Payments on account                     | 807           | 0               | 807           | 45            | 0               | 45            |            |            |
|   | <b>55,027</b> | <b>(20,481)</b> | <b>34,546</b> | <b>51,819</b> | <b>(19,227)</b> | <b>32,592</b> |            |            |

As at March 31, 2008, the raw materials, consumables and supplies item contains replacement parts totalling € 2,796,000 (previous year: € 2,711,000).

#### Other receivables and other assets

There are no receivables and no other assets with a residual term of more than one year.

On May 16, 2006, the Company entered into agreements with Heller Bank AG, Mainz, concerning the provision of finance in an amount of approximately € 9,500,000 (based on sale of accounts receivable and on collateralised borrowing). The funds were used for repayment of liabilities to the pool of lending banks. In fiscal year 2006/2007, these agreements were extended to include financing of inventories, as well as additional special financing. Therefore, Leica Camera AG has at its disposal a total financing volume of € 16,000,000; of this amount, € 9,000,000 relate to liabilities from factoring, € 5,430,000 to financing of inventories, € 570,000 to contingent liabilities and € 1,000,000 to special financing. In addition, the Company's subsidiaries Leica Camera Ltd., Knowlhill, Milton Keynes, UK and Leica Camera S.A.R.L., Gennevilliers, France, have entered into contracts on the sale of accounts receivable with GE Bank in the respective countries.

The following trade receivables were not yet due or overdue, respectively, as at the balance sheet date:

|   | 03/31/2008 | 03/31/2007 |
|---|------------|------------|
|   | € 000      | € 000      |
| Book value  | 9,957      | 9,850      |
| Thereof neither impaired nor overdue as at the balance sheet date | 7,453      | 8,508      |
| Thereof as at the balance sheet date overdue for:                 |            |            |
| 30-60 days  | 1,666      | 1,199      |
| 61-90 days  | 608        | 70         |
| > 90 days   | 230        | 73         |

Other receivables and other assets basically refer to receivables from licences and receivables from factors. In addition, the item includes receivables from revenue offices. The decrease on the previous year is mainly due to the termination of the factoring agreement in the US; the resulting change in the accounting treatment led to an increase of trade receivables.

#### Financial derivatives

Financial derivatives are generally employed to hedge currency risks. The derivatives transactions can be detailed as follows: spot deals, forward deals and swap deals. As at the balance sheet date, the Company had no financial derivatives.

In the previous year, derivatives transactions had resulted in pending profits in the amount of € 6,000 and pending losses in the amount of € 52,000. The pending profits were recognised in the balance sheet as trade receivables, and the contingent losses from pending transactions as trade payables.

#### Risk management:

Leica Camera Group hedges its transactions against currency and interest rate risks through the central treasury, on terms as if at arm's length, using original and derivative financial instruments.

#### Currency risk:

Any future cash flows not transacted in the accounting currency of a Group company are exposed to currency risk. External exchange rate hedges are contracted in the form of forward exchange deals or swap deals.

As at the balance sheet date, the Company employed no fair value hedges. In the previous year, the Company had forward exchange deals with a total transaction volume of ¥ 489,756,000 and currency option deals with a total transaction volume of £ 10,072,000.

**Interest rate risk:**

Usually, Leica Camera Group is refinanced by borrowing floating-rate funds. Interest rate risk is hedged on a case-to-case basis. As at the balance sheet date, no interest rate hedges existed.

**Default risk:**

The maximum loss risk from financial derivatives corresponds to the aggregate total of their positive market values and thus to potential losses of assets that may be incurred if and when contractual obligations are not honoured by specific trading counterparts.

**Equity**

***Equity of Leica Camera AG***

As at the balance sheet date, the subscribed capital of Leica Camera AG amounted to € 15,000,000 (previous year: € 15,000,000).

The share capital is composed of 15,000,000 no-par value bearer shares.

In a letter dated September 25, 2007, Leica Camera AG was informed that ACM Projektentwicklung GmbH holds 14,477,220 Leica Camera shares, which corresponds to a share interest of 96.51%.

The following resolution for conditional capital was passed at the General Meeting on October 15, 2002:

The share capital is conditionally increased by up to € 4,480,000.00, divided into up to 1,750,000 no-par value bearer shares, each with a proportionate amount of the share capital of € 2.56. The conditional capital increase serves to grant subscription rights to the holders/creditors of the convertible bonds which according to the resolution of the Supervisory Board dated October 15, 2002 may be issued until October 14, 2007 by the Company or by a company in which the Company directly or indirectly holds a majority interest. The new shares will be issued at a conversion price which, according to the resolution of the Supervisory Board dated October 15, 2002, has to be determined from time to time. The conditional capital increase may only be executed to the extent that holders avail themselves of the subscription rights. The new shares will carry dividend rights from the beginning of the fiscal year in which they are created through the exercise of conversion rights. The Board of Management is authorised to determine further details for the execution of the conditional capital increase.

The Extraordinary General Meeting on May 31, 2005 resolved a simplified capital decrease in the amount of € 10,004,067.32. Subsequently the Company's reduced share capital of € 1,500,000.00 was increased against contributions in cash by € 13,500,000.00 to € 15,000,000.00 by issuance of 13,500,000 new no-par value bearer shares, each with a proportional interest in the share capital of € 1.00. The new no-par value shares are entitled to profit participation as from the beginning of fiscal year 2005/2006. The new no-par value shares were issued at an issue price of € 1.70 per share.

To allow for the change in the share capital amount resulting from the capital decrease coupled with a subsequent capital increase and for the ensuing change in the proportionate amount of the share capital relating to each share in issue, the Company's Conditional Capital I (section 5.1 of the Articles of Association) was adjusted. This adjustment takes into account that the proportionate amount of the Company's share capital relating to each no-par value share in issue decreases from € 2.56 (rounded off) per no-par value share to € 1.00 per no-par value share.

On the resolution of the Extraordinary General Meeting of May 31, 2005, Conditional Capital I was adjusted to an increase in share capital of up to € 170,000.00, divided into up to 170,000 no-par value bearer shares, each with a proportionate amount of the share capital of € 1.00.

Conditional Capital II, amounting to up to € 766,937.82, was cancelled.

The Board of Management was authorised to increase, with the consent of the Supervisory Board, once or several times the Company's share capital by up to a total of € 4,500,000.00 by issuing of new no-par value bearer shares against contribution in cash, for a period of five years beginning on the day of the entry of this authorisation in the Register of Companies (conditional capital).

The Board of Management was additionally authorised, each time with the consent of the Supervisory Board, to exclude the subscription right of shareholders. However, exclusion of subscription rights is permitted only in the following cases:

- i. To even out any fractional amounts;
- ii. If the capital increase against contributions in cash does not exceed 10% of the share capital and the issue price of the shares is not materially lower than the market price;
- iii. If the new shares are taken over by banks or by corporations with business activities as defined by section 53 (1) sentence 1 or section 53 b (1) sentence 1 or (7) of the *Kreditwesengesetz* (KWG – German Banking Act), and/or by a consortium of the aforementioned, under the obligation that the new shares are offered to the shareholders for purchase at the issue price at a ratio corresponding to their existing participation in the share capital of the Company (indirect subscription right as defined by section 186 (5) of the AktG).

The Supervisory Board was authorised to adapt section 4 of the Articles of Association (share capital) after partial or complete implementation of the share capital increase according to the utilisation of the conditional capital given in each case.

The following resolutions were passed at the General Meeting on November 23, 2005:

To adjust Conditional Capital III to the new proportionate amount of the share capital relating to each share in issue, resulting from the share capital decrease, the conditional capital increase, as resolved by the General Meeting of October 15, 2002, by up to € 4,480,000.00, divided into up to 1,750,000 no-par value bearer shares, is adjusted to the extent it is no longer needed, after the implementation of the capital decrease, to discharge the obligations arising from the rights of conversion into 1,750,000 no-par value shares of the Company. Conditional Capital III is adjusted to an increase in share capital of up to € 583,300.00, divided into up to 583,300 no-par value bearer shares, each with a proportionate amount of the share capital of € 1.00. The conditional capital increase continues to serve the granting of rights to the holders/creditors of the convertible bonds issued pursuant to the authorisation resolved by the General Meeting on October 15, 2002.

Conditional Capital III adjusted in accordance with the preceding paragraph is increased by € 2,289,450.00 to € 2,872,750.00. The Company's share capital is thus conditionally increased by the issue of up to 2,872,750 new no-par value bearer shares, each with a proportionate amount of the share capital of € 1.00. The conditional capital increase continues to serve the granting of rights to the holders/creditors of the convertible bonds issued pursuant to the authorisation resolved by the General Meeting on October 15, 2002.

In a letter dated July 31, 2007, ACM Projektentwicklung GmbH informed Leica Camera AG about its request according to section 327a (1) sentence 1 of the AktG that the General Meeting of the Company may pass a resolution to transfer the shares of the minority shareholders to ACM Projektentwicklung GmbH against an appropriate cash compensation. In a letter dated September 25, 2007, further detail was added to this request by fixing the cash compensation at € 12.15 per no-par value share, each with a proportionate amount of the share capital of € 1.00. In the same letter Leica Camera AG was informed that ACM Projektentwicklung GmbH holds 14,477,220 Leica Camera shares, which corresponds to a share interest of 96.51%.

The General Meeting on November 20, 2007 resolved to transfer the shares. 14 shareholders have brought actions before the Frankfurt Superior Court for avoidance of this resolution. Thereupon Leica Camera AG prepared a petition for the issue of a clearance decision stating that the bringing of the actions for avoidance does not bar the entry of the resolution in the Register of Companies. The actions of 13 shareholders were aggregated for joint judicial hearing and decision.

In a decision of April 4, 2008 the Frankfurt Superior Court dismissed the abovementioned petition. The Company has lodged appeal against this decision. The Court has fixed August 5, 2008 as the day for the oral hearing in the proceedings on the main issue.

#### ***Equity of Leica Camera Group***

In addition to the premium from the cash capital increase of August 2005 (€ 9,450,000), the capital reserves contain the equity portion of the convertible bonds (€ 3,604,000) according to IAS 32. Equity raising cost from the capital increase (€ 877,000) has been deducted from the Group's equity after recognition of deferred taxes.

The shareholders ACM Projektmanagement GmbH and Hermès International S.A. had provided the Company with short-term loans totalling € 3.0 million on an interest-free basis (»interim financing«). In addition, Hermès International had granted Leica additional time for the payment of interest on the convertible bonds in the amount of € 588,000.

Leica has paid the loan principals of the interim financing on September 7 and September 19, 2005, respectively, to Hermès International S.A. and ACM Projektmanagement GmbH, respectively, and has paid the interest amounts on the convertible bonds on September 13, 2005 to Hermès International S.A. As there was close proximity in time of these payments and the cash capital increase the Company has reported in its financial statements as at March 31, 2006 claims for outstanding capital contributions on these shareholders in the light of supreme court jurisdiction. Pursuant to section 63 (2) of the AktG, the shareholders have paid interest of 5% p.a. on the outstanding contributions as from the date of falling due. The outstanding capital contributions have been fully paid in on May 26 and May 31, 2006. The funds that accrued to the Company in the course of the cash capital increase were shown in Liabilities to affiliated companies and Other liabilities, respectively, each with an amount of € 1,500,000. The item also included the interest on the convertible bonds in the amount of € 588,000. These liabilities were fully repaid in August 2007.

The Minority interests item relates to the minority interest in Leica Aparelhos Ópticos de Precisão S.A., Vila Nova de Famalicão, Portugal, in the amount of € 357,000 (previous year: € 321,000) and to the interest of Hermès Japon Co., Ltd., Tokyo, Japan, in Leica Camera Japan Co., Ltd., Tokyo, Japan, in the amount of € 1,073,000 (previous year: € 875,000).

### Liabilities

#### Provisions for pensions

Leica Camera AG has granted certain of its employees pension entitlements on the legal basis of a company agreement on employee pension schemes of June 24, 1987.

Employees who joined the Company after May 1, 2000 are not granted pension entitlements.

Effective September 30, 2005 the existing company agreement on employee pension schemes was terminated within the required period. As a result of the termination the pension entitlements acquired until September 30, 2005 were locked in and will not increase in future periods of employment of these staff members.

The provisions for the pension entitlements are measured actuarially according to the projected unit credit method, with due regard to future pay and pension rises.

The provisions of Leica Camera AG take into account the mortality tables 2005 G established by Professor Dr. Klaus Heubeck.

For the German company, the following future pay and pension rises are assumed:

|               | 03/31/2008 | 03/31/2007 |
|---------------|------------|------------|
| Payroll rise  | 2.00%      | 2.00%      |
| Pension rise  | 1.50%      | 1.50%      |
| Discount rate | 5.50%      | 4.75%      |

The pension entitlements abroad are minor (value: € 34,000, previous year: € 38,000).

In the fiscal year, the development of provisions for pensions was as follows:

|  | 2007/2008     | 2006/2007     |
|--|---------------|---------------|
|  | € 000         | € 000         |
| Pension entitlements as at April 1     | 16,131        | 16,778        |
| Present value of fund assets           | (497)         | (478)         |
| Provisions for pensions as at April 1  | 15,634        | 16,300        |
| Pension entitlements as at April 1     | 16,131        | 16,778        |
| Pensions paid                          | (784)         | (782)         |
| Additions / (Releases)                 | (908)         | 135           |
| Pension entitlements as at March 31    | <b>14,439</b> | <b>16,131</b> |
| Present value of fund assets           | (519)         | (497)         |
| Provisions for pensions as at March 31 | <b>13,920</b> | <b>15,634</b> |

#### Other long and medium-term provisions

This item shows the provisions for the partial retirement scheme with residual term of over one year, as well as the provisions for employment anniversary allowances.

|                                     | Anniversary allowances | Partial retirement scheme | Total        |
|-------------------------------------|------------------------|---------------------------|--------------|
|                                     | € 000                  | € 000                     | € 000        |
| As at April 1, 2007                 | 568                    | 1,537                     | <b>2,105</b> |
| Drawings                            | 0                      | (183)                     | (183)        |
| Releases                            | 0                      | 0                         | 0            |
| Additions                           | 1                      | 385                       | 386          |
| As at March 31, 2008                | 569                    | 1,739                     | <b>2,308</b> |
| Thereof with residual term > 1 year | 569                    | 1,707                     | 2,276        |
| Previous year                       | 568                    | 1,453                     | 2,020        |

#### Convertible bonds

In February 2004, there was an offer to the shareholders of Leica Camera AG to subscribe for convertible bonds in the amount of € 15,000,000 for the purpose of financing the Company's strategy for innovation and distribution.

The convertible bonds have a life of ten years and carry a coupon of 5.5%. According to their original terms and conditions the bonds were convertible into a total of 1.2 million shares at a per-share conversion price of € 12.50.

Due to the capital measures carried out in fiscal year 2005/2006 the conversion ratio was adjusted to conform to a right carried by each convertible bond in the nominal amount of € 100.00 of conversion into 13.1343 no-par value shares, each with a proportionate amount of the share capital of € 1.00. In this connection, the conditional capital serving to grant the conversion rights was adjusted to € 2,873,000.

Hermès International SCA sold the bonds held by it to ACM Projektentwicklung GmbH, the first half in September 2006 and the second half in fiscal 2007/2008. As at March 31, 2008, ACM Projektentwicklung GmbH holds 144,477 bonds.

After entry of the transfer resolution in the Register of Companies the holders of the remaining 5,472 bonds have the right to choose between (i) demanding adequate compensation in cash from the principal shareholder and (ii) maintaining the loan claim on Leica Camera AG.

If after entry of the transfer resolution in the Register of Companies the holders of the 5,472 outstanding bonds fully avail themselves of their right to receive a compensation in cash, they can demand an amount of € 12.15 per Leica Camera be paid to them instead of a maximum of 71,870 Leica Camera shares be issued. The right to be compensated in cash for the conversion rights comes into being on entry of the transfer resolution in the Register of Companies and falls due on exercise of the right to choose. The right to choose can be exercised as from the entry of the transfer resolution. The relevant details will be announced separately after entry of the transfer resolution in the Register of Companies. The right to the individual compensation in cash is subject to a limitation period of three years after the end of the calendar year in which the right came into being.

#### Other long and medium-term liabilities

|                          | Residual<br>term of<br>1 to 5 years | Residual<br>term of<br>over 5 years | 03/31/2008    |
|--------------------------|-------------------------------------|-------------------------------------|---------------|
|                          | € 000                               | € 000                               | € 000         |
| Obligations under leases | 3,449                               | 0                                   | 3,449         |
| Other liabilities        | 20,034                              | 0                                   | 20,034        |
|                          | 23,483                              | 0                                   | <b>23,483</b> |

|                          | Residual<br>term of<br>1 to 5 years | Residual<br>term of<br>over 5 years | 03/31/2007    |
|--------------------------|-------------------------------------|-------------------------------------|---------------|
|                          | € 000                               | € 000                               | € 000         |
| Obligations under leases | 2,211                               | 1,932                               | 4,143         |
| Other liabilities        | 20,020                              | 0                                   | 20,020        |
|                          | 22,231                              | 1,932                               | <b>24,163</b> |

The obligations under leases refer to the production and administrative building leased from SIG-Solms Immobilien GmbH. The lease ends on December 31, 2011.

Other liabilities include a loan extended by Matsushita Electric Industrial Co., Ltd., Osaka, Japan, in the amount of € 20,000,000. The loan matures on September 30, 2011. As at the balance sheet date, this fixed rate loan had a market value of € 18,838,000 (previous year: € 17,663,000).

The long and medium-term liabilities from finance leases are as follows:

|                | Residual<br>term of<br>1 to 5 years<br>€ 000 | Residual<br>term of<br>over 5 years<br>€ 000 | 03/31/2008<br>€ 000 |
|----------------|--|--|---------------------|
| Lease payments | 3,750  | 0  | 3,945               |
| Discounts      | 301  | 0  | 496                 |
| Present value  | 3,449  | 0  | 3,449               |

|                | Residual<br>term of<br>1 to 5 years<br>€ 000 | Residual<br>term of<br>over 5 years<br>€ 000 | 03/31/2007<br>€ 000 |
|----------------|--|--|---------------------|
| Lease payments | 3,088  | 2,215  | 5,303               |
| Discounts      | 877  | 283  | 1,160               |
| Present value  | 2,211  | 1,932  | 4,143               |

The total assets leased under finance leases and attributable to the property of the Group in accordance with IAS 17 amount to € 2,813,000 (previous year: € 3,608,000). Thereof € 2,265,000 (previous year: € 2,609,000) refer to land and buildings.

At the end of the contractually stipulated leasing period the building has been sold to SIG-Solms Immobilien GmbH by the lessor HALOS at the calculated residual value.

The contractually stipulated durations of the finance leases for machinery and equipment are from 32 to 84 months. The contracts usually stipulate purchase rights after the end of the basic term.

Details are shown on pages 62 to 65.

### Short-term provisions

|                      | Guarantees | Restruc-<br>turing | Pending<br>losses | Partial<br>retirement<br>scheme | Other   | Total        |
|----------------------|------------|--------------------|-------------------|---------------------------------|---------|--------------|
|                      | € 000      | € 000              | € 000             | € 000                           | € 000   | € 000        |
| As at April 1, 2007  | 3,610      | 20                 | 57                | 85                              | 2,060   | <b>5,832</b> |
| Drawings             | (520)      | (13)               | 0                 | (85)                            | (1,009) | (1,627)      |
| Releases             | 0          | (7)                | (12)              | 0                               | (406)   | (425)        |
| Additions            | 410        | 0                  | 0                 | 32                              | 2,962   | 3,404        |
| As at March 31, 2008 | 3,500      | 0                  | 45                | 32                              | 3,607   | <b>7,184</b> |

|  | 03/31/2008    | 03/31/2007    |
|--|---------------|---------------|
|  | € 000         | € 000         |
| <b>Liabilities to banks</b>                | 4,130         | 5,136         |
| <b>Advance payments received</b>           | 118           | 0             |
| <b>Trade payables</b>                      | 6,569         | 6,943         |
| <b>Liabilities to affiliated companies</b> | 307           | 1,787         |
| <b>Other short-term liabilities</b>        |               |               |
| Personnel-related liabilities              | 3,403         | 3,446         |
| Liabilities from taxes                     | 1,209         | 1,466         |
| Financial derivatives                      | 0             | 52            |
| Other liabilities                          | 6,163         | 8,161         |
|  | <b>10,775</b> | <b>13,125</b> |

Liabilities to banks include fixed rate loans in the amount of € 49,000, the other liabilities have floating rates. The market value of the liabilities to banks corresponds to the book value.

As at March 31, 2007, € 58,000 of the liabilities to banks had residual terms of more than one year. Correspondingly this amount was shown under long and medium-term liabilities in the previous year.

Other liabilities in the previous year included negative market values of financial derivatives in an amount of € 52,000.

Personnel-related liabilities include the wages, salaries and social security contributions not yet due at the balance sheet date, as well as the prorated amounts of vacation pay, Christmas bonuses and special year-end payments.

The liabilities from finance leases included in the trade payables break down as follows:

|                | 03/31/2008<br>Residual<br>term of<br>up to 1 year<br>€ 000 | 03/31/2007<br>Residual<br>term of<br>up to 1 year<br>€ 000 |
|----------------|--|--|
| Lease payments | 1,017  | 1,069  |
| Discounts      | 196  | 362  |
| Present value  | 821  | 707  |

#### Non-derivative financial liabilities

|  | Residual<br>term of<br>up to 1 year<br>€ 000 | Residual<br>term of<br>1 to 5 years<br>€ 000 | Residual<br>term of<br>over 5 years<br>€ 000 | Total<br>€ 000 |
|--|--|--|--|----------------|
| <b>Convertible bonds</b>                   |  |  |  |                |
| Repayment                                  | 0  | 0  | 11,391                                       | 11,391         |
| Interest                                   | 825  | 3,300  | 825  | 4,950          |
| <b>Liabilities to banks</b>                |  |  |  |                |
| Repayment                                  | 4,130  | 0  | 0  | 4,130          |
| Interest                                   | 194  | 0  | 0  | 194            |
| <b>Trade payables</b>                      |  |  |  |                |
| Repayment                                  | 6,569  | 3,449  | 0  | 10,018         |
| Interest                                   | 196  | 300  | 0  | 496            |
| <b>Liabilities to affiliated companies</b> |  |  |  |                |
|  | 307  | 0  | 0  | 307            |
| <b>Other liabilities</b>                   |  |  |  |                |
| Repayment                                  | 10,775                                       | 20,034                                       | 0  | 30,809         |
| Interest                                   | 1,050  | 3,530  | 0  | 4,580          |

## 9. Other disclosures

#### Notes to the cash flow statement

The earnings attributable to minority interests in the amount of € 234,000 (previous year: € 172,000) relate to the interest of Banco Espírito Santo in Leica Aparelhos Ópticos de Precisão S.A., Vila Nova de Famalicão, Portugal, and to the interest of Hermès Japon Co., Ltd., Tokyo, Japan, in Leica Camera Japan Co., Ltd., Tokyo, Japan.

Income taxes relate to current taxes in the amount of € 2,149,000 (previous year: € 1,568,000) and to deferred taxes in the amount of € 991,000 (previous year: € 799,000).

### Segment reporting

For internal reporting the Company is organised by business division: »Photo«, »Sports optics« and »Other«. The »Photo« division comprises system cameras, compact cameras and projectors plus accessories, the »Sports optics« division includes binoculars and scopes plus accessories. Spare parts and technical after-sales service, industrial business and other services have been combined to form the »Other« segment. The combined sales to external customers achieved by the subgroups of the »Other« segment exceed 10% of total external sales. It was chosen to present the operating result figures (i.e., earnings before interest, taxes and depreciation on financial assets) as the segmental results.

### Segment report as at March 31, 2008

| Segmental breakdown                            | Photo   | Sports optics | Other  | Group   |
|--|---------|---------------|--------|---------|
|  | € 000   | € 000         | € 000  | € 000   |
| Assets   | 12,301  | 3,962         | 1,675  | 17,938  |
| Capital expenditure                            | 5,175   | 1,599         | 406    | 7,179   |
| Liabilities                                    | 60,593  | 16,824        | 4,264  | 81,683  |
| Inventories                                    | 25,872  | 5,750         | 2,924  | 34,546  |
| Sales  | 107,129 | 29,744        | 19,365 | 156,238 |
| Aggregate operating performance                | 105,486 | 30,996        | 17,634 | 154,116 |
| Deployment of materials and purchased services | 55,548  | 7,431         | 2,413  | 65,392  |
| Gross profit                                   | 51,165  | 23,917        | 15,304 | 90,386  |
| Personnel expenses                             | 26,042  | 9,041         | 5,832  | 40,916  |
| Amortisation/depreciation                      | 6,016   | 3,219         | 203    | 9,438   |
| Operating result                               | (3,293) | 3,286         | 7,759  | 7,752   |
| Interest income                                | 492     | 136           | 36     | 662     |
| Interest expenses                              | 1,639   | 455           | 115    | 2,209   |
| Depreciation on financial assets               | 23      | 0             | 0      | 23      |

| Regional breakdown         | Capital expenditure | Assets         | Sales          |
|----------------------------|---------------------|----------------|----------------|
|                            | € 000               | € 000          | € 000          |
| Germany                    | 5,974               | 72,968         | 21,778         |
| Europe (excluding Germany) | 1,047               | 15,524         | 43,419         |
| Asia and Australia         | 93                  | 5,191          | 45,427         |
| US, Canada and Mexico      | 65                  | 9,426          | 44,932         |
| Others                     | 0                   | 0              | 682            |
|                            | <b>7,179</b>        | <b>103,109</b> | <b>156,238</b> |

The operating result of the Photo segment contains allowances for receivables in the amount of € 351,000 (previous year: € 215,000). Devaluations of inventories with effect on income in the Photo segment amount to € 1,332,000 (previous year: € 3,630,000) and in the Sports optics segment to € 986,000 (previous year: € 40,000) while the Other segment saw a release of € 1,064,000 (previous year: devaluation of € 238,000).

#### Segment report as at March 31, 2007

| <b>Segmental breakdown</b>                     | Photo    | Sports optics | Other   | Group    |
|--|----------|---------------|---------|----------|
|  | € 000    | € 000         | € 000   | € 000    |
| Assets   | 13,195   | 5,105         | 2,069   | 20,369   |
| Capital expenditure                            | 7,375    | 1,470         | 233     | 9,078    |
| Liabilities                                    | 62,773   | 20,687        | 5,706   | 89,166   |
| Inventories                                    | 22,426   | 4,050         | 6,116   | 32,592   |
| Sales  | 93,545   | 30,692        | 21,423  | 145,660  |
| Aggregate operating performance                | 99,910   | 30,894        | 22,448  | 153,252  |
| Deployment of materials and purchased services | (52,305) | (9,146)       | (2,410) | (63,861) |
| Gross profit                                   | 47,605   | 21,748        | 20,038  | 89,391   |
| Personnel expenses                             | (22,154) | (9,230)       | (6,505) | (37,889) |
| Amortisation/depreciation                      | (6,444)  | (1,767)       | (317)   | (8,528)  |
| Operating result                               | (6,126)  | 628           | 10,474  | 4,976    |
| Interest income                                | 196      | 64            | 17      | 277      |
| Interest expenses                              | (1,678)  | (553)         | (152)   | (2,383)  |

| <b>Regional breakdown</b>  | Capital expenditure | Assets         | Sales          |
|----------------------------|---------------------|----------------|----------------|
|                            | € 000               | € 000          | € 000          |
| Germany                    | 7,666               | 68,927         | 24,241         |
| Europe (excluding Germany) | 1,065               | 20,873         | 41,944         |
| Asia and Australia         | 320                 | 6,015          | 40,309         |
| US, Canada and Mexico      | 27                  | 13,068         | 37,817         |
| Others                     | 0                   | 0              | 1,349          |
|                            | <b>9,078</b>        | <b>108,883</b> | <b>145,660</b> |

The operating result of the Photo segment contains allowances for receivables in the amount of € 215,000 (previous year: € 467,000). Devaluations of inventories with effect on income in the Photo segment amount to € 3,630,000 (previous year: release of € 1,971,000), in the Sports optics segment to € 40,000 (previous year: release of € 197,000) and in the Other segment to € 238,000 (previous year: € 5,000).

### Contingent liabilities

As at the balance sheet date, there are the following contingent liabilities and other financial commitments:

|  | 03/31/2008 | 03/31/2007 |
|--|------------|------------|
|  | € 000      | € 000      |
| From the issue and transfer of bills       | 14         | 7          |
| From the assumption of guarantees to banks | 400        | 500        |
| From orders                                | 8,572      | 19,400     |

| 2007/2008 | Residual term of up to 1 year | Residual term of 1 to 5 years | Residual term of over 5 years |
|-----------|-------------------------------|-------------------------------|-------------------------------|
|           | € 000                         | € 000                         | € 000                         |

|                  |       |     |   |
|------------------|-------|-----|---|
| Operating leases | 226   | 191 | 0 |
| Leases           | 1,134 | 325 | 0 |

| 2006/2007 | Residual term of up to 1 year | Residual term of 1 to 5 years | Residual term of over 5 years |
|-----------|-------------------------------|-------------------------------|-------------------------------|
|           | € 000                         | € 000                         | € 000                         |

|                  |       |     |   |
|------------------|-------|-----|---|
| Operating leases | 171   | 237 | 0 |
| Leases           | 1,199 | 325 | 0 |

The operating lease agreements have an average term of 36 months and mainly refer to automobiles and software.

### Related party disclosures

The related parties of the Company include the members of the Board of Management and of the Supervisory Board and their respective immediate family members, as well as those companies the members of the Board of Management and of the Supervisory Board and their respective immediate family members may exert a significant influence on or have voting rights in. In addition, the related parties include the main shareholders of the Company and their associated companies. The Company has various business relationships with related parties.

In the opinion of the management of Leica Camera AG, these business relationships are on an arm's length basis:

***General supply agreement with and rental payment guarantee for VIAOPTIC GmbH***

Under the general supply agreement of September 1, 2003 with VIAOPTIC GmbH, a company 86%-owned by the Company's majority shareholder, ACM Projektentwicklung GmbH, the Company is obliged to take delivery of injection moulded plastic parts.

In fiscal year 2007/2008, VIAOPTIC GmbH has delivered goods and rendered services in a volume of € 96,000 (previous year: € 150,000). As at the record date, there are accounts payable in the amount of € 7,000 (previous year: € 7,000). In fiscal year 2007/2008, Leica Camera AG has delivered goods and rendered services in a volume of € 13,000 (previous year: € 101,000). As at the record date, there are accounts receivable in the amount of € 6,000 (previous year: € 9,000).

To secure rents receivable from VIAOPTIC GmbH, Leica Camera AG has assumed a directly enforceable guarantee. As a shareholder of VIAOPTIC GmbH, ACM Projektentwicklung GmbH has undertaken vis-à-vis Leica Camera AG to reimburse any drawing on the guarantee.

***Supply agreement with Uwe Weller Feinwerktechnik GmbH***

The Company has entered in a supply agreement dated November 7, 1996 with Uwe Weller Feinwerktechnik GmbH, a company 74.9%-owned by the Company's majority shareholder, ACM Projektentwicklung GmbH. Uwe Weller Feinwerktechnik GmbH supplies the Company with workpieces.

In fiscal year 2007/2008, Uwe Weller Feinwerktechnik GmbH has delivered goods and rendered services in a volume of € 2,627,000 (previous year: € 1,282,000). As at the record date, there are accounts payable in the amount of € 159,000 (previous year: € 127,000). In fiscal year 2007/2008, Leica Camera AG has delivered goods and rendered services in a volume of € 1,000 (previous year: € 4,000). As at the record date and in the previous year, there were accounts receivable in amounts of less than € 1,000.

***Business relationship with ACM Projektentwicklung GmbH***

In the period from April 1, 2007 until March 31, 2008, ACM Projektentwicklung GmbH has delivered goods and rendered services in a volume of € 75,000. As at the record date, there are accounts payable in the amount of € 42,000.

Additionally, in the period from April 1, 2007 until March 31, 2008, Leica Camera AG has delivered goods and rendered services to ACM Projektentwicklung GmbH in a volume of € 14,000. As at the record date, there are accounts receivable by Leica Camera AG in the amount of € 1,000.

***Interim financing by major shareholders***

For the period from April 21, 2005 until September 19, 2005 the major shareholders had provided the Company with interim financing in the amount of € 3,000,000 on an interest-free basis.

Leica has repaid the loan principals of the interim financing, totalling € 3,000,000, on September 7, 2005 and September 19, 2005, respectively, to Hermès International S.A. and ACM Projektmanagement GmbH, respectively. As there was close proximity in time of these repayments and the cash capital increase the Company has reported in its financial statements claims for outstanding capital contributions on these shareholders in the light of supreme court jurisdiction. Pursuant to section 63 (2) of the AktG, the shareholders have to pay interest of 5% p.a. on the outstanding contributions as from the date of falling due. In the previous year, the funds that accrued to the Company in the course of the cash capital increase were shown in Liabilities to affiliated companies and Other liabilities, respectively, each with an amount of € 1,500,000. These liabilities were fully repaid in August 2007.

***Leasing agreement with SIG-Solms Immobilien GmbH***

At the end of the contractually stipulated leasing period the building has been sold to SIG-Solms Immobilien GmbH by the lessor HALOS at the calculated residual value. SIG-Solms Immobilien GmbH is 94% owned by SOCRATES Holding GmbH.

There is a leasing agreement with SIG-Solms Immobilien GmbH with a duration of four years, stipulating a purchase right as at December 31, 2011.

In the period from January 1, 2008 until March 31, 2008, SIG-Solms Immobilien GmbH has rendered services as a lessor in a volume of € 210,000. As at the record date, there are accounts payable in the amount of € 107,000.

**Risk management system of Leica Camera Group**

***Risk report***

Comprehensive risk management is an essential element of the management system of an internationally operating group. The purposes of the Company's risk management system are early identification, as well as measurement and documentation of risks in order to guarantee the adoption of appropriate precautionary and safety measures. The Board of Management of Leica Camera AG is responsible for the design of the risk management system. Opportunities as well as risks of Leica Camera Group are directly influenced by the business situation of the Company's operating divisions, Photo and Sports optics.

The risk management system established at Leica Camera AG forms an integral part of Leica Camera Group's business, planning and control processes embedded in its information and communications systems.

Regular meetings guarantee that on a Group-wide basis risk-related information is passed on to the Board of Management in a timely manner and that information is discussed, as well as ensuring that risk avoidance or risk reduction measures are adopted. In case considerable risks are identified which could become fundamental or existence-threatening the chairmanship of the Supervisory Board is to be informed immediately.

The risks can be classified into different risk categories, such as business environment risks, performance and profitability risks or financial risks. The quality of the individual risk is assessed by establishing the risk value, which results from the probability of occurrence and the potential damage.

#### ***Risk profile***

Leica Camera Group has identified the following risk categories as essential for its development in the past, as well as for its future development:

#### **Business environment risks**

The Leica Camera Group operates in a demanding market environment and thus is exposed to international competition. The market for analogue cameras has been in decline for years, with no end to the trend in sight. In the future, analogue cameras will be in demand in special niche markets only. On the other hand the fast-growing digital camera market is characterised by intense competition among the offerors and declining margins. In addition, the sports optics market harbours potential risks due to the increasing pressure on innovation in this field. Marketing the licence rights and rights of use for the »Leica« brand and the related product names also represents a significant source of revenue.

#### **Product risks**

A considerable risk has arisen with the rapid increase in sales of digital cameras at the expense of analogue cameras and with the accompanying acceleration of product life cycles. The process of digitalisation constitutes a great challenge for Leica Camera AG. The Company has identified digital technologies as the key to corporate success and the timely market introduction of products as essential for the continuation of the Company as a going concern. Cooperating with its technology partners Leica Camera makes every effort to achieve success in the field of digital compact cameras as well as in the field of digital system cameras.

**Financial risks**

In fiscal year 2007/2008 further stabilisation of the Company's economic situation and liquidity has been achieved. In order to strengthen this development further capital expenditure in respect of the products and capacities of the Company is necessary.

In addition to the risk related to the general business trend, the day-to-day business of the Company is exposed to currency risk due to its international orientation. All future payment flows not processed in the accounting currency of the respective Group company are subject to currency risk. The Company is primarily dependent on the development of the Japanese Yen, the US Dollar and the British Pound. The Company uses appropriate financial instruments to limit currency exposure. These currency hedging transactions are currency forwards and currency swaps.

Usually, Leica Camera Group is refinanced by borrowing floating-rate funds. Interest rate risk is hedged by interest-rate swaps on a case-to-case basis.

**Personnel risks**

In fiscal year 2007/2008 the number of employees showed an increase by 65. There is a risk that in the future Leica Camera may not succeed in continuously retaining well-trained and highly specialised employees. There is a further risk that highly specialised knowledge carriers and high performers from all divisions of the Group may leave the Company.

**Other risks**

In the field of digital photography, particularly in the development of digital compact cameras, the Company is dependent on strategic alliances, licences and important suppliers. If important suppliers should experience difficulties or bottlenecks in delivery or deliver defective products, this would lead to considerable difficulties in production and delivery at Leica Camera AG. Additionally, thorough attention must be paid to the use rights under software licences and patents.

**Corporate Governance Code**

The management of Leica Camera Group has undertaken to follow the code of best practice issued by the Commission of the German Corporate Governance Code. The corresponding Declaration of Conformity according to section 161 of the AktG is available at the Web site of Leica Camera AG.

### Number of employees

On average in the fiscal year, the Group employed:

|                    | 2007/2008  | 2006/2007  |
|--------------------|------------|------------|
|                    | number     | number     |
| Wage earners       | 500        | 463        |
| Salaried employees | 491        | 476        |
|                    | <b>991</b> | <b>939</b> |

### Auditors' fees

The fees of the auditors of Leica Camera AG and Leica Camera Group recognised in the Group financial statements amount to € 184,000 (previous year: € 177,000). The fees break down as follows:

|   | 2007/2008  | 2006/2007  |
|---|------------|------------|
|   | € 000      | € 000      |
| Fees for the audit of the single-entity and the Group financial statements and the dependence report of Leica Camera AG | 139        | 142        |
| Fees for other auditors' services   | 22         | 16         |
| Tax consultancy fees  | 23         | 19         |
|   | <b>184</b> | <b>177</b> |

The fees for other auditors' services in the fiscal year relate to fees for a special audit of the French subsidiary.

### Events after the balance sheet date

The General Meeting on November 20, 2007 resolved to transfer the outstanding shares to ACM Projektentwicklung GmbH. 14 shareholders have brought actions before the Frankfurt Superior Court for avoidance of this resolution. Thereupon Leica Camera AG prepared a petition for the issue of a clearance decision stating that the bringing of the actions for avoidance does not bar the entry of the resolution in the Register of Companies. The actions of 13 shareholders were aggregated for joint judicial hearing and decision.

In a decision of April 4, 2008 the Frankfurt Superior Court dismissed the petition for the issue of a clearance decision. The Company has lodged appeal against this decision. The Court has fixed August 5, 2008 as the day for the hearing.

On April 7, 2008, Dr. Wolf Schumacher was appointed additional member of the Supervisory Board by court decision.

**Total payments to members of the statutory bodies and former members of the management**

The following resolution was passed at the General Meeting on July 6, 2006: For fiscal years 2006/2007 through 2010/2011 there will be no disclosure, either in the single-entity financial statements or in the Group financial statements (if any), of the payments to or other benefits received by each member of the Board of Management; see section 285 sentence 1 no. 9 letter a, sentences 5 to 9 and section 314 (1) no. 6 letter a, sentences 5 to 9 of the *Handelsgesetzbuch* (HGB – German Commercial Code).

In the fiscal year, the remuneration of the members of the Board of Management amounted to € 708,000 (previous year: € 579,000). Former members of the Board of Management and members of their families received remuneration in the amount of € 1,741,000 (previous year: € 566,000).

In accordance with the Company's Articles of Association the remuneration of the Supervisory Board amounted to € 75,000 (previous year: € 77,000).

The provisions for pensions of former members of the management and their surviving dependents have been made in the total amount necessary and as at March 31, 2008 amount to € 949,000 (previous year: € 1,181,000).

**Members of the Board of Management and the Supervisory Board**

During the period under review, the Board of Management was composed of:

Dr. Andreas Kaufmann (Chairman), Salzburg, from February 23, 2008

Other mandates:

ACM Projektentwicklung GmbH (Managing Director)

SOCRATES Holding GmbH (Managing Director)

Residenz Park Optic Beteiligung GmbH (Managing Director)

ACM Cine Project Company LLC (Managing Director)

Optic Beteiligungs GmbH (Managing Director)

Leitz-Park GmbH (Managing Director)

Viaoptic Immobilien GmbH (Managing Director)

Weller Immobilien GmbH (Managing Director)

WLC Immobilien GmbH (Managing Director)

SOCRATES Privatstiftung (Member of the Advisory Board)

New Energy Beteiligungs GmbH (Member of the Advisory Board)

Uwe Weller Feinwerktechnik GmbH (Chairman of the Advisory Board)

Viaoptic GmbH (Chairman of the Advisory Board)

Lust Beteiligungs-GmbH (Member of the Advisory Board)

CCS Content Conversion Specialists GmbH (Chairman of the Advisory Board)

HPC Health Care Packaging GmbH (Chairman of the Advisory Board)

CygniCon GmbH (Member of the Advisory Board)

Steven K. Lee (Chairman), Edina, until February 22, 2008

Andreas Lobejäger, Ubstadt-Weiher, from September 3, 2007

During the period under review, the Supervisory Board was composed of the following members within the meaning of section 100 (2) no. 1 of the AktG:

Wulf Matthias (Chairman)

Other mandates:

Credit Suisse (Deutschland) AG (Member of the Executive Board)

Wirecard Bank AG (Member of the Supervisory Board)

Dr. Andreas Kaufmann, managing director (Deputy Chairman), until February 22, 2008

Other mandates:

ACM Projektentwicklung GmbH\* (Managing Director)

SOCRATES Holding GmbH\* (Managing Director)

Residenz Park Optic Beteiligung GmbH\* (Managing Director)

ACM Cine Project Company LLC\* (Managing Director)

Optic Beteiligungs GmbH (Managing Director)

Leitz-Park GmbH (Managing Director)

Viaoptic Immobilien GmbH (Managing Director)

Weller Immobilien GmbH (Managing Director)

WLC Immobilien GmbH (Managing Director)

SOCRATES Privatstiftung\* (Member of the Advisory Board)

New Energy Beteiligungs GmbH\* (Member of the Advisory Board)

Uwe Weller Feinwerktechnik GmbH (Chairman of the Advisory Board)

Viaoptic GmbH (Chairman of the Advisory Board)

Lust Beteiligungs-GmbH (Member of the Advisory Board)

CCS Content Conversion Specialists GmbH (Chairman of the Advisory Board)

HPC Health Care Packaging GmbH (Chairman of the Advisory Board)

CygniCon GmbH (Member of the Advisory Board)

Dr. Klaus Baumüller, shareholders' representative

Other mandates:

Cuvaison Winery\* (Chairman of the Board of Directors)

Chapel Hill Winery\* (Chairman of the Board of Directors)

Permasur SA\* (Member of the Board of Directors)

Schweizerische Cementindustrie AG\* (Member of the Board of Directors)

BIH AG\* (Member of the Board of Directors)

CKU AG\* (Member of the Board of Directors)

Thermalbäder & Grandhotels Bad Ragaz\* (Member of the Board of Directors)

\* Not relevant in determining the maximum number of supervisory board mandates according to section 100 (2) no. 1 of the AktG.

Dr. Wolf Schumacher, shareholders' representative, from April 7, 2008

Other mandates:

Aareal Bank AG (Chairman of the Management Board)

Aareon AG (Member of the Supervisory Board)

Aareal Estate AG (Deputy Chairman of the Supervisory Board)

Aareal Valuation GmbH (Chairman of the Supervisory Board)

Patrick Thomas, shareholders' representative

Other mandates:

Hermès International SCA\* (Chairman of the Board of Management) and subsidiaries\* (Management)

Banque Neufilze OBC\* (Member of the Supervisory Board)

Hermès Prague\* (Member of the Supervisory Board)

Gaulme\* (Member of the Supervisory Board)

Massilly Holding\* (Member of the Supervisory Board)

Rita Woschée, employees' representative

(no other mandates)

Edgar Zimmermann, employees' representative

(no other mandates)

Solms, June 17, 2008

The Board of Management



Dr. Andreas Kaufmann



Andreas Lobejäger

\* Not relevant in determining the maximum number of supervisory board mandates according to section 100 (2) no. 1 of the AktG.

# Leica Camera Group, Solms

## Statement of Changes in Fixed Assets

### in Fiscal Year 2007/2008

|   | Acquisition/historical cost    |              |                        |              |                                       |                                 |
|---|--------------------------------|--------------|------------------------|--------------|---------------------------------------|---------------------------------|
|   | Balance on<br>April 1,<br>2007 | Additions    | Reclassi-<br>fications | Disposals    | Currency<br>translation<br>difference | Balance on<br>March 31,<br>2008 |
|   | € 000                          | € 000        | € 000                  | € 000        | € 000                                 | € 000                           |
| <b>Intangible assets</b>  |                                |              |                        |              |                                       |                                 |
| Concessions, industrial rights and similar rights and assets and licences in such rights and assets | 4,639                          | 1,024        | 155                    | 70           | (1)                                   | 5,747                           |
| Goodwill  | 113                            | 0            | 0                      | 0            | 0                                     | 113                             |
| Proprietary developments  | 10,530                         | 650          | 200                    | 0            | 0                                     | 11,380                          |
| Payments on account and proprietary developments under construction                                 | 241                            | 46           | (218)                  | 4            | (1)                                   | 64                              |
|   | <b>15,523</b>                  | <b>1,720</b> | <b>137</b>             | <b>74</b>    | <b>(2)</b>                            | <b>17,304</b>                   |
| <b>Tangible assets</b>  |                                |              |                        |              |                                       |                                 |
| Land, land rights and buildings including buildings on third-party land                             | 7,433                          | 185          | 0                      | 0            | 0                                     | 7,618                           |
| Leased land, land rights and buildings including buildings on third-party land                      | 3,710                          | 141          | 0                      | 0            | 0                                     | 3,851                           |
| Technical equipment and machinery   | 26,982                         | 1,843        | 118                    | 1,893        | (16)                                  | 27,034                          |
| Leased technical equipment and machinery  | 3,307                          | 0            | 0                      | 572          | 0                                     | 2,735                           |
| Other equipment, operating and office equipment   | 28,389                         | 1,867        | 415                    | 4,728        | (71)                                  | 25,872                          |
| Leased other equipment, operating and office equipment  | 1,031                          | 0            | (159)                  | 161          | 0                                     | 711                             |
| Payments on account and assets under construction   | 523                            | 1,346        | (511)                  | 0            | 0                                     | 1,358                           |
|   | <b>71,375</b>                  | <b>5,382</b> | <b>(137)</b>           | <b>7,354</b> | <b>(87)</b>                           | <b>69,179</b>                   |
| <b>Financial assets</b>   |                                |              |                        |              |                                       |                                 |
| Participations  | 5                              | 0            | 0                      | 0            | 0                                     | 5                               |
| Investment securities   | 616                            | 62           | 0                      | 0            | 0                                     | 678                             |
| Other loans   | 463                            | 15           | 0                      | 0            | 0                                     | 478                             |
|   | <b>1,084</b>                   | <b>77</b>    | <b>0</b>               | <b>0</b>     | <b>0</b>                              | <b>1,161</b>                    |
|   | <b>87,982</b>                  | <b>7,179</b> | <b>0</b>               | <b>7,428</b> | <b>(89)</b>                           | <b>87,644</b>                   |

| Accumulated amortisation/depreciation |              |                        |              |                                       | Net book value                  |  |                                 |                                 |
|---------------------------------------|--------------|------------------------|--------------|---------------------------------------|---------------------------------|--|---------------------------------|---------------------------------|
| Balance on<br>April 1,<br>2007        | Additions    | Reclassi-<br>fications | Disposals    | Currency<br>translation<br>difference | Balance on<br>March 31,<br>2008 |  | Balance on<br>March 31,<br>2008 | Balance on<br>March 31,<br>2007 |
| € 000                                 | € 000        | € 000                  | € 000        | € 000                                 | € 000                           |  | € 000                           | € 000                           |
| 3,676                                 | 921          | 0                      | 70           | 0                                     | 4,527                           |  | 1,220                           | 963                             |
| 113                                   | 0            | 0                      | 0            | 0                                     | 113                             |  | 0                               | 0                               |
| 6,358                                 | 3,574        | 0                      | 0            | 0                                     | 9,932                           |  | 1,448                           | 4,172                           |
| 0                                     | 0            | 0                      | 0            | 0                                     | 0                               |  | 64                              | 241                             |
| <b>10,147</b>                         | <b>4,495</b> | <b>0</b>               | <b>70</b>    | <b>0</b>                              | <b>14,572</b>                   |  | <b>2,732</b>                    | <b>5,376</b>                    |
| 4,201                                 | 633          | 0                      | 0            | 3                                     | 4,837                           |  | 2,781                           | 3,232                           |
| 1,101                                 | 485          | 0                      | 0            | 0                                     | 1,586                           |  | 2,265                           | 2,609                           |
| 24,714                                | 960          | 0                      | 1,788        | (12)                                  | 23,874                          |  | 3,160                           | 2,268                           |
| 2,495                                 | 294          | 0                      | 572          | 0                                     | 2,217                           |  | 518                             | 812                             |
| 24,111                                | 2,548        | 25                     | 4,720        | (48)                                  | 21,916                          |  | 3,956                           | 4,278                           |
| 844                                   | 23           | (25)                   | 161          | 0                                     | 681                             |  | 30                              | 187                             |
| 0                                     | 0            | 0                      | 0            | 0                                     | 0                               |  | 1,358                           | 523                             |
| <b>57,466</b>                         | <b>4,943</b> | <b>0</b>               | <b>7,241</b> | <b>(57)</b>                           | <b>55,111</b>                   |  | <b>14,068</b>                   | <b>13,909</b>                   |
| 0                                     | 5            | 0                      | 0            | 0                                     | 5                               |  | 0                               | 5                               |
| 0                                     | 0            | 0                      | 0            | 0                                     | 0                               |  | 678                             | 616                             |
| 0                                     | 18           | 0                      | 0            | 0                                     | 18                              |  | 460                             | 463                             |
| <b>0</b>                              | <b>23</b>    | <b>0</b>               | <b>0</b>     | <b>0</b>                              | <b>23</b>                       |  | <b>1,138</b>                    | <b>1,084</b>                    |
| <b>67,613</b>                         | <b>9,461</b> | <b>0</b>               | <b>7,311</b> | <b>(57)</b>                           | <b>69,706</b>                   |  | <b>17,938</b>                   | <b>20,369</b>                   |

# Leica Camera Group, Solms

## Statement of Changes in Fixed Assets in Fiscal Year 2006/2007

|   | Acquisition/historical cost    |              |                        |              |                                       |                                 |
|---|--------------------------------|--------------|------------------------|--------------|---------------------------------------|---------------------------------|
|   | Balance on<br>April 1,<br>2006 | Additions    | Reclassi-<br>fications | Disposals    | Currency<br>translation<br>difference | Balance on<br>March 31,<br>2007 |
|   | € 000                          | € 000        | € 000                  | € 000        | € 000                                 | € 000                           |
| <b>Intangible assets</b>  |                                |              |                        |              |                                       |                                 |
| Concessions, industrial rights and<br>similar rights and assets and licences<br>in such rights and assets | 4,284                          | 446          | 4                      | 86           | (9)                                   | 4,639                           |
| Goodwill  | 113                            | 0            | 0                      | 0            | 0                                     | 113                             |
| Proprietary developments  | 5,502                          | 3,755        | 1,273                  | 0            | 0                                     | 10,530                          |
| Payments on account and proprietary<br>developments under construction                                    | 1,399                          | 199          | (1,273)                | 82           | (2)                                   | 241                             |
|   | <b>11,298</b>                  | <b>4,400</b> | <b>4</b>               | <b>168</b>   | <b>(11)</b>                           | <b>15,523</b>                   |
| <b>Tangible assets</b>  |                                |              |                        |              |                                       |                                 |
| Land, land rights and buildings including<br>buildings on third-party land                                | 6,036                          | 828          | 622                    | 15           | (38)                                  | 7,433                           |
| Leased land, land rights and buildings<br>including buildings on third-party land                         | 3,710                          | 0            | 0                      | 0            | 0                                     | 3,710                           |
| Technical equipment and machinery   | 26,616                         | 351          | 159                    | 146          | 2                                     | 26,982                          |
| Leased technical equipment<br>and machinery   | 3,262                          | 0            | 267                    | 222          | 0                                     | 3,307                           |
| Other equipment, operating<br>and office equipment  | 24,974                         | 2,654        | 1,707                  | 893          | (53)                                  | 28,389                          |
| Leased other equipment,<br>operating and office equipment   | 1,031                          | 0            | 0                      | 0            | 0                                     | 1,031                           |
| Payments on account and<br>assets under construction  | 2,486                          | 844          | (2,759)                | 19           | (29)                                  | 523                             |
|   | <b>68,115</b>                  | <b>4,677</b> | <b>(4)</b>             | <b>1,295</b> | <b>(118)</b>                          | <b>71,375</b>                   |
| <b>Financial assets</b>   |                                |              |                        |              |                                       |                                 |
| Participations  | 5                              | 0            | 0                      | 0            | 0                                     | 5                               |
| Investment securities   | 678                            | 0            | 0                      | 62           | 0                                     | 616                             |
| Other loans   | 509                            | 1            | 0                      | 0            | (47)                                  | 463                             |
|   | <b>1,192</b>                   | <b>1</b>     | <b>0</b>               | <b>62</b>    | <b>(47)</b>                           | <b>1,084</b>                    |
|   | <b>80,605</b>                  | <b>9,078</b> | <b>0</b>               | <b>1,525</b> | <b>(176)</b>                          | <b>87,982</b>                   |

| Accumulated amortisation/depreciation |              |                        |              |                                       | Net book value                  |  |                                 |                                 |
|---------------------------------------|--------------|------------------------|--------------|---------------------------------------|---------------------------------|--|---------------------------------|---------------------------------|
| Balance on<br>April 1,<br>2006        | Additions    | Reclassi-<br>fications | Disposals    | Currency<br>translation<br>difference | Balance on<br>March 31,<br>2007 |  | Balance on<br>March 31,<br>2007 | Balance on<br>March 31,<br>2006 |
| € 000                                 | € 000        | € 000                  | € 000        | € 000                                 | € 000                           |  | € 000                           | € 000                           |
| 3,231                                 | 531          | 0                      | 86           | 0                                     | 3,676                           |  | 963                             | 1,053                           |
| 113                                   | 0            | 0                      | 0            | 0                                     | 113                             |  | 0                               | 0                               |
| 2,961                                 | 3,397        | 0                      | 0            | 0                                     | 6,358                           |  | 4,172                           | 2,541                           |
| 62                                    | 0            | 0                      | 62           | 0                                     | 0                               |  | 241                             | 1,337                           |
| <b>6,367</b>                          | <b>3,928</b> | <b>0</b>               | <b>148</b>   | <b>0</b>                              | <b>10,147</b>                   |  | <b>5,376</b>                    | <b>4,931</b>                    |
| 3,714                                 | 497          | 0                      | 6            | (4)                                   | 4,201                           |  | 3,232                           | 2,322                           |
| 765                                   | 336          | 0                      | 0            | 0                                     | 1,101                           |  | 2,609                           | 2,945                           |
| 24,036                                | 822          | 0                      | 145          | 1                                     | 24,714                          |  | 2,268                           | 2,580                           |
| 2,219                                 | 498          | 0                      | 222          | 0                                     | 2,495                           |  | 812                             | 1,043                           |
| 22,466                                | 2,403        | 0                      | 744          | (14)                                  | 24,111                          |  | 4,278                           | 2,508                           |
| 935                                   | 44           | 0                      | 135          | 0                                     | 844                             |  | 187                             | 96                              |
| 0                                     | 0            | 0                      | 0            | 0                                     | 0                               |  | 523                             | 2,486                           |
| <b>54,135</b>                         | <b>4,600</b> | <b>0</b>               | <b>1,252</b> | <b>(17)</b>                           | <b>57,466</b>                   |  | <b>13,909</b>                   | <b>13,980</b>                   |
| 0                                     | 0            | 0                      | 0            | 0                                     | 0                               |  | 5                               | 5                               |
| 0                                     | 0            | 0                      | 0            | 0                                     | 0                               |  | 616                             | 678                             |
| 0                                     | 0            | 0                      | 0            | 0                                     | 0                               |  | 463                             | 509                             |
| <b>0</b>                              | <b>0</b>     | <b>0</b>               | <b>0</b>     | <b>0</b>                              | <b>0</b>                        |  | <b>1,084</b>                    | <b>1,192</b>                    |
| <b>60,502</b>                         | <b>8,528</b> | <b>0</b>               | <b>1,400</b> | <b>(17)</b>                           | <b>67,613</b>                   |  | <b>20,369</b>                   | <b>20,103</b>                   |

# Auditors' opinion

We have audited the Group financial statements prepared by Leica Camera Aktiengesellschaft, Solms – consisting of the balance sheet, the income statement, the statement of changes in Group equity, the cash flow statement and the notes – as well as the Group management report for the fiscal year from April 1, 2007 to March 31, 2008. The preparation of the Group financial statements and the Group management report in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and any commercial law provisions to be observed pursuant to section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code) is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the Group financial statements and the Group management report.

We conducted our audit of the Group financial statements in accordance with section 317 of the HGB and in compliance with the principles of proper auditing adopted by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether inaccuracies and violations are

identified that could have a material effect on the view of the financial position and results of operations presented by the Group financial statements with due regard to the applicable accounting provisions and by the Group management report. The process of defining the audit procedures takes account of knowledge about the business activities and the economic and legal environment of the Group, as well as expectations of possible errors. An audit includes examining, largely on a test basis, the effectiveness of the accounting-related internal control system and evidence supporting the amounts and disclosures in the Group financial statements and the Group management report. An audit also includes assessing the annual financial statements of the consolidated companies included in the Group financial statements, the definition of the group of consolidated companies, the accounting principles and consolidation methods used and the significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the Group financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any objections.

In our opinion, based on the findings made in the course of the audit, the Group financial statements are in accordance with the IFRS as applicable in the EU and any commercial law provisions to be observed pursuant to section 315a (1) of the HGB and give, with due regard to these provisions, a true and fair view of the financial position of the Group and the results of its operations. The Group management report is in keeping with the Group financial statements and altogether accurately reflects the position of the Group and accurately presents the risks and opportunities associated with future developments.

Frankfurt, June 17, 2008

BDO Deutsche Warentreuhand Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

|                   |                   |
|-------------------|-------------------|
| Schumacher        | Dr. Rosien        |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

# Report of the Supervisory Board

During fiscal year 2007/2008 the Supervisory Board of Leica Camera AG has continuously monitored the Board of Management on the basis of detailed written reports and has also acted in an advisory capacity by being in regular talks with the Board of Management.

In a total of six meetings by personal attendance, as well as in cases of urgency by adoption of several resolutions by means of circulation procedure, the Supervisory Board has dealt with the Company's business policy and corporate planning, with the business development, in particular the state of the Company's sales and finances, with risk analysis and risk management, with compliance and lawful corporate governance, with selected strategically important special topics such as the economic efficiency of corporate governance, as well as with the make-up of the Board of Management. In addition, the Board of Management has regularly informed the Supervisory Board outside the meetings on the business development and on matters of special importance. The reporting consistently took the form of detailed written reports; these so-called CEO reports and CFO reports were commented on during the respective meetings. On this reporting basis, the members of the Supervisory Board and the Board of Management discussed in detail all relevant issues, in particular concerning the proposed business policy, and other issues of the Company's corporate planning, profitability, business development and especially important individual business matters and personnel issues. If required, the Supervisory Board has given its necessary consent to certain individual measures of the Company's management.

In its meeting on June 25, 2007 (balance sheet meeting) the Supervisory Board has dealt with the single-entity financial statements – prepared in accordance with the regulations of the *Handelsgesetzbuch* (HGB – German Commercial Code) – and the Group financial statements – prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and any commercial law provisions to be observed pursuant to section 315a (1) of the HGB –, as well as with the management report, the Group management report, and the report prepared by the Board of Management on relationships with associated companies (dependence report) for fiscal year 2006/2007 (including the audit reports of the appointed auditors). By inspecting the books the Supervisory Board has examined and approved all of the aforementioned documents, and has submitted the result of its examination to the Board of Management within the statutory period of four weeks and has thus adopted the annual financial statements for fiscal year 2006/2007. The Company's auditors attended the Supervisory Board meeting of June 25, 2007, reported to the Supervisory Board on the key results of their audit and were at the Board's disposal for questions. Furthermore, the Supervisory Board adopted the Report of the Supervisory Board on fiscal year 2006/2007.

In the meeting on June 25, 2007 the Supervisory Board following thorough discussion consented to a change of the service contract between Leica Camera AG and the then Chairman of the Board of Management, Steven K. Lee. As a result of the change Mr. Lee's remuneration was adjusted, retroactively to November 23, 2006, to his position of Chairman of the Board of Management of the Company, and included adequate variable components.

Additionally, in the meeting on June 25, 2007 the Supervisory Board dealt with the Company's business development, business policy and corporate strategy, in particular the financial, capital expenditure and product planning. Following the inspection of the Company's books and extensive reporting by the Board of Management, the Supervisory Board dealt in detail with the state of the Company's sales, earnings and finances, in particular the development of the EBIT and the cash flow, as well as with the profit situation and the medium-term financial planning. The Board of Management also informed the Supervisory Board on the state of the legal dispute with the former member of the Board of Management, Dr. Josef Spichtig. On the strength of the convincing written reports and convincing explanations of the Board of Management the Supervisory Board did not take any further measures of examination.

In the meeting on September 3, 2007 the Supervisory Board appointed Andreas Lobejäger as (additional) member of the Board of Management of Leica Camera AG with immediate effect and for the period until August 30, 2012. Mr. Lobejäger had been working for the Company as CFO since November 1, 2006. Since then the Supervisory Board had come to the conviction that Mr. Lobejäger is in every respect suited for the office of a member of the Board of Management of Leica Camera AG. This is also true when considering Mr. Lobejäger's qualifications and professional experience – before joining Leica Camera AG he worked for, inter alia, the Freudenberg group of companies, which is known for its »Vileda« brand.

On behalf of the Company the Supervisory Board then concluded an employment contract with Andreas Lobejäger. The contract terminates on August 30, 2012 and provides for an adequate remuneration, in line with the market; Mr. Lobejäger will receive a fixed remuneration. The Supervisory Board discussed the employment contract in detail in its meeting of November 19, 2007 and gave formal consent to the conclusion of the contract.

In the meeting of September 3, 2007 the Supervisory Board also dealt with the business development, in particular with the state of the Company's sales, finances and earnings, and with the personnel planning and corporate governance. In a written report, the Board of Management thoroughly explained the remuneration structure planned for the Company's employees, in particular the introduction of variable remuneration components. The Supervisory Board approvingly took note of the report. Following the inspection of the Company's books and extensive written reports by the Board of Management, the Supervisory Board dealt with the current sales figures and the budget for the current fiscal year; the Supervisory Board also thoroughly discussed the status of the »AFRika« project as explained by the Board of Management. In this connection the Supervisory Board also dealt with the causes and effects of the fact that there was a decrease in free cash flow and, in contrast thereto, an increase in inventories. On the strength of the extensive and convincing reporting of the Board of Management the Supervisory Board did not take any further measures of examination.

Additionally, in the meeting of September 3, 2007 the Supervisory Board prepared the General Meeting of November 20, 2007. In particular, the Board thoroughly discussed the planned proposed resolution on the squeeze out (agenda item 5 of the invitation). The Board discussed the general procedure of a squeeze out and in particular dealt with the status of the preparations for the General Meeting and the fixing of an adequate cash compensation. The Board did not yet make any decision in the matter, considering that the examination of the appropriateness of the cash compensation had not yet been completed.

The Supervisory Board then adopted, by means of a circulation procedure on October 8 and 9, 2007, the invitation to the General Meeting and fixed the proposed resolutions to be included in the agenda of the Company's General Meeting on November 20, 2007.

In the meeting of November 19, 2007 the Supervisory Board discussed a change of personnel in its chairmanship. Dr. Andreas Kaufmann declared vis-à-vis the members of the Supervisory Board and the Board of Management that he resigned from his office as Chairman of the Supervisory Board but that he did not abdicate his mandate as a member of the Supervisory Board. The Board of Management and the Supervisory Board accepted the resignation. Thereafter, the Supervisory Board, by way of supplementary election according to section 8 no. 8.5 of the Articles of Association, elected Wulf Matthias Chairman of the Supervisory Board and Dr. Kaufmann Deputy Chairman of the Supervisory Board. Both Mr. Matthias and Dr. Kaufmann accepted their election.

In the meeting of November 19, 2007 the Supervisory Board then consented to the Company's entering into a court settlement with the former member of the Board of Management, Dr. Josef Spichtig in order to terminate the lawsuit in connection with the termination of Dr. Spichtig's employment contract. Having been informed of the details of the court settlement the Supervisory Board came to the conviction that entering into the court settlement was adequate to the undisputed and disputed facts and was an acceptable solution to the matter for the Company.

Additionally, in the meeting of November 19, 2007 the Supervisory Board specified that each of the (then) members of the Board of Management (Steven K. Lee and Andreas Lobejäger) was authorised to represent the Company singly. The Supervisory Board also thoroughly discussed the further use of the Company's premises at Oskar-Barnack-Strasse 11 at Solms. In this connection the Supervisory Board took note of the fact that a real estate leasing agreement had been concluded between Leica Camera AG and Halos Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Solms KG, a company belonging to the group led by Commerzbank AG. The Board of Management orally explained the state of affairs to the Supervisory Board. The Supervisory Board consented to the proposal of the Board of Management not to exercise a potentially existing option pertaining to the purchase of the premises at Oskar-Barnack-Strasse 11 at Solms because the existence of such an option was not sufficiently clarified and, in the judgement of the Board of Management – in which the Supervisory Board concurred –, a purchase of the premises was not justifiable in view of the financial condition of the Company. On the strength of the convincing explanations of the Board of Management the Supervisory Board did not take any further measures of examination.

Also in the meeting of November 19, 2007 the Supervisory Board discussed the development of the Company's business, in particular the state of the Company's sales, finances and earnings, as well as the distribution of the »LEICA M8« product. The Board of Management reported to the Supervisory Board on all the aforementioned matters; in view of the convincing written reports of the Board of Management the Supervisory Board did not take any further measures of examination.

In the meeting of December 13, 2007 (strategy meeting) the Supervisory Board informed itself extensively on the status of individual projects. In this connection the Board of Management, as well as individual employees of Leica Camera AG directly reported to the Supervisory Board. The Supervisory Board informed itself in detail on Leica Camera AG's relationships with suppliers, particularly in respect of contract management, quality management and reliability of suppliers. The Company's delivery and service relationship with Uwe Weller Feinwerktechnik GmbH, Wetzlar, was a further subject of discussion; it was expressly stated that Dr. Andreas Kaufmann or ACM Projektentwicklung GmbH do not exercise an influence on the Board of Management as concerns this relationship. In addition, the Supervisory Board discussed the status of a consultancy project of Porsche Consulting GmbH referring to the monitoring and optimisation of the processes in the Company. Finally, the Board of Management explained the product planning, as well as the personnel planning. There were no decisions made in these matters. On the strength of the extensive and convincing explanations and written reports of both the Board of Management and individual employees of the Company present at the meeting for the purpose of reporting the Supervisory Board did not take any further measures of examination.

In addition, in the meeting of December 13, 2007 the Supervisory Board received a report on the business development, in particular the state of the Company's sales, earnings and finances. The Board of Management informed the Supervisory Board in writing on details concerning this matter and explained these. According to the information given by the Board of Management positive cash flows were still available. On the strength of the convincing written reports of the Board of Management the Supervisory Board did not take any further measures of examination.

In the extraordinary meeting of February 19, 2008 the Supervisory Board thoroughly dealt with the status of the current projects and with the Company's corporate governance. The Chairman of the Board of Management, Steven K. Lee, explained comprehensively and from his point of view the status of the projects in development phase, particularly the status of the »AFRika« project, its presumable time of marketability and the effects of the project on the Company's financial condition. The Supervisory Board had called this extraordinary meeting because several senior executives had filed complaints about Mr. Lee's personal conduct. The Supervisory Board had also understood that considerable irritations had arisen in the business relationships between the Company and its suppliers, as well as its customers; it was reported that some business partners reproached Leica Camera AG with ways of acting equivalent to a breach of contract. Moreover, the Supervisory Board deemed the Sports optics division neglected.

In the meeting of February 19, 2008 the Supervisory Board considered the possible effects a further delay in the projects, especially the »AFRika« project, would have on the financial condition and, in particular, the liquidity position of the Company. Against the background of the continuing increase in inventories the Supervisory Board recognised considerable risks.

The Supervisory Board then, on the basis of updated information, extensively discussed the business development, in particular the state of Leica Camera AG's sales, earnings and finances. The Board of Management submitted a written report on the matter and explained the report; on the strength of the convincing reporting the Supervisory Board did not take any further measures of examination.

In the meeting of February 19, 2008 the Supervisory Board arrived at the conclusion that Mr. Lee's withdrawal from the Company was inevitable. Due to his personal conduct vis-à-vis employees, customers and suppliers Mr. Lee was no longer acceptable for the Company. The Company should, however, try to arrive at an amicable agreement with Mr. Lee. The Supervisory Board did not yet make any decision in the matter.

An amicable agreement not having been reached, the Supervisory Board on February 22, 2008 unanimously decided by means of a circulation procedure to remove Steven K. Lee as member of the Board of Management of Leica Camera AG with immediate effect. At the same time the Supervisory Board by unanimous decision and with immediate effect appointed

Dr. Andreas Kaufmann additional member of the Board of Management for the period until February 28, 2009 and Chairman of the Board of Management of the Company. For this purpose Dr. Kaufmann retired from the office of Deputy Chairman of the Supervisory Board effective the end of February 22, 2008. From the point of view of the Supervisory Board these changes of personnel became inevitable due to the personal conduct of Mr. Lee and the situation of the Company. The Supervisory Board regards Dr. Kaufmann's membership in the Board of Management as an interim membership. The Supervisory Board seeks to engage a new Chairman of the Board of Management in due time – as Dr. Kaufmann himself does, incidentally.

In the meeting of March 17, 2008 the Supervisory Board dealt with the business development, in particular the current business situation following the changes of personnel on the Board of Management. The Supervisory Board received comprehensive reports on the financial state of the Company, the expected development of sales and the reasons for negative deviations from the existent plan. Within the scope of special reporting, individual employees described individual projects and their respective current status. The Board of Management also submitted extensive written reports on the general state of the Company's sales, finances and earnings; on the strength of the convincing reporting by the Board of Management and the special reporting by individual employees of the Company the Supervisory Board did not take any further measures of examination.

In addition, in the meeting of March 17, 2008 the Supervisory Board discussed – without making any decision in the matter – a possible real estate leasing agreement in respect of the (Company) premises at Oskar-Barnack-Strasse 11 at Solms, to be concluded between Solmser Immobiliengesellschaft mbH (SIG), which company is 94% owned by SOCRATES Privatstiftung, Vienna, Austria, and Leica Camera AG. Additionally, the Supervisory Board thoroughly discussed the further course of action in respect of the exclusion of the minority shareholders of Leica Camera AG (squeeze out) as resolved by the General Meeting of November 20, 2007.

No personnel committee and/or audit committee has been established. The responsibilities that would be incumbent on a personnel committee and an audit committee have been transferred to Dr. Andreas Kaufmann and, after the latter moved to the Board of Management, to the full session of the Supervisory Board. The transferral to Dr. Kaufmann was effected in mutual agreement with all members of the Supervisory Board and was intended to abbreviate the decision-making processes; the members of the Supervisory Board unanimously agreed that the transferral was justified because Dr. Kaufmann at the same time is the managing director of the Company's majority shareholder, ACM Projektentwicklung GmbH, which currently holds, as far as the Company is aware, more than 96% of the Company's shares. Dr. Kaufmann regularly informed the full session of the Supervisory Board on his activity.

The Company's accounts, the single-entity financial statements – prepared in accordance with the regulations of the HGB – and the Group financial statements – prepared in accordance with the IFRS as applicable in the EU and any commercial law provisions to be observed pursuant to section 315a (1) of the HGB –, for the fiscal year 2007/2008, ending on March 31, 2008, as well as the management report and the Group management report for this period have been audited and issued with an unqualified opinion by the auditors, BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main. The auditors have also examined the report on relationships with associated companies in the fiscal year from April 1, 2007 until March 31, 2008 prepared by the Board of Management and in this respect have given the following opinion:

»In auditing the report on relationships with associated companies prepared by the Board of Management (dependence report) we did not encounter any circumstances that according to section 313 (4) of the *Aktengesetz* (AktG – German Stock Corporation Act) would justify a qualification or the refusal of our unqualified opinion. We therefore express our unqualified opinion, according to section 313 (3) of the AktG, on the report prepared by the Board of Management on relationships of Leica Camera Aktiengesellschaft, Solms, with associated companies in the fiscal year from April 1, 2007 until March 31, 2008:

Following our conscientious audit and assessment, we confirm that

1. the factual details of the report are correct,
2. regarding the legal transactions specified in the report, the consideration paid by the Company was not inappropriately high.«

In its report on relationships with associated companies in the fiscal year from April 1, 2007 until March 31, 2008, the Board of Management has made the following closing statement:

»We state that Leica Camera AG received fair and adequate compensation in each and every legal transaction conducted with an associated company, under the circumstances known to us at the time that any such legal transaction was conducted.«

All the abovementioned reports and accounts, including the auditors' report, were submitted to all members of the Supervisory Board. The Supervisory Board examined the abovementioned accounts and reports, in particular the single-entity financial statements, the management report, the Group management report and the report on relationships with associated companies (dependence report), by inspection of the Company's books and submitted the results of its examination to the Board of Management within the statutory period of four weeks.

As a result of its examination, the Supervisory Board has no objections to raise with regard to the abovementioned accounts and reports, in particular the single-entity and the Group financial statements, the management report and the Group management report and the report on relationships with associated companies (dependence report), and agrees

without reservation to the single-entity and the Group financial statements, the management report and the Group management report, as well as the report on relationships with associated companies prepared by the Board of Management – including the abovementioned closing statement of the Board of Management – and the corresponding audit reports. The Supervisory Board approves the single-entity and the Group financial statements for fiscal year 2007/2008; the financial statements for fiscal year 2007/2008 are thus adopted.

In the meeting on June 18, 2008 (balance sheet meeting of the Supervisory Board) the Supervisory Board discussed and – without any further measures of examination – approved and adopted, as reported above, the Group and the single-entity financial statements, the management report, the Group management report and the report on relationships with associated companies prepared by the Board of Management for fiscal year 2007/2008. The Company's auditors attended the Supervisory Board meeting of June 18, 2008, reported to the Supervisory Board on the key results of their audit and were at the Board's disposal for questions. The Supervisory Board also once again assured itself of the efficiency of the Company's risk management system. The Board of Management had regularly informed the Supervisory Board on this system. Furthermore, the Supervisory Board adopted the present Report of the Supervisory Board.

The Supervisory Board had formed a chairmanship (Chairman's Committee) – existent until February 22, 2008 – consisting of Wulf Matthias (Chairman), Dr. Andreas Kaufmann and Edgar Zimmermann. In the year under review there were no other committees.

One member of the Supervisory Board, Patrick Thomas – whose business address is in Paris, France –, attended less than half of the total of the meetings. For any other member the number of Supervisory Board meetings not attended while being member of the Supervisory Board in fiscal year 2007/2008 did not exceed one.

As concerns the activities of the Supervisory Board, no conflicts of interest have arisen. As a precaution against any possible conflict of interest that might have arisen for the then Supervisory Board member Dr. Andreas Kaufmann in connection with the resolution of the General Meeting to transfer the shares of the minority shareholders to ACM Projektentwicklung GmbH (squeeze out), Dr. Andreas Kaufmann abstained from voting in the Supervisory Board resolution that approved the invitation to the General Meeting and hence the squeeze-out resolution proposed in said invitation.

The Supervisory Board would like to thank the Board of Management, the management of the Group companies, the Works Council, as well as all of the employees for their commitment and their work.

Famalicão, Portugal, June 18, 2008



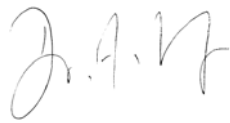
Wulf Matthias  
(Chairman of the Supervisory Board)

# Assurance of the legal representative

To the best of our knowledge we hereby attest that the Group financial statements, in compliance with the principles of proper group reporting used, give a true and fair view of the financial position of the Group and of the results of its operations, and that the Group management report presents the development of business, including the business results and the situation of the Group, in such a way that it produces a true and fair view of the actual situation and specifies the opportunities and risks associated with the expected development of the Group.

Solms, June 17, 2008

The Board of Management



Dr. Andreas Kaufmann

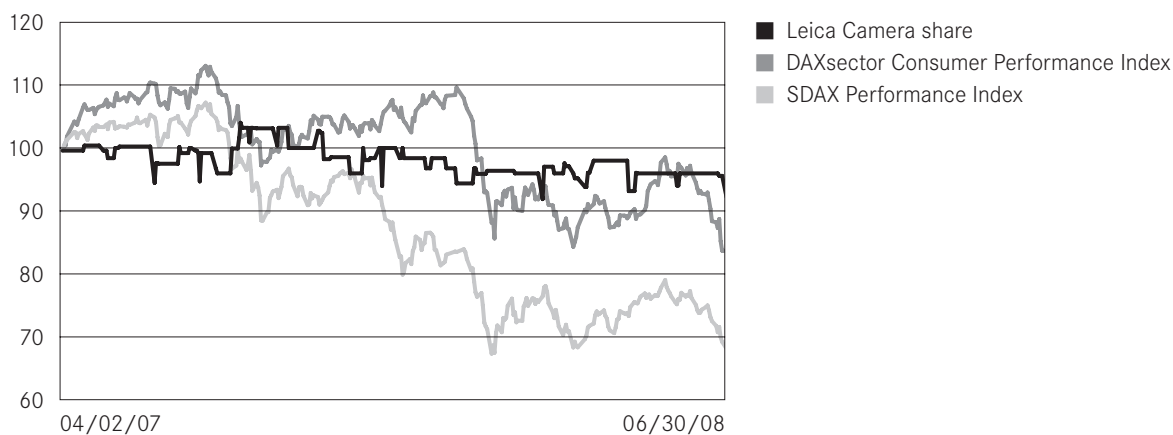


Andreas Lobejäger

# The Leica Camera share

|  |   |
|--|---|
| Class:                                 | no-par value shares   |
| Number of shares listed:               | 15.0 million (March 31, 2007: 15.0 million)                               |
| ISIN:                                  | DE000 A0E PU9 8   |
| Subscribed capital:                    | € 15.0 million (March 31, 2007: € 15.0 million)                           |
| Shareholders (as of March 13, 2008):   |   |
| - ACM Projektentwicklung GmbH:         | 96.51%  |
| - Free float:                          | 3.49%   |
| Stock exchanges:                       | Frankfurt (XETRA and floor),<br>Stuttgart, Munich, Hamburg, Berlin-Bremen |
| Market segment:                        | Official Market (General Standard)  |
| Listing:                               | variable  |
| Fiscal year 2007/2008 high:            | € 13.00 (XETRA)*  |
| Fiscal year 2007/2008 low:             | € 11.49 (XETRA)*  |
| Information for investors via the Web: | <a href="http://www.leica-camera.com">www.leica-camera.com</a>            |

Price development of the Leica Camera share in comparison with the DAXsector Consumer Performance Index and the SDAX Performance Index\* (indexed April 2, 2007 = 100)



\* Source: Deutsche Börse AG



[www.leica-camera.com](http://www.leica-camera.com)

Leica Camera AG / Oskar-Barnack-Strasse 11 / D-35606 Solms

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