



Fiscal Year 2009/2010

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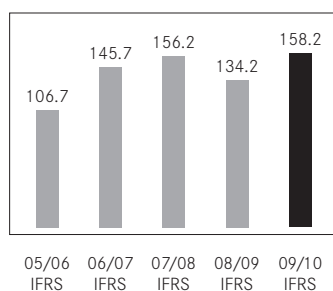
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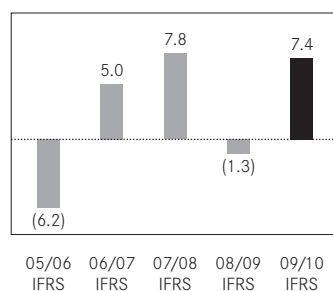
THE LEICA CAMERA GROUP AT A GLANCE

	2009/2010 IFRS	2008/2009 IFRS	2007/2008 IFRS	2006/2007 IFRS	2005/2006 IFRS
Sales (€ 000)	158,239	134,150	156,238	145,660	106,739
Operating result (€ 000)	7,359	(1,279)	7,752	4,976	(6,196)
Income/(loss) before tax (€ 000)	4,821	(3,682)	6,182	2,870	(8,949)
Net income/(loss) (€ 000)	3,178	(5,192)	3,042	503	(9,240)
Total assets (€ 000)	124,113	111,818	103,109	108,883	89,680
Equity ratio (%)	23.49	21.52	20.78	18.11	18.34
Capital expenditure (€ 000)	14,796	21,738	7,179	9,078	6,580
Amortisation/depreciation (€ 000)	9,420	8,393	9,438	8,528	7,195
Cash flow (€ 000)	19,578	997	21,358	(1,342)	8,357
Employees (number)	1,083	1,058	991	939	985
Personnel expenses (€ 000)	49,147	43,892	40,916	37,889	36,467

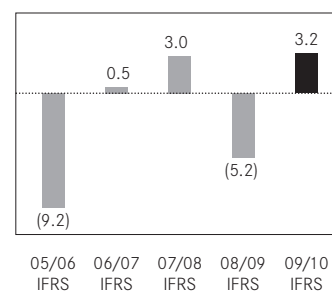
Sales
€ million



Operating result
€ million



Net income/(loss)
€ million



INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF MANAGEMENT

Dear Shareholders of Leica Camera AG, dear Leica customers, dear Leica friends and enthusiasts

As the Chairman of the Board of Management of Leica Camera AG in this introduction my task is a pleasant one: I am able to report to you of a positive development of the Company's business in the last fiscal year and to give you a favourable forecast for the current fiscal year. A great number of people were involved in achieving this result, and I want to give my sincere thanks to all of them: to the employees of Leica Camera, who with their effort and hard work brought the Company forward during a very difficult phase, as well as to all customers who kept faith with the Company, and still do, in a time characterised by economic uncertainty.

The positive development of both sales and sales revenue of Leica Camera AG in the last fiscal year is all the more welcome when seen against the background of the economic and financial crisis, especially as the camera market in calendar year 2009 shrunk for the first time in ten years: at 130 million units, global camera sales were down by 7.6 % on the previous year.

In fiscal year 2009/2010 sales of Leica Camera AG grew to € 158.2 million. This corresponds to a growth of 18.0 % as compared to the prior fiscal year. The operating result was € 7.4 million (previous year: € -1.3 million) and thus clearly exceeded our expectations. This improved result is due to a strategy of concentration aimed at focussing on new products with the potential to contribute to sales during the reporting period, combined with the integrated restructuring programme Leica+. This resulted in a sales increase, higher contribution margins and lower costs.

The increase in sales is a result of the course for innovation followed by the Company and of the associated product initiative: in fiscal year 2009/2010 Leica Camera has introduced a total of ten new products. Already at the beginning of the fiscal year Leica fans were enthusiastic about a limited special edition of the Leica D-Lux 4 »Safari«. The highlight of the last fiscal year was September 9, 2009, the day the Leica M9, S2 and X1 cameras were presented at an international press conference in New York. Leica M9 is the world's first and smallest system camera with a full format sensor sized 24 x 36 mm. Leica S2 combines highest picture quality and flexible handling for professional photographers. Leica X1 represents a new generation of Leica digital cameras with the »Made in Germany« label. Its APS-C format picture sensor enables impressive pictures in impressive quality.

These three cameras have met with a market reception so positive that the demand exceeded our most optimistic expectations. In spite of extra shifts in manufacturing and non-scheduled job rotation this led to longer delivery times. Meanwhile we have been able to recruit further skilled manufacturing personnel, and further additions to capacity are underway. Production remains in full swing to fulfil customer orders as quickly as possible, adhering uncompromisingly to Leica quality.

In sport optics the portfolio was also supplemented by future-oriented products, which met with favourable market response. At the IWA & OutdoorClassics 2009, immediately prior to the beginning of fiscal year 2009/2010, the Company presented the first Leica rifle scopes manufactured in series, as well as additions to the laser rangefinder product group. With their compact design, the rifle scopes Leica ER 2.5-10x42 and Leica ER 3.5-14x42 mark the beginning of a new Leica product line. Leica Rangemaster CRF 800 and Leica Pinmaster, with a maximum range of 725 metres, continue Leica's pioneering role in laser rangefinding. Additionally, in August 2009 we introduced the compact Leica Monovid 8x20.

Besides the sales increase resulting from the product initiative, the Leica+ restructuring programme contributed materially to the success experienced in the last fiscal year. Implementation of the integrated restructuring programme, which consisted of about 1,000 individual measures, commenced in May 2009. Leica+ was already completed during fiscal year 2009/2010, with only a few measures still running until July 2010. With the programme, the Company achieved cost savings of € 19.2 million until March 31, 2010 – a success due to the high level of commitment and readiness to talk shown by all employees. My special thanks go to the members of the Leica+ project team, who were responsible for the implementation. With Leica+ the Company succeeded in reducing profit risk and liquidity risk, in improving its communication, leadership and organisation and in ensuring product launches. A particularly pleasing fact is that the restructuring was achieved without compulsory redundancies.

The further development and implementation of the Leica Store concept is one of the central branding initiatives. A Leica Store provides our customers with the opportunity to experience the Leica brand. Cameras and sport optics products are presented in a setting that is on a par with the quality and emotionality of the products. In the fiscal year under review, to the existing Leica Stores in Tokyo, Berlin and Paris were added stores in Moscow, London and Warsaw, as well as one additional store in each of Tokyo and Paris. Towards the end of the last fiscal year remodelling of the foyer on the Company's premises at Solms started. After a construction period of less than four weeks the new Leica Store at the Company's headquarters was opened on April 12, 2010, at the beginning of the current fiscal year – a store to function as a reference for the design of future Leica Stores all over the world. In the new fiscal year we will continue to push on with the consistent development of the Leica Store concept.

In my introduction to the report on fiscal year 2008/2009 I announced a change of direction in the history of Leica Camera for fiscal 2009/2010. This change of direction has been achieved. After a phase of restructuring we are now entering a phase of reorientation, where we are devising a new, future-oriented strategy for the Company in order to consistently pursue our course of innovation and of premium positioning of the Leica brand. Henceforth all our activities will be focused on our customers. This focus is in the background of the numerous research and development projects currently underway in the Company. At the same time we continue to work on the optimisation of processes and structures to enhance the Company's competitive power. The last year has shown that our cameras, lenses and sport optics products labelled »Made in Germany« are successful and meet the customers' requirements. In the long term, however, we will have to increase our efforts and become even more flexible, while retaining both the quality and the exclusivity of the products. This is a task we at Leica Camera AG apply ourselves to already in the current fiscal year.

Let me conclude by thanking all our customers, partners, employees and shareholders for their support in the last fiscal year. The photokina 2010 is approaching – and you will see Leica Camera using the opportunity provided by the leading photography fair to continue its positive course.

Greetings from Solms



Rudi Spiller

GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR FROM APRIL 1, 2009 TO MARCH 31, 2010

1 DEVELOPMENT OF BUSINESS

Economic environment

Photo product group

In calendar year 2009, in a difficult economic environment characterised by the financial and economic crisis, the global photo cameras market for the first time in ten years saw a decline in units sold compared to the previous year. At 130 million cameras sold, the market shrunk by 7.6 %.

The decline in sales was caused by the compact cameras market segment, which accounts for the lion's share (91 %) of the products sold worldwide: here 10.5 million cameras less were sold than in the previous year. The digital SLR cameras segment, on the other hand, grew by 0.05 % to 11.7 million cameras sold. The tendency towards decreasing average prices seen in recent years came to a halt in the period under review. The principal markets for cameras remain North America and Europe, each with a market share of 35 %.

The Company's efforts to make manufacturing processes more efficient and to advance product development have proved effective in fiscal year 2009/2010. Having introduced the three digital cameras M9, S2 and X1, Leica now is present in the market with a complete digital portfolio. Leica M9 is a milestone of digital photography worldwide: the world's smallest system camera with a full format sensor – and a genuine proof for the unique characteristics of the M system and the innovative strength of Leica Camera AG, a company of long-standing tradition. After a development period of two years the M9 camera performs perceptibly better than its predecessor model, thus creating an additional incentive to buy. For the M9, too, compatibility of lenses is guaranteed – as is the highest picture quality.

The Leica X1 represents the new Leica-developed generation of Leica digital cameras with the »Made in Germany« label. A most convincing camera due to the picture sensor and the handiness: The sensor in APS-C format enables impressive pictures in stupendous quality, yet the camera is easily carried in a jacket pocket.

The Leica M9 and X1 cameras met with very positive market response. Both were introduced on September 9, 2009 in New York. Order intake was so much larger than expected that even extra shifts and additional employees in manufacturing could not prevent the extension of delivery times.

September 9, 2009 also saw the starting signal for the regular distribution of the Leica S2. Market response to this handy professional camera system, with the two lenses introduced at that time, is favourable, and additional lenses are eagerly anticipated. With the lenses portfolio not yet complete in fiscal 2009/2010, marketing measures aimed at professional photographers had to be delayed.

In the spring of 2009 a limited special edition of the Leica D-Lux 4 »Safari« was introduced to the market and also positively received. On the whole, the D-Lux 4 seamlessly continued the success of its predecessor D-Lux 3. In the price-driven compact camera market the camera turns out to be gratifyingly robust – in terms of quantity of sales as well as price.

All products newly introduced made a significant contribution to the success in fiscal year 2009/2010 – meanwhile, products younger than six months account for 50 % of the Company's sales.

Sport optics product group

In fiscal year 2009/2010, the Sport optics product group was extended to include central functions such as development, marketing and sales, in order to strengthen the orientation of Leica sport optics towards its specific main markets hunting and field observation.

The products presented at the IWA & OutdoorClassics 2009 – Geovid Lux, Geovid HD, the two ER rifle scopes, as well as a digiscoping set-up (consisting of scope, tripod, adapter and camera) – met with favourable market response and thus contributed to the ability of the premium segment sport optics to make up for the declining total market.

The strongest sales came from laser rangefinder products. In the period under review, Leica Camera AG was able to underline its claim to leadership as the pioneering company in this field: There is stable demand for both binoculars with laser rangefinders (Leica Geovid) and Leica Rangemaster products. Leica Pinmaster, especially designed for golf, also far exceeded the Company's expectations. The Leica Rangemaster 1600 was a further innovative addition to the portfolio of rangefinder products at the IWA & OutdoorClassics 2010 – the Rangemaster 1600 not only measures distance but also air temperature and air pressure.

The new rifle scopes also were successfully established in the market. The specialised press globally praised their outstanding picture quality and compact design with long eye relief. As a supplement the Company presented a quick reticle adjustment device at the IWA & OutdoorClassics 2010. The device enables optimal adjustment of the rifle scope to different distances and together with the laser rangefinder makes for an unbeatable combination.

In August 2009 a monocular was added to the binoculars range – the Leica Monovid. As a mini-scope it has a target group broader than hunters and field observers and therefore is also offered as a special edition in red leather.

With the D-Lux 4 Leica Camera by now offers the best complete premium set-up for digiscoping. Combined with the brilliant Televid series optics, Leica D-Lux 4 enables first-class pictures in the extreme telephoto range. This makes Leica the only offeror worldwide providing both high-end spectives and cameras of the highest order.

Earnings position

In the year under review, the Group reports a net income in the amount of € 3.2 million (previous year: net loss of € 5.2 million). The operating result has improved by € 8.6 million to € 7.4 million due to increased sales. Personnel expenses increased by 12.0 % due to staff intake, severance payments and a significant rise in expenses for pensions. In spite of a higher level of business, other operating expenses remained at approximately the previous year's level due to a restructuring programme.

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, the cash flows and the working capital, 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 research and development 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).

	2009/2010	2008/2009
	€ 000	€ 000
Sales	158,239	134,150
Cost of materials	61,122	64,477
Personnel expenses	49,147	43,892
R&D expenditure	7,783	13,798
EBITDA	16,779	7,114
EBIT	7,359	(1,279)
EBT	4,821	(3,682)

Sales

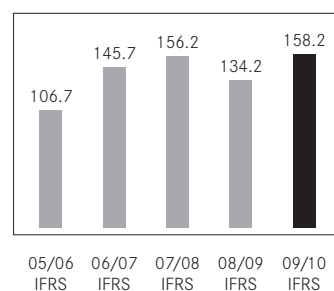
Leica Camera Group's total sales rose by € 24.1 million. This corresponds to an 18.0 % increase on the previous year, with sales driven solely by system cameras.

Sales abroad increased 20.6 % as compared to the previous year and now stand at € 139.7 million or 88.3 % of total sales.

At € 51.4 million or 32.5 % of total sales, the Asian market is the most important individual market for Leica Camera AG, followed by the US, Canada and Mexico, which account for € 34.7 million or 21.9 % of total sales.

Sales of system cameras rose by 69.2 % to € 70.8 million. Sales of compact cameras decreased by 10.9 % to € 39.5 million. Leica sport optics saw a sales decline by 9.1 % to € 22.5 million.

Sales
€ million



Regional development

Germany

Sales in Germany rose by 1.0 % to € 18.5 million.

Europe (excluding Germany)

Sales in the rest of Europe rose by 39.6 % to € 53.1 million.

Asia and Australia

Sales in Asia and Australia increased by 4.8 % to € 51.4 million.

US, Canada and Mexico

Sales in the North American Free Trade Area increased by 24.4 % to € 34.7 million.

Others

Sales in the rest of the world decreased by € 0.3 million to € 0.5 million.

Sales by regions	2009/2010 IFRS € 000	Change on previous year %
Germany	18,495	1.01
Europe (excluding Germany)	53,130	39.58
Asia and Australia	51,448	4.75
US, Canada and Mexico	34,690	24.35
Others	476	(37.94)
	158,239	17.96

Sales product lines	2009/2010 IFRS € 000	Change on previous year %
System cameras	70,790	69.24
Compact cameras	39,526	(10.85)
Sport optics	22,540	(9.09)
Projectors	625	(52.65)
Spare parts and technical after-sales service	3,275	(27.24)
Licencing income	11,700	(0.83)
Other	9,783	75.57
	158,239	17.96

Other financial performance indicators

As a result of the increase in sales combined with the decrease in cost of materials, gross profit went up by € 21.4 million as compared to the previous year, to € 98.9 million.

Because of staff intake, severance payments and a rise in expenses for pensions, personnel expenses rose by € 5.3 million to € 49.1 million.

The operating result improved by € 8.6 million to € 7.4 million on the previous year due to the increase in sales and the successfully completed restructuring programme.

The interest result increased marginally, by € 0.1 million.

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.

	2009/2010	2008/2009
	€ 000	€ 000
Inventories	33,469	33,450
Liquid funds	26,768	23,192
Equity	29,153	24,060
Liabilities to banks	5,392	7,420
Capital expenditure	14,796	21,738

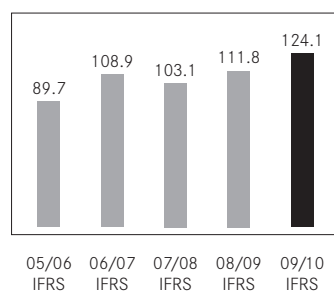
In the year under review, the Group's total assets have increased by 11.0 % from € 111.8 million to € 124.1 million.

Tangible assets increased from € 14.1 million to € 20.7 million, primarily due to the purchase of technical equipment and machinery. Intangible assets increased from € 7.6 million to € 11.8 million, primarily due to capitalised development expenses.

Inventories remained at the previous year's level of € 33.5 million.

Trade receivables increased by € 5.8 million to € 23.1 million as a result of the positive development of sales towards the end of the fiscal year. Correspondingly, the ratio of receivables to sales rose from 12.9 % to 14.6 %.

Total assets
€ million



As a result of the positive sales development liquid funds increased from € 23.2 million to € 26.8 million.

On May 16, 2006, the Company entered into agreements with GE Capital Bank AG (formerly 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 had 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. Pursuant to an agreement with GE Capital dated March 30, 2009, the total financing volume was reduced to € 13,000,000 as from June 1, 2009; of this amount, € 10,000,000 relate to liabilities from factoring and € 3,000,000 to special financing. Currently, the financing commitment extended by GE Capital Bank AG is firm until May 2011.

Provisions for pensions increased by € 0.7 million to € 13.7 million due to the decrease of the discount rate to 5.3 % (previous year: 6.0 %).

Other long and medium-term liabilities remained at the previous year's level of € 20.2 million.

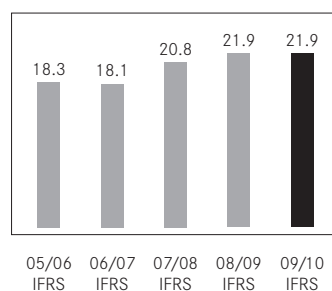
Short-term provisions decreased by € 0.7 million, from € 6.5 million to € 5.8 million.

Trade payables increased from € 7.7 million to € 15.8 million.

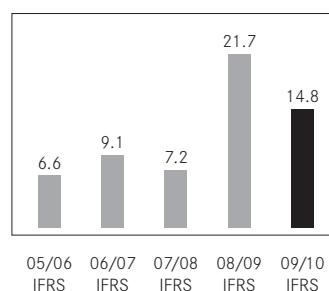
Short-term liabilities to affiliated companies increased from € 0.8 million to € 2.1 million.

Other short-term liabilities increased by € 0.9 million to € 12.1 million.

Equity ratio
%



Capital expenditure
€ million



2 OTHER KEY NON-FINANCIAL PERFORMANCE INDICATORS

In addition to the quantitative financial performance indicators used in managing the Leica Camera Group, the various organisational units of the Company 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.

Motivated by the financial and profit situation of the Leica Camera Group the Board of Management at the beginning of April 2009 commissioned an actual-situation analysis. The results and an action programme were presented to the Supervisory Board on May 20, 2009. By resolution of the Supervisory Board a detailed action programme was implemented as an integrated restructuring approach.

The restructuring concept of the Board of Management envisaged the following measures and sets of measures to be implemented at short notice:

- Short-notice measures pertaining to cost savings
- Sustained reduction of cost of materials and personnel expenses
- Reduction of purchasing cost
- Optimisation of the supply chain
- Reduction of labour cost
- Reorientation of R&D
- Sales excellence
- Introduction of new products
- Communications
- Leadership

In addition, the Company entered into a general agreement, dated June 25, 2009, with ACM Projektentwicklung GmbH on the remission of debt with a debtor warrant. According to the agreement ACM Projektentwicklung GmbH in June 2009 waived eight tranches of claims against Leica Camera AG in a total nominal amount of € 8,000,000. Hereof, partial amounts resulting in a total nominal amount of € 5,000,000 were renewed on the balance sheet date. If the economic situation of Leica Camera Group improves during the fiscal year, which is what the Company expects, the remaining debt remitted, amounting to € 3,000,000, will be renewed, too. The total financing volume at the disposal of Leica Camera AG from this agreement amounted to € 14,448,000.

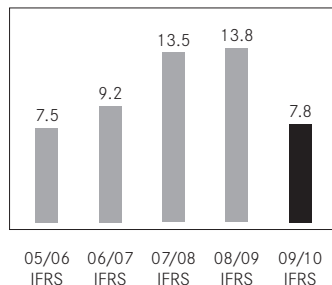
As a result of the success of new products launched in the market, Leica Camera Group registered higher order inflow in the second half of the fiscal year; this led to a very high order backlog at the end of the fiscal year. Due to lack of capacity and delayed ramp-up of the supply chain the Company was unable to reduce the order backlog in the current fiscal year.

Research and development

At approximately € 7.8 million, research and development expenditure decreased on the previous year (€ 13.8 million) by € 6.0 million. In the course of the restructuring efforts in the first half of fiscal 2009/2010 the Company postponed certain development projects. Moreover, important projects from the prior year were in their terminal stage. This has led to a lower level of R&D expenditure as compared to the previous year.

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 research and development activities aim at the creation and further development of both products and production processes. In the fiscal year under review and the previous year, the focus of research and development was on the digitalisation of the product range, on the development of new lenses and on updating the existing product portfolio in the sport optics range.

R&D expenditure
€ million



Capacity utilisation

In the first half of fiscal year 2009/2010 production capacity was underutilised, which was compensated by short-time work. In the second half of the fiscal year, however, capacity was very well utilised. In camera assembly there were even bottlenecks in parts following the high order inflow for the freshly launched S2, M9 and X1 cameras. Capacity was also well utilised in optics manufacture and lense assembly. By contrast sport optics assembly temporarily had capacity available; such capacity was mainly used in camera assembly.

Technical alliances

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

In the reporting period the marketing and communications division especially focussed on planning and realising the market introductions of new products. The centre stage was taken by the international press conference on September 9, 2009 at the Time Warner Building in New York, where the three cameras, Leica M9, X1 and S2 were presented. An audience of 20,000 globally witnessed the launching event via the Web.

When introducing new products integrated communications measures are of special importance. Derived from the core values of the brand, the individual products undergo precise positioning both in relation to one another and to the competitive environment. Based on the positioning, communications tells the proper story of each product tuned to the relevant target group – a story that determines global product communication in all channels from the start.

Existing and potential customers, sales partners and dealers, as well as the general and special press are regularly informed on Leica Camera's new products and offers. As a sales support there are brochures on every product, providing comprehensive information, as well as cultivation of the brand's premium-quality image. Advertisements and point-of-sale materials are also available.

In addition, Leica Camera Group continues to expand its Web activities. The Company makes available comprehensive product and corporate information at its own Web site and meanwhile is also present on the YouTube and Vimeo moving-image platforms, the Flickr image portal, the Facebook social network and the Twitter microblogging service.

An important part of the communications mix continues to be played by *Leica Fotografie International*, an independent magazine presenting prime examples of Leica photography, explaining some of the technical background and giving tips and tricks for Leica photographers.

Having been in touch with the special press for years, Leica Camera Group has intensified relations with the general press and media in the period under review in order to communicate the positive development of the Company.

3 EQUITY OF LEICA CAMERA AG

Since the capital increase effected in February and March 2009 the subscribed capital of the Company has been composed of 16,498,422 (previous year: 16,498,422) 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 General Meeting of May 30, 2005 resolved to increase the share capital contingently by up to € 170,000 (Contingent Capital I). Furthermore, the General Meeting of November 23, 2005 resolved to further increase the share capital contingently by up to € 2,872,750 (Contingent Capital II).

As at the balance sheet date, authorised capital stands at € 3,001,578.

By resolution of the General Meeting of November 27, 2009, the Board of Management is authorised to increase, with the consent of the Supervisory Board, once or several times the share capital by up to € 8,249,200 until November 27, 2014 by issuing new no-par value bearer shares against contribution in cash and/or in kind; in the capital increase the subscription right of the shareholders can be excluded (Authorised Capital 2009/I).

Amendments to the Articles of Association

According to section 179 of the *Aktiengesetz* (AktG – German Stock Corporation Act) 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.

4 RISK MANAGEMENT OF LEICA CAMERA GROUP

Risk report

Comprehensive risk management is an essential component of the management system of an internationally operating group.

The purposes of the Company's risk management system are early identification, as well as analysis, measurement, monitoring 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 product groups, Photo and Sport optics.

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

The Group's opportunities and risks are identified, analysed and measured by annually convened planning circles. The risks can be classified into different risk categories, such as financial risks or product 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. The risk value is then entered into a risk portfolio. During the year the risks are continually monitored by a transparent reporting system. Any changes are recorded and analysed.

Thereby changes in existing risks or the emergence of new risks are displayed. 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. This procedure enables the timely identification of negative developments and the launch of immediate countermeasures.

In case considerable risks are identified which could become fundamental or existence-threatening the Supervisory Board is informed immediately.

The risk management system of Leica Camera Group has been audited by the Company's auditors in accordance with section 317 (4) of the *Handelsgesetzbuch* (HGB – German Commercial Code). The system is deemed fit to identify risks that constitute a threat to the Company's existence at an early stage.

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 main risk posing a threat to the global economic development is the persistence of the recessionary tendencies caused by the global financial crisis.

Additionally, a major risk is the tense situation of the Euro, whose exchange rate over the last few months has shown a downward development.

Leica Camera Group operates in a demanding market environment and thus is exposed to international competition. The market for digital photo cameras is characterised by intense competition among the offerors, continuously shortening product life cycles and declining margins.

For calendar year 2010 analysts expect a stagnation of the overall digital camera market as a result of the state of the economy. The compact camera sector will be affected by longer-term stagnation due to market saturation.

In addition, the sport optics market harbours potential risks due to the acceleration of product life cycles and the increasing pressure on innovation in this field.

Product risks

With its existing portfolio Leica offers its customers a consistent modern product range based on the well-known key competencies connected with the strong Leica brand. The aforementioned risks related to competition, technology and innovation have been taken into account to the highest degree by the Board of Management in devising the Company's strategy. By drawing up a future-oriented product roadmap, by differentiating the Company from the mass market as a premium vendor and niche player and by pursuing a selective distribution strategy the Company counteracts these risks. The Leica Store concept in particular is conducive to the coherent presentation as a premium brand, as well as to the selective distribution.

The stagnation of the overall digital camera market, expected for calendar year 2010 as a result of the state of the economy, is subject to significant regional variation. To account for this risk the Leica Camera Group considers inter-regional set-offs.

There is considerable risk from the continuing acceleration of product life cycles in the digital camera sector. The key digital technologies and the timely market introduction of products are essential for the Company's corporate success and the continuation of the Company as a going concern. Permanent improvement of internal processes and know-how, as well as the alliances with reliable technology partners in the field of digital compact and system cameras all constitute vital parts of the process.

The sport optics market harbours potential risks due to the increasing pressure on innovation in this field. The Company counteracts by developing innovative products incorporating digital technologies.

Marketing the licence rights and rights of use for the »Leica« brand and the related product names also represents a significant source of revenue. In this field, there is the risk of dependency on the respective contracting party.

In addition, thorough attention must be paid to the use rights under software licences and patents; these are regularly monitored.

Financial risks

The global economic crisis and the concomitant recessionary tendencies still constitute a risk to Leica Camera Group. The Group reacted on the bad economic conditions already in the previous fiscal, by counteracting with a focussed working capital management and consistent cost cutting measures within the framework of a restructuring programme (Leica+) encompassing all of the business divisions. For the coming months Leica Camera Group expects a continuation of the challenging situation. The Company aims at early identification of risks by regularly monitoring the development of business, the liquidity situation and the working capital.

The growth and expansion of business envisaged for the next few years necessitate prefinancing, which has to be taken into account in liquidity planning.

Cash flow planning of the Company has to make allowances for the repayment of the loan (€ 20,000,000) extended by Matsushita Electric Industrial Co., Ltd. and maturing on September 30, 2011. The Company in good time has to adopt measures aiming at the avoidance of a potential funding gap.

From a present-day perspective the financing of the repayment seems secure on the basis of the Group's short and medium-term liquidity planning, which includes the funds at hand, the lines of credit and the cash flows from sales. Additionally, the Board of Management constantly considers further financing possibilities to broaden the Company's refinancing scope.

In addition, the Company entered into a general agreement, dated June 25, 2009, with ACM Projektentwicklung GmbH on the remission of debt with a debtor warrant. According to the agreement ACM Projektentwicklung GmbH in June 2009 waived eight tranches of bond claims against Leica Camera AG in a total amount of € 8,000,000. Hereof, an amount of € 5,000,000 was renewed on the balance sheet date, because the resolutive conditions under the agreement were fulfilled. If the economic situation of the Leica Camera Group improves further during the fiscal year, there is the risk of the debtor warrant coming into full force, which would increase the liabilities from the convertible bonds by € 3,000,000 and reduce equity by the same amount.

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, the British Pound and the Swiss Franc. A major risk is the tense situation of the Euro, whose exchange rate over the last few months has shown a downward development. To limit currency exposure, the Company uses appropriate financial instruments such as currency forwards and currency swaps. In addition, the payment flows in foreign currency are optimised by natural hedging.

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

Leica Camera counteracts the risk that qualified employees and executives may leave the Company – which would constitute a loss of experience and expertise – by offering a system of variable compensation, supplementary vocational training and an attractive work environment. Recently, the Company hired highly qualified personnel from the precision mechanics and optics industry.

Other risks

Sales risks and profit risks may arise in case new products cannot be introduced in the market on time or the production of well-established products is behind schedule. This may be detrimental to the image of the brand or even lead to the loss of customers. In the field of digital photography in particular, 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. To counteract the aforementioned risk the Company intensifies and secures its relations with strategic suppliers by cooperating with them on development projects. Moreover, internal capacity bottlenecks and internal process difficulties may lead to delays in the developmental process and production flow which may entail delivery bottlenecks or belated market introductions. By thorough capacity planning, strict adherence to the defined process of product development, continuous improvement of processes, as well as permanent upgrading of employees' qualifications the Company undertakes to counteract this risk.

Accounting-related risk management system and internal control system

Generally, the risk management system and the internal control system also encompass the accounting-related processes, as well as all risks and controls in respect of the accounting. This refers to all parts of the risk management system and the internal control system that may have significant effects on the annual financial statements of Leica Camera AG and on the Group financial statements.

The risk management system in respect of the accounting processes has the objective to identify and measure risks that may impede the conformity of the annual financial statements of Leica Camera AG and of the Group financial statements with the applicable provisions. Identified risks have to be measured and evaluated with respect to their effect on the annual and Group financial statements of Leica Camera AG. The internal control system has the objective to establish controls and thereby obtain reasonable assurance that risks can be identified and corrections carried out, in order that the Group financial statements are in keeping with the relevant provisions.

Both the risk management system and the internal control system encompass Leica Camera AG and all subsidiaries relevant for the Group financial statements and pertain to all processes relevant for the preparation of the financial statements. The controls relevant for the accounting are specifically directed towards the risk of a material misstatement in the annual and Group financial statements of Leica Camera AG. In evaluating the materiality of any misstatement the criteria are the probability of occurrence, as well as the effect on sales, EBIT and total assets.

Another objective of the risk management system is the identification of threats to the existence of the individual subsidiaries and of the Group.

Major elements of risk management and control in accounting are the assignment of responsibility and control in the preparation of the financial statements, Group-wide requirements based on guidelines for financial reporting and preparation of financial statements, as well as suitably regulated access to the EDP systems.

The principle of dual control and the segregation of duties are major principles of control also in the accounting process.

Once a year, the Supervisory Board is informed on any material risk identified and on the efficiency of the risk management system and the accounting-related internal control system.

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, Corporate Governance. The Declaration on Corporate Governance is also available at the Web site of Leica Camera AG under Investor Relations, Corporate Governance.

Report on expected developments

Economic environment / business prospects

Fiscal year 2009/2010 was characterised by a very difficult economic environment as for the first time in ten years the number of cameras sold was below the previous year and sport optics markets also saw a decline. In view of the recent crisis in the European financial market Leica Camera Group expects a continuation of the difficult economic environment in the

short to medium term. This development pertains to all relevant markets and may have an adverse effect on demand especially in the sector of digital compact cameras. Tendencies towards recovery of the German export economy might partly compensate this development – Photoindustrie-Verband (the German photo industry association) expects a slight recovery of the camera market and forecasts an increase of cameras sold to 133 million units in calendar year 2010.

Development of business in the operating divisions

The Leica Camera Group has closed fiscal 2009/2010 with a positive result and undertaken the necessary restructuring and has added innovative products to the portfolio. Additionally, existing products have been updated to state-of-the-art in digital technology. This starting position will open up growth opportunities for all products groups. In fiscal 2010/2011 the Company will press ahead with the optimisation of its business processes, particularly in the supply chain. The development of further product innovations will also be advanced.

As concerns the Photo product group, the Company sees opportunities for profitable growth in further product innovations on the one hand and in establishing the S system in the professional camera market on the other. In the field of consumer cameras Leica Camera in fiscal 2010/2011 will enlarge the portfolio by adding various newly presented products and will expand existing system solutions. Following its successful market introduction, the Leica S system will be amended by the addition of further system components. In this connection, the delivery of the additional lenses already presented has main importance.

For the Sport optics product group fiscal 2010/2011 is a year of continuing expansion, with the focus on the reworking and supplementing of the portfolio. Following the successful entry into the rifle scope business with the Leica ER rifle scopes, sport optics currently is in the process of developing highly innovative solutions in this field; these, however, involve longer development time. The resulting interim period will be bridged by differentiating the existing portfolio products.

Considering the general framework of the global economy a well-founded results forecast for fiscal year 2010/2011 and the subsequent year is hardly possible. The Board of Management expects a positive result, because the restructuring measures implemented will unfold their full potential and the new course begins to bear fruit.

Corporate strategy

In fiscal year 2009/2010 the Board of Management has adopted a new corporate strategy. According to such strategy, the Company after its successful restructuring now enters a phase of reorientation. On the basis of a customer-oriented growth strategy Leica Camera Group will be led into a successful future characterised by sustained positive earnings in the medium and longer term.

The groundwork for this course was laid in the fiscal year by the product innovations and the restructuring. The »roadmap« adopted for the Photo and Sport optics product groups ensures that Leica Camera AG is continuously marketing innovative customer solutions and continuously present in the market.

Moreover, a central feature of the corporate strategy for Leica is securing and communicating the brand's claim to premium quality. In this respect, the introduction of the M9 is leading the way: Leica Camera Group has successfully introduced the world's smallest system camera with a full format sensor to the market. Building on this success the Company further strengthens its core competencies in optics and mechatronics. In particular, the design of compact high-performance optics, as well as the ability in assembling and testing complex products of the highest quality will be increased.

Another major feature of the strategy is the continuation of structure and process optimisation. All central business processes will be geared towards the customers – to permanently satisfy the high demands on quality and to be able to react more flexibly to the market.

A main focus in branding is the systematic implementation of the premium position of the Leica brand. The quality of distribution is strengthened by the opening of further Leica Stores. In addition, the claim to premium status will also find expression in the positioning of products in the medium and upper price segments, and will be supported by a harmonisation of prices.

From a geographical perspective Leica Camera Group will focus on its core markets, opening up new market segments and customer groups.

Opportunities and risks

In addition to the circumstances relevant to the future development of the Company already described in the risk profile, the Company is dependent on the general state of the economy, which is subject to uncertainties.

Nevertheless the Company is optimistic – guided by the experience gained in fiscal 2009/2010 – that it will be able to minimise these risks by consistently adhering to the course embarked on.

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. In some cases 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.

At the extraordinary meeting of the Supervisory Board on May 20, 2009, Stefan Trippe was removed as member of the Board of Management.

The members of the Board of Management run the Company jointly, each of them being authorised to represent the Company singly.

Organisation and processes

In the period under review the Company has established a new functional corporate organisation. In the new fiscal year the focus is on the optimisation of processes.

For this purpose Leica Camera Group is establishing an in-house consulting service which is to guide and monitor process improvements especially in the supply chain and production divisions, and also at all other stages of the value-added chain. In this connection, the processes of, inter alia, product development, marketing and sales, as well as performance will be optimised with a view to the clear focus on customers.

The systems existing in the Leica Camera Group are regularly analysed. This includes the uniform utilisation of the EDP system. In the current fiscal year, the Company will amend its systems landscape by addition of a system for optimisation of customer management and customer loyalty; this CRM system will strengthen customer orientation.

Other

Employees

The average number of employees – excluding trainees – in the Leica Camera Group increased from 1,058 in the previous year to 1,083 in the year under review. On average over the fiscal year 2009/2010, 55.7 % were employed in production and 44.3 % 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 2.2 %, from 1,065 to 1,088.

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

Shareholder structure

ACM Projektentwicklung GmbH, Salzburg, holds 97.48 % of the voting rights of Leica Camera AG. This corresponds to 16,083,000 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:

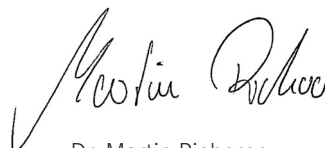
»We state that Leica Camera AG received fair and adequate compensation in each and every legal transaction conducted with an associated company, under the circumstances known to us at the time that any such legal transaction was conducted.«

Solms, June 16, 2010

The Board of Management



Rudolf Spiller



Dr. Martin Picherer



Andreas Lobejäger

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LEICA CAMERA GROUP, SOLMS
GROUP FINANCIAL STATEMENTS AS AT MARCH 31, 2010

LEICA CAMERA GROUP, SOLMS GROUP BALANCE SHEET

Assets	March 31, 2010	March 31, 2009	March 31, 2008
	€ 000	€ 000	€ 000
Non-current assets			
Intangible assets			
Concessions, industrial rights and similar rights and assets and licences in such rights and assets	2,138	2,563	1,220
Goodwill	428	428	-
Capitalised development expenses	8,505	1,284	1,448
Payments on account and proprietary developments under construction	705	3,291	64
	11,776	7,566	2,732
Tangible assets			
Land, land rights and buildings including buildings on third-party land	3,364	4,139	5,046
Technical equipment and machinery	4,403	5,265	3,678
Other equipment, operating and office equipment	7,925	5,757	3,986
Payments on account and assets under construction	5,450	5,496	1,358
	21,142	20,657	14,068
Financial assets			
Investment securities	-	-	678
Other loans	791	1,419	460
	791	1,419	1,138
Deferred tax assets	3,579	4,869	6,356
	37,288	34,511	24,294
Current assets			
Inventories			
Raw materials, consumables and supplies	16,279	12,097	10,967
Work-in-process	5,681	5,138	3,993
Finished goods and merchandise	11,316	15,856	18,779
Payments on account	193	359	807
	33,469	33,450	34,546
Trade receivables	23,137	17,297	9,957
Receivables from affiliated companies	108	138	52
Other receivables and other assets			
Receivables	-	53	37
Other assets	2,751	2,290	4,263
Liquid funds	26,768	23,192	29,438
	52,764	42,970	43,747
Prepaid expenses	592	887	522
	86,825	77,307	78,815
	124,113	111,818	103,109

Equity and liabilities	March 31, 2010	March 31, 2009	March 31, 2008
	€ 000	€ 000	€ 000
Equity			
Subscribed capital	16,498	16,498	15,000
Capital reserves	19,820	19,271	11,269
Revenue reserves	(11,142)	(5,865)	(8,654)
Currency translation	(716)	(2,082)	(1,465)
Net retained profits / accumulated loss of the Group	2,917	(5,277)	2,808
Minority interests	1,776	1,515	1,430
	29,153	24,060	20,388
Liabilities			
Long and medium-term liabilities			
Provisions for pensions	13,723	13,044	13,920
Other long and medium-term provisions	4,673	2,025	2,276
Convertible bonds	12,740	12,829	12,429
Liabilities to affiliated companies	1,414	3,094	-
Other long and medium-term liabilities	20,231	20,332	23,483
Deferred taxes	441	1,807	1,268
	53,222	53,131	53,376
Short-term liabilities			
Short-term provisions	5,801	6,491	7,184
Liabilities to banks	5,392	7,420	4,130
Payments received	-	-	118
Trade payables	15,825	7,744	6,569
Liabilities to affiliated companies	2,145	1,356	307
Other short-term liabilities	12,078	11,224	10,775
Prepaid income	497	392	262
	41,738	34,627	29,345
	124,113	111,818	103,109

LEICA CAMERA GROUP, SOLMS

GROUP INCOME STATEMENT

GROUP STATEMENT OF TOTAL COMPREHENSIVE INCOME

INCOME STATEMENT

	2009/2010	2008/2009
	€ 000	€ 000
Sales	158,239	134,150
Change of finished goods and work-in-process	(3,685)	2,485
Own work capitalised	5,509	5,429
Other operating income	5,496	11,353
Cost of materials		
Cost of raw materials, consumables and supplies and purchased merchandise	(56,108)	(56,808)
Cost of purchased services	(5,014)	(7,669)
	(61,122)	(64,477)
Personnel expenses		
Wages and salaries	(40,210)	(37,020)
Social security, pension and other benefit costs	(8,937)	(6,872)
	(49,147)	(43,892)
Amortisation/depreciation		
on intangible and tangible assets	(9,420)	(8,393)
Other operating expenses	(38,511)	(37,934)
Operating result	7,359	(1,279)
Interest result	(2,538)	(2,402)
Depreciation on financial assets	-	(1)
Earnings before income taxes	4,821	(3,682)
Income taxes	(1,643)	(1,510)
Group net income/loss	3,178	(5,192)
Thereof relating to shareholders of Leica Camera AG	2,917	(5,277)
Thereof relating to minority shareholders	261	85

	2009/2010	2008/2009
Earnings per share		
basic, Group net income/loss for the period (€)	0.18	(0.32)
diluted, Group net income/loss for the period (€)	0.20	(0.32)
Average number of shares in issue during the period	16,498,422	15,374,606

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	2009/2010	2008/2009
	€ 000	€ 000
Group net income/loss	3,178	(5,192)
Currency translation	1,366	(617)
Total comprehensive income	4,544	(5,809)
Total comprehensive income attributable to minority interests	(261)	(85)
Total comprehensive income after taxes and minority interests	4,283	(5,894)

LEICA CAMERA GROUP, SOLMS GROUP CASH FLOW STATEMENT

	March 31, 2010	March 31, 2009
	€ 000	€ 000
Group net income relating to shareholders of Leica Camera AG	2,917	(5,277)
Change in minority interests	261	85
Income taxes	1,643	1,510
Interest result	2,538	2,402
Amortisation/depreciation on intangible and tangible assets	9,420	8,393
Depreciation on financial assets	0	1
Profit/loss from disposal of non-current assets	(440)	(283)
Other non-cash expenses/income	1,300	(239)
Operating result before changes in working capital	17,639	6,592
Changes in inventories, receivables and other assets	(5,942)	(1,925)
Changes in trade payables and other liabilities	11,586	(1,246)
Income taxes paid	(1,304)	(489)
Interest paid	(2,509)	(2,272)
Interest received	108	337
Cash flows from operating activities	19,578	997
Proceeds from disposal of intangible and tangible assets	822	1,526
Investments in intangible and tangible assets	(14,461)	(18,822)
Investments in financial assets	(335)	(947)
Acquisition of LCA Holding AG, Nidau, Switzerland	0	(1,507)
Cash flows from investing activities	(13,974)	(19,750)
Proceeds from the cash capital increase	0	9,500
Cash receipt from short or long-term borrowings	0	3,007
Repayments of financial liabilities	(2,028)	0
Cash flows from financing activities	(2,028)	12,507
Changes in liquid funds	3,576	(6,246)
Liquid funds at the beginning of the period	23,192	29,438
Liquid funds at the end of the period	26,768	23,192

LEICA CAMERA GROUP, SOLMS

STATEMENT OF CHANGES IN GROUP EQUITY

	Ordinary shares number	Subscribed capital € 000	Capital reserves € 000
Balance on April 1, 2008	15,000,000	15,000	11,269
Capital increase	1,498,422	1,498	8,002
Revaluation of convertible bonds			
Total comprehensive income for the period			
Fair market valuation of financial instruments			
Balance on March 31 / April 1, 2009	16,498,422	16,498	19,271
Revaluation of convertible bonds			556
Equity raising cost			(7)
Total comprehensive income for the period			
Balance on March 31, 2010	16,498,422	16,498	19,820

Revenue reserves, Group net income/loss	Currency translation	Minority interests	Group equity
€ 000	€ 000	€ 000	€ 000
(5,846)	(1,465)	1,430	20,388
			9,500
(400)			(400)
(4,877)	(617)	85	(5,409)
(19)			(19)
(11,142)	(2,082)	1,515	24,060
			556
			(7)
2,917	1,366	261	4,544
(8,225)	(716)	1,776	29,153

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 clarity 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) and as applicable in the European Union (EU) and in accordance with any commercial law provisions to be observed pursuant to section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code). 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, 2010.

The change in the valuation of the convertible bonds induced retrospective changes: of the balance sheets of the previous year and as at March 31, 2008, as well as of the interest expenses of the previous year.

The accounting and valuation principles applied are identical to those applied in the preparation of the Group financial statements as at March 31, 2009, with the following exceptions:

Changes in the presentation, accounting and valuation principles applied in the Group financial statements of Leica Camera AG became necessary as a result of first-time application of the following standards:

- IAS 1 – Presentation of financial statements:
Basically a separate presentation of a statement of total comprehensive income.
- IAS 23 – Borrowing costs:
First-time capitalisation of borrowing costs in respect of qualifying assets.
- IFRS 7 – Financial instruments:
Improvement of the disclosure in the notes to group financial statements of the attributable fair value and liquidity risk of financial instruments.
- IFRS 8 – Operating segments:
Disclosing information on operating segments in the notes to group financial statements according to the internal reporting as prepared for managing the company.

In addition, the Company has voluntarily applied ahead of schedule IFRS 8.23, changed within the frame of the »Annual Improvements Project 2009«, according to which the valuation of segment assets can be dispensed with in case these amounts are not regularly reported to the responsible instance within the company.

The other IFRS and interpretations of the IFRIC voluntarily applicable as per March 31, 2010 have not been applied. Therefore IAS 1.69, changed within the frame of the »Annual Improvements Project 2009«, is applicable. IAS 1.69 prescribes that convertible bonds convertible within a period of one year be classified as short-term.

Furthermore, the IASB and IFRIC have issued various 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 in the Group financial statements as at March 31, 2010.

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

According to Leica Camera AG's expectation the changes of the provisions mentioned will have no material effect on the financial statements.

ACM Projektentwicklung GmbH, Salzburg, holds 97.48 % of the voting rights in Leica Camera AG. ACM Projektentwicklung GmbH is a 100 % subsidiary of SOCRATES Privatstiftung, Vienna. For the first time SOCRATES Privatstiftung has prepared consolidated financial statements as at December 31, 2008. Leica Camera AG has prepared a dependence report according to section 312 of the *Aktiengesetz* (AktG – German Stock Corporation Act) as at March 31, 2010.

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., Saint-Jorioz, France	March 31, 1996	100.00 %
Leica Camera Japan Co., Ltd., Tokyo, Japan	February 28, 2005	51.00 %
Leica Cinema GmbH i.L., Zurich, Switzerland	December 22, 2006	100.00 %
LCA Holding AG, Nidau, Switzerland	September 30, 2008	100.00 %
Leica Camera AG, Nidau, Switzerland	September 30, 2008	100.00 %
Perrot Image SA, Nidau, Switzerland	September 30, 2008	100.00 %
Leica Camera Asia Pacific Pte. Ltd., Singapore	November 25, 2009	100.00 %

Leica Cinema GmbH, Zurich, Switzerland, founded in December 2006, did not conduct any business and currently is in liquidation. The resolution to wind up the company was dated December 24, 2008.

The share interest in LCA Holding AG, Nidau, Switzerland, was acquired by a contract dated October 29, 2008. LCA Holding AG holds 100.0 % of the interests in Leica Camera AG, Nidau, Switzerland, and in Perrot Image SA, Nidau, Switzerland. LCA Holding AG prepares sub-group financial statements, which are included in the Group financial statements of Leica Camera AG.

On November 25, 2009 Leica Camera Asia Pacific Pte. Ltd., Singapore, was founded. The company, which emerged from the existing representative office in Singapore, will be responsible for the marketing activities in Southeast Asia and the countries of the Pacific region.

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 is subjected to an impairment test annually or if indications for impairment are detected. 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.

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 fiscal year 2009/2010 the Group reported total exchange gains in the amount of € 2,179,000 (previous year: € 9,444,000) and total exchange losses in the amount of € 1,747,000 (previous year: € 3,264,000). 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 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the acquisition or manufacturing cost of that asset. Other borrowing costs are recognised as expenses.

6 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 the amounts shown in the Group financial statements.

7 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. 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 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. To improve financial situation information, the estimate of the amount of warranty obligations has been adjusted in such a way that the expected future outflow of funds is established separately for each product group. This has resulted in an increase of warranty accruals by € 1 million as at March 31, 2010 as compared to the former method of estimation. Furthermore, a portion of the warranty accruals, amounting to € 2,645,000 has been classified as medium to long-term. Due to the change in estimate the burden on the future results of the Company will be reduced by the amount of € 1 million.

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 of the best estimate of the commitments expected. 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: 28.08 %). Tax rates abroad range between 17.0 % and 41.0 % (previous year: between 23.0 % and 40.7 %).

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 or hedges for planned acquisitions. 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.

8 NOTES TO THE
INCOME STATEMENT

Sales by regions

	2009/2010	2008/2009
	€ 000	€ 000
Germany	18,495	18,310
Europe (excluding Germany)	53,130	38,064
Asia and Australia	51,448	49,113
US, Canada and Mexico	34,690	27,896
Others	476	767
	158,239	134,150

Sales by product lines

	2009/2010	2008/2009
	€ 000	€ 000
System cameras	70,790	41,827
Compact cameras	39,526	44,338
Sport optics	22,540	24,794
Projectors	625	1,320
Spare parts and technical after-sales service	3,275	4,501
Licencing income	11,700	11,798
Other	9,783	5,572
	158,239	134,150

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

	2009/2010	2008/2009
	€ 000	€ 000
Release of provisions, deferred income and allowances	2,343	1,528
Exchange gains	2,179	9,444
Gain on disposal of non-current assets	397	73
Other income	577	308
	5,496	11,353

As a result of the erratic currency fluctuations experienced in fiscal year 2008/2009, particularly in the US Dollar and the Japanese Yen, there were significant exchange gains from currency hedging transactions in the previous year.

Personnel expenses

The personnel expenses include expenses for pension commitments at the following amounts:

	2009/2010	2008/2009
	€ 000	€ 000
Pension commitments	2,537	706

The increase in expenses for pension commitments is mainly due to the adjustment of the discount rate used in the valuation of pension accruals, which changed from 6.0 % in the previous year to 5.3 % in the fiscal year.

Other operating expenses

	2009/2010	2008/2009
	€ 000	€ 000
Selling costs	9,856	10,306
Administrative expenses	11,437	8,733
Foreign exchange losses	1,747	3,264
Warranties	4,244	1,302
Licence and patent fees	4,468	4,030
Other operating expenses	6,759	10,299
	38,511	37,934

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. As a result of the erratic currency fluctuations experienced in fiscal year 2008/2009, particularly in the US Dollar and the Japanese Yen, there were higher foreign exchange losses due to record-date related valuations.

Selling costs decreased as compared to the prior year since the 2008/2009 figure includes costs for the photokina trade fair, which takes place every two years. Administrative expenses increased mainly as a result of increased consulting costs, which were incurred in connection with the Company's restructuring programme. Warranties increased due to the change in the valuation of warranty accruals. Other operating expenses decreased due to reduced development costs resulting from the postponement of certain development projects in connection with the restructuring programme.

Interest result

	2009/2010	2008/2009
	€ 000	€ 000
Interest income	108	339
Interest expenses	(2,646)	(2,741)
	(2,538)	(2,402)

The interest expenses for the previous year increased by € 400,000 as a result of the retrospective change in the valuation of the convertible bonds.

Income taxes

	2009/2010	2008/2009
	€ 000	€ 000
Current taxes domestic	0	54
Current taxes foreign	(1,717)	(16)
	(1,717)	38
Deferred taxes domestic	469	(2,035)
Deferred taxes foreign	(395)	487
	74	(1,548)
Total income taxes	(1,643)	(1,510)

Reconciliation of earnings before income taxes to income tax expense

	2009/2010		2008/2009	
	%	€ 000	%	€ 000
Earnings before income taxes	100.00	4,821	100.00	(3,682)
Income taxes	28.08	1,354	28.08	(1,034)
Non-utilisation and value adjustment of loss carryforwards		68		2,630
Utilisation of loss carryforwards		(104)		0
Capitalisation of utilisable loss carryforwards		(2,004)		0
Tax expense from change in temporary differences		1,599		27
Tax rate differentials		362		(75)
Non-period taxes		6		(141)
Tax increases due to non-deductible expenses		340		155
Sonstiges		22		(52)
		1,643		1,510

The expected tax expense (previous year: tax expense) takes into account the combined domestic tax rate of 28.08 % (previous year: 28.08 %), consisting of the domestic corporate income tax rate of 15 % (previous year: 15 %) plus the solidarity surcharge of 5.5 % and the trade tax rate of 12.28 % (previous year: 12.28 %).

While loss carryforwards utilisable for an indefinite period of time exist in Germany for corporate income tax in the total amount of € 32,495,000 (previous year: € 45,099,000) and abroad in the amount of € 2,382,000 (previous year: € 4,877,000), their recognition was waived due to vague realisability.

The recognition of loss carryforwards utilisable for an indefinite period of time in Germany for trade income tax in the total amount of € 29,476,000 (previous year: € 41,855,000) was waived due to vague realisability. There was a revaluation of deferred taxes due to the planned realisation of loss carryforwards in the amount of € 2,004,000 (previous year: value adjustment due to vague realisability in respect of deferred tax assets on loss carryforwards in the amount of € 702,000). This is based on the expected significant improvement of the future tax income of Leica Camera AG as entered into the Company's current 5-year plan.

The currency translation differences shown in the statement of total comprehensive income are not subject to income taxes.

Pursuant to IAS 12.39 no deferred tax assets were recognised for taxable temporary differences in the amount of € 435,000 (previous year: € 172,000) in the context of subsidiaries.

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 income for the period attributable to the shareholders of Leica Camera AG by the weighted average number of shares in issue during the fiscal year. The number of shares in issue remained unchanged, at 16,498,422.

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. Diluted and basic earnings per share are € 0.20 and € 0.18, respectively. In calculating the diluted earnings the Group net income relating to the shareholders of Leica Camera AG was adjusted for the interest payable on the convertible bonds (€ 703,000) and the average number of shares in issue was increased by the average number of shares potentially originating from conversion. Such increase would amount to 1,181,417 shares.

Non-current assets

Changes in fixed assets

The changes in fixed assets are shown on pages 64 to 67.

Concessions, industrial rights and similar rights and assets and licences in such rights and assets, as well as capitalised development expenses have useful lives of between six months and five years. In the fiscal year, straight-line depreciation totalled € 2,938,000 (previous year: € 2,929,000). The development expenses capitalised in the fiscal year primarily relate to new developments in the Photo segment.

In the previous year, the acquisition of the Company's Swiss subsidiary has resulted in goodwill amounting to € 428,000, which was allocated fifty-fifty to the Photo and Sport optics segments.

In the period under review, research and development costs were expensed in the amount of € 7,783,000 (previous year: € 13,798,000).

There was unscheduled depreciation on other equipment in the amount of € 59,000 (previous year: € 120,000) due to lack of usability.

Borrowing costs directly attributable to capitalised proprietary developments have been capitalised in the amount of € 113,000, based on an interest rate of 6.19 %.

Land and buildings of the tangible assets are owned by Leica Aparelhos Ópticos de Precisão S.A., Vila Nova de Famalicão, Portugal. Land and building of the parent are leased and have been qualified as finance leases.

In the previous year, Other loans mainly included a fixed income investment held as reimbursement fund for employee pensions. As at March 31, 2010 this reimbursement fund is subtracted from the provisions for the partial retirement scheme.

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:

	03/31/2010	03/31/2009
	€ 000	€ 000
Deferred tax assets		
Fixed assets	(1,987)	375
Inventories and receivables	1,338	1,666
Pension accruals	731	381
Other accruals and liabilities	272	226
Loss carryforwards	3,858	2,436
Capital procurement costs	0	393
Convertible bonds	(633)	(608)
	3,579	4,869
Deferred tax liabilities		
Fixed assets	300	1,646
Inventories and receivables	129	133
Other accruals and liabilities	12	28
	441	1,807

The realisation of the amount of deferred tax assets exceeding deferred tax liabilities (€ 3,138,000; previous year: € 3,062,000) is dependent on the realisation of future profits. According to the corporate planning for the next five years, the Board of Management expects for the coming fiscal years taxable results that will lead to the utilisation of tax loss carryforwards in the amount of € 11.3 million. The corporate planning relies on past experience, insight in current results from operations and estimates of future developments by the Board of Management.

Current assets

Inventories

The inventories are composed as follows:

	Gross value		Net value	Gross value		Net value
	03/31/2010	Deduction	03/31/2010	03/31/2009	Deduction	03/31/2009
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Raw materials, consumables and supplies	27,351	(11,072)	16,279	22,567	(10,470)	12,097
Work-in-process	8,565	(2,884)	5,681	7,268	(2,130)	5,138
Finished goods and merchandise	15,264	(3,948)	11,316	23,754	(7,898)	15,856
Payments on account	193	0	193	359	0	359
	51,373	(17,904)	33,469	53,448	(20,498)	33,450

As at March 31, 2010, the raw materials, consumables and supplies item contains replacement parts totalling € 2,393,000 (previous year: € 2,818,000).

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, Leica Camera AG entered into agreements with GE Capital Bank AG (formerly 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 had at its disposal until May 31, 2009 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.

Pursuant to an agreement with GE Capital Bank AG dated March 30, 2009, the total financing volume was reduced to € 13,000,000 as from June 1, 2009; of this amount, € 10,000,000 relate to liabilities from factoring and € 3,000,000 to special financing.

Currently, the financing commitment extended by GE Capital Bank AG is firm until May 2011.

In addition, the Company's subsidiary Leica Camera Ltd., Knowlhill, Milton Keynes, UK, has entered into a contract on the sale of accounts receivable with GE Capital Bank AG, while the Company's subsidiary Leica Camera S.A.R.L., Saint-Jorioz, France, in the previous year has terminated a similar contract with GE Capital Bank AG and entered into a contract with Factocic, Société Anonyme.

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

	03/31/2010	03/31/2009
	€ 000	€ 000
Book value	23,137	17,297
Thereof neither impaired nor overdue as at the balance sheet date	22,958	15,453
Thereof as at the balance sheet date overdue for:		
30-60 days	143	1,234
61-90 days	(10)	365
> 90 days	46	245

As at the balance sheet date, there were allowances for receivables in the amount of € 908,000 (previous year: € 938,000).

Other receivables and other assets basically refer to receivables from licences and receivables from factors. In addition, the item includes receivables from revenue offices.

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 forward exchange deals in the following currencies: US Dollar, British Pound, Japanese Yen, Swiss Franc and Canadian Dollar.

In the fiscal year, derivatives transactions have resulted in profits not yet realised in the amount of € 0 (previous year: € 114,000) and losses not yet realised in the amount of € 19,000 (previous year: € 133,000). The profits not yet realised are recognised in the balance sheet as trade receivables, and the losses not yet realised from pending transactions as trade payables.

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.

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 had forward exchange deals in

- Japanese Yen with a total transaction volume of ¥ 0 (previous year: ¥ 1,425,000)
- British Pounds with a total transaction volume of £ 0 (previous year: £ 1,370,000)
- US Dollars with a total transaction volume of US\$ 0 (previous year: US\$ 1,720,000)
- Swiss Francs with a total transaction volume of sfr 4,800,000 (previous year: sfr 3,000,000)
- Canadian Dollars with a total transaction volume of C\$ 0 (previous year: C\$ 250,000)

There were no currency option transactions. The forward exchange deal in sfr 4,800,000, to be transacted in the period from April 2010 until March 2011, has been valued € -19,000 as at the balance sheet date.

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.

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 € 16,498,000 (previous year: € 16,498,000).

The share capital is composed of 16,498,422 (previous year: 16,498,422) no-par value bearer shares.

The General Meeting of May 31, 2005 resolved to increase the share capital contingently by up to € 170,000 (Contingent Capital I). Furthermore, the General Meeting of November 23, 2005 resolved to further increase the share capital contingently by up to € 2,872,750 (Contingent Capital II).

As at the balance sheet date, authorised capital stands at € 3,001,578.

By resolution of the General Meeting of November 27, 2009, the Board of Management is authorised to increase, with the consent of the Supervisory Board, once or several times the share capital by up to € 8,249,200 until November 27, 2014 by issuing new no-par value bearer shares against contribution in cash and/or in kind; in the capital increase the subscription right of the shareholders can be excluded (Authorised Capital 2009/I).

Equity of Leica Camera Group

In addition to the remaining premium from the IPO (€ 150,000) and the premiums from the cash capital increases of August 2005 (€ 9,450,000) and February 2009 (€ 8,002,000), the capital reserves contain the equity portion of the convertible bonds (€ 3,604,000) according to IAS 32. Equity raising cost (€ 884,000) has been deducted from the Group's equity. There were no significant costs incurred for the 2009 capital increase. As a result of the retrospective adjustment of the balance sheet recognition of the convertible bonds capital reserves were increased by € 469,000.

A partial amount of the convertible bonds, € 6,883,000, was removed from the balance sheet on June 26, 2009 due to a debt waiver and the financial liability was revaluated to € 6,327,000 because of the debtor warrant and recognised in the balance sheet. This resulted in an addition of the remaining difference, € 556,000, to capital reserves.

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 € 426,000 (previous year: € 382,000) and to the interest of Hermès Japon Co., Ltd., Tokyo, Japan, in Leica Camera Japan Co., Ltd., Tokyo, Japan, in the amount of € 1,350,000 (previous year: € 1,133,000).

Management of capital

During the phase of restructuring the Company's management of capital aimed at stabilising equity. In this respect the most important performance indicator was the net income/loss for the year.

In fiscal year 2009/2010 the Board of Management has adopted a new corporate strategy. According to such strategy, the Company after its successful restructuring now enters a phase of reorientation. On the basis of a customer-oriented growth strategy Leica Camera Group will be led into a successful future characterised by sustained positive earnings in the medium and longer term. In this respect Group EBIT constitutes the key indicator used in managing the Company.

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:

	03/31/2010	03/31/2009
Payroll rise	0.00 %	0.00 %
Pension rise	1.50 %	1.50 %
Discount rate	5.30 %	6.00 %
Inflation rate	1.50 %	0.00 %

The pension entitlements abroad are minor (value: € 104,000, previous year: € 86,000).

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

	2009/2010	2008/2009
	€ 000	€ 000
Pension entitlements as at April 1	13,587	14,439
Present value of fund assets	(543)	(519)
Provisions for pensions as at April 1	13,044	13,920
Pension entitlements as at April 1	13,587	14,439
Pensions paid	(1,076)	(797)
Interest expenses	840	841
Additions / (Releases)	702	(896)
Pension entitlements as at March 31	14,053	13,587
Present value of fund assets	(330)	(543)
Provisions for pensions as at March 31	13,723	13,044

Other long and medium-term provisions

The following table shows the provisions for warranty obligations, for the partial retirement scheme and for employment anniversary allowances.

	Warranty obligations	Anniversary allowances	Partial retirement scheme	Total
	€ 000	€ 000	€ 000	€ 000
As at April 1, 2009	3,600	600	1,501	5,701
Drawings	(388)	0	(168)	(556)
Additions	2,660	39	1,085	3,784
Reimbursement fund	0	0	(993)	(993)
As at March 31, 2010	5,872	639	1,425	7,936
Thereof with				
residual term > 1 year	2,645	639	1,389	4,673
Previous year	0	600	1,425	2,025

Additions include € 80,000 of accruing interest added.

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, 2010, ACM Projektentwicklung GmbH held 144,477 bonds (previous year: 144,477 bonds).

The valuation of the convertible bonds was effected by deducting the effective interest rate applicable to similar financial liabilities with comparable residual terms (10 % p.a.) from the expected future payment flows. Accumulated interest must be added to the convertible bonds on an annual basis.

As accumulated interest had hitherto not been added, the balance sheet recognition was retrospectively corrected in accordance with IAS 8.41 et seqq.

Interest expenses in the previous year increased correspondingly, from € 2,002,000 to € 2,402,000.

The following are the changes in the balance sheet:

	Revenue reserves	Convertible bonds	Capital reserves
	€ 000	€ 000	€ 000
March 31, 2008 Revaluation	(8,654)	12,429	11,269
March 31, 2008 Previous balance sheet recognition	(8,674)	11,391	12,327
March 31, 2009 Revaluation	(5,865)	12,829	19,271
March 31, 2009 Previous balance sheet recognition	(5,885)	11,391	20,329

Effective June 26, 2009 ACM Projektentwicklung GmbH waived the repayment of eight tranches of € 1 million each. The waiver was subject to the resolute condition that the capital as defined under commercial law of Leica Camera AG at certain predefined moments in time, based on the hypothetical classification of one or more partial waiver amounts as liabilities, exceeds 75 % of the share capital of Leica Camera AG.

As at March 31, 2010 certain partial waiver amounts, amounting to a total of € 5 million, were renewed. According to its current planning Leica Camera AG expects that per September 30, 2010 the renewal will also extend to the remaining amount of € 3 million. Therefore, a partial amount of the convertible bonds, € 6,883,000, was removed from the balance sheet at the time of the waiver and simultaneously a financial liability of € 6,327,000 was taken on the balance sheet.

The difference, amounting to € 556,000, equalling the net present value of the interest lost during the waiver period, was added to capital reserves.

Other long and medium-term liabilities

	Residual term of 1 to 5 years	Residual term of over 5 years	03/31/2010
	€ 000	€ 000	€ 000
Obligations under leases	170	0	170
Other liabilities	20,061	0	20,061
	20,231	0	20,231

	Residual term of 1 to 5 years	Residual term of over 5 years	03/31/2009
	€ 000	€ 000	€ 000
Obligations under leases	279	0	279
Other liabilities	20,053	0	20,053
	20,332	0	20,332

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, with the rates increasing over the term. As at the balance sheet date, the loan had a market value of € 20,495,000 (previous year: € 20,312,000).

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

	Residual term of 1 to 5 years	Residual term of over 5 years	03/31/2010
	€ 000	€ 000	€ 000
Lease payments	1,626	0	1,626
Discounts	42	0	42
Present value	1,584	0	1,584

	Residual term of 1 to 5 years	Residual term of over 5 years	03/31/2009
	€ 000	€ 000	€ 000
Lease payments	2,860	0	2,860
Discounts	287	0	287
Present value	2,573	0	2,573

The total assets leased under finance leases and attributable to the property of the Group in accordance with IAS 17 amount to € 2,312,000 (previous year: € 2,966,000). Thereof € 1,288,000 (previous year: € 1,796,000) refer to land and buildings.

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 64 to 67.

Short-term provisions

	Warranty obligations	Pending losses	Partial retirement scheme	Other	Total
	€ 000	€ 000	€ 000	€ 000	€ 000
As at April 1, 2009	3,600	33	76	2,782	6,491
Drawings	0	0	(76)	(567)	(643)
Releases	(388)	(12)	0	(1,682)	(2,082)
Additions	15	100	82	1,885	2,082
Reimbursement fund	0	0	(47)	0	(47)
As at March 31, 2010	3,227	121	35	2,418	5,801

	03/31/2010	03/31/2009
	€ 000	€ 000
Short-term liabilities to banks	5,392	7,420
Short-term trade payables	15,825	7,744
Short-term liabilities to affiliated companies	2,145	1,356
Other short-term liabilities		
Personnel-related liabilities	3,961	3,738
Liabilities from taxes	1,109	690
Financial derivatives	19	133
Other liabilities	6,989	6,663
	12,078	11,224

Liabilities to banks include fixed rate loans in the amount of € 25,000 (previous year: € 25,000), the other liabilities have floating rates. The market value of the liabilities to banks corresponds to the book value.

Other liabilities in the previous year included unpaid portions of the purchase price in respect of the acquisition of LCA Holding AG, Nidau, Switzerland, in the amount of € 1,232,000.

Other liabilities include negative market values of financial derivatives in an amount of € 19,000 (previous year: € 133,000).

Personnel-related liabilities include the wages and salaries 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 liabilities to affiliated companies break down as follows:

	03/31/2010 Residual term of up to 1 year	03/31/2009 Residual term of up to 1 year
	€ 000	€ 000
Lease payments	1,125	1,035
Discounts	104	153
Present value	1,021	882

Non-derivative financial liabilities

	Residual term of up to 1 year € 000	Residual term of 1 to 5 years € 000	Residual term of over 5 years € 000	Total € 000
Convertible bonds				
Repayment	0	12,740	0	12,740
Interest	1,219	5,216	0	6,435
Liabilities to banks				
Repayment	5,392	0	0	5,392
Interest	99	0	0	99
Trade payables				
Repayment	15,825	0	0	15,825
Interest	0	0	0	0
Liabilities to affiliated companies				
Repayment	2,145	1,414	0	3,559
Interest	174	42	0	216
Other liabilities				
Repayment	12,078	20,231	0	32,309
Interest	1,465	750	0	2,215

10 OTHER DISCLOSURES

Notes to the cash flow statement

The earnings attributable to minority interests in the amount of € 261,000 (previous year: € 85,000) 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 tax expenditure in the amount of € 1,717,000 (previous year: tax income of € 38,000) and to deferred tax income in the amount of € 74,000 (previous year: tax expenditure of € 1,548,000).

Investments in tangible and intangible assets mainly result from the capitalisation of development costs and purchase costs of other equipment, operating and office equipment.

Segment reporting

For internal reporting the Company is organised by business division: »Photo«, »Sport optics« and »Other«. The »Photo« division comprises system cameras, compact cameras and projectors plus accessories, the »Sport 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, 2010

Segmental breakdown	Sport			Group
	Photo	optics	Other	
	€ 000	€ 000	€ 000	€ 000
Sales	110,945	22,539	24,755	158,239
Manufacturing costs	(80,599)	(15,955)	(13,764)	(110,318)
Gross profit on sales	30,346	6,584	10,991	47,921
Selling costs	(18,521)	(6,100)	(2,217)	(26,838)
General administrative expenses	(11,772)	(2,994)	(2,029)	(16,795)
Other operating income/ expenses, net	65	32	2,974	3,071
Operating result	118	(2,478)	9,719	7,359

Regional breakdown	Capital	Non-current	Sales
	expenditure	assets	
	€ 000	€ 000	€ 000
Germany	12,942	21,636	18,495
Europe (excluding Germany)	1,501	10,364	53,130
Asia and Australia	340	1,549	51,448
US, Canada and Mexico	13	160	34,690
Others	0	0	476
	14,796	33,709	158,239

Segment report as at March 31, 2009

Segmental breakdown	Sport			Group
	Photo	optics	Other	
	€ 000	€ 000	€ 000	€ 000
Sales	87,482	24,795	21,873	134,150
Manufacturing costs	(80,160)	(15,760)	(10,687)	(106,607)
Gross profit on sales	7,322	9,035	11,186	27,543
Selling costs	(16,531)	(5,281)	(1,793)	(23,605)
General administrative expenses	(8,029)	(2,624)	(1,704)	(12,357)
Other operating income/ expenses, net	0	0	7,140	7,140
Operating result	(17,238)	1,130	14,829	(1,279)

Regional breakdown	Capital	Non-current	Sales
	expenditure	assets	
	€ 000	€ 000	€ 000
Germany	12,904	17,760	18,310
Europe (excluding Germany)	8,793	10,366	38,064
Asia and Australia	20	1,326	49,113
US, Canada and Mexico	21	190	27,896
Others	0	0	767
	21,738	29,642	134,150

Additional information on financial instruments and risk management

The following table shows the carrying amounts and the fair values of borrowings and receivables, of financial liabilities measured at amortised cost and of derivatives without a hedging relationship.

The market values of cash and cash equivalents, short-term receivables, trade payables, other short-term financial liabilities and other financial liabilities correspond approximately to their carrying amounts. The main reason for this is the short term of these instruments.

There are no long-term receivables.

Leica Camera AG determines the market values of liabilities to banks and other financial liabilities, as well as of other long-term financial liabilities by deducting the interest rate applicable to similar financial liabilities with comparable residual terms from the expected future payment flows.

	03/31/2010 Market value € 000	03/31/2010 Carrying amount € 000	03/31/2009 Market value € 000	03/31/2009 Carrying amount € 000
Financial assets				
Cash	26,768	26,768	23,192	23,192
Trade receivables and other receivables	25,996	25,996	19,664	19,664
Derivative assets				
Derivatives without a qualifying hedging relationship	0	0	114	114
Financial liabilities				
Convertible bonds	12,740	12,740	12,829	12,829
Liabilities to banks and other financial liabilities	25,887	25,392	27,732	27,420
Trade payables	19,384	19,384	12,194	12,194
Other non-derivative financial liabilities	12,290	12,290	11,423	11,423
Derivative liabilities				
Derivatives with a qualifying hedging relationship	19	19	133	133

Financial assets are carried at acquisition cost.

In the fiscal year, excepting the abovementioned derivatives there were no financial assets or liabilities recognised at fair value with effect on income. In addition, there were no financial assets available for sale or financial assets categorised as to be held to maturity.

Apart from currency effects there were no material effects on the net result of borrowings and receivables other than the allowances described in the notes to trade receivables. For the fiscal year the net result of the derivatives with a qualifying hedging relationship amounts to € -19,000.

Market risks and use of derivative financial instruments

Due to its international operating activities, as well as its investing and financing activities Leica Camera AG is subject to various financial risks. The Company's management continuously monitors these risks. Based on internal planning the Company uses derivative financial instruments to reduce the risks from interest rate changes, exchange rate changes, cash flows or changes in the value of investments. The planning is examined by the management at regular intervals. On principle, derivative hedge transactions are entered into to hedge existing risk positions or business transactions that have a high probability of occurrence.

Interest rate risk

The Company is subject to interest rate fluctuations both on the assets and the equity and liabilities side of the balance sheet.

On the assets side, income from the investment of liquid funds, in particular, is subject to the risk of interest rate changes. On the equity and liabilities side, the positions subject to the risk of changing interest rates are essentially the interest expenses in respect of short-term financial liabilities, the provisions for pensions and the other positions of long and medium-term liabilities.

Risk reduction arises from the fact that both the investments and the existing financing have floating rates.

The sensitivity analysis required by IFRS 7 refers to risks of interest rate changes in monetary financial instruments bearing interest at floating rates.

Based on the current structure of the interest-bearing financial instruments a hypothetical increase of the market interest level by 100 basis points would reduce Group net income by € 53,000.

Exchange rate risk

As a hedge against future exchange rate fluctuations the Company enters into forward exchange deals. Whenever possible receivables and payables in foreign currencies will be netted and only the resulting net position hedged. Expected cash flows are also hedged.

The hedge transactions are measured at fair value and shown in the balance sheet under other assets or short-term liabilities, as the case may be. Changes in the value of hedge transactions are immediately recognised in the income statement with effect on net income in the case of fair value hedges and are initially shown in Group equity in the case of cash flow hedges.

The sensitivity analysis required by IFRS 7 refers to exchange rate risks in monetary financial instruments whose currency of denomination differs from the functional currency they are valued in. Exchange-rate induced differences from the translation of financial statements into the Group currency (translation risk) and non-monetary items are not taken into account. The fundamental monetary financial instruments of the Group are mostly denominated in the functional currency. Material effects on the income of Leica Camera AG primarily result from the exchange rate relations of the Euro and, respectively, the US Dollar and the Japanese Yen. The hedge transactions are based on existing underlying transactions or planned cash flows, thereby reducing any potential effects on income.

Based on the holdings in monetary financial instruments as at the balance sheet date, a depreciation of the Euro against the US Dollar and the Japanese Yen by 10 % would have reduced Group net income by € 780,000. For the Company this constitutes a theoretical risk only since these hedge positions relate to on-balance sheet transactions, which are not open trading positions.

Risk of changes in market value

In compliance with the Group's business policy, management of the investment positions is based on the variables term, type of return on investment and rating. From the point of view of the Company such management ensures that significant fluctuations in value are not to be expected.

Credit risk

In operating activities and in connection with certain financial transactions Leica Camera AG is exposed to default risk in case contracting parties fail to meet their obligations. As concerns both investments and derivative financial instruments the Company enters into contracts with banks of good credit standing. The theoretical maximum default risk is reflected in the carrying amounts. The requirements specified by the management ensure that the credit risk from financial instruments is spread across various banks.

In operating activities the Company's receivables are continually monitored, with appropriate specific valuation allowances made for default risks. As at March 31, 2010 there were no indications for any risks exceeding the valuation allowances made. Due to the size of the customer base and the diversification of sales to various countries the Company detects no bundled credit risk vis-à-vis individual customers. The theoretical maximum default risk, without taking collateral into account, is reflected in the carrying amounts of the receivables.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations, for instance under loan agreements, leasing agreements or concerning trade payables. The risk is delimited by active working capital management and Group-wide liquidity control, and, if necessary, is counterbalanced by available cash and bilateral credits.

Volume and valuation of derivative financial instruments

Derivative financial instruments are used to hedge existing or expected foreign currency risk, interest rate risk or other market risks.

The following table shows the nominal volume, the carrying amount, as well as the market value of the derivative financial instruments as at March 31, 2010 and as at March 31, 2009. The market value of forward exchange deals is established by comparing the exchange rates agreed upon with the forward exchange rates.

	03/31/2010 Nominal volume € 000	03/31/2010 Market value € 000	03/31/2010 Carrying amount € 000	03/31/2009 Nominal volume € 000	03/31/2009 Market value € 000	03/31/2009 Carrying amount € 000
Derivatives with positive market value						
Derivatives (without a qualifying hedging relationship)						
Forward exchange deals	0	0	0	7,391	114	114
Derivatives with negative market value						
Derivatives (without a qualifying hedging relationship)						
Forward exchange deals	3,362	(19)	(19)	8,383	(133)	(133)

The derivative financial instruments shown serve to hedge future sales and received supplies in foreign currency.

As a hedge against exchange-rate induced changes in the value of future cash flows the Company enters into forward exchange deals.

The financial instruments used as hedges against currency and interest rate risks have residual terms of less than one year. The respective residual terms correspond to the periods during which the expected cash flows will have effect on income.

Investment policy

The investments of Leica Camera AG are undertaken very conservatively. The Company predominantly buys short-term time deposits and short-term fixed-income securities with a quality of at least investment grade.

Contingent liabilities

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

	03/31/2010	03/31/2009
	€ 000	€ 000
From the issue and transfer of bills	0	17
From the assumption of guarantees to banks	4,159	4,207
From orders	14,897	12,376

	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years
2009/2010	€ 000	€ 000	€ 000
Operating leases	375	597	409
Leases	1,822	61	0

	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years
2008/2009	€ 000	€ 000	€ 000
Operating leases	264	243	0
Leases	1,379	48	0

The operating lease agreements have an average term of 36 months and mainly refer to automobiles and software. As from fiscal year 2009/2010 there is an additional building leasing agreement with a term of ten years.

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 92.72 %-owned by the Company's majority shareholder, ACM Projektentwicklung GmbH, the Company is obliged to take delivery of injection moulded plastic parts.

In the period from April 1, 2009 until March 31, 2010, VIAOPTIC GmbH has delivered goods and rendered services in a volume of € 287,000. As at the record date, there were accounts payable in the amount of € 29,000. In the period from April 1, 2009 until March 31, 2010, Leica Camera AG has delivered goods and rendered services in a volume of € 40,000. As at the record date, there were accounts receivable in the amount of € 8,000.

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 into a supply agreement dated November 7, 1996 and a co-maker agreement dated March 7, 2002 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 the period from April 1, 2009 until March 31, 2010, Uwe Weller Feinwerktechnik GmbH has delivered goods and rendered services in a volume of € 1,791,000. As at the record date, there were accounts payable in the amount of € 223,000. In the period from April 1, 2009 until March 31, 2010, Leica Camera AG has delivered goods and rendered services in a volume of € 2,000. As at the record date, there were no accounts receivable.

Business relationship with ACM Projektentwicklung GmbH

In the period from April 1, 2009 until March 31, 2010, ACM Projektentwicklung GmbH has delivered goods and rendered services in a volume of € 258,000. As at the record date, there were accounts payable in the amount of € 24,000.

Additionally, in the period from April 1, 2009 until March 31, 2010, Leica Camera AG has delivered goods and rendered services to ACM Projektentwicklung GmbH in a volume of € 41,000. As at the record date, there were accounts receivable from ACM Projektentwicklung GmbH in the amount of € 14,000.

In fiscal year 2008/2009 Leica Aparelhos Ópticos de Precisão S.A. commenced the new construction of a factory building. To give financial support to the building project ACM Projektentwicklung GmbH extended a loan to Leica Aparelhos Ópticos de Precisão S.A. in the amount of € 800,000.

As at March 31, 2010, under the loan agreement there were accounts payable by Leica Aparelhos Ópticos de Precisão S.A. in the amount of € 800,000. Resulting from the agreement there were interest expenses for the period from April 1, 2009 until March 31, 2010 in the amount of € 70,000.

Business relationship with Optic Beteiligungs GmbH

In the period from April 1, 2009 until March 31, 2010, Optic Beteiligungs GmbH has delivered goods and rendered services in a volume of € 67,000. As at the record date, there were no accounts payable.

In the period from April 1, 2009 until March 31, 2010, Leica Camera AG has neither delivered goods nor rendered services. As at the record date, there were no accounts receivable.

Business relationship with CW Sonderoptic GmbH

With CW Sonderoptic GmbH, a company 100.0 %-owned by the Company's majority shareholder, ACM Projektentwicklung GmbH, the Company has had a cooperation agreement since April 25, 2008. In addition, there is a service agreement dated September 17, 2008.

In the period from April 1, 2009 until March 31, 2010, CW Sonderoptic GmbH has neither delivered goods nor rendered services to Leica Camera AG. As at the record date, there were no accounts payable. In the period from April 1, 2009 until March 31, 2010, Leica Camera AG has delivered goods and rendered services in a volume of € 877,000. As at the record date, there were accounts receivable in the amount of € 108,000.

Business relationship with Sensitec GmbH

In the period from April 1, 2009 until March 31, 2010, Sensitec GmbH has delivered goods and rendered services in a volume of € 90,000. As at the record date, there were accounts payable in the amount of € 16,000. In the period from April 1, 2009 until March 31, 2010, Leica Camera AG has neither delivered goods nor rendered services. As at the record date, there were no accounts receivable.

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

Resulting from the finance leasing agreement entered into with SIG-Solms Immobilien GmbH effective January 1, 2008, there were expenses in the amount of € 997,000. As at the record date, there were accounts payable in the amount of € 2,435,000.

Business relationship with Dr. Andreas Kaufmann

Resulting from the consultancy agreement entered into with Dr. Andreas Kaufmann, Salzburg, effective May 20, 2009, there were expenses in the amount of € 90,000. As at the record date, there were accounts payable in the amount of € 90,000.

Risk management system of Leica Camera Group

Comprehensive risk management is an essential component of the management system of an internationally operating group.

The purposes of the Company's risk management system are early identification, as well as analysis, measurement, monitoring 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 product groups, Photo and Sport optics.

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

The Group's opportunities and risks are identified, analysed and measured by annually convened planning circles. The risks can be classified into different risk categories, such as financial risks or product 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. The risk value is then entered into a risk portfolio. During the year the risks are continually monitored by a transparent reporting system. Any changes are recorded and analysed. Thereby changes in existing risks or the emergence of new risks are displayed. 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. This procedure enables the timely identification of negative developments and the launch of immediate countermeasures. In case considerable risks are identified which could become fundamental or existence-threatening the Supervisory Board is informed immediately.

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 main risk posing a threat to the global economic development is the persistence of the recessionary tendencies caused by the global financial crisis.

Additionally, a major risk is the tense situation of the Euro, whose exchange rate over the last few months has shown a downward development.

Leica Camera Group operates in a demanding market environment and thus is exposed to international competition. The market for digital photo cameras is characterised by intense competition among the offerors, continuously shortening product life cycles and declining margins.

For calendar year 2010 analysts expect a stagnation of the overall digital camera market as a result of the state of the economy. The compact camera sector will be affected by longer-term stagnation due to market saturation.

In addition, the sport optics market harbours potential risks due to the acceleration of product life cycles and the increasing pressure on innovation in this field.

Product risks

With its existing portfolio Leica offers its customers a consistent modern product range based on the well-known key competencies connected with the strong Leica brand. The aforementioned risks related to competition, technology and innovation have been taken into account to the highest degree by the Board of Management in devising the Company's strategy. By drawing up a future-oriented product roadmap, by differentiating the Company from the mass market as a premium vendor and niche player and by pursuing a selective distribution strategy the Company counteracts these risks. The Leica Store concept in particular is conducive to the coherent presentation as a premium brand, as well as to the selective distribution.

The stagnation of the overall digital camera market, expected for calendar year 2010 as a result of the state of the economy, is subject to significant regional variation. To account for this risk the Leica Camera Group considers inter-regional set-offs.

There is considerable risk from the continuing acceleration of product life cycles in the digital camera sector. The key digital technologies and the timely market introduction of products are essential for the Company's corporate success and the continuation of the Company as a going concern. Permanent improvement of internal processes and know-how, as well as the alliances with reliable technology partners in the field of digital compact and system cameras all constitute vital parts of the process.

The sport optics market harbours potential risks due to the increasing pressure on innovation in this field. The Company counteracts by developing innovative products incorporating digital technologies.

Marketing the licence rights and rights of use for the »Leica« brand and the related product names also represents a significant source of revenue. In this field, there is the risk of dependency on the respective contracting party.

In addition, thorough attention must be paid to the use rights under software licences and patents; these are regularly monitored.

Financial risks

The global economic crisis and the concomitant recessionary tendencies still constitute a risk to Leica Camera Group. The Group reacted on the bad economic conditions already in the previous fiscal, by counteracting with a focussed working capital management and consistent cost cutting measures within the framework of a restructuring programme (Leica+) encompassing all of the business divisions. For the coming months Leica Camera Group expects a continuation of the challenging situation. The Company aims at early identification of risks by regularly monitoring the development of business, the liquidity situation and the working capital.

The growth and expansion of business envisaged for the next few years necessitate prefinancing, which has to be taken into account in liquidity planning.

Cash flow planning of the Company has to make allowances for the repayment of the loan (€ 20,000,000) extended by Matsushita Electric Industrial Co., Ltd. and maturing on September 30, 2011. The Company in good time has to adopt measures aiming at the avoidance of a potential funding gap.

From a present-day perspective the financing of the repayment seems secure on the basis of the Group's short and medium-term liquidity planning, which includes the funds at hand, the lines of credit and the cash flows from sales. Additionally, the Board of Management constantly considers further financing possibilities to broaden the Company's refinancing scope.

In addition, the Company entered into a general agreement, dated June 25, 2009, with ACM Projektentwicklung GmbH on the remission of debt with a debtor warrant. According to the agreement ACM Projektentwicklung GmbH in June 2009 waived eight tranches of bond claims against Leica Camera AG in a total amount of € 8,000,000. Hereof, an amount of € 5,000,000

was renewed on the balance sheet date, because the resolute conditions under the agreement were fulfilled. If the economic situation of the Leica Camera Group improves further during the fiscal year, there is the risk of the debtor warrant coming into full force, which would increase the liabilities from the convertible bonds by € 3,000,000 and reduce equity by the same amount.

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, the British Pound and the Swiss Franc. A major risk is the tense situation of the Euro, whose exchange rate over the last few months has shown a downward development. To limit currency exposure, the Company uses appropriate financial instruments such as currency forwards and currency swaps. In addition, the payment flows in foreign currency are optimised by natural hedging.

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

Leica Camera counteracts the risk that qualified employees and executives may leave the Company – which would constitute a loss of experience and expertise – by offering a system of variable compensation, supplementary vocational training and an attractive work environment. Recently, the Company hired highly qualified personnel from the precision mechanics and optics industry.

Other risks

Sales risks and profit risks may arise in case new products cannot be introduced in the market on time or the production of well-established products is behind schedule. This may be detrimental to the image of the brand or even lead to the loss of customers. In the field of digital photography in particular, 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. To counteract the aforementioned risk the Company intensifies and secures its relations with strategic suppliers by cooperating with them on development projects. Moreover, internal capacity bottlenecks and internal process difficulties may lead to delays in the developmental process and production flow which may entail delivery bottlenecks or belated market introductions. By thorough capacity planning, strict adherence to the defined process of product development, continuous improvement of processes, as well as permanent upgrading of employees' qualifications the Company undertakes to counteract this risk.

Accounting-related risk management system and internal control system

Generally, the risk management system and the internal control system also encompass the accounting-related processes, as well as all risks and controls in respect of the accounting. This refers to all parts of the risk management system and the internal control system that may have significant effects on the annual financial statements of Leica Camera AG and on the Group financial statements.

The risk management system in respect of the accounting processes has the objective to identify and measure risks that may impede the conformity of the annual financial statements of Leica Camera AG and of the Group financial statements with the applicable provisions. Identified risks have to be measured and evaluated with respect to their effect on the annual and Group financial statements of Leica Camera AG. The internal control system has the objective to establish controls and thereby obtain reasonable assurance that risks can be identified and corrections carried out, in order that the Group financial statements are in keeping with the relevant provisions.

Both the risk management system and the internal control system encompass Leica Camera AG and all subsidiaries relevant for the Group financial statements and pertain to all processes relevant for the preparation of the financial statements. The controls relevant for the accounting are specifically directed towards the risk of a material misstatement in the annual and Group financial statements of Leica Camera AG. In evaluating the materiality of any misstatement the criteria are the probability of occurrence, as well as the effect on sales, EBIT and total assets.

Another objective of the risk management system is the identification of threats to the existence of the individual subsidiaries and of the Group.

Major elements of risk management and control in accounting are the assignment of responsibility and control in the preparation of the financial statements, Group-wide requirements based on guidelines for financial reporting and preparation of financial statements, as well as suitably regulated access to the EDP systems.

The principle of dual control and the segregation of duties are major principles of control also in the accounting process.

Once a year, the Supervisory Board is informed on any material risk identified and on the efficiency of the risk management system and the accounting-related internal control system.

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:

	2009/2010	2008/2009
	number	number
Wage earners	479	468
Salaried employees	604	590
	1,083	1,058

Auditors' fees

The fees of the auditors of Leica Camera AG and Leica Camera Group recognised in the Group financial statements amount to € 327,000 (previous year: € 257,000). The fees break down as follows:

	2009/2010	2008/2009
	€ 000	€ 000
Fees for the audit of the single-entity and the Group financial statements and the dependence report of Leica Camera AG	233	214
Tax consultancy fees	95	43
	328	257

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 HGB.

In the fiscal year, the remuneration of the members of the Board of Management amounted to € 2,529,000 (previous year: € 953,000). Former members of the Board of Management and members of their families received remuneration in the amount of € 54,000 (previous year: € 54,000).

Due to the termination of a contract of personal service ACM Projektentwicklung GmbH has paid out an amount of US\$ 200,000.

In accordance with the Company's Articles of Association the remuneration of the Supervisory Board amounted to € 63,000 (previous year: € 76,000).

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, 2010 amount to € 954,000 (previous year: € 807,000).

The provisions made for pensions of Supervisory Board members as at March 31, 2010 amount to € 26,000.

Members of the Board of Management and the Supervisory Board

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

Rudolf Spiller, Chairman of the Board of Management, Aalen-Ebnat, from April 1, 2009

Other mandates:

WERMA Signaltechnik GmbH + Co. KG (Member of the Advisory Board)

Dr. Martin Picherer, Deputy Chairman of the Board of Management, Tacherting

Andreas Lobejäger, Member of the Board of Management, Ubstadt-Weiher

Stefan Trippe, Member of the Board of Management, Dusseldorf, until May 20, 2009

Members of the Supervisory Board (and their other mandates) according to section 100 of the AktG:

Franz Jung, management consultant, Chairman, from September 14, 2009 until March 31, 2010

Other mandates:

Mainstream Media AG (Deputy Chairman of the Supervisory Board)

Thorhauer Holding Stiftung* (Vice President)

Dr. Wolf Schumacher, Chairman of the Management Board Aareal Bank AG, Chairman, until August 31, 2009

Other mandates:

Aareon AG (Member of the Supervisory Board)

Aareal Estate AG (Deputy Chairman of the Supervisory Board)

Aareal Valuation GmbH (Chairman of the Supervisory Board)

Dr. Andreas Kaufmann, managing director, Deputy Chairman, from July 23, 2009

Other mandates:

ACM Projektentwicklung GmbH* (Managing Director)

SOCRATES Holding GmbH* (Managing Director)

SOCRATES Liegenschaftsbeteiligungs- und Verwaltungs GmbH* (Managing Director)

Residenz Park Optic Beteiligung GmbH* (Managing Director)

CW Sonderoptic GmbH (Managing Director)

SOCRATES Privatstiftung* (Member of the Advisory Board)

Uwe Weller Feinwerktechnik GmbH (Chairman of the Advisory Board)

VIAOPTIC GmbH (Chairman of the Advisory Board)

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

Wulf Matthias, Member of the Executive Board Credit Suisse (Deutschland) AG, Deputy Chairman, until June 5, 2009

Other mandates:

Wirecard AG (Chairman of the Supervisory Board)

Wirecard Bank AG (Chairman of the Supervisory Board)

Wirecard Technologies AG (Chairman of the Supervisory Board)

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

Dr. Klaus Baumüller, management consultant, shareholders' representative,
until November 26, 2009

Other mandates:

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)

Grand Resort Bad Ragaz* (Member of the Board of Directors)

Flossbach & von Storch Vermögensmanagement AG* (Member of the Board of Directors)

Alfred Schopf, Managing Director K+H Armaturen GmbH, shareholders' representative,
from November 27, 2009

Other mandates:

LIAG Laufer International AG (Deputy Chairman of the Supervisory Board)

Eomax Corporation* (Member of Management)

Patrick Thomas, Chairman of the Board of Management Hermès International SCA,
shareholders' representative

Other mandates:

Hermès International* (Chief Executive Officer)

Hermès International subsidiaries* (Management)

Hermès Prague* (Member of the Supervisory Board)

Gaulme* (Member of the Supervisory Board)

Massilly Holding* (Member of the Supervisory Board)

Rita Woschée, commercial clerk, employees' representative
(no other mandates)

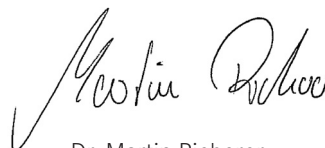
Edgar Zimmermann, Chairman of the Works Council, employees' representative
(no other mandates)

Solms, June 16, 2010

The Board of Management



Rudolf Spiller



Dr. Martin Picherer



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 2009/2010

	Balance on April 1, 2009	Additions	Transfers	Reclassi- fications	Disposals	Currency translation difference
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Intangible assets						
Concessions, industrial rights and similar rights and assets and licences in such rights and assets	8,066	343	(84)	0	(239)	8
Goodwill	541	0	0	0	0	0
Development expenses	13,187	6,331	3,085	0	0	0
Payments on account and proprietary developments under construction	3,291	499	(3,085)	0	0	0
	25,085	7,173	(84)	0	(239)	8
Tangible assets						
Land, land rights and buildings including buildings on third-party land	7,870	405	0	0	(77)	40
Leased land, land rights and buildings including buildings on third-party land	3,889	0	0	0	0	0
Technical equipment and machinery	28,637	363	67	0	(261)	12
Leased technical equipment and machinery	3,159	0	0	0	0	0
Other equipment, operating and office equipment	31,221	5,908	593	0	(1,484)	51
Leased other equipment, operating and office equipment	704	0	0	0	0	0
Payments on account and assets under construction	5,496	612	(576)	0	(82)	0
	80,976	7,288	84	0	(1,904)	103
Financial assets						
Participations	5	0	0	0	0	0
Investment securities	0	0	0	0	0	0
Other loans	1,438	335	0	(993)	0	30
	1,443	335	0	(993)	0	30
	107,504	14,796	0	(993)	(2,143)	141

Acquisition/ historical cost	Accumulated amortisation/depreciation						Net book value	
	Balance on March 31, 2010	Balance on April 1, 2009	Additions	Transfers	Disposals	Currency translation difference	Balance on March 31, 2010	Balance on March 31, 2009
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
8,094	5,503	743	(63)	(239)	12	5,956	2,138	2,563
541	113	0	0	0	0	113	428	428
22,603	11,903	2,195	0	0	0	14,098	8,505	1,284
705	0	0	0	0	0	0	705	3,291
31,943	17,519	2,938	(63)	(239)	12	20,167	11,776	7,566
8,238	5,524	678	0	(59)	13	6,156	2,082	2,346
3,889	2,096	511	0	0	0	2,607	1,282	1,793
28,818	24,546	1,138	(1)	(253)	9	25,439	3,379	4,091
3,159	1,985	150	0	0	0	2,135	1,024	1,174
36,289	25,472	3,997	64	(1,210)	41	28,364	7,925	5,749
704	696	8	0	0	0	704	0	8
5,450	0	0	0	0	0	0	5,450	5,496
86,547	60,319	6,482	63	(1,522)	63	65,405	21,142	20,657
5	5	0	0	0	0	5	0	0
0	0	0	0	0	0	0	0	0
810	19	0	0	0	0	19	791	1,419
815	24	0	0	0	0	24	791	1,419
119,305	77,862	9,420	0	(1,761)	75	85,596	33,709	29,642

LEICA CAMERA GROUP, SOLMS

STATEMENT OF CHANGES IN FIXED ASSETS

IN FISCAL YEAR 2008/2009

	Acquisition/historical cost					
	Balance on April 1, 2008	Additions	Transfers	Disposals	Currency translation difference	Balance on March 31, 2009
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Intangible assets						
Concessions, industrial rights and similar rights and assets and licences in such rights and assets	5,747	2,283	37	(26)	25	8,066
Goodwill	113	428	0	0	0	541
Development expenses	11,380	1,761	46	0	0	13,187
Payments on account and proprietary developments under construction	64	3,272	(46)	0	1	3,291
	17,304	7,744	37	(26)	26	25,085
Tangible assets						
Land, land rights and buildings including buildings on third-party land	7,618	101	0	0	151	7,870
Leased land, land rights and buildings including buildings on third-party land	3,851	38	0	0	0	3,889
Technical equipment and machinery	27,034	2,280	142	(821)	2	28,637
Leased technical equipment and machinery	2,735	783	0	(359)	0	3,159
Other equipment, operating and office equipment	25,872	5,258	57	(86)	120	31,221
Leased other equipment, operating and office equipment	711	0	0	(7)	0	704
Payments on account and assets under construction	1,358	4,587	(236)	(213)	0	5,496
	69,179	13,047	(37)	(1,486)	273	80,976
Financial assets						
Participations	5	0	0	0	0	5
Investment securities	678	73	0	(751)	0	0
Other loans	478	874	0	(6)	92	1,438
	1,161	947	0	(757)	92	1,443
	87,644	21,738	0	(2,269)	391	107,504

Accumulated amortisation/depreciation					Net book value		
Balance on April 1, 2008	Additions	Disposals	Currency translation difference	Balance on March 31, 2009		Balance on March 31, 2009	Balance on March 31, 2008
€ 000	€ 000	€ 000	€ 000	€ 000		€ 000	€ 000
4,527	958	(4)	22	5,503		2,563	1,220
113	0	0	0	113		428	0
9,932	1,971	0	0	11,903		1,284	1,448
0	0	0	0	0		3,291	64
14,572	2,929	(4)	22	17,519		7,566	2,732
4,837	667	0	20	5,524		2,346	2,781
1,586	510	0	0	2,096		1,793	2,265
23,874	1,151	(586)	107	24,546		4,091	3,160
2,217	127	(359)	0	1,985		1,174	518
21,916	2,987	(51)	620	25,472		5,749	3,956
681	22	(7)	0	696		8	30
0	0	0	0	0		5,496	1,358
55,111	5,464	(1,003)	747	60,319		20,657	14,068
5	0	0	0	5		0	0
0	0	0	0	0		0	678
18	1	0	0	19		1,419	460
23	1	0	0	24		1,419	1,138
69,706	8,394	(1,007)	769	77,862		29,642	17,938

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 total comprehensive income, 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, 2009 to March 31, 2010. 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 16, 2010

BDO Deutsche Warentreuhand Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Rosien ppa. Flach
Wirtschaftsprüfer Wirtschaftsprüfer

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders of Leica Camera AG

Fiscal year 2009/2010, like the previous year, was characterised by the global economic crisis. The Company faced difficult tasks as the sales figures at first declined and the liquidity situation was tense. However, Leica Camera succeeded in mastering the challenges by continuing the systematic implementation of the restructuring measures and by presenting outstanding new products whose development and marketing had been going on for quite some time. Within the framework of its duties, the Supervisory Board has given advice and support to this process.

In the fiscal year, the Supervisory Board fulfilled its obligations as specified by the legal, statutory and bylaw requirements. In respect of the conduct of operations, we regularly acted in an advisory capacity to the Board of Management and monitored its activities. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company. The Board of Management regularly and in a timely manner comprehensively informed us, both in writing and orally, on the corporate planning, the business development, the strategic advancement, as well as the current situation of the Group. Deviations from the business plan were explained to us in detail. Together with the Board of Management we determined the Company's strategic orientation. On the basis of the reports submitted by the Board of Management we discussed in detail all business transactions of major significance to the Company. The proposals made by the Board of Management were approved by the Supervisory Board after detailed examination and discussion. The Supervisory Board held a total of six regular meetings and one extraordinary meeting. When necessary, the Supervisory Board adopted resolutions using a notational voting process.

In addition to the Supervisory Board meetings, the Chairman of the Supervisory Board was in regular contact with the Board of Management and was kept informed on the current business situation and the key business transactions. In separate strategy talks the Chairman of the Supervisory Board discussed with the Board of Management the perspectives and the future orientation of the Company's individual businesses.

In fiscal year 2009/2010 the Supervisory Board held a total of seven meetings. At the Supervisory Board meetings, the rate of attendance of the members of the Supervisory Board was approximately 75 %. The non-attendance of one member of the Supervisory Board was announced by such member in advance and the reasons for the non-attendance were explained to the Chairman of the Supervisory Board. One Supervisory Board member attended less than half of the meetings of the Supervisory Board.

As concerns the activities of the Supervisory Board, no conflicts of interest have arisen.

Topics at the plenary meetings of the Supervisory Board

At the Supervisory Board plenary meetings, regular topics of discussion were the development of sales, earnings and employment of Leica Camera AG and of the Group, as well as the financial condition and the key projects. A large part of the Board discussions was devoted to the international economic development, the financial crisis and its effects on the Company. The Board of Management reported regularly and comprehensively on the corporate planning, the strategic advancement, the business development, as well as the current situation of the Group. Changes in the structure of operations, the risk management and compliance-related measures at Leica Camera AG and the Group were discussed at several meetings; decisions were also made regarding personnel changes on the Board of Management.

At the regular meeting on May 20, 2009, the Board of Management reported on the preliminary Group financial statements 2008/2009 and the current development of business. The Supervisory Board discussed the current projects and their adaption to the current economic situation of the Company. In this connection, the focus of considerations concerning the restructuring was on adaption to the current situation of both markets and customers, as well as on cost cutting measures. In addition, the Supervisory Board discussed the Company's equity situation and the agreement with the majority shareholder ACM under which ACM waives certain claims in respect of the issued convertible bonds in order to support the Company's equity.

At the extraordinary meeting of the Supervisory Board on May 20, 2009, Stefan Trippe was removed as member of the Board of Management.

At its meeting on July 1, 2009 (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 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 2008/2009 (including the audit reports of the appointed auditors). By inspecting the books the Supervisory Board has carried out an independent examination of and has 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 2008/2009. The Company's auditors attended the Supervisory Board meeting on July 1, 2009, 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 2008/2009. The Board of Management then comprehensively informed the Supervisory Board on the current development of business. In particular, the Board of Management elaborated on the current restructuring and the development of equity, as well as on the status of product development and the sales initiatives, the development of sales and sales revenue and the financial budgeting for fiscal 2009/2010. The Supervisory Board thoroughly discussed all of these topics. Additionally, the Supervisory Board resolved upon the new schedule of responsibilities for the Board of Management, which had become necessary after the removal of Mr. Trippe, and upon new bylaws for the Board of Management.

At the Supervisory Board meeting on August 25, 2009, the Board of Management thoroughly described the current development of business, elaborating on the development in the first quarter of fiscal 2009/2010. There was an in-depth discussion of the liquidity situation and the measures taken and resolved to achieve an improvement of this situation. Among the further topics discussed were the negotiations carried on with the Works Council and the IG Metall (German metal workers' union) with the aim of realising necessary cost savings, the orientation of and sales measures in Sport optics, as well as the camera product planning for fiscal years 2010 and 2011 (camera roadmap). Additionally, the Chairman of the Supervisory Board, Dr. Wolf Schumacher, announced his resignation from the office as member of the Supervisory Board as of August 31, 2009.

At the Supervisory Board meeting on October 23, 2009, new Supervisory Board member Franz Jung introduced himself. In connection with the discussion of the current development of business outlined by the Board of Management special attention was given to the negotiations carried on with the Works Council and the IG Metall on staff retrenchment, to the development of liquidity, to the Sport optics product group, as well as to the camera roadmap.

At the Supervisory Board meeting on November 26, 2009, the Supervisory Board member candidate proposed for election at the General Meeting, Alfred Schopf introduced himself in person to the members of the Supervisory Board. In connection with the current development of business outlined by the Board of Management special emphasis was on the discussion of the current order backlog, of the dates envisaged for the delivery of the newly developed products S2, M9 and X1, of the development of the Company's liquidity and the correspondent planning. The camera roadmap was approved by the Supervisory Board.

At the Supervisory Board meeting on February 3, 2010, the Board of Management outlined the current development of business and the ensuing discussion especially focussed on the order backlog, the production capacities, the liquidity situation and liquidity planning. In addition, the Board of Management outlined the basic points of the future corporate strategy with a focus on customer-oriented growth. The Supervisory Board discussed the strategy and resolved that the Board of Management enhance the strategy starting from the basis outlined. Further points of discussion were the medium-term planning, the budget planning and the bylaws for the Board of Management.

At the meeting on March 26, 2010, the Supervisory Board, in addition to the discussion of the current development of business and the Sport optics product planning, especially dealt with the budget planning for fiscal year 2010/2011. The Supervisory Board approved the budget presented. Additionally, the Board discussed potential product presentations at the photokina 2010, the strategy for branding initiatives and aspects of the performance in lense manufacture.

Work in the Supervisory Board committees

The Supervisory Board formed no separate committees. The tasks of the committees recommended by the German Corporate Governance Code, in particular the tasks of an audit committee, were taken over by the plenary meetings of the Supervisory Board.

Corporate Governance Code

The Supervisory Board concerned itself with the provisions of the German Corporate Governance Code. The Board of Management and the Supervisory Board on June 28, 2010 issued the declaration of the Board of Management and of the Supervisory Board of Leica Camera AG, Solms, in respect of the recommendations of the Government Commission »German Corporate Governance Code« (Declaration of Conformity) according to section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act). The declaration forms part of the Declaration on Corporate Governance in accordance with section 289a of the HGB made permanently available to shareholders of the Company on the Company's Web site (www.leica-corporate.com).

Changes in the composition of the Supervisory Board and of the Board of Management

During the fiscal year, there were the following changes in the composition of the Board of Management: After the resignation from the Board of Management of Dr. Kaufmann, who had been member and Chairman on an interim basis only, the Supervisory Board on March 5, 2009 appointed Rudolf Spiller member and Chairman of the Board of Management effective April 1, 2009. On May 20, 2009, at an extraordinary meeting of the Supervisory Board, Stefan Trippe was removed as member of the Board of Management.

Since the beginning of fiscal year 2008/2009, there have been the following changes in the composition of the Supervisory Board: On July 5, 2009, Wulf Matthias resigned from the Supervisory Board. On July 23, 2009, Dr. Andreas Kaufmann was appointed member of the Supervisory Board by court decision and on September 30, 2009 he was elected Deputy Chairman of the Supervisory Board. On August 30, 2009, Dr. Wolf Schumacher resigned from the Supervisory Board. Franz Jung was appointed member of the Supervisory Board by court decision on September 14, 2009. He was elected Chairman of the Board on September 30, 2009.

The Supervisory Board members appointed by court decision, Dr. Andreas Kaufmann and Franz Jung, were elected by the General Meeting on November 27, 2009. Effective at the end of the General Meeting Dr. Klaus Baumüller resigned from the Supervisory Board. The General Meeting on November 27, 2009 elected Alfred Schopf member of the Supervisory Board. Effective at the end of the fiscal year Franz Jung resigned from the Supervisory Board.

Detailed discussion of the audit of the Group financial statements and of the dependence report

BDO Deutsche Warentreuhand Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Frankfurt, have audited the financial statements of Leica Camera AG for the fiscal year from April 1, 2009 to March 31, 2010, as prepared by the Board of Management in accordance with the regulations of the HGB, and the management report of Leica Camera AG in accordance with provisions of the HGB and have issued them with an unqualified opinion. The Group financial statements for the fiscal year from April 1, 2009 to March 31, 2010 and the Group management report were prepared, in accordance with section 315a of the HGB, on the basis of the IFRS as applicable in the European Union. The Group financial statements and the Group management report were issued by the auditors with an unqualified opinion.

According to section 312 of the AktG the Board of Management has prepared a report on relationships with associated companies (dependence report) in the fiscal year from April 1, 2009 to March 31, 2010. The dependence report of the Board of Management closed with following 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.«

The auditors have audited the dependence report and have issued the following opinion: »Following our conscientious audit and assessment, we confirm that

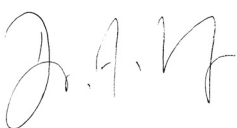
1. the factual details of the report are correct,
2. regarding the legal transactions specified in the report, the consideration paid by the Company was not inappropriately high,
3. there are no circumstances which would justify, in relation to the measures specified in the report, a materially different opinion than that held by the Board of Management.«

The abovementioned documents relating to the single-entity and the Group financial statements, as well as to the dependence report were submitted to us by the Board of Management in a timely manner. The BDO audit reports were presented to all members of the Supervisory Board, and we reviewed them comprehensively at the balance sheet meeting of the Supervisory Board on June 28, 2010 in the presence of the auditors. At this meeting, the Board of Management explained the annual financial statements of Leica Camera AG and of the Group, as well as the Company's risk management system; the Board of Management also provided a report on the scope, focal points and costs of the audit. The auditors reported on the main findings of their audit and, in particular, commented on details of the financial and earnings positions of the Group and of Leica Camera AG, and were at the Supervisory Board's disposal for questions. The auditors also reported that the internal control system and the risk management system in respect of the accounting process showed no material weaknesses. As a result of our examination, we have no objections to raise against, in particular, the single-entity financial statements and the Group financial statements, the management report and the Group management report. We agree without reservation to the single-entity financial statements, the Group financial statements, the management report and the Group management report and the corresponding audit reports. In view of its approval, the Supervisory Board hereby accepts the financial statements prepared by the Board of Management as submitted.

The examination of the dependence report prepared by the Board of Management and of the audit report prepared by the auditors also gave no reason for objection. The Supervisory Board concurs with the result of the audit carried out by the auditors. As a result of its examination, the Supervisory Board also has no objections to raise against the closing statement of the dependence report prepared by the Board of Management.

The Supervisory Board would like to thank the members of the Board of Management, the employees and employees' representatives of Leica Camera AG and of all Group companies for their work and their commitment in a particularly difficult environment affected by the economic crisis.

Solms, June 28, 2010



Dr. Andreas Kaufmann
(Deputy Chairman of the Supervisory Board)

ASSURANCE OF THE LEGAL REPRESENTATIVE

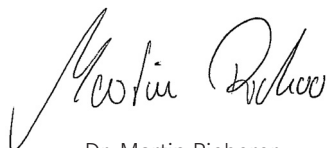
To the best of our knowledge we hereby attest that the Group financial statements, in compliance with the principles of proper group reporting used, give a true and fair view of the financial and earnings position of the Group, and that the Group management report presents the development of business, including the business results and the situation of the Company, 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 16, 2010

The Board of Management



Rudolf Spiller



Dr. Martin Picherer



Andreas Lobejäger

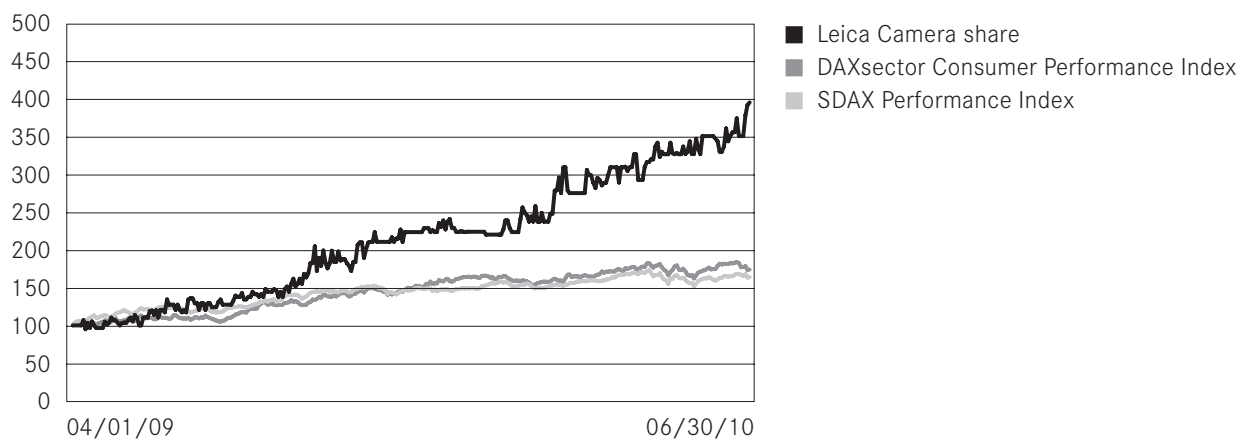
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THE LEICA CAMERA SHARE

Class:	no-par value shares
Number of shares listed:	16.5 million (March 31, 2009: 16.5 million)
ISIN:	DE000 A0E PU9 8
Subscribed capital:	€ 16.5 million (March 31, 2009: € 16.5 million)
Shareholders (as at March 31, 2010):	
- ACM Projektentwicklung GmbH:	97.48 %
- Free float:	2.52 %
Stock exchanges:	Frankfurt (XETRA and floor), Stuttgart, Munich, Hamburg, Berlin-Bremen
Market segment:	Official Market (General Standard)
Listing:	variable
Fiscal year 2009/2010 high:	€ 9.00 (floor trading Frankfurt)*
Fiscal year 2009/2010 low:	€ 2.75 (floor trading Frankfurt)*
Information for investors via the Web:	www.leica-camera.com

Price development of the Leica Camera share in comparison with the DAXsector Consumer Performance Index and the SDAX Performance Index* (indexed, April 1, 2009 = 100)



* Source: Deutsche Börse AG

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