Annual Report 2007/2008

August 1, 2007 – July 31, 2008

WaveLight®

WaveLight at a glance

In € thousands	Fiscal Year 2007/2008	Fiscal Year 2006/2007*
Results		
Revenues	90,876	70,370
EBITDA	11,800	4,955
EBIT	6,292	660
Cosolidated profit/loss	(10,072)	(13,490)
Gross profit	38,753	25,984
Share figures		
Number of shares on closing date (July, 31)	6,586,026	6,577,026
Earnings per share in € (diluted)	(1.53)	(2.05)
Employees		
Average number of employees	174	262
Balance sheet		
Equity	11,787	22,995
Equity ratio	19%	31%
Total assets	62,048	74,398

*) previous-year amounts were restated to conform to the new corporate structure.

Contents

A

Company

Committed to progress in refractive surgery	6
See the Difference – from the laser specialist to the ophthalmology company	8
Interview with the Chairman of the Board of Directors	18
Report of the Supervisory Board	26
The WaveLight share	30
Corporate Governance for the fiscal year 2007/2008	34

B

Group Management Report

A	Business and general conditions	41
B	Report on the results of operations, financial position and net assets	54
C	Report on post balance sheet date events for the 2007/2008 financial year	57
D	Report on opportunities and risks	59
E	Outlook	65

C Consolidated Financial Statements

Key Performance Ratios	67
Consolidated Balance Sheet	68
Consolidated Statements of Income	70
Statement of Changes in Consolidated Equity	71
Consolidated Cash Flow Statement	72
Notes to the Consolidated Financial Statements	73
Consolidated Balance Sheet Disclosures	87
Auditors’ Report	129

Responsibility statement	130
Key Group Figures – Year-on-Year Comparison	131
Contacts	132
Financial Calendar	133
Glossary	134
WaveLight – Products at a glance	136
Imprint	137

Committed to progress in refractive surgery

Technical leadership from tradition: As a dynamic medical technology company, WaveLight AG can already today look back on a remarkable success story. Founding in 1996, stock market flotation in 1999, in October 2003 then for WaveLight as the first European manufacturer to obtain approval from the USA Federal Drugs Administration (FDA) for the sale of an excimer laser for LASIK applications – these are only some of the important milestones of the successful corporate development.

WaveLight has been successfully expanding its technology leadership in the area of refractive surgery for around ten years. Groundbreaking medical innovations and treatment technology proven world wide, but mainly the motivation and the expertise of the complete WaveLight team, are important key factors for the sustainable company success "made in Erlangen".

Twelve years after the company founding, WaveLight has mainly positioned itself as a successful, medium size medical technology specialist. The company is thus looking into the future with ambitious objectives. In the course of the now completed strategic realignment, the no longer core business divisions of Urology, Aesthetics and Industry were sold and the Intraocular Surgery business unit was also divested.

The focus of the current and future company activity: the consistent and successful concentration on the core competence of refractive surgery.

With a groundbreaking product range of optimised treatment solutions for high-precision correction of sight defects, WaveLight has already today established an excellent position. The ALLEGRETTO product family and the state-of-the-art CONCERTO laser system impressively underline the world wide leading position of the Erlangen refractive company; the recently developed RONDO microkeratome and the powerful ALLEGRO diagnostic systems round off the WaveLight refractive product range.

In order to be able to continue to successfully expand the technology leadership in the area of treatment solutions for LASIK applications, the company consistently uses the results of its intensive research and development work. And the also sustainable quality oriented production in the Upper Palatinate is WaveLight's clear commitment to the Germany production location.

The Board of Directors has also set the course for further promotion of the world wide market activities and for opening up new sales regions. As well as Europe and the Far East part of Asia, the USA market for sight defect corrections will also play an important role in the future for the company success.

An important factor here: the successful collaboration with the majority shareholder, Alcon Inc. Since February 2008, the technologically leading WaveLight laser and diagnostic systems "made in Germany" have been successfully sold using the closely meshed and effective distribution network of Alcon in the USA. Intensification of the collaboration and the increased use of potential synergies in the areas of Research and Development, Production and Sales and Marketing are intended for the future.

WaveLight is confidently looking into the future of the company with ambitious objectives. The continuous further development of the technologically leading product range, the intensive activities for world wide markets and last but not least the collaboration with Alcon: together, these factors form the sustainable foundation for the continued success story of WaveLight in the future.

See the Difference – from the laser specialist to the ophthalmology company

The dream of perfect vision – it is probably as old as mankind itself. Initially, ground glass in front of the eyes for centuries and not until much later contact lenses were the only effective possibilities for correcting sight defects. However, the “classic” visual aids for correction of sight defects have been increasingly competing with the excimer laser for refractive surgery for about 15 years. Originally developed for the manufacture of miniaturised microchips, this type of computer controlled cold-light laser has proven itself millions of times in the context of LASIK procedures. Using high-precision directional light with a specified wavelength, an exactly calculated part of the cornea layer is removed – and in doing so the sight defect of the patient in a matter of seconds. Always at the forefront of what is technologically and technically feasible, the technology leader in this area is: WaveLight AG.

Visions become reality

However, how does one become world wide technology leader in this high-tech segment of the medical technology sector in such a short time? With the founding of the WaveLight company in April 1996, Max Reindl gave an impressive early answer. His vision: the dream of letting perfect vision become reality and sustainably improving the medical treatment standards in laser-based refractive surgery. Mainly inspired by the idea of making possible an ideal treatment result for the patient and relaxed working for the physician, the highly motivated WaveLight team successfully confronted the challenging task. WaveLight excimer lasers for the refractive surgery of ophthalmologists are recognised world wide as technologically leading for the precise and gentle correction of sight defects.

For example, the implementation of the groundbreaking wavefront principle for refractive surgery in 1999 represented a groundbreaking achievement. WaveLight can also claim a cutting edge position for the clinical application of the wavefront principle. The Erlangen specialists were the first company in the world to develop the technical feasibility for wavefront-optimised LASIK procedures. The crucial factor here: the individual patient adaptation for the corneal tissue removal makes possible an optimum quality of view due to the reduction of contrast vision.

ALLEGRETTO WAVE: The first European excimer laser for refractive surgery applications approved in the USA

However, the year 1999 is also an extremely important one from another point of view. The stock exchange flotation happened in September and thus the change in legal form to a stock corporation. About one month later, in October 1999, the foundation was laid for the ambitious "FDA Approval ALLEGRETTO WAVE" project. At the end of the time and resource intensive approval process, WaveLight received the final "Approval Letter" of the FDA (USA Food and Drug Administration) in October 2003 and could start the sale of its ALLEGRETTO WAVE excimer laser in the USA as the first European manufacturer. Thus, an important foundation for successful marketing in the largest medical technology market in the world was laid.

Diversified product range opens up development opportunities

However, at the beginning in Erlangen, ophthalmology was not the only focus of the company strategy. With the diversification of the product range into the Ophthalmology, Aesthetics, Urology and Industry divisions, WaveLight mainly wanted to participate in the development opportunities in different segments of laser technology. Several acquisitions followed with the objective of further expanding the technological company competence. Particularly in the area of aesthetic laser applications, large potentials for growth were opened up as early as the start of the company activity which WaveLight also utilised successfully.

Strong growth due to entrepreneurial excellence

It was not only at the technological level using innovative treatment solutions that the company made itself noticeable; WaveLight also knew how to impress from the economic viewpoint. The company developed rapidly – and was distinguished several times for its growth dynamics. A particular highlight here is the award of the "German Founder's Award" in 2002. Max Reindl, the company founder and CEO, accepted the distinction on behalf of the complete WaveLight team as recognition of the extraordinary growth and the potential for market leadership.

Investment in the company future and in the Germany location

Sustainable growth needs not only visions but also the necessary production capacities for the implementation of the strategic long-term view. With the start-up of a new production facility for medical lasers planned from the ground up, WaveLight established a future-oriented production location in November 2004 which complies with all international important medical technology quality standards.

The modular design, the implementation of future-oriented production standards and the production flow oriented basic concept make the WaveLight medical laser production facility one of the most modern of its kind in Europe. The decision in the course of the location selection for a production facility in Pressath, Upper Palatinate was deliberate – WaveLight's enduring commitment to the Germany location. Efficient production with low cycle and assembly times is the basis for the "made by WaveLight" product quality recognised world wide. The generously designed production capacities and further expansion possibilities also facilitate sustainable growth in the future.

In focus: the core competence of ophthalmology

Four business divisions – four pillars of the success. Since the 1999/2000 fiscal year the main focus in Erlangen has been the objective of generating growth based on a diversified product range. As well as the Urology and Industrial Laser Applications divisions, the Aesthetics division was mainly impressive with solid increases in sales and thus supplemented the Ophthalmology business division as another strong, key pillar of the company.

In the following years, however, the concentration on the core competence of ophthalmology became more and more apparent as the entrepreneurial ideal way – an above average growth potential world wide and WaveLight's technological leading position provided powerful arguments for focussing on intraocular surgery. Consequently, not only the consistent expansion of ophthalmology but also the divestment of the business areas not belonging to the core business were also decided. As the first step in this direction, the Aesthetics division was spun off into a wholly owned subsidiary and the Urology division was also sold in the 2005/2006 fiscal year. The sale of the Industrial Lasers division in October 2006 and the sale of the Aesthetics subsidiary in September 2007 were further important steps on the way to the "pure" refractive company. Against this background, the divestment of the still young business unit of intraocular surgery was also completed in the fiscal year 2007/2008.


ALLEGRO
ANALYZER
@ 85°
Astigmatism:
0.48µm
Coma:


ALLEGRO
BIOGRAPH

On growth course with strong partner

A new chapter was added to the history of the WaveLight company with the engagement of Alcon Inc. which acquired the majority of shares in WaveLight in Autumn 2007 in the course of a voluntary public takeover bid. Alcon currently holds more than 77 percent of the voting rights in WaveLight AG.

Important for the collaboration of both companies: the Domination Agreement concluded between Alcon and WaveLight in March 2008 which, however, still needs to be recorded in the commercial register to become legally effective. The seamless integration of WaveLight into the Alcon group of companies and the realisation of potential synergies in Research & Development, Sales and Marketing and in Purchasing and Production were formulated as common objectives in the context of the agreement.

The cooperation of both companies is already bearing fruits in the USA: WaveLight was able to record a clear increase in sales in the largest sales market in the world for medical technology after Alcon had taken over the distribution of the "made in Germany" laser systems in February 2008. More intensive collaboration is planned for the future. The technological competence of WaveLight in refractive surgery and the market strength and world wide resources of the Alcon group of companies form the common basis for this.

High-tech innovations for a plus in treatment quality and safety

Outstanding treatment results, maximum safety and reliability for LASIK procedures recognised world wide: the WaveLight laser and diagnostic systems product families also impress the most demanding users and enjoy an excellent reputation in the "Ophthalmic Community". Thus, the best prerequisites in order to create the visions for tomorrow's groundbreaking treatment solutions based on today's state-of-the-art technology.

With the new development of a concept laser system, the Erlangen company has raised the bar a little higher for groundbreaking innovations in refractive surgery. The optimisation of numerous technical parameters without compromises was the most important item in the requirements specification of the WaveLight engineers. The concept system officially presented for the first time in November 2007 should primarily provide the technology carrier for future treatment solutions.

The data sheet of the 1,000 Hz concept laser is already very pro-mising. It removes the corneal tissue using approx. 1,000 high-precision laser pulses per second – faster than any other excimer laser in the world.

Due to this high repetition rate, the concept system is already impressive today due to the further clear reduction of the necessary treatment duration. This has not only obvious benefits for the patient comfort but mainly for the treatment process. In other words: The shorter the effective treatment duration is, the "simpler" and more precise the LASIK procedure with respect to precisely predictable and reproducible treatment results.

On the other hand, the superiority of the concept system in the further optimised treatment safety is clear. In comparison with a "conventional" excimer laser, the number of eye movements to be compensated for drops to only one fifth. In turn, these are compensated for extremely quickly by an also optimised high performance "Eye Tracking System". The groundbreaking result for future device generations: a previously unattained high quality standard for precision, gentle and at the same time completely safe LASIK procedure.

The completion of the new WaveLight femtolaser system is also currently a focus of the company's activities. While a microkeratome is used for the "conventional" preparation of the corneal flap in the course of a LASIK procedure, an infrared laser is used for the femtosecond laser. Typically for WaveLight, the new system is distinguished by outstanding treatment results and maximum reliability and safety. As a recently developed alternative to the already proven WaveLight microkeratome RONDO, the femtolaser system will supplement the high-quality WaveLight product range for refractive surgery in the future.

Optimally integrating diagnosis and treatment

The laser beam of an excimer laser can only model the cornea so precisely and effectively as the data determined in the course of the preliminary examination of the appearance of the eye allows. Consequently, the further simplified integration of diagnosis and treatment was the focus for the development of the new ARTISTA software generation. Basis of the new software: the comprehensive networking of WaveLight diagnosis and treatment systems via WaveNet Server. For the first time, the treating ophthalmologist obtains the possibility with ARTISTA to match all relevant steps for the treatment process with each other precisely and in an uncomplicated way with only one software tool - from the diagnosis to the evaluation of the data to the planning and execution of the actual LASIK procedure.

In addition to the comfortable coordination of the individual treatment phases, the new software provides the ophthalmologist user with other functionalities such as for example an integrated patient management system and comprehensive backup functions. The reduction of complexity was mainly in the foreground for the graphic design and arrangement of the user interface. In other words: ARTISTA is distinguished by an ergonomic design which facilitates self-explanatory and intuitive operation.


1000 HERTZ
WaveLight


ALLEGRETTO WAVE
EYE-Q
WaveLight

Medical progress sustainably involved

Not only reaction to the future challenges of the world wide increasing competition in ophthalmology but active participation in the technological development in refractive surgery: WaveLight is already ideally established today to successfully meet the increasing requirements for an efficient high-tech company in the global competitive environment.

Technologically, the company is more than only just ahead of many of its competitors. The innovative WaveLight concept laser system sets not only new technological standards but together with the new ARTISTA treatment software also provides an outlook of future treatment standards in refractive surgery. Comprehensive integration of diagnosis and treatment functions, uncomplicated operation and last but not least outstanding treatment results mark the LASIK-OP of tomorrow.

Strategically, new development perspectives and very promising growth potentials are opened up for WaveLight due to the collaboration with the economically and administratively strong majority shareholder, Alcon. Mainly in the USA, but also in the traditional medical technology market in the Far Eastern Asia and in Europe, WaveLight laser systems will acquire other medium and long term crucial market shares according to the objective of the business planning for the future.

In the course of its twelve years of corporate history WaveLight has successfully and simultaneously sustainably transformed itself from the broad-based laser manufacturer to the highly specialised ophthalmology company. More than ever, the company in Erlangen is concentrating on the development and production of groundbreaking treatment solutions for refractive surgery. However, with all the efforts for technological perfection and commercial success, the improvement of human sight is the ultimate benchmark. The dream of perfect vision: it is the most important motivation for "made by WaveLight" innovations which the company founder and CEO, Max Reindl, and his team have already today come a great deal closer to.

Interview with Max Reindl, CEO of WaveLight AG

Max Reindl, Chairman of the Board of Directors of WaveLight AG, on the financial year 2007/2008 and the future growth and development prospects in light of the successful Alcon takeover bid and company reorientation.

Mr Reindl, you can look back on an eventful financial year 2007/2008. In your opinion, what was of special significance for WaveLight AG?

The preceding reporting period was shaped by a number of events which were of fundamental importance for WaveLight AG's strategic and operational corporate activities. And they will continue to play this role in the future. Of special significance, without doubt, was the successful takeover bid made to WaveLight AG's share holders by the ophthalmology company Alcon. Also of decisive importance were naturally our efforts to push forward the strategic and operational reorientation and the associated concentration on our core competence in refractive surgery.

Could you briefly explain the most important features of the Alcon, Inc. takeover bid?

On August 10, 2007 Alcon, Inc. submitted its voluntary public takeover bid to WaveLight shareholders. Alcon offered a cash payment of € 15.00 for each WaveLight AG bearer share. Within an acceptance period, extended by two weeks due to a change to the takeover bid and ending on September 25, 2007, WaveLight AG share holders had the opportunity to tender their shares to Alcon, Inc. Within the framework of an additional acceptance period, those shareholders who hadn't yet made a decision had the opportunity to tender their shares to Alcon, Inc. by October 12, 2007 at the latest.

What was the nature of this change? What conditions were attached to the takeover bid?

In addition to the fulfilment of the usual conditions, the acquisition of 75 percent of WaveLight shares by Alcon as well as the approval of a number of antitrust authorities represented important preconditions for a successful takeover. On September 10, 2007 Alcon made known that it had waived the condition that it purchase a minimum of 75 percent of WaveLight shares. As this change was made during the last two weeks of the acceptance period, it was extended by a further two weeks. It finally ended on September 25, 2007.

Did you, together with the Supervisory Board, support the takeover bid?

Yes, the Board of Directors as well as the WaveLight Supervisory Board were in support of the takeover bid. They issued a joint statement to WaveLight shareholders recommending that they accept the offer.

The advantages for both companies are clear to see: WaveLight is a global leader in the refractive surgery sector, Alcon, as a successful international ophthalmology company, has a close-meshed and highly effective sales network, especially in the USA. In combination, Alcon's global economic strength and highly effective sales structure, together with WaveLight's high-end refractive surgery technology, form a solid and extremely promising foundation for the further expansion of the market activities of both companies on the global ophthalmology market.

What effect has Alcon's commitment had on WaveLight AG's corporate activity?

The cooperation with the Alcon group has the explicit aim of ensuring that we continue our intensive research and development work as a means to both defending and extending our lead in the field of refractive surgery technology.

Following the successful takeover bid, an agreement was signed between WaveLight AG and the Alcon group in February 2008 on the restructuring of WaveLight's sales activities in the USA. Since then, Alcon Laboratories has been responsible for sales activities in the USA, as previously conducted by our WaveLight subsidiary, WaveLight, Inc. As a consequence, the leading technology of WaveLight's laser and diagnosis systems, "made in Germany", will be sold in the USA through Alcon's close-meshed and efficient distribution network.

The agreement covers a guaranteed order volume for laser systems to be purchased by Alcon within a three year period. We will also receive the revenue from the equipment base of over 125 WaveLight laser systems already installed in the USA, according to the customary "Per Procedure Fee".

In March 2008 you concluded a Domination Agreement with Alcon, Inc. When does it come into force?

We concluded the Domination Agreement with Alcon on March 20, 2008. In order for it to come into force it had to be approved by the WaveLight AG's Extraordinary General Meeting. All share holders were invited to attend the meeting on May 7, 2008 in Munich. The Domination Agreement was accepted at the Extraordinary General Meeting by a large majority. However, it hasn't been entered into the Commercial Register yet due to the fact that a suit filed by individual WaveLight shareholders against the resolution of the Extraordinary General Meeting is pending at the regional court of Nuremberg-Fürth. The Domination Agreement is only effective once it has been entered into the Commercial Register, consequently it hasn't yet come into force. However, on August 15, 2008, WaveLight AG filed a court application for the release of the resolution on the agreement to the Domination Agreement for entry into the Commercial Register.

What significance does the Domination Agreement have for your company?

With the singing of the Domination Agreement Alcon and WaveLight have set themselves the goal of a smooth operational integration of the two companies and the provision of full minority rights to Wavelight AG's outside shareholders in accordance with stock corporation law. The interests of the outside shareholders have been fully met through a cash tender and a fixed annual compensatory payment in the form of a guaranteed dividend.

Will WaveLight AG's corporate structure change as a result?

Within the framework of the Domination Agreement WaveLight remains a legally independent unit. However, the management of the Company will be placed under the control of Alcon, Inc. Furthermore, the majority shareholder Alcon has committed itself within the terms of the agreement to balancing any losses incurred by WaveLight.

Which important synergy effects do you anticipate from the implementation of the Domination Agreement?

Above all, I expect the consolidation of the two companies' competences to have a positive effect on the areas of research and development in lasers for the correction of visual impairments, global sales and marketing as well as on purchasing and production.

What goals have you set yourself with the reorientation of your company and which operational measures were concretely implemented in the financial year 2007/2008?

Without doubt, the focus of our reorientation was the explicit concentration on our core competence in refractive surgery, as well as the sale of those sectors outside our core business. Back in July 2006 we sold off our urology division and in October 2006 this was followed by the sale of our industrial laser division. In the financial year 2007/2008 we largely completed the strategic and operational reorientation of the WaveLight AG. In September 2007 we sold off our Aesthetic subsidiary. Furthermore, in December 2007 we sold off our holding in the WaveLight GmbH in Berlin as well as our holding in the Dutch Medical Device Production B.V. The conclusion of the last two transactions represented the end of our association with the business field of intraocular surgical applications. Now, and in future, after all these transactions and as a pure refractive surgery company, we will return to concentrating on what has enabled us to set global technological standards: The development and production of high quality treatment solutions for refractive surgery.

What were the main reasons for selling off the intraocular surgery business division, which you actually rebuilt as late as 2005/2006?

First of all I would like to briefly explain why our decision to rebuild the intraocular surgery division in 2006 was absolutely correct and expedient according to our corporate strategy at that time.

Our aim was to provide ophthalmologists working in practices and clinics with innovative products for intraocular surgery – in addition to the globally renowned and successful WaveLight systems for refractive surgery. Within the context of a highly competitive market, which has been characterised by a clear trend towards consolidation for a number of years, our intention was to meet the existing demand structure for high quality complete solutions from WaveLight as a single provider, simultaneously taking advantage of the market's synergy potential. However, following Alcon's successful takeover bid the basis for our activities in this business sector underwent a fundamental change. Firstly, Alcon has a broad palette of high quality products in the field of intraocular surgery. Consequently, further capital intensive measures for the expansion of this business sector, required for a successful international market presence, no longer appeared expedient. Secondly, Alcon's financial strength and efficient sales structure enabled us to completely focus our business activities on our core competence in refractive surgery.

What are the advantages resulting from the reorientation? Why do you believe you will be successful with this strategy?

Our portfolio of ophthalmological products is not just responsible for our international reputation for maximum reliability and safety. It also stands for trend-setting technological innovations in the field of the laser based correction of visual impairments. In the past we have repeatedly demonstrated, in an impressive fashion, that we are capable of developing, producing and successfully marketing groundbreaking product innovations in the field of refractive surgery. The agreement concluded between ourselves and the Alcon group on the restructuring of US sales has already opened up turnover potential which we wouldn't have realised on the basis of our subsidiary in the USA alone. For this reason, we are convinced that we have taken the correct strategic measures, which ultimately have placed us back on our accustomed growth path. The significant improvement in sales revenue for the financial year 2007/2008 makes this more than clear.

Doesn't the focus on refractive surgery bring risks with it too?

All entrepreneurial activities are inseparably connected with both economic risks and opportunities. However, the successful results for the financial year 2007/2008 already prove that the focus on refractive surgery was correct. We are also convinced that the future will see a global rise in demand for refractive surgery laser systems "made by WaveLight".

The company reorientation in the USA has now been carried through. What is the situation in other regions of the world?

Although the USA is an important focus of WaveLight's strategic and operational corporate activity, we naturally have a strong presence in other parts of the world and intend to continue growing in these areas too. For example, in the financial year 2007/2008 we succeeded in consolidating our presence in the Asian medical technology market, a market that has traditionally been very important for us. We are also expanding our position in the European market for medical technology, step by step. In the long term, we see the contact to the ophthalmologists as an important building block for a successful and sustainable development of the global market. Accordingly, we vigorously cultivate regular dialog with the global user community. Through our regular presence at important national and international trade fairs and congresses we present our groundbreaking products to the international specialist audience, providing information on the innovations, reliability and safety of WaveLight applications. We make it clear that we are optimising LASIK treatment for both the patient and the physician.

What role does the market environment play for WaveLight's corporate development?

It goes without saying that even a global technology leader such as WaveLight AG doesn't operate independently of market conditions. In the medical technology sector the mechanisms of the much quoted globalisation are primarily visible in the increasing worldwide integration of business and market processes. Against this background, the respective regional market environments play a decisive role in WaveLight's corporate success. However, they are something we have no direct influence on. Accordingly, we conduct a careful, exhaustive monitoring and analysis of market developments. This forms the basis for the development of an appropriate operational strategy for the regional markets, markets which often differ greatly.

In your estimation, can we look forward to further growth in the ophthalmology sector in the future?

Market experts predict that the global market for ophthalmology will continue to grow. However, we have observed that the global medical technology market has been in upheaval for a number of years. The market structure is increasingly dominated by large, internationally operative suppliers with a broad product palette. We have adjusted to these changes in good time with the high quality, innovative and global leading-edge technology of our product palette of treatment and diagnosis systems in the field of refractive surgery.

It is the Asian medical technology market which, above all, is characterised by both strong growth and increasing competition and price pressure. All in all, we anticipate continued, significant growth potential in the field of refractive surgery in Asia. Important factors will be, above all, the positive development in purchasing power combined with the continued growth in the population.

However, we also see a positive trend in Europe with a growth in demand for the correction of visual impairments. Here too, we intend to invest all our energy in taking advantage of available opportunities.

How do WaveLight shareholders assess your strategic reorientation? What is the situation with the outside shareholders? Do they also have confidence in the new strategy?

The vast majority of the WaveLight outside shareholders clearly expressed their confidence in WaveLight AG's repositioning with their voting behaviour at the two General Meetings in the financial year 2007/2008.

I would like to emphasise once again that the outside shareholders will not suffer any disadvantages as a result of the Domination Agreement between Alcon, Inc. and WaveLight AG. In fact, they will enjoy full minority rights according to stock corporation law.

What goals and plans do you have for strengthening the position of WaveLight AG on the capital market?

Whoever is familiar with the company WaveLight, knows that an active and sustainable capital market communication in the interests of our shareholders has been one of our company's basic principles from the very beginning. Consequently, it is also our current aim to gain the trust of shareholders and the interested public in WaveLight AG, strengthening this trust. We aim to make up-to-date and transparent information on WaveLight available to all shareholders and interest groups.

What role does Germany play as a location and what future do you see for WaveLight AG employees?

Not only have we continued to emphasise that promoting and supporting Germany as a business location is very important to us, we have also put our convictions into action. With the construction of our state-of-the-art production plant in Pressath in the Upper Palatinate we consciously chose Germany as a location with its site-specific advantages – as opposed to transferring production to cheaper, neighbouring countries. It is here that we are able to realise our sustainable production concept, a concept fit for the future. We are convinced that Germany as a production location still offers the best conditions for the production of our laser systems, and that at the highest level.

Human resources play a decisive role here. Essentially, it is the know-how and commitment of our highly motivated and well qualified staff that has enabled us to build our position as premium supplier for refractive surgery over the years. Not only do we create the necessary preconditions for a constructive working environment for existing employees, we also cultivate an

intensive dialog with future scientific staff members. This will continue to be the case in the future.

Are you satisfied with the progress and results of the financial year 2007/2008? What can we expect from WaveLight in the medium term?

Overall, the financial year 2007/2008 was highly successful. We were able to continue our customary growth course, which we returned to in the financial year 2006/2007. The successful re-positioning of our company and the commitment of our majority shareholder formed the foundation on which we continued to significantly increase both our sales revenue and EBIT. We generated a turnover of € 90,876 thousands in the period to July 31, 2008. This is equivalent to an increase of approximately 29 percent. We succeeded in improving the EBIT by 853 percent to a figure of € 6,292 thousands.

One-off effects against the background of the Alcon take-over and expenses associated with the rest restructuring have had a downward pressure on the EBIT. Without these effects, WaveLight can report an adjusted EBIT of over € 12 million.

In the new financial year, which as a short financial year only lasts five months, we will continue to concentrate on our core competence in refractive surgery as well as vigorously extending our technology leadership. Furthermore, we will continue to surprise the growing international community of WaveLight users with a range of new technical specifications which will produce a further optimisation of both the treatment results and safety of LASIK operations.

You founded WaveLight twelve years ago. Were you able to predict the future development of WaveLight? What do you wish for the future?

A lot has happened in the twelve years since the founding of WaveLight AG, and overall we can look back on a very successful period. This began with our listing on the stock exchange in 1999, continued with the first FDA approval for our ALLEGRETTO WAVE in October 2003, the product launch of our trend-setting, state-of-the-art CONCERTO laser and the development of new and improved, trend-setting treatment and diagnosis systems.

Yes, I am proud of the fact that we have developed laser and diagnosis systems for refractive surgery, which, thanks to their technological pre-eminence, are well ahead of the competition and have defined our global technology leadership in this field for a number of years. However, we have never lost sight of our vision to provide the patient with an optimal treatment result and to make the work of the treating physician as comfortable as possible. It is clear to us that we must strengthen our technological leadership position and open up new markets in order to generate a sustainable increase in value and continue our successful company story. As Chairman of the Board of Directors, company founder and initiator, I will continue to play my part. There is still much to be done.

Report of the Supervisory Board

The Supervisory Board of WaveLight AG has also monitored the Board of Directors during the management of the company in the fiscal year 2007/2008 in accordance with its obligations and rights according to the law and the Articles and advised the Board of Directors accordingly. In doing so, it has informed itself regularly, promptly and comprehensively about the business development and activities of WaveLight AG and was directly involved in all particularly important decisions for the company.

The Board of Directors informed the Supervisory Board in written and oral reports regularly, comprehensively and in a timely manner about the development of the business activity of the company including the risk management and the strategic further development of WaveLight AG. All procedures which required the approval of the Supervisory Board according to the law or the company's articles were submitted to the Supervisory Board by the Board of Directors accordingly. The Supervisory Board has approved all plans requiring its approval.

Fourteen Supervisory Board meetings were held in the fiscal year 2007/2008 in which the Supervisory Board concerned itself in detail with important business procedures based on the report created by the Board of Directors. Furthermore, the members of the Supervisory Board regularly informed themselves in the course of telephone conferences with the Board of Directors about the current business development and the financial position of the company.

The Supervisory Board established an Audit Committee in June 2008. The members of the committee, Richard J. Croarkin, Martin Schneider and Dr. Daniel Daeniker, were unanimously elected by the complete Supervisory Board.

Takeover bid by Alcon, Inc.

An important part in the course of the supervision and advisory activities of the Supervisory Board of WaveLight AG was taken up by the takeover bid of Alcon, Inc. to the shareholders of WaveLight AG.

On August 10, 2007 at the start of the 2007/2008 fiscal year, Alcon, Inc. published its voluntary take-over bid after it had already notified its intention to takeover the WaveLight shares on July 16, 2007. The offer document of Alcon, Inc. contained an offer to purchase all bearer shares of WaveLight AG in return for cash payment of € 15.00 per share. Both the Board of Directors as well as the Supervisory Board examined the offer from the Alcon Group and issued a joint opinion in accordance with section 27 of the Wertpapiererwerbs- und Übernahmegesetz (WpÜG) (German Securities Acquisition and Takeover Law). In the opinion, both executive bodies supported the offer and recommended acceptance by the shareholders. They also agreed their support of the offer from Alcon, Inc.

The original acceptance deadline for the offer from Alcon, Inc. expired at midnight on September 11, 2007. As well as the largely standard conditions for completion with respect to WaveLight's economic position and various approval requirements under cartel law in selected countries, the offer was also subject to the condition that at least 75 percent of the shares in WaveLight be acquired. One day prior to expiry of the acceptance period, Alcon, Inc. dispensed with the 75 percent minimum acceptance threshold. As this amendment to the offer document was made within the last two weeks of the acceptance period, the acceptance period was extended by two weeks to end on September 25, 2007 in accordance with section 22(5)(1) of the WpÜG.

After the successful completion of the public takeover bid from Alcon, Inc., WaveLight AG signed a distribution agreement with Alcon Laboratories, Inc. in February 2008. This has the objective of realising the takeover by Alcon Laboratories, Inc. of all business activities in the USA medical technology market which were previously the responsibility of the USA subsidiary, WaveLight, Inc. The agreement also includes a guaranteed acceptance volume of WaveLight laser systems within a period of three years. The Supervisory Board approved this distribution agreement in accordance with its obligations according to the law and the Articles of the company.

In March 2008, WaveLight AG concluded a Domination Agreement according to § 291 AktG (German Securities Trading Law) with its majority shareholder Alcon which in the meantime holds 77.28 percent of the WaveLight shares. The Supervisory Board also approved this agreement, however approval was still required by the Annual General Meeting of WaveLight AG. An Extraordinary General Meeting was convened for this purpose which approved the Domination Agreement between WaveLight AG and the majority shareholder Alcon, Inc. on May 7, 2008. To date, the Domination Agreement has not yet been registered in the Fürth commercial register due to still pending appeals of individual shareholders against the resolutions of the Extraordinary General Meeting. It does not become legally effective until recorded in the commercial register.

Note for the report about relations with affiliated companies

As no Domination Agreement with the majority shareholder, Alcon, Inc. exists, the Board of Directors is obligated to prepare a report about the relations with affiliated companies for the fiscal year 2007/2008 in accordance with § 312(3) AktG which has been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Berlin and issued with an unqualified audit opinion. The relations with the Alcon Group have been recorded in this report. The Board of Directors declares in the report that WaveLight AG received a reasonable consideration for the legal transactions listed in the report about the relations to affiliated companies according to the circumstances known at the time when the legal transactions were made.

The report about relations with affiliated companies was submitted to the Supervisory Board which examined it and the listed legal transactions and actions independently in accordance with § 314 (2) AktG. This did not result in any complaints.

German Corporate Governance Code

The important tasks of the Supervisory Board of WaveLight AG also include regular discussion of the standards and recommendations for responsible company management contained in the German Corporate Governance Code. After the Board of Directors and Supervisory Board of WaveLight AG had signed the declaration of conformity on September 19, 2007 in accordance with § 161 AktG and thus declared that both management bodies have largely complied with the recommendations of the German Corporate Governance Code in the version of September 12, 2006 and also in the updated version of June 14, 2007, the Board of Directors and the Supervisory Board signed the declaration of conformity with the German Corporate Governance Code for the year 2008 on August 5, 2008. A detailed presentation of the corporate governance of WaveLight AG can be found in the annual report on pages 34 to 38. The current declaration of conformity can be viewed on the website of the company at www.wavelight.com .

Annual financial statements and consolidated financial statements as of July 31, 2008.

The annual financial statement and management report of WaveLight AG for the fiscal year 2007/2008 in accordance with the principles of the German Commercial Code and the consolidated financial statement and consolidated management report of WaveLight AG in accordance with the International Financial Reporting Standards (IFRS) prepared by the Board of Directors have been audited and issued with an unqualified opinion by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin.

The single-entity financial statements, the management report and the long-form audit reports prepared by the auditors were presented to all members of the Supervisory Board. The Supervisory Board acknowledged the long-form audit reports prepared by the auditors and sees no reason to raise any objections to the financial statements. The financial statements of the AG and the Group have thus been established in accordance with § 172 AktG.

Changes in the Supervisory Board

The Annual General Meeting of WaveLight AG, held on March 3, 2008 in Nuremberg, resolved by an amendment of the Articles to increase the number of Supervisory Board members from three to six persons. The previous members of the Supervisory Board, Dr. Dietmar Bychowski and Dr. Peter Berndsen resigned from their respective offices as members of the Supervisory Board with effect from the end of the Annual General Meeting on March 3, 2008. Richard J. Croarkin and Dr. Daniel Daeniker were elected by the Annual General Meeting to the Supervisory

Board of WaveLight AG as successors. Furthermore, the Annual General Meeting elected three additional members to the Supervisory Board of WaveLight AG as representatives of the majority shareholder, Alcon: Kevin J. Buehler, Elaine E. Whitbeck and Martin Schneider whereby their mandate did not start until entry of the proposed amendments to the Articles in the commercial register of the Fürth District Court on March 27, 2008.

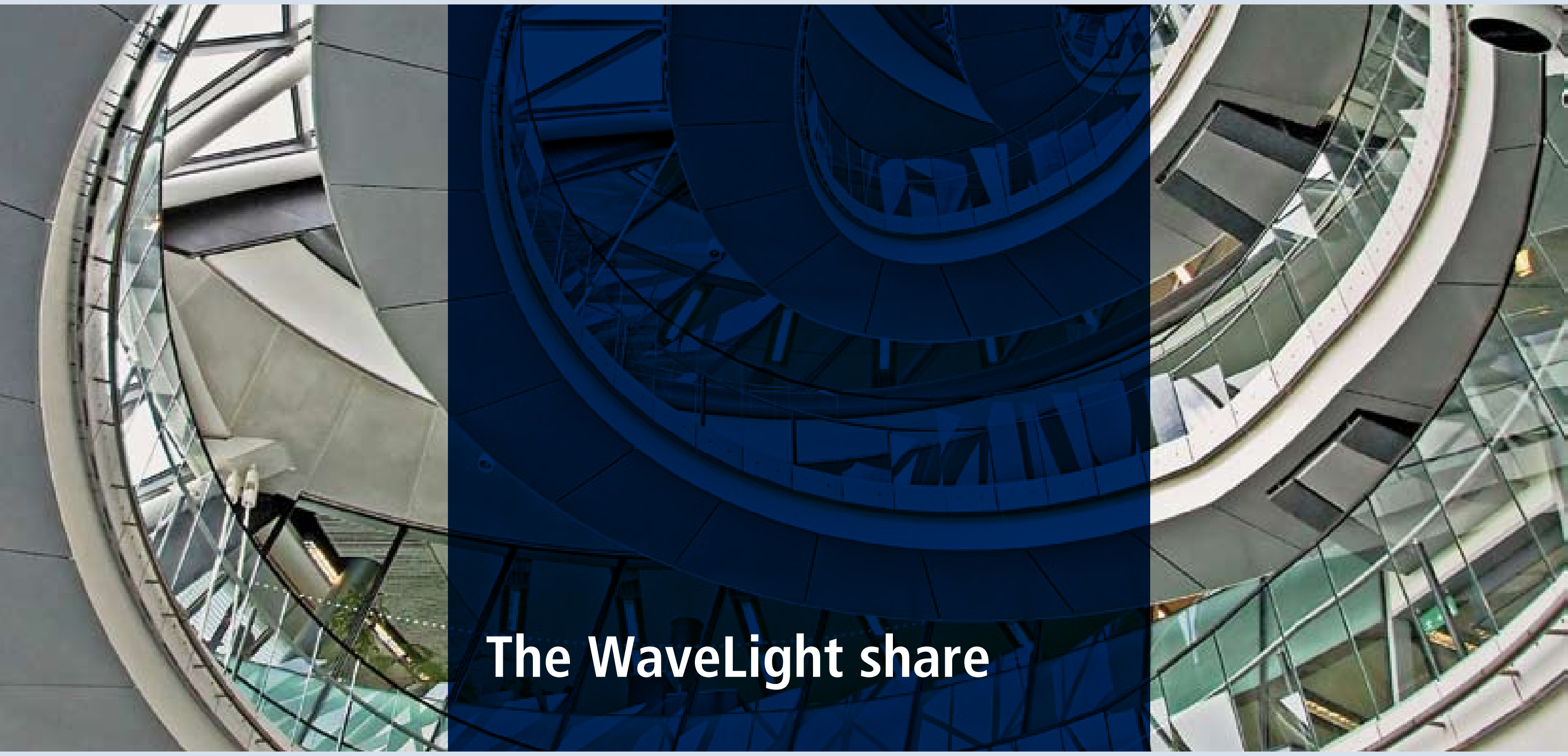
The Supervisory Board expresses its thanks to the former Supervisory Board members Dr. Dietmar Bychowski and Dr. Peter Berndsen for their great commitment in the Supervisory Board of WaveLight AG and wishes them all the best for their further professional activities.

The Supervisory Board also expresses its thanks to the Board of Directors and all employees of the WaveLight Group for their untiring commitment in the course of their assigned tasks. Furthermore, the Supervisory Board expresses its high recognition of their conscientious dedication in the fiscal year 2007/2008 – a fiscal year which was extremely eventful.

We wish the company, the Board of Directors and all employees of WaveLight AG every success for the company's continuing development in the new 2008 fiscal year.

Erlangen, October 2008
The Supervisory Board

Rudolf P. Franz
Chairman of the Supervisory Board



The WaveLight share

The WaveLight share listed in the Prime Standard of the German Stock Exchange started the fiscal year on August 1, 2007 with a closing price in the XETRA trading of € 10.14, however was able to improve to a price of € 15.26 and thus by approx. 54 percent by August 14, 2007. The WaveLight share price stayed at the level of € 15.00 for some weeks. On November 29, 2007 the share price reached its highest level in the 2007/2008 fiscal year of € 20.00. Afterwards, the WaveLight share moved within a share price range of € 15.00 to approx. € 17.00 and closed on July 31, 2008 with a share price of € 15.95. Thus the closing price of the WaveLight share in the XETRA trading as of July 31, 2008 with a share price increase of around 50 percent was still clearly above the previous year's share price (€ 10.60).

The reason that the WaveLight share could largely avoid the downward trends on the stock exchanges world wide was certainly that the official takeover bid by Alcon, Inc. to the WaveLight shareholders was published in August 2007. At this time, the capital market was marked by the first uncertainties against the background of the property crisis in the United States, new oil price records, all-time highs of the Euro against the US dollar and initial pessimistic appraisals about the falling growth dynamics of the world economy. Thus, the fiscal year 2007/2008 was characterised by a very turbulent and eventful stock exchange environment which the WaveLight share showed itself to be largely unaffected by.

Annual General Meeting in Nuremberg

The Annual General Meeting of WaveLight AG this year did not take place as usual in January but not until March 3, 2008 in Nuremberg. The Board of Directors and the Supervisory Board of WaveLight AG had planned a longer time than usual for the preparation of the eighth Annual General Meeting since the company founding in order to be able to comprehensively explain the new perspectives to the shareholders after the successful takeover bid.

As Chairman for the meeting, the Chairman of the Supervisory Board, Rudolf P. Franz, welcome approx. 80 shareholders and numerous bank representatives, journalists and guests who had found their way to Nuremberg.

The CEO, Max Reindl, explained the business development in detail in the fiscal year 2006/2007 and the successfully completed restructuring of WaveLight AG and the associated focus on refractive surgery in his annual report. Afterwards, the shareholder and shareholder representatives had sufficient time in the following discussion to put their questions to the CEO. Thereby, the shareholders' questions mainly concentrated on the consequences of the takeover bid from Alcon, Inc. for the WaveLight company. The CEO and the Chairman of the Supervisory Board answered all the questions put to them in detail to the satisfaction of the shareholders.

In the following resolution, the individual items of the agenda of the Annual General Meeting were approved: thus both the Supervisory Board as well as the Board of Directors were formally discharged from responsibility for the fiscal year 2006/2007 with a large majority by the Annual General Meeting.

The increase in the number of members of the Supervisory Board was also approved in an amendment to the Articles. The previous members of the Supervisory Board, Dr. Dietmar Bychowski and Dr. Peter Berndsen, resigned from their respective offices as members of the Supervisory Board with effect from the end of the Annual General Meeting. Richard J. Croarkin and Dr. Daniel Daeniker were elected with a large majority to the Supervisory Board of WaveLight AG as successors. Kevin J. Buehler, Elaine E. Whitbeck and Martin Schneider were also elected with a clear majority as additional new members of the Supervisory Board as representatives of the majority shareholder, Alcon Inc.

The changeover of the fiscal year of WaveLight AG to date from August 1 up to and including July 31 of the following year to the calendar year was another agenda item. A large majority of the shareholders accepted the management proposal and approved the amendment to the Articles for the changeover of the fiscal year. This means that the period from August 1 up to and including December 31, 2008 will be a short fiscal year of WaveLight AG.

Another agenda item was the vote for amendment of the Articles to limit the time allowed for speaking and questions. The Board of Directors and the Supervisory Board proposed being able to reasonably limit the time allowed for speaking and questions if this is necessary for the proper execution of the Annual General Meeting. The Annual General Meeting also approved this resolution with a large majority.

The Transparency Directive Implementation Law has been in force since January 20, 2007. According to this, corporations are only permitted after December 31, 2007 to transmit information electronically to their shareholders if in addition to the individual agreement of the shareholder concerned and meeting other, particularly specified technical requirements, the Annual General Meeting has also approved this type of information dissemination. The WaveLight shareholders also accepted the management proposal for this agenda item and voted with a large majority in favour of transmitting information electronically to the shareholders of WaveLight AG. Thus, WaveLight AG has taken the necessary actions in the context of the new legislation to ensure transmitting information electronically (e-mails) or in the form of fax transmissions to the shareholders in the future.

Extraordinary General Meeting in Munich

WaveLight AG and Alcon, Inc. concluded a Domination Agreement according to § 291 AktG on March 20, 2008 whose effectiveness was dependent on approval by a majority of the shareholders in the Annual General Meeting. Against this background, an Extraordinary General Meeting took place in Munich on May 7, 2008 where the only agenda item was the resolution for the approval of the conclusion of the Domination Agreement between WaveLight AG and Alcon, Inc.

The CEO of WaveLight AG, Max Reindl, explained the agreed Domination Agreement in detail at the Extraordinary General Meeting. He informed the shareholders present about the commercial and legal reasons for the conclusion of the Domination Agreement and emphasised that this represented a splendid instrument in order to be able to efficiently implement the intended integration of WaveLight AG in the Alcon group of companies. Among other things, the agreement provides that WaveLight AG remains a legally independent unit, however the management of its company is subordinate to that of Alcon, Inc. For its part, the majority shareholder, Alcon, has committed itself by the Domination Agreement to the takeover of any losses by WaveLight AG.

Furthermore, the interests of the minority WaveLight shareholders are guaranteed in the context of the Domination Agreement by a cash compensation of € 15.68 per share or alternatively by the payment of a fixed annual compensation payment for each complete fiscal year of € 0.89 (gross) (€ 0.76 net) per share.

After detailed discussion, the Extraordinary General Meeting approved the Domination Agreement concluded between WaveLight AG and Alcon, Inc. on March 20, 2008 with a large majority. The Domination Agreement has not yet been registered in the Fürth commercial register due to still pending appeals of individual shareholders against the resolutions of the Extraordinary General Meeting. It has therefore not yet come into force.

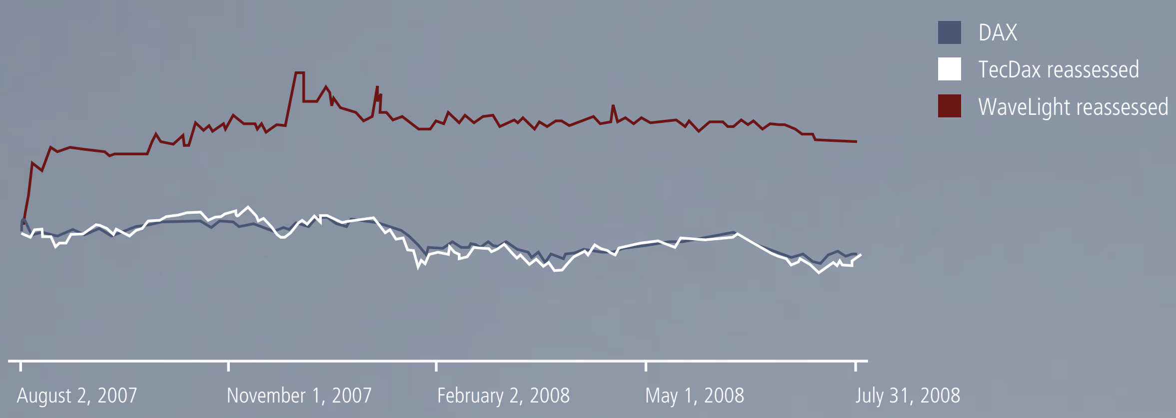
Capital market communication unchanged

The communication with all shareholders and the financial community always belonged to the most important tasks of the Investor Relations activities of WaveLight AG. In the context of its Investor Relations activities, WaveLight also actively sought dialogue with its shareholders and the wider financial community in the fiscal year 2007/2008.

As well as the Annual General Meeting which, among other things, represents an important platform for direct dialogue with the shareholders for the company, WaveLight AG informed financial analysts and economics journalists at the annual press and analysts conference for the publication of the annual financial statements on October 24, 2007 in Frankfurt in detail about the business development of WaveLight AG. WaveLight AG also regularly publishes press releases in order to promptly and comprehensively inform the interested financial community about the business development of WaveLight AG. The company also maintains comprehensive information about the company which is regularly updated on its website in the Investor Relations section.

In the course of the takeover bid from Alcon, Inc., WaveLight AG set up a call centre for the complete duration of the acceptance period for all enquiries from shareholders in connection with the takeover bid by Alcon. Numerous national and international private investors made use of the opportunity in this period to ask their questions about the takeover bid. The competent employees from the IR team responded in detail and conscientiously to all questions from the WaveLight shareholders.

Share Performance: WaveLight vs. DAX and TecDAX
for the Fiscal Year 2007/2008



Comparison of Share Performance: WaveLight, DAX and TecDAX
in Fiscal Year 2007/2008, prices in €

Index	August 1, 2007	July 31, 2008	Change
DAX	7,473.93	6,479.56	-13.3 %
TecDAX	905.32	766.36	-15.3 %
WaveLight	10.14	15.95	+57.3 %

WaveLight Stock: Key Data

Number of shares issued	6,586,026
Number of stock options issued	53,000
Earnings per share in € (diluted)	(1.53)
High in € (52-week period)	20.00
Low in € (52-week period)	10.14

Corporate Governance for the fiscal year 2007/2008

Dear shareholders,

WaveLight AG also committed itself to high Corporate Governance standards in the 2007/2008 fiscal year and pursued an unchanged, proactive and open information policy aligned with the interests of the shareholders and the capital market. A responsible, transparent and fair business management and control has been determining the action of the Executive Committee and the Supervisory Board of WaveLight AG since the first stock exchange listing.

Cooperation between the Executive Committee and the Supervisory Board

The Executive Committee of WaveLight AG collaborated closely and confidingly with the members of the Supervisory Board all year round. The Supervisory Board was always involved as control entity for all important actions and operations. The strategic alignment of WaveLight AG and the realisation of its corporate objectives were subject to close coordination between the Executive Committee and Supervisory Board. The Executive Committee informed the Supervisory Board regularly and promptly in written and verbal form about all relevant issues of the business development, the corporate planning including the risk position and the risk management. One focus in the 2007/2008 fiscal year was the takeover bid by Alcon, Inc. Further information for this can be found in the report of the Supervisory Board on pages 26 to 29.

The members of the Supervisory Board changed in the course of the 2007/2008 fiscal year. Against the background of the successfully completed takeover bid by Alcon, Inc., the Annual General Meeting on March 3, 2008 resolved to increase the number of the members of the Supervisory Board from three to six. The previous members of the Supervisory Board, Dr. Dietmar Bychowski and Dr. Peter Berndsen resigned from their respective offices as members of the Supervisory Board with effect from the end of the Annual General Meeting on March 3, 2008. Richard J. Croarkin and Dr. Daniel Daeniker have been elected to the Supervisory Board of WaveLight AG as successors. Furthermore, the Annual General Meeting elected three additional members to the Supervisory Board as representatives of the majority shareholder, Alcon: Kevin J. Buehler, Elaine E. Whitbeck and Martin Schneider.

Shareholders and Annual General Meeting

The shareholders of WaveLight AG exercise their rights in the Annual General Meeting. At the Annual General Meeting, they elect the members of the Supervisory Board and resolve to discharge the actions of the Executive Committee and the Supervisory Board. In addition, the Annual General Meeting decides about the appropriation of the net retained profit, capital transactions (authorised capital) and the approval of key company agreements. Each share carries one vote.

The Annual General Meeting in the 2007/2008 fiscal year did not take place as usual in January but not until March 3, in Nuremberg. Due to the successful takeover bid of Alcon, Inc., both the Executive Committee as well as the Supervisory Board needed more time for the preparation of the Annual General Meeting in order to be able to comprehensively explain the new perspectives after the takeover to the shareholders of WaveLight AG. The shareholders and shareholder representatives were invited to the Annual General Meeting in good time. All reports and documents required by law were made available in printed form in advance in compliance with the relevant deadlines and were also published together with the agenda on the World Wide Web at www.wavelight.com .

The Annual General Meeting of WaveLight AG approved the increase of the number of members of the Supervisory Board with a large majority. In another point of the agenda, the shareholders voted with a large majority for the changeover of the fiscal year of WaveLight AG to the calendar year as the fiscal year of the majority shareholder Alcon also corresponds to the calendar year. Against this background, the period from August 1 up to and including December 31, 2008 is a short fiscal year.

An Extraordinary General Meeting of WaveLight AG was also held in the 2007/2008 fiscal year on May 7, 2008 in Munich, the invitations to which were issued in good time. The only agenda item for the General Meeting was the resolution for the shareholder to approve the conclusion of a Domination Agreement between WaveLight AG and Alcon, Inc. The Extraordinary General Meeting approved the Domination Agreement with a large majority.

WaveLight and the ophthalmology company Alcon domiciled in Hünenberg, Switzerland had already concluded the Domination Agreement according to § 291 AktG (German Securities Trading Law) on March 20, 2008 whose effectiveness required approval by the majority of the WaveLight AG General Meeting. Previously the Domination Agreement was not yet registered in the Fürth commercial register due to still pending appeals of individual shareholders against the resolutions of the Extraordinary General Meeting of May 7, 2008. It does not become legally effective until recorded in the commercial register.

Transparency – prompt and proactive communication

The Supervisory Board and the Executive Committee of WaveLight pursue the requirement of providing all information concerning the company development promptly to the shareholders and the interested general public. In doing so, it is important that all interest groups receive the same information at the same time. Furthermore, every interested party can view all corporate communications on the website of WaveLight AG (www.wavelight.com).

In the course of careful compliance with the Corporate Governance standards, the company publishes all transactions with WaveLight AG shares made by the Executive Committee and Supervisory Board. If members of the Executive Committee and the Supervisory Board acquire or sell shares in the company and the transactions exceed € 5,000.00 per year, this is immediately notified to the issuer and the Bundesanstalt für Finanzdienstlei stungsaufsicht (BaFin) (Federal Financial Supervisory Authority). Information about so-called "Director's Dealings" according to § 15a WpHG (German Securities Trading Law) is always published on the WaveLight website.

Financial reporting and audits

The financial statements of the WaveLight Group are prepared in accordance with International Financial Reporting Standards (IFRS). The single-entity financial statements are prepared in accordance with the provisions of the Handelsgesetzbuch (HGB) (German Commercial Code).

On March 3, 2008, the Annual General Meeting of WaveLight AG appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin as auditors for the fiscal year 2007/2008. Before submission of the proposal for the election of KPMG as the auditor, the auditing company confirmed in a declaration of independence that no professional, financial, personal or other relationships existed between the auditor, its organs and the audit management on the one hand and WaveLight AG and the members of its management bodies on the other hand.

The Executive Committee prepares the single-entity and the consolidated financial statements which is approved by the Supervisory Board afterwards. An internal control system and uniform accounting principles ensure that a true and fair view of the company's net assets and results of operations is given in all key respects.

Transparent remuneration

The remuneration of the Executive Committee and Supervisory Board of WaveLight AG has been subject to clear and transparent criteria for many years. All information in this respect is part of the Appendix of the consolidated financial statement and can be seen on pages 125 to 128 of the annual report.

Declaration of conformity

In the fiscal year 2007/2008, the Executive Committee and Supervisory Board made the declaration of conformity according to § 161 AktG (German Stock Corporation Law) on September 19, 2007. The Executive Committee and Supervisory Board declared that both management bodies of the stock corporation have complied with the recommendations of the German Corporate Governance Code in the version of June 14, 2007 and also largely with the updated version of June 6, 2008.

Both the Executive Committee as well as the Supervisory Board understand good corporate governance as a continuous process which requires regular checking and adaptation against the background of new experiences, legal requirements and further developed national and international standards.

The Executive Committee and Supervisory Board signed the declaration of conformity for the year 2008 on August 5, 2008. The Supervisory Board and the Executive Committee also confirm in this declaration that WaveLight AG will also comply with the requirements of the German Corporate Governance Code in the future with the following exceptions:

Section 3.8 of the German Corporate Governance Code recommends that a suitable excess be agreed in the event that a Directors & Officers liability insurance policy (D&O insurance policy) is taken out for the Executive Committee and the Supervisory Board. In this case, the Executive Committee and Supervisory Board have decided not to agree any excess for the existing D&O insurance policy as the Executive Committee and the Supervisory Board do not consider the excess necessary to motivate and encourage responsible behaviour by the members of the Executive Committee and Supervisory Board in their conscientious and responsible management of the company. The D&O insurance policy taken out by WaveLight AG is a group insurance policy for a relatively large number of managerial staff working in Germany and abroad. In particular, the company's management bodies (members of the Executive Committee, directors) and the Supervisory Board are covered.

According to section 4.2.1 of the German Corporate Governance Code, the company's Executive Committee should consist of more than one person with a Chairman or Spokesperson. Following personnel and structural changes in the 2006/2007 fiscal year, the Executive Committee of WaveLight AG is represented by Max Reindl. He has been responsible for the operations of WaveLight AG as sole Executive Committee member since January 10, 2007.

Section 5.3.3 recommends that the Supervisory Board forms a Nomination Committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting. The Executive Committee and Supervisory Board hold the view here that the formation of a Nomination Committee is not necessary because no representatives of the employees are members of the Supervisory Board. Therefore WaveLight considers the spirit and purpose of this recommendation of the current Code as not applicable for the company. This deviation from the currently applicable Corporate Governance Code is thus pointed out here as a precautionary measure.

According to section 5.4.2 of the German Corporate Governance Code, a sufficient number according to its discretion of independent members should belong to the Supervisory Board. A Supervisory Board member is considered as independent if there is no business or personal relationship to the company or its Executive Committee which constitutes a conflict of interests. Furthermore, no more than two former members of the Executive Committee should be members of the Supervisory Board. In addition, Supervisory Board members should not exercise any executive or consultancy function for important competitors of the company.

WaveLight AG also deviates here from the recommendations of the German Corporate Governance Code as the Supervisory Board members Kevin J. Buehler, Richard Croarkin, Martin Schneider and Elaine E. Whitbeck have management functions for different group companies of the Alcon Group.

The last difference from the currently applicable German Corporate Governance Code concerns section 5.4.7 (2). It is recommended that the remuneration of the Supervisory Board members consists of a fixed part and a performance-related variable component. The remuneration of the WaveLight AG Supervisory Board members is fixed and does not include a performance-based variable component. The amount of the fixed remuneration for the Supervisory Board members is resolved by the Annual General Meeting.

The complete declaration of conformity can be viewed on the website of WaveLight AG at www.wavelight.com.

Erlangen, September 2008

Maximilian Reindl Chief Executive Officer Chairman of the Board of Directors	Rudolf P. Franz Chairman of the Supervisory Board

ALLEGRETTO WAVE
EYE-Q
WaveLight

Group Management Report of WaveLight AG for the 2007/2008 financial year

A	Business and general conditions	41
B	Report on the results of operations, financial position and net assets	54
C	Report on post balance sheet date events for the 2007/2008 financial year	57
D	Report on opportunities and risks	59
E	Outlook	65

A. Business and general conditions

Overview of the fiscal year

The 2007/2008 fiscal year was influenced in the first place by a consequential, strategic and operative new orientation of the WaveLight Group, which was successfully completed in the last quarter of the reporting period. Thus, the central focus of the Company activities was on the core competence, refractive surgery, and on the associated separation of areas that do not belong to the core business. In September 2007, WaveLight AG sold its aesthetic subsidiary, WaveLight Aesthetic GmbH, and in December 2007 divested itself of its shares in WaveLight GmbH in Berlin as well as of its holding in the Dutch Medical Device Production B.V. (MDP). Hence, with this the sale of the Aesthetics and Intraocular Surgery units took place after the sale of the urology and industrial laser business divisions during the 2006/2007 fiscal year.

Alcon, Inc.'s takeover bid to the WaveLight shareholders was of extreme importance for the development of the 2007/2008 fiscal year. After July 16, 2007, when the ophthalmology company based in Switzerland announced its intention to make a takeover bid to the WaveLight shareholders, on August 10, 2007, Alcon, Inc. published its tender document, which was a purchase offer for all WaveLight AG bearer shares at a price of €15.00 cash per share. On September 25, 2007, the official acceptance period ended and after the implementation of the take-over bid on November 9, 2007, Alcon, Inc. announced that its voting rights percentage in WaveLight AG amounted to 77.38%.

At the end of the financial year, on July 31, 2008, the WaveLight Group was able not only to achieve its turnover targets, but also to surpass them clearly. Compared with the previous year, the WaveLight Group generated clear growth in turnover of 29% and closed the 2007/2008 fiscal year most successfully, with a turnover of €90,876 thousand (previous year €70,370 thousand). On July 31, 2008, earnings before interest and taxes (EBIT) amounted to €6,292 thousand (previous year €660 thousand). This result was burdened by one-off items in the light of Alcon's take-over bid and by the corresponding restructuring measures.

Worldwide cutting edge product range

With its comprehensive product portfolio of treatment and diagnosis systems for the correction of visual impairments, increasingly sophisticated over the years, technologically advanced and optimally matched, WaveLight AG has a most important competitive advantage, which plays a comprehensive role in the success of the Group. Thus, with the re-orientation of the Company and with the concentration on the associated core competence, refractive surgery, WaveLight AG focused solely and completely on its Company activity, on the development and manufacture of high quality treatment solutions with which the Company had already set worldwide technological standards in previous years.

Globally, WaveLight was able to install a total of 1,112 laser systems before July 31, 2008. In this way, the Group was further able to consolidate its position in the 2007/2008 fiscal year, as an innovative supplier of high quality treatment systems for the correction of visual impairments.

Also in the future, WaveLight will not only offer the highest treatment quality, safety and reliability to practising ophthalmologists, but also, yet again, worldwide, valid, technology standards in refractive surgery. While the new WaveLight laser system concept, with its repetition rate of 1,000 Hz and an eye tracking system with still further enhancement, points to future treatment standards in refractive surgery, the innovative diagnosis system, ALLEGRO BioGraph, has already been developed to the point of marketability and was presented to the public during the ESCRS 2008 in Berlin. Likewise, the new system stands out, owing to its flexible, practical diagnosis solution for refractive and intraocular surgery treatments.

The new WaveLight Femto Laser System will also be introduced shortly. As is typical with WaveLight, the new system for the gentle preparation of actual surgery will distinguish itself by its excellent treatment results and high reliability, as well as safety, and in the product portfolio will represent a contemporary alternative to the already proven WaveLight Microkeratome RONDO.

Research and development expenses of WaveLight AG amounted to €6.7 million during the 2007/2008 fiscal year, an increase from €5.4 million in the previous year.

WaveLight, the "pure" ophthalmological Group with its core competence refractive surgery

During the 2007/2008 fiscal year, WaveLight AG consequently and successfully followed its target of concentrating exclusively on its core competence, refractive surgery. Thus, the Company was able to complete successfully its re-orientation towards refractive surgery, already started in the 2006/2007 fiscal year: in September, 2007, WaveLight AG sold its independent aesthetics subsidiary, WaveLight Aesthetic GmbH, already separated in April, 2006, to Atlas Laser SARL, a holding of the French Quantel Group.

The divestment of the intraocular surgery business division took place as a further step in the wake of the repositioning. In December, 2007, WaveLight's 100% stake in Berlin-based WaveLight GmbH was sold to the Dutch company, Medical Device Production B.V. (MDP B.V.) and its 30% stake in the manufacturing company, MDP was sold to the Dutch company, Procornea Holding B.V.

The decision to focus the business activity completely on the core competence, refractive surgery, is positively reflected in the clearly improved turnover and operating profit figures for the 2007/2008 fiscal year.

Against the background of the reorientation of the WaveLight Group and the take-over bid of Alcon, Inc., a restructuring of the US sales by the WaveLight Group took place. For this purpose, a comprehensive distribution concept was agreed between WaveLight AG and Alcon Laboratories, Inc. As early as February 2008, as part of the successful implementation of the concept, which already formed the basis for sustainable growth of turnover and operating profit in the 2007/2008 fiscal year, all customer service and support activities, which had hitherto been the responsibility of WaveLight, Inc., were also transferred to Alcon Laboratories, Inc. The sales and all additional services for the cutting edge, WaveLight laser systems for refractive surgery in the USA take place accordingly and exclusively through the efficient distribution network of Alcon Laboratories, Inc. In the light of this, further investment in the sales structure of WaveLight, Inc. was dispensed with.

WaveLight, Inc. will continue to generate sales for the already installed equipment base of WaveLight laser systems in the USA from the per procedure fee usual there. Furthermore, within the scope of the sales agreement, Alcon, Inc. has also guaranteed a significant number of sales of laser systems within a period of three years.

In the course of the agreement, Wave Light, Inc. has sold miscellaneous assets to Alcon Laboratories, Inc. Alcon, Inc. has assured WaveLight AG that it will take over fiscal disadvantages from the transfer of the US business activities.

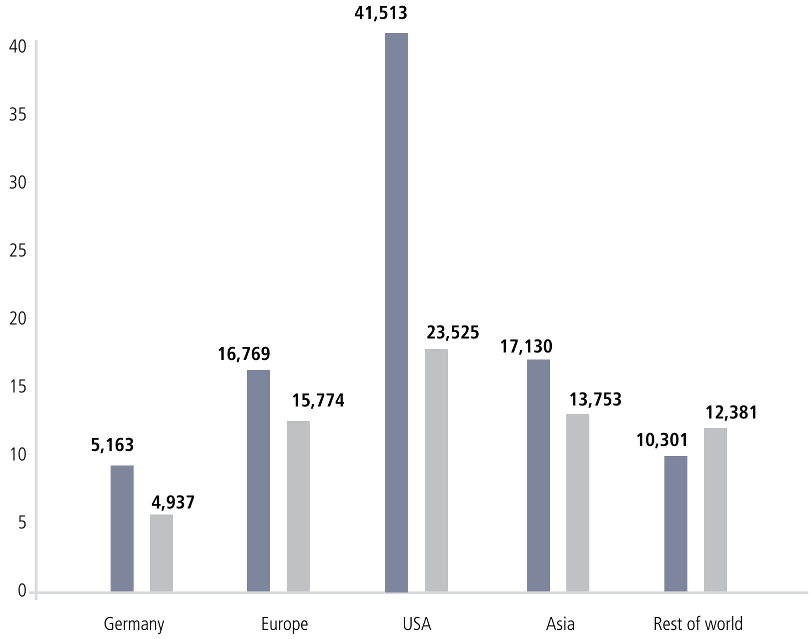
Market and competitive environment

As one of the few European suppliers of treatment and diagnosis systems in the field of refractive surgery, WaveLight AG is renowned for its high quality product portfolio. Considering the markets that are strongly differentiated to some extent in the respective sales regions, WaveLight AG orientates its handling of the market strategically and operatively to the corresponding conditions on site in order to use each opportunity arising to best advantage and to guarantee sustainable success.

Characterised by a demographic development by which the population of the world continues to grow and the percentage of elderly people in relation to the total population increases in many regions of the world, the whole market for refractive surgery is very rich in opportunities and full of promise. In addition to the increasing average age of the population, the level of education and the technological progress of a region show important factors for growing demand for the correction of visual impairments.

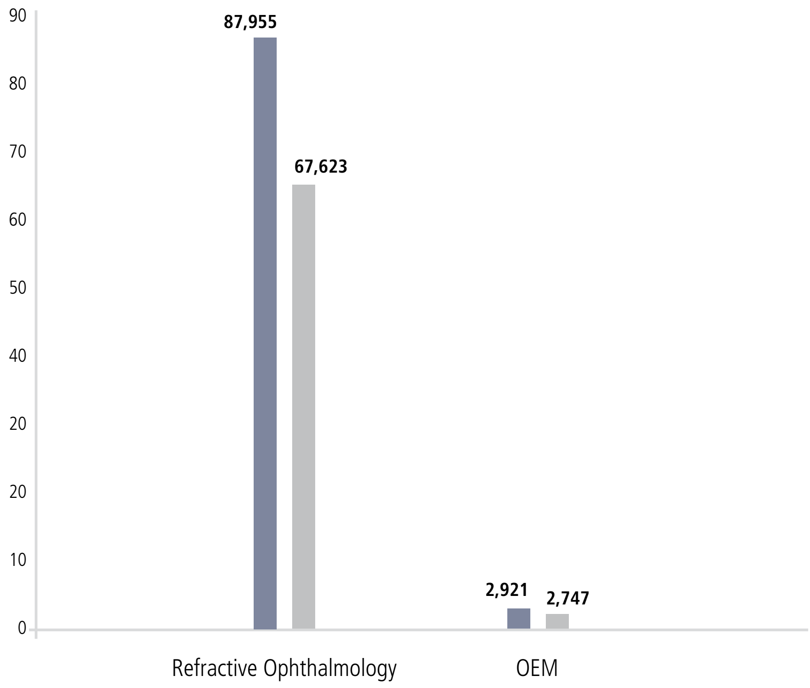
Revenues by Region
in € thousands

Fiscal Years
- 2007/2008
- 2006/2007

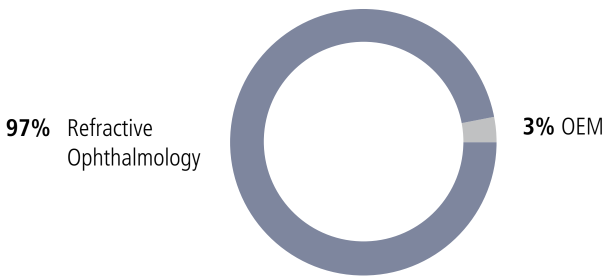


Revenues by Division
in € thousands

Fiscal Years
- 2007/2008
- 2006/2007



Revenues by Division in percent
Fiscal Year 2007/2008



Charts and diagrams are not part of the consolidated financial statement (IFRS).

Hence, market analysts expect that the worldwide demand for the correction of visual impairments will increase by approximately 5.3% from 3.7 million to 4.8 million operations during the period of 2007 to 2012. Within this period, an increase of a total of 7.4% is expected with turnover of Excimer lasers for refractive surgery applications.

In economically higher developed regions of the world with a correspondingly high living, educational and technological standards, such as those in North America, Western Europe and parts of Asia, the percentage of people in relation to the total population with visual impairments is between 50% and 60%, on an upward trend.

In these regions, not only will the demand for innovative laser systems increase, but so also will the expectations of the quality results of treatment of patients and doctors treating them. On the one hand, high pressure on cost dominates in these regions, which obliges the manufacturers of diagnosis and treatment systems to be more efficient in the production of laser systems. But on the other hand, excellent conditions are also given to the manufacturers there for an above-average sale of their products. In North America, Europe and in some parts of Asia, with a very good infrastructure and a large number of practising ophthalmologists who have specialised in refractive surgery, the best conditions are given to cover the high demand for correcting visual impairments.

In particular, as a worldwide large market for refractive surgery, the USA combines all important conditions for above-average development of demand and offers companies such as WaveLight AG a substantial sales potential. Hence, most of the ophthalmologists in the world practise in the USA. In addition, they carry out refractive surgery operations very regularly. Correspondingly, the largest marketing efforts are being taken there and the price level is comparatively high.

Market experts anticipate that the demand for Excimer lasers in American ophthalmological surgeries and clinics will increase strongly in the next few years, because a large part of the treatment systems already installed are at least five years old and, predictably, will be replaced by new lasers. According to

a 2007 "Market Scope" study (source: Market Scope: 2007 Comprehensive Report on the Global Refractive Surgery Market) a laser system from the ALLEGRETTO product family would be the first choice for many ophthalmologists looking to make a new purchase. In these circumstances, observers of the market expect that the successful take-over bid of Alcon, Inc. for WaveLight AG will considerably influence the American market structure in the area of refractive surgery.

European health systems show totally different structures: in the predominantly state health systems in Europe, the majority of the people insured are accustomed to the health insurance companies taking over the costs and, thus, treatment appears "free of charge". Moreover, on the basis of the respective national legislation, doctors are prohibited from practising aggressive marketing of medical services. Additionally, this makes it difficult for patients to take a decision for LASIK treatment, especially because the costs of conventional visual aids are borne partially by the health insurance companies. This situation provides the explanation for the saturation of the West European market for refractive surgery and the rather low growth rates, compared with Asia, for example. It is expected that total sales will increase in the next five years, by 5.2%.

The highest growing demand for correction of visual impairments is recorded in the so-called "emerging economies", such as China, India and in other fast growing countries. A clear connection can be identified here between the increasing demand for laser-based visual correction, on the one hand, and increases in the level of education, improvement of health care, population growth, rising incomes and the higher life expectancy, on the other. All in all, the highest growth potential for refractive surgery exists in those fast growing national economies, in which a total of more than 56% of the world population live.

In particular, the population structure of China features an increasingly growing middle class, which, in future, will create a promising market for correction of visual impairments, with above-average demand. However, the specific market conditions have to be taken into consideration there, such as a comparatively less organized and structured market than in Europe, and strong government involvement, the total effect of which is to make the financing of laser systems more difficult. Furthermore, refractive surgeons already practising are limited through omitted or low level training and further educational opportunities in this area. Market observers expect an increase in the demand in China for laser-based visual corrections of about 13% over the next five years.

WaveLight Group with further improved market position

The reorientation of the WaveLight Group completed in the 2007/2008 fiscal year, and the successful focus on the refractive surgery connected with it, are clearly mirrored in the sales revenues generated by the Group. Hence, as of July 31, 2008, the WaveLight Group was able to improve its turnover by 29% to €90,876 thousand compared with the previous year (€70,370 thousand). All in all, the WaveLight Group expanded its globally installed laser systems base by a total of 1,112 items (previous year: 856 items).

The regional development of sales revenues and market positioning in the refractive business area during the reporting period is as follows:

The WaveLight Group was able to expand its market position successfully in the USA with an installed devices base of 244 systems. Thus, in this most important market, the WaveLight Group generated turnover of €41,513 thousand (previous year: €23,525 thousand), which represents a growth of 76%. The existing distribution agreement with Alcon Laboratories, Inc. made at the beginning of February, 2008, constitutes an important basis for the distinct improvement in the US market. This includes a guaranteed, significant order volume of WaveLight laser systems within a period of three years.

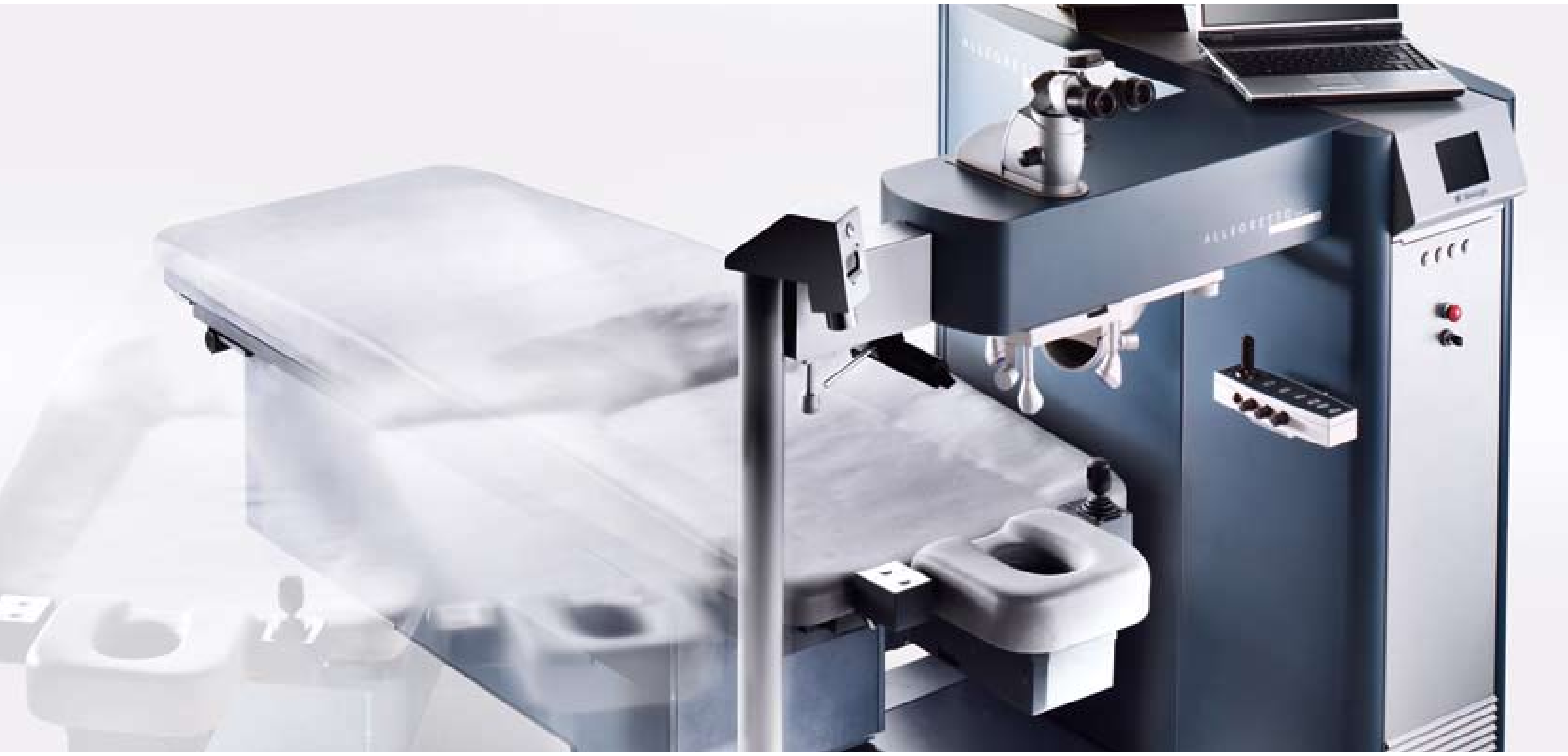
By the July 31, 2008, the WaveLight Group had sold an installed device base of 319 laser systems on the European market. In the 2007/2008 fiscal year, the WaveLight Group generated turnover in this area of €21,932 thousand, and thereby improved on the previous year (€20,711 thousand) by 6%.

Also in the 2007/2008 fiscal year, the Asiatic market proved itself to be a most important and sales-strong region. Thus, by July 31, 2008, the WaveLight Group generated sales revenues of €17,130 thousand (previous year: €13,753 thousand) and increased these by 25%. Altogether, so far, the WaveLight Group has installed 453 laser systems in Asia (as of July 31, 2008).

Research and Development – Expanding cutting edge technology

Ever since the founding of the Company, WaveLight AG has consequently and successfully followed the objective of establishing globally recognised standards for a highly precise, gentle and reliable correction of visual impairments within the area of refractive surgery. In these circumstances, in November 2007, the WaveLight Group presented for the first time at the largest worldwide AAO (American Academy of Ophthalmology) Ophthalmology Trade Fair in New Orleans their newly developed laser system concept for the correction of visual impairments, which plainly reinforces the Company's claim to world wide technological leadership. Thus, a repetition rate increased to 1,000 Hz, in combination with a further optimized eye tracking system, which provides highly precise and extremely fast correction to the smallest movements of the patient's eye during the operation, forms the technological basis of the trend-setting concept laser system. In comparison with a "conventional" Excimer laser, the number of eye movements to be compensated for during the greatly shortened treatment period drops to a mere one fifth. The new WaveLight AG concept laser system thus sets a new world wide technological standard for the highly precise, gentle and at the same time reliable correction of visual impairments.

In addition, with its cutting edge ALLEGRETTO laser systems, WaveLight AG has developed the new generation of ARTISTA software, through which the focus is on the further simplified integration of diagnosis and treatment. A comprehensive networking of diagnosis and treatment systems from the WaveLight Company via WaveNet Server enables the practising ophthalmologist to co-ordinate precisely and simply all the relevant steps, with only one software tool for the treatment process. Moreover, an integrated patient management system



with the new software and extensive back-up functions are available to the ophthalmologist.

With the development of the ALLEGRO BioGraph, a new type of diagnosis system, WaveLight has yet again reinforced its claim to global technological leadership in the area of ophthalmology.

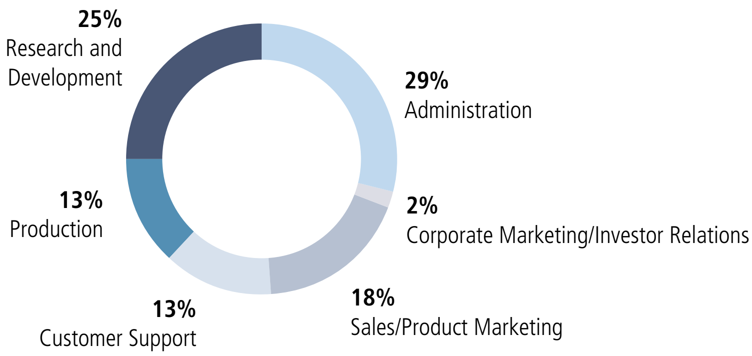
Presented to the public for the first time within the ESCRS 2008, the innovative measurement system allows, for example, the exact definition of the axial dimension of the eye and supplies reliable data of the entire anterior segment of the eye in just one measurement procedure. The risk of false measurements is automatically minimized by the use of the advanced OLCR (Optical Low Coherence Reflectometry) measurement principle. Furthermore, the diagnosis system proves itself by means of a most user-friendly application and navigation of the software interface, through which necessary training and induction times can be clearly reduced. Originally developed for use in the area of intraocular surgery, it has also been planned for the diagnosis device to be connected in the future to the WaveLight Excimer laser systems for refractive surgery. In this way, too, the new system stands out, owing to its flexible, practical diagnosis solution for refractive and intraocular surgery treatments.

Moreover, the current development activity of the Company is focused on the new WaveLight Femto Laser System. The Femto-second laser is used within the preparation of the actual LASIK treatment instead of the conventional microkeratome in order to prepare the patient's cornea for the formation of an extremely fine corneal lamella for the treatment itself, by means of the Excimer laser. As is typical with WaveLight, the new WaveLight Femto Laser System will prove itself by its excellent treatment results and high reliability, as well as safety, and represents a contemporary alternative to the already proven WaveLight Microkeratome RONDO in the product portfolio.

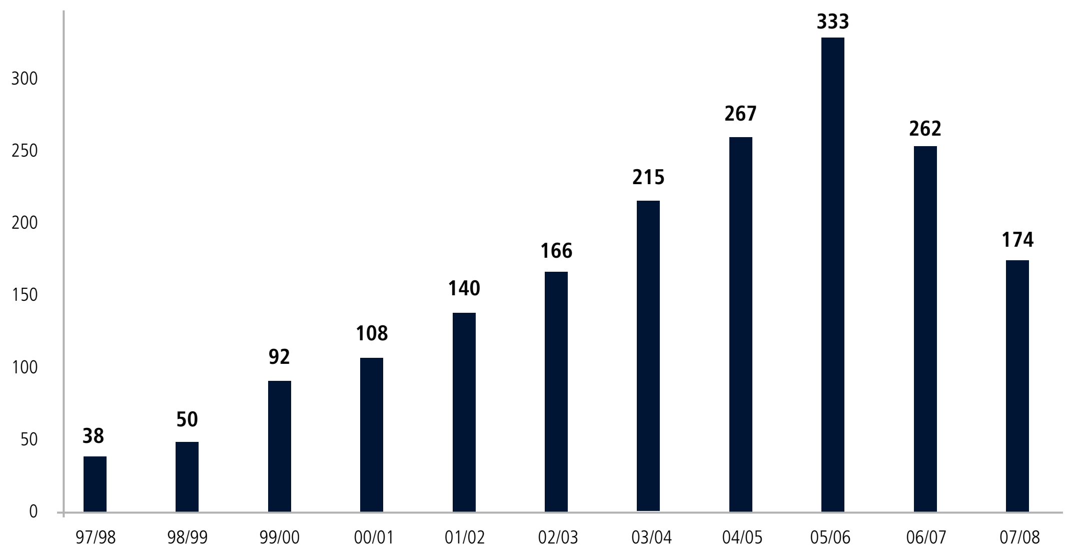
Highly motivated personnel

In the 2007/2008 fiscal year, the worldwide average number of staff employed by the WaveLight Group was 174, and thus about 34% lower than the previous year (previous year: 262 employees).

Personell Structure as of July 31, 2008



Human Resources Development



Charts and diagrams are not part of the consolidated financial statement (IFRS).

The strategic and operational re-orientation of the US business and the transfer to Alcon Laboratories, Inc. of all the commercial sales activities that have been the responsibility of the US subsidiary, WaveLight, Inc. have played a comprehensive role in the decrease of the staff numbers in the Group.

In the 2007/2008 fiscal year, WaveLight AG employed an average of 152 staff (previous year:160 employees). At the date of the balance sheet on July 31, 2008, there were 154 WaveLight AG staff active, compared with 146 employees on July 31, 2007.

Changes to the Supervisory Board

On March 3, 2008, the Annual General Meeting of WaveLight AG decided to increase the number of the Supervisory Board members from three to six by means of an amendment in the Articles of Association. The members of the Supervisory Board, Dr. Dietmar Bychowski and Dr. Peter Berndsen, resigned from their respective offices with effect from the end of the Annual General Meeting on March 3, 2008. The General Meeting elected Richard J. Croarkin and Dr. Daniel Daeniker to the Supervisory Board. While Mr. Croarkin is Chief Financial Officer (CFO) of Alcon, Inc., Dr. Daeniker is a self employed lawyer and partner in a Zurich-based corporate law firm, pro-viding legal advice to the Alcon Group. Moreover, three additional persons were elected to the Supervisory Board of WaveLight AG: Mr. Kevin J. Buehler, Mrs. Elaine E. Whitbeck and Mr. Martin Schneider, who occupy senior management positions in the Alcon Group in the fields of sales and marketing, legal, finance and financial control. Their term of office began with the entry of the proposed amendment to the Articles of Association in the commercial register at the District Court in Fürth on March 27, 2008.

Remuneration structure for the members of the executive body

The Board of Directors of WaveLight AG receives for its work a fixed monthly base remuneration and a variable payment (bonus), paid on achieving certain targets. A company car is available to the Board of Directors.

Furthermore, in the fiscal year, the Board of Directors received an initial compensation payment for the stock options formerly held by it. The expense of this compensation for the termination of almost all stock options was borne by Alcon, Inc.

The members of the Supervisory Board of WaveLight AG receive fixed remuneration for their work. The Chairman of the Supervisory Board receives annual remuneration of €60 thousand, the Deputy Chairman €45 thousand and the other Supervisory Board members receive annual remuneration of €30 thousand. All remuneration is calculated pro rata temporis according to the amount of time worked by a supervisory board during one year. In July 2008, in respective declarations, the Supervisory Board members, Buehler, Croarkin, Schneider and Whitbeck renounced their entitlement to remuneration until further notice.

Two General Meetings in the 2007/2008 fiscal year

This year, the Annual General Meeting of WaveLight AG took place in Nuremberg, on March 3, 2008. The Chairman of the Supervisory Board, Rudolf P. Franz, opened the Annual General Meeting as Chairman of the Meeting, greeting 80 shareholders as well as numerous bank representatives, members of the press and guests.

After the Chairman of the Board of Directors, Max Reindl, had given details of the development of WaveLight AG in the 2006/2007 fiscal year in the course of his annual report, the shareholders were able to direct their questions to the Board of Directors and Supervisory Board in the general debate.

In the subsequent voting on the resolutions, the Annual General Meeting agreed the individual items of the agenda. The activities of the Supervisory Board and of the Board of Directors were approved for the 2006/2007 financial year by a large majority. In addition, in the course of amending the Articles of Association, the increase in the number of members of the Supervisory Board from three to six was voted on. Instead of the previous three members, the Supervisory Board of WaveLight AG now constitutes six members.

Another item in the agenda was the changeover of the fiscal year of WaveLight AG. Whilst the previous fiscal year included the period from the August 1 to July 31 of the following year, the General Meeting approved by a large majority the changeover of the fiscal year to align with the calendar year. This means that the period from August 1, to December 31, 2008, will constitute a short fiscal year for WaveLightAG.

The next item on the agenda was a vote on an amendment to the Articles of Association calling for a restriction of the speaking and question time. The Board of Directors and the Supervisory Board proposed introducing reasonable restrictions on the speaking and question time, similar to the procedures in other public companies listed in the stock exchange, insofar as this is necessary for the proper running of the General Meeting. This, too, was approved by the General Meeting by a large majority.

The German Transparency Directive Implementation Law has been in force since January 20, 2007. This stipulates that after the December 31, 2007 stock corporations are permitted to send information to their shareholders only by means of electronic data transmission if, in addition to the individual approval of the shareholders and the fulfilment of a series of additional technical requirements, the General Meeting has approved this form of information sharing. Also at the point of the agenda, the WaveLight shareholders followed the management proposal and voted by a large majority for transmission of information electronically to the WaveLight AG shareholders. In this way, WaveLight AG took the necessary measures to be consistent with the new law, and also to guarantee in future the transmission of information for the shareholders by electronic means (e-mails) or in the form of fax transmissions.

The Domination Agreement made on March 20, 2008 in accordance with Section 291 of the German Securities Trading Law (AktG) between WaveLight AG and Alcon, Inc., required the approval by the General Meeting of WaveLight AG in order to be effective. To this end, on the May 7, 2008, an Extraordinary General Meeting took place in Munich. The only agenda item was the motion for the approval of the making of this Domination Agreement.

After several hours of detailed discussion, the General Meeting approved the Domination Agreement between WaveLight AG and Alcon, Inc. with the required qualified majority. Pending complaints of individual shareholders against the resolutions of the Extraordinary General Meeting of May 7, 2008, had been an obstacle until then to the registration of the Domination Agreement in the Commercial Register at the District Court in Fürth and thereby its coming into force.

Corporate Governance

In the 2007/2008 fiscal year, on September 19, 2007, the Board of Directors and the Supervisory Board of WaveLight AG gave the declaration of conformity in accordance with Section 161 German Securities Trading Law (AktG). Hence, both bodies of the public limited Company declared that they had comprehensively met the recommendations of the German Corporate Governance Code valid at that time. On August 5, 2008, the Board of Directors and the Supervisory Board signed the declaration of conformity for the year of 2008. Both bodies gave assurances in this declaration of conformity that WaveLight AG would continue in the future to follow the current Corporate Governance Code with few exceptions. The complete declaration of conformity can be found on the WaveLight AG website at www.wavelight.com. Moreover, as in the previous year, the 2007/2008 Annual Report of WaveLight AG includes an independent Corporate Governance Report.

Alcon, Inc.'s takeover bid

On July 16, 2007, Alcon, Inc. announced its intention, namely to submit a voluntary public takeover bid to the shareholders of WaveLight AG. On August 10, 2007, Alcon, Inc. published its tender document, which was a purchase offer for all WaveLight AG bearer shares at a price of €15.00 cash per share. On August 20, 2007, in a joint statement published in accordance with Section 27 German Securities Acquisition and Takeover Act (WpÜG), both the Board of Directors and the Supervisory Board of WaveLight AG announced their support for Alcon, Inc.'s offer and recommended share holders to take up the offer.

In addition to the largely standard completion conditions in

respect of WaveLight's economic development and various approval conditions as laid down by antitrust law in the selected countries, the offer was also dependent on the acquisition of at least 75% of WaveLight shares. One day before the expiry of the acceptance period, Alcon, Inc. waived the minimum acceptance threshold. As this amendment to the tender document was made within the last two weeks of the acceptance period, the acceptance period did not end on September 11, 2007, but was extended by two weeks to September 25, 2007.

After the implementation of the take-over bid on November 9, 2007, Alcon, Inc. announced that its voting rights percentage in WaveLight AG amounted to 77.38%.

Domination Agreement

On March 20, 2008, WaveLight AG and Alcon Inc. made a Domination Agreement in accordance with Section 291 German Securities Trading Law (AktG), which still required the approval of the General Meeting of WaveLight AG. For this purpose, an Extraordinary General Meeting was called, which approved on May 7, 2008, by a great majority, the Domination Agreement between WaveLight AG and the majority shareholder, Alcon, Inc. By reason of outstanding complaints of individual shareholders against the resolutions of the Extraordinary General Meeting, the Domination Agreement had not yet been registered in the Commercial Register at the District Court in Fürth.

Dependency Report

Because there was not yet a Domination Agreement with the majority shareholder, Alcon, Inc. in the 2007/2008 fiscal year, the Board of Directors set up a Dependency Report for the 2007/2008 fiscal year, in accordance with Section 312 German Securities Trading Law (AktG). The relationship with the Alcon Group as well as with the own subsidiaries was described in this report. The Report is subject to the auditing duty by the Auditor.

The Dependency Report contains at the end, in accordance with Section 312(3) German Securities Trading Law (AktG), the following declaration of the Board of Directors of WaveLight AG:

"As stated in the report, in the course of the relationships with affiliated companies, we declare that our Company has received appropriate remuneration for the legal transactions performed and measures taken according to the circumstances, which were known to us at the time when the transactions were made or the measures were taken or omitted in respect of each legal transaction, and our Company has not suffered any disadvantage as a result of the taking or omission of such measures."

The Dependency Report was submitted to the Supervisory Board, which underwent an independent examination of the same and of the legal transactions and measures listed in it in accordance with Section 314 (2) AktG. This did not give rise to any objections.

Capital structure – information relevant to the take-over

According to Sections 289 (4) and 315 (4) German Commercial Code (HGB), it is compulsory for all stock exchange listed companies to report certain information relevant to a take-over.

Composition of the capital

On the date of the balance sheet, the subscribed capital of WaveLight AG amounted to € 6,586,026 and it was distributed in 6,586,026 bearer shares in the form of ordinary shares with a value of €1.00 each. Each share entitles the owner to one vote.

Restrictions to voting rights and transfer of shares

So far as the Board of Directors is aware, there are no restrictions that apply to voting rights or to the transfer of shares. Moreover, the Board of Directors is not aware of any agreements between shareholders, which comprise restrictions to voting rights and to the transfer of shares.

Shareholding structure

The Board of Directors of WaveLight AG is aware that Alcon, Inc. in Hünenberg, Switzerland has a shareholding of about 77.28% in WaveLight AG and thus holds a direct or indirect holding in the subscribed capital of WaveLight AG, which is higher than 10%.

Holders of shares with special rights

WaveLight AG has not issued any shares that confer special rights with supervisory powers.

Staff participation in capital

There are no staff participations in capital, by which supervisory rights are not directly exercised.

Appointment and dismissal of members of the Board of Directors

According to Art. 6 of the WaveLight AG Articles of Association, the Board of Directors can be made up of one or more persons. The Supervisory Board appoints the members of the Board of Directors and determines their number. The appointment and dismissal of the members of the Board of Directors take place in accordance with the legal requirements of Sections 84 and 85 AktG. The Supervisory Board appoints the Chairman of the Board of Directors. The Supervisory Board may appoint deputy members of the Board of Directors. The Supervisory Board appoints members of the Board of Directors for a maximum of five years. Multiple appointments or prolonged terms in office is permissible, in each case subject to a maximum of five years.

Amendments to the Articles of Association

The resolutions of the General Meetings shall be adopted by a simple majority of the votes cast unless the law does not require a voting majority. In addition, insofar as the German Stock Corporation Act requires a majority of the capital stock to be represented in the making of the resolution, a simple majority of the capital represented shall be sufficient for the decision, insofar as the law allows. Moreover, the legal requirements (Sections 133, 179 AktG) shall apply to amendments of the Articles of Association.

Share buy-back programme, conditional and authorised capital

An authorisation to buy back shares in the Company does not exist. Subject to the approval of the Supervisory Board, the Board of Directors is authorised to increase the capital stock until January 11, 2010, by issuing up to 3,008,102 new bearer shares, in return for non-cash contributions or contributions in cash, on one or more occasions, by up to a total of €3,008,102.00 (Authorised Capital 1). Under certain conditions, with the approval of the Supervisory Board, the pre-emptive rights of the shareholders may be excluded.

The capital stock is subject to a contingent increase of up to €244,258.00 by issuing up to 244,258 bearer shares (Contingent Capital III). The contingent capital increase serves to grant the rights to the holders of share option rights, the issue of which was authorised by the Board of Directors, by resolution of the General Meeting on January 14, 2004. The contingent capital increase shall be effected only to the extent that the holders of share option rights, granted on the basis of the authorisation resolved by the General Meeting of Shareholders of January 14, 2004, exercise those rights.

Furthermore, the capital stock is subject to a contingent increase of up to €369,380.00 by issuing up to 369,380 bearer shares (Contingent Capital IV). The contingent capital increase serves to grant the rights to the holders of share option rights, the issue of which was authorised by the Board of Directors, by resolution of the General Meeting on January 18, 2006. The contingent capital increase shall be effected only to the extent that the holders of share option rights, granted on the basis of the authorisation resolved by the General Meeting of Shareholders of January 18, 2006, exercise those rights.

Change of Control

Essential agreements of the Company, subject to a change of control as a consequence of the take-over bid (the so-called change of control clauses) and compensation agreements for a possible take-over bid with members of the Board of Directors or employees, do not exist.

Both parties to the Domination Agreement between WaveLight AG and Alcon, Inc. of March 20, 2008, are entitled to terminate the Domination Agreement for an important reason, especially if Alcon, Inc. does not have a majority of voting rights directly or indirectly in WaveLight AG.

B. Financial Report

Results of operations

The most important WaveLight Group earnings figures for the financial year 2007/2008 changed against the figures for the previous year as listed below:

In the 2007/2008 fiscal year, the WaveLight Group generated turnover of €90,876 thousand and was able to increase the same clearly, compared with the previous year (€70,370 thousand).

Against this background of a sales volume increase of 29%, the WaveLight Group has not only increased its gross profit in absolute terms, but also significantly in relative terms. By means of corresponding measures and effects of increases in volume, it was possible to counter the price fall, caused especially by rising competition and by the dollar rate development. The gross earnings margin was 42.6%, while the corresponding previous year's value was 36.9%.

Compared with the previous year, expenses in the 2007/2008 fiscal year increased only negligibly. In these circumstances, the growth in turnover generated represents a considerable increase in productivity. Thus, up to July 31, 2008, the WaveLight Group was again able to achieve a demonstrably positive result before interest and taxes (EBIT). With an EBIT

WaveLight Group **earnings figures**

All amounts in thousand €	2007/2008	2006/2007	Change
Sales revenue	90,876	70,370	+29.1%
Gross profit on turnover as a percentage of performance	38,753 42.6%	25,984 36.9%	+49.1%
Earnings before interest and taxes (EBIT)	6,292	660	+853.3%
Financial results	-3,324	-3,970	+16.3%
Taxes on income	-7,129	763	-1,034.3%
Income from discontinued operations less tax effect	-6,089	-11,087	+45.1%
Group annual result	-10,072	-13,490	+25.3%

of €6,292 thousand the Group was definitely able to improve, in comparison with the previous year's results (€660 thousand).

Without single items as a consequence of the involvement of Alcon, Inc., as majority shareholder in WaveLight AG and corresponding restructuring measures, the WaveLight Group is able to present an "adjusted" EBIT of more than €11.7 million. The corresponding yield on turnover of about 13% proved the productivity of the WaveLight Group beyond doubt.

By means of a positive cash flow and a new finance structure, the WaveLight Group was clearly able to improve its financial results to a level of €-3,324 thousand in the reporting period. This represents an increase of 16.3% compared with the financial results of the previous year at €-3,970 thousand.

The expenses for taxes on income amounted to €7,129 thousand (previous year €+763 thousand). In the first place, this value was influenced by valuation allowances of active deferred taxes.

The background for this valuation adjustment was the published agreement between Nestlé S.A. and Novartis AG on April 7, 2008. There, it was provided, that Novartis, in a first step purchased 24.85 % of the shares of the WaveLight majority shareholder, Alcon, Inc. Between January 1, 2010 and July 31, 2011, the remaining part of about 52% of Alcon, Inc. may be transferred to Novartis AG.

After the 2006/2007 fiscal year, the WaveLight Group accounted for negative results from discontinued business operations, also in the 2007/2008 fiscal year. In the first place, the results were influenced by the sale of the intraocular surgery division, with a value of €4,722 thousand. In addition, the separation of the Aesthetic business division, at €1,367 thousand, had a negative effect on the results.

Earnings before interest and taxes (EBIT) of WaveLight Group for the financial year 2007/2008

All amounts in thousand €

Earnings before interest and taxes (EBIT)		6,292
Single items		
- Income and expenses from the withdrawal of the share option plan in connection with the take-over by Alcon, Inc.	+1,486	
- Legal and consultancy fees in connection with the take-over by Alcon, Inc-	-2,577	
- Staff expenses in connection with the take-over by Alcon, Inc.	-1,824	
- Expenses due to the planned reorientation of the Spanish business activities	-1,873	
- Other income and expenses	-673	
Total		-5,461
„Adjusted" earnings before interest and taxes („adjusted" EBIT)		11,753

Financial position

The most important WaveLight Group **financial figures** have developed as follows:

All amounts in thousand €	2007/2008	2006/2007	Change
Inflow of funds from current business activity	10,665	410	+2,501.2%
Outflow of funds from investment activity	-5,471	-1,990	-174.9%
Inflow of funds from financing activity	-2,012	624	-422.4%
Increase in the financial resources funds	3,182	-956	+432.8%

In the 2007/2008 fiscal year, the cash flow from current business activity, at €10,665 thousand, very clearly exceeded the previous year's level of €410 thousand.

Above all, the improved results as well as a significant reduction to receivables and the monetary receipts from the sale of WaveLight Aesthetic GmbH all contributed to this.

As of July 31, 2008, the cash flow from investment activities amounted to €-5,471 thousand (previous year: €-1,990 thousand).

It contains essentially the payments for investments for the reinforced research and development activity.

The cash flow amounting to €-2,012 thousand (previous year €624 thousand) from financing activity shows the debt relief of the WaveLight Group in the 2007/08 fiscal year. The increase in the financial resources funds to €3,182 thousand as of July 31, 2008, compared with the previous year, underlines additionally the improved financial situation of the WaveLight Group.

Net assets

The most important WaveLight Group **figures** have developed as follows:

All amounts in thousand €	2007/2008	2006/2007	Change
Equity	11,787	22,995	-48.7%
Liabilities	50,261	51,403	-2.2%
Balance sheet total	62,048	74,398	-16.6%
Equity ratio	19.0%	30.9%	

In spite of a clear increase in the volume of business, the WaveLight Group achieved a lower balance sheet total than in the previous year. It was €62,048 thousand in the 2007/2008 fiscal year, while in the previous year, it was €74,398 thousand.

The reasons for a lower balance sheet total compared with the previous year, well worth mentioning, are the reorientation of the Company activity and the valuation adjustment of deferred taxes.

The liabilities of the WaveLight Group amounted to €50,261 thousand at the reporting date, and with this they were slightly below the level of the previous year (€51,403 thousand), in spite of a clear increase in the business volume. Taking into account the ABS Programme, still contained in the result of the previous year, the fall of the balance sheet total at about €8.1 million would have been higher.

On the July 31, 2008, the equity capital base of the WaveLight Group was €11,787 thousand (previous year €22,995 thousand), which equals an equity capital base of 19% (previous year 31%).

C. Report on post balance sheet date events for the financial year 2007/2008

Prolongation of the loan agreement with Alcon, Inc.

On August 14, 2008, WaveLight AG had issued a supplement to the loan agreement made with Alcon, Inc. in December 2007. The prolongation of the credit line amounting to €50 million to one year was agreed in the supplement, so that now the financing of the WaveLight Group is secure until November 30, 2009. In the future, WaveLight AG will enter negotiations with Alcon, Inc. as soon as possible, concerning the prolongation and the conditions of the credit line, in order to be able to build timely alternative financing, in case of need.

Together with the prolongation of the credit line, WaveLight AG was furthermore given the possibility to use the credits also in US dollars. The target of this contractual supplement is to hedge the US dollar assets in the balance of WaveLight AG.

Ultimate separation of Aesthetic and Urology

On September 18, 2008 WaveLight AG and Quantel S.A. made an amendment to a contract for transfer of the aesthetics production activities. Important components of this agreement are essentially the phasing out of the production until December 2008, the transfer of supplies, the discontinuation of a variable purchase price right and the subsequent regulation of guarantee promises.

With exception of the discontinuation of the variable purchase price right, the agreement made corresponds as far as possible to the balanced values at the time of sale in September 2007. In addition, it was agreed that the second purchase price instalment amounting to €1.6 million should be set off against the claims of Quantel S.A. of €0.4 million. By means of the agreement made with Quantel S.A., WaveLight AG secures its exit from the aesthetics business division until the end of 2008.

With the rescission of both production contracts carried out in the meantime as of December 31, 2008 in the business area of urology, the WaveLight Group will not present "any more activities carried forward" until the end of 2008.

Reorientation of the Spanish business activities

On September 23, 2008, the Board of Directors of WaveLight AG decided to reorientate the Spanish business activities of the WaveLight Group. Accordingly, WaveLight AG intends to sell its holding in WaveLight S.A. of 51% to its managing directors. Moreover, WaveLight AG plans to use the sales presence of the Alcon Group in this market. To this end, the marketing and the sales of laser systems in this market should be transferred to the Spanish Alcon distribution organisation. The expected balance effects from the reorientation of the Spanish distribution structures were accordingly taken into account in the 2007/2008 annual accounts.

Registration of the Domination Agreement

Currently, the registration in the Commercial Register at the District Court in Fürth of the Domination Agreement dated March 20, 2008, between WaveLight AG and Alcon, Inc. has still not been carried out, owing to outstanding complaints of individual shareholders against the resolutions of the Extraordinary General Meeting.

Several shareholders have filed actions of opposition and alternatively partial actions of nullity towards the single item of the agenda of the Extraordinary General Meeting of the company of the May 7, 2008, namely the motion for the approval of the making of this Domination Agreement. Moreover, some

of these shareholders have filed at the same time actions of opposition and in one case alternatively an action of nullity, as well as positive action for a declaration that the resolution was right regarding the decision taken in the General Meeting about commissioning a special auditor. The proceedings are currently taking place. In the same connection, three shareholders have started proceedings to enforce the disclosure of information, which likewise are still taking place.

Because WaveLight AG is of the opinion that the outstanding actions and proceedings will be resolved in favour of WaveLight AG, on the August 15, 2008, the Company made an application to the competent Nuremberg-Fürth Regional Court under Section 246a AktG for it to allow the passing of the resolution relating to the approval of the Domination Agreement, in order for it to be entered in the commercial register.

D. Opportunities and risks report

As an internationally operating group of companies, the WaveLight Group is exposed to a range of different risks that are inextricably connected with business activity. A responsible approach to managing such risks is essential.

With its optimised risk management, WaveLight AG pursues the goal of identifying all potential risks at an early stage in order to analyse, avoid or contain them accordingly. Risk management constitutes a fundamental component of WaveLight AG's corporate management. The basis of the risk management system is a detailed medium term plan covering a period of several years, drawn up for all planning-relevant units of the Company. The annual planning process is completed on a regular basis in the last three months of each fiscal year.

As in the 2007/2008 fiscal year, WaveLight AG constantly checks the practicability and efficiency of their control and risk management systems. Compliance with the EUs medical directives as well as the Food and Drug Administration's (FDA)

standards and certified quality management also contribute to the virtual elimination of potential risks, in advance.

The risk management system consists of a two-stage organisation, the central risk management unit and decentralised responsibility for risk taken by individuals in all areas of the Company. The task of the reporting and control of the risk management process are taken on by the central risk management unit. The investigation of risks, their assessment and monitoring as well as their minimisation by corresponding measures is the duty of the respective risk responsibility personnel.

The process is supported by the use of risk management software, which accompanies the whole procedure for the identification of risks, through the analysis and assessment up to the documentation and determination of risk statistics. The flow of information to the decision makers is assured through regular reports to the Board of Directors and to the Supervisory Board, concerning the current and expected business trends, as well as the up-to-date assessment of opportunities and risks in each case.

The relevant risks for the company are set out below:

Market risks

WaveLight AG operates within a highly competitive global market for innovative refractive surgery products. A weak economic environment or even changes to the general legal conditions on the sales markets can negatively affect demand for medical technology products for refractive surgery.

In previous financial years, WaveLight AG reacted to the downward price pressure on the international sales market with the introduction of the new ALLEGRETTO product family. The aim was to supply medical users employing a range of different laser applications with the best solution for their needs, while also taking into account the prevailing cost factor.

Along with advancing use of the global sales strength of the Alcon Group by WaveLight AG comes an increasing dependence by WaveLight AG on the successful handling of the market by the Alcon Group. According to current plans, the share of sales by the Alcon Group of the total turnover of WaveLight AG will increase to more than 70% during the next few years. This fact involves opportunities as well as risks in equal measure, whereby, according to current assessments, the international market presence and the sales strength of the Alcon Group will promote the business development of WaveLight AG. Changes to company strategies and management decisions in the Alcon Group will thus have an increasing effect on the economic development of WaveLight AG. For this reason, WaveLight AG finds itself in a continuing strategic and operational planning and co-ordinating process with the Alcon Group, so as to be able to react as early as possible to changes and to take appropriate action.

Legal risks

As a globally operating medical technological company, WaveLight AG cannot completely rule out legal risks. WaveLight AG has adopted a preventative approach to possible product liability risks via permanent market monitoring and the appropriate insurance cover.

In the case of new developments, it cannot to be ruled out that WaveLight AG will be confronted with legal claims from market competitors on the basis of existing patents and utility model property rights. For this reason WaveLight AG has been successfully working with internationally experienced patent agents since its foundation. In addition, WaveLight AG is increasingly making use of its industrial property rights on innovations developed within the Group, where a patent is pending as a means of distinguishing itself from and securing its market advantage against competitors.

Furthermore, approval of newly developed products can be delayed and finally granted at a later date than originally planned. Approvals which have already been granted are also subject to regular audits and may, under certain circumstances, no longer comply with the changed requirements. To date, the WaveLight Group has been able to pass successfully all the yearly audits conducted within the framework of the FDA approval, required for the US market.

After comprehensive legal inspection, the Board of Directors estimates that the pending proceedings and actions, in connection with the resolutions of the Extraordinary General Meeting on the May 7, 2008, will be decided in favour of WaveLight AG and that no essential legal risks will remain for the Company. Accordingly, in the assessment of the Board of Directors, the pending legal proceedings will not have any notable effect on the group’s assets or operating results. Should these proceedings be decided wholly or partially against WaveLight AG, contrary to expectation, the Company would be burdened with not insignificant procedural costs.

Development project risks

In line with its claim to technology and innovation leadership in the global refractive surgery market, WaveLight AG will also conduct intensive research and development activities in the future. Hence, the WaveLight Group must continue to deal with risks from non-compliance with the research and development targets.

Although WaveLight AG is in close contact all over the world with practising ophthalmologists, and develops and produces its medical technology products to ensure they are user friendly and practice-oriented, their acceptance on the part of customers and their consequent market success can only be estimated. This applies in particular to new developments.

Furthermore, the development and approval of new WaveLight products is also subject to product-immanent risks. When developing new products their timely entry into the market, while observing the strict approval conditions of the respective country is an important goal. EC directives as well as the provisions of the German Medical Devices Act (Gesetz über Medizinprodukte (MPG)) as well as the approval conditions of the US Food and Drug Administration (FDA) all need to be taken into account during the development process.

Procurement risks

In the area of procurement, WaveLight AG has set itself the goal of reducing its dependence on suppliers to a minimum. In order to realise this goal, especially in light of the innovative product pallet and the required input factors, additional effort and expenditure are required. Finding a balance between a smooth procurement process and observing WaveLight AG's high quality standards remains of central importance in this context.

Furthermore, WaveLight AG is able to meet fluctuations in demand, because the medical technology company deploys rolling planning instruments, and secures demand for components required for the manufacture of treatment and diagnosis systems through appropriate supply contracts and basic agreements.

WaveLight AG obtains some of its components from highly specialised manufacturers. WaveLight's high quality standards have been correspondingly implemented by suppliers and are guaranteed by regular on-site quality audits conducted by WaveLight AG. However, in particular cases, only one manufacturer is able to supply to WaveLight AG, owing to the extremely high quality demands on individual components. A substitution or drop out of these suppliers would cause substantial tie-ups in the service process of WaveLight AG. For this reason, the consequent implementation or the expansion of dual source provisions to the maximum possible extent, remain of crucial importance. Also with new developments, it is essential to observe this important regulation so that the risk relevance for future product generations and thus the dependence on individual suppliers will be reduced further.

Resource risks

Qualified and highly motivated specialist personnel and management staff form an important foundation for the development and manufacture of high quality and innovative product solutions in the medical technology field. However the recruitment of qualified staff at a regional and global level can prove difficult.

To secure the need for personnel, WaveLight AG is investing both in remuneration of staff in line with the market and in staff loyalty programmes, in order to bind suitable skilled personnel to the Company, on the basis of a personnel development concept and financial inducements. Furthermore, professional training and promotion concepts, as well as the creation of attractive working conditions, should secure the existing know-how and acquisition of knowledge.

The emphasis in the area of information technology is on the improvement of the organisational workflow through intensive usage of the existing integrated computer system, with an increased focus on security against unauthorised access and virus attacks. Corresponding measures were implemented and networks adjusted to meet the company's increased needs.

Environmental risks

Apart from low quantities of technical gases and dyes, WaveLight AG does not employ any environmentally damaging materials in the production of its laser systems. On the basis of current knowledge, the production process does not present a significant threat to the environment. WaveLight AG's production facilities are also located on uncontaminated sites, which again pose no threat to the environment.

Financial risks

After the successful take-over bid of Alcon, Inc. to the WaveLight shareholders in December, 2007, WaveLight AG agreed a loan of €50 million from Alcon, Inc. to repay liabilities to banks, to terminate the ABS programme (Asset-Backed Securities-Programme) and to finance the Company's further development. With this, the financial commitments so far financed with credit institutions for the period up to December 20, 2007, were repaid and the company finances were restructured.

At the end of the financial year on July 31, 2008, WaveLight AG had drawn down €34.2 million under the loan agreement with Alcon, Inc. The interest on the loan agreement with Alcon, Inc. was 7.38% at the time of the refinancing of the bank liabilities. At this time, the average interest on the bank liabilities was about 9.2%, so that with the loan agreement, an commercial advantage of just two percentage points was achieved.

In August, 2008, the loan agreement was prolonged by an additional year so that the financing of the WaveLight Group is secure from now until November 30, 2009. In the future, WaveLight AG will also enter corresponding negotiations with Alcon, Inc. as soon as possible, concerning the prolongation and the conditions, in order to be able to build timely alternative financing, in case of need.

In addition to the customary credit risks, financial risks also arise as a consequence of fluctuations in the currency exchange rate between the Euro and the US dollar. The dollar rate development had a negative influence on the results in the closed fiscal year. Through appropriate hedging measures, WaveLight AG seeks to counteract this trend. However, it will not be possible to mitigate this effect entirely. As a consequence of the change-over of the calculation of turnover for the US market in Euros, through corresponding agreements with Alcon, Inc., it was possible for a considerable part of the US dollar exchange rate risks to be reduced. Moreover, in August, 2008, WaveLight AG had used the possibility to secure its US dollar assets through restructuring a part of the loan from Alcon, Inc. from Euros to dollars, so that, in total, it was possible for the dependency on dollars of the WaveLight Group to be reduced.

In the receivables area, the development of the receivables portfolio is constantly monitored in order to detect potential default risks as early as possible and take appropriate measures to secure these receivables.

Opportunities

Future opportunities of the WaveLight Group arise in the first place from the innovative product range in the area of refractive surgery. WaveLight AG has a comprehensive, cutting edge and optimally matched product portfolio of treatment and diagnosis systems for the correction of visual impairments. On this basis, the Company was able to set not only worldwide recognised treatment standards in recent years, but also to design actively and successfully the technological development in refractive surgery. Comprehensive activities in the areas of research and development and the consequent implementation of optimisation proposals from medical practice offer WaveLight AG, now and in the future, excellent opportunities to position itself successfully as the worldwide technology leader in the area of refractive surgery.

Through the collaboration with Alcon, Inc., a wholly positive business development will be expected. The liquidity situation of the company has clearly stabilised itself following the takeover of financing by Alcon, Inc. However, should the collaboration with Alcon, Inc. not develop as expected, factors could arise and affect that development.

E. Outlook

In the 2007/2008 fiscal year, WaveLight AG was able to complete successfully its strategic reorientation. The divestment of the intraocular surgery business division having taken place in December 2007, in the future, the Company will focus completely on the expansion of its refractive competence. Against this background, the positive growing development for the WaveLight Group will almost certainly also continue in the 2008 short financial year.

From a technological view, the next few months will be much influenced by the successful concentration on the core competence, refractive surgery, too. The diagnosis system, ALLEGRO BioGraph, presented to the technical community in September 2008, is extremely flexible and can be used in a versatile way, both in refractive and also in cataract surgery and, in the future, will complete the WaveLight product portfolio appropriately.

With the anticipated presentation of the new Femto laser system, which complements to best effect the WaveLight laser systems for the correction of visual impairments, WaveLight will complete its product range with an effective and contemporary system, for the preparation of the actual LASIK treatment.

Still closer co-operation with the majority shareholder, Alcon, Inc., will likewise take priority in future business activities. The already successful co-operation should be further intensified and used effectively, in order to realise corresponding synergy potential in research and development, as well as in marketing and sales.

The WaveLight Group is extremely well positioned to grow profitably in the target markets. Thus, in order to meet successfully the challenges of the worldwide markets, the WaveLight Group has set the basic course with the reorientation and focus on the associated core competence, refractive surgery. Trend-setting innovations will also confirm in the future the worldwide technology leadership of WaveLight AG. Moreover, the co-operation with the Alcon Group will lead to sustainable growth.

The period from August 1 to December 31, 2008 will be a short fiscal year because the General Meeting has approved the change of the fiscal year to the calendar year. Starting from January 1, 2009, the fiscal year of WaveLight AG will correspond with the calendar year.

In the five months of the 2008 short fiscal year, the WaveLight Group expects further growth in turnover and positive results of interest and tax (EBIT). In the medium term the WaveLight Group aims for an EBIT margin of 10%.

Erlangen, October 6, 2008
WaveLight AG

The Board of Directors

Consolidated Financial Statements August 1, 2007 – July 31, 2008

Key Performance Ratios	67
Consolidated Balance Sheet	68
Consolidated Statements of Income	70
Statement of Changes in Consolidated Equity	71
Consolidated Cash Flow Statement	72
Notes to the Consolidated Financial Statements	73
Consolidated Balance Sheet Disclosures	87
Auditors' Report	129

Key Performance Ratios

		Fiscal Year 2007/2008	Fiscal Year 2006/2007	Fiscal Year 2005/2006
1. Earnings				
Gross operating margin in %	Gross operating profit / Revenues	42.6%	36.9%	46.7%
R&D Costs in %	R&D Costs / Revenues	7.4%	7.7%	9.5%
EBIT margin in %	Earnings before interest and taxes / Revenues	6.9%	0.9%	-17.6%
Return on equity in %	Profit after taxes (including minority interests) / Average equity	-57.9%	-45.6%	-46.1%
Return on capital employed in %	EBIT / Average total equity (less liquid assets)	9.2%	0.8%	-12.1%
2. Assets				
Fixed assets ratio in %	Noncurrent assets / Total assets	31.5%	33.8%	32.6%
Financing ratio in %	Depreciation and amortization / Investments	92.1%	106.4%	22.3%
Equity ratio in %	Equity / Total capital	19.0%	30.9%	38.8%
Investment cover in %	Stockholders' equity / Noncurrent assets	60.3%	91.5%	118.8%
Debit structure in %	Short-term debt / Total debt	96.4%	91.0%	85.8%

Key Performance Ratios are not part of the consolidated financial statement (according to IFRS).

Consolidated Balance Sheet for the period ended July 31, 2008 (IFRS)

Amounts in € thousands

Assets	Note	July 31, 2008	July 31, 2007
Noncurrent assets			
Intangible assets	1	14,932	20,183
Property, plant, and equipment	2	4,608	4,115
Noncurrent financial assets	3	-	828
Accounts receivable for deliveries and services to third parties	5	2,653	4,321
Other noncurrent assets against third parties	6	-	80
Other assets from affliated companies	6	873	-
Deferred tax assets	9	1,651	8,258
Total noncurrent assets		**24,717**	**37,785**
Current assets			
Inventories	4	6,676	7,888
Accounts receivable for deliveries and services to third parties	5	14,311	16,195
Accounts receivable for deliveries and services to affliated companies	5	5,679	-
Current tax receivables		176	474
Other current assets against third parties	6	2,002	5,376
Other assets from affliated companies	6	941	-
Cash and cash equivalents	7	4,416	1,263
Subtotal current assets		**34,201**	**31,196**
Assets in relation to disposal of business divisions	8	3,130	5,417
Total current assets		**37,331**	**36,613**
Total assets		**62,048**	**74,398**

The notes are an integral component of the group consolidated financial statement.

Liabilities	Note	July 31, 2008	July 31, 2007
Equity			
Subscribed capital	10	6,586	6,577
Capital reserves	10	48,018	49,188
Other reserves		262	59
Profit/loss brought forward		(33,018)	(19,528)
Consolidated profit/loss		(10,072)	(13,490)
Minority interest	11	11	189
Total equity		**11,787**	**22,995**
Noncurrent liabilities			
Liabilities to credit institutions	12	116	461
Other liabilities	13	1,161	2,340
Total noncurrent liabilities		**1,277**	**2,801**
Current liabilities			
Provisions	14	1,025	782
Liabilities to credit institutions	12	363	28,227
Financial liabilities to affiliated companies	12	34,183	-
Accounts payable for deliveries and services to third parties	13	2,995	7,444
Accounts payable for deliveries and services to affiliated companies	13	532	-
Prepayments received	13	26	2,189
Other liabilities	13	9,241	9,128
Subtotal current liabilities		**48,365**	**47,770**
Liabilities in relation to disposal of business divisions	15	619	832
Total current liabilities		**48,984**	**48,602**
Total liabilities		**62,048**	**74,398**

The notes are an integral component of the group consolidated financial statement.

Consolidated Statements of Income in accordance with IFRS

August 1, 2007 – July 31, 2008

Amounts in € thousands	Note	Fiscal Year 2007/2008	Fiscal Year 2006/2007
Revenues	16	**90,876**	**70,370**
Production costs of the revenue	17	**(52,123)**	**(44,386)**
Gross profit		**38,753**	**25,984**
Costs of sales and product marketing	18	(15,660)	(17,303)
Costs of corporate marketing / investor relations	19	(1,526)	(1,247)
Research and development costs	20	(6,742)	(5,429)
General and administrative costs	21	(3,571)	(3,259)
Other operating expenditure	22	(11,638)	(1,386)
Other operating income	23	6,676	3,300
Earnings before interest and taxes (EBIT)		**6,292**	**660**
Financial income	24	363	420
Finance costs	25	(3,687)	(4,390)
Net finance costs		**(3,324)**	**(3,970)**
Earnings before taxes (EBT)		**2,968**	**(3,310)**
Income tax expense	26	(7,129)	763
Profit after taxes		**(4,161)**	**(2,547)**
Loss from discontinued operations, net of tax	27	(6,089)	(11,087)
Profit/loss attributable to minority interest	28	178	144
Consolidated earnings		**(10,072)**	**(13,490)**
Accumulated losses from prior period brought forward		(33,018)	(19,528)
Accumulated deficit		**(43,090)**	**(33,018)**
Earnings/loss per share in € (basic)	29	(1.53)	(2.05)
Earnings/loss per share in € (diluted)	29	(1.53)	(2.05)
Earnings/loss per share from discontinued operations in € (basic)	29	(0.93)	(1.69)
Earnings/loss per share from discontinued operations in € (diluted)	29	(0.92)	(1.69)

The notes are an integral component of the group consolidated financial statement.

Statement of Changes in Consolidated Equity

Amounts in € thousands	Parent company						Minority shareholder		
	Subscribed capital			Cumulated remaining group result					
	Common stock	Capital reserve	Generated group equity	Balancing items from the foreign currency conversion	Other neutral transactions	Equity	Minority capital	Equity	Group equity
As of July 31, 2006	**6,577**	**49,032**	**(19,528)**	**(499)**	**288**	**35,870**	**333**	**333**	**36,203**
Remaining changes	-	156	-	270	-	426	-	-	426
Group annual result	-	-	(13,490)	-	-	(13,490)	(144)	(144)	(13,634)
Group total result	-	-	(13,490)	-	-	(13,490)	(144)	(144)	(13,634)
As of July 31, 2007	**6,577**	**49,188**	**(33,018)**	**(229)**	**288**	**22,806**	**189**	**189**	**22,995**
Issue of shares	9	107	-	-	-	116	-	-	116
Remaining changes	-	(1,277)	-	203	-	(1,074)	-	-	(1,074)
Group annual result	-	-	(10,072)	-	-	(10,072)	(178)	(178)	(10,250)
Group total result	-	-	(10,072)	-	-	(10,072)	(178)	(178)	(10,250)
As of July 31, 2008	**6,586**	**48,018**	**(43,090)**	**(26)**	**288**	**11,776**	**11**	**11**	**11,787**

The notes are an integral component of the group consolidated financial statement.

Consolidated Cash Flow Statement for the fiscal year 2007/2008 in accordance with IFRS

Amounts in € thousands	Fiscal Year 2007/2008	Fiscal Year 2006/2007
Cash flows from operating activities		
Consolidated profit/loss	**(10,072)**	**(13,490)**
Minority interest	(179)	(144)
Profit/Loss attributable to minority interest:		
+ Depreciation on property, plant, and equipment	5,508	4,295
-/+ Profit/loss on disposal of assets	816	960
+ Expenses from stock options	815	156
+/- Other non-cash income / expense	11,852	9,399
Change in assets and liabilities		
-/+ Increase/decrease of inventories	(132)	2,980
-/+ Increase/decrease in accounts receivable for deliveries and services	5,030	(966)
-/+ Increase/decrease in other liabilities	4,630	83
+/- Increase/decrease of provisions	(1,233)	407
+/- Increase/decrease in accounts payable for deliveries and services	(4,894)	(4,170)
+/- Increase/decrease of other liabilities	(1,476)	900
= Cash flows from operating activities	**10,665**	**410**
Cash flows from investing activities		
+ Proceeds from disposal of intangible and fixed assets	510	2,047
- Payments for investments in intangible assets	(3,150)	(3,338)
- Payments for investments in property, plant, and equipment	(2,556)	(699)
- Sale of subsidiaries, net of cash disposals	(275)	-
= Cash flows from investing activities	**(5,471)**	**(1,990)**
Cash flows from financing activities		
+ Proceeds from capital increases	116	-
+/- Change in financial liabilities	(2,128)	624
= Cash flows from financing activities	**(2,012)**	**624**
Increase/reduction in capital funds	**3,182**	**(956)**
+/- Influence of exchange rate fluctuations	(29)	(54)
Capital funds at the beginning of the fiscal year	**1,263**	**2,273**
Capital funds at the end of the fiscal year	**4,416**	**1,263**

The notes are an integral component of the group consolidated financial statement.

Notes to the Consolidated Financial Statements

I. General Notes

WaveLight Aktiengesellschaft (WaveLight AG) located in Erlangen, Germany is a public limited company listed in the stock exchange in accordance with German law. The company is registered in the commercial register at the District Court in Fürth under No. HRB 7532 and has its registered office at Wolfsmantel 5, 91058 Erlangen.

The WaveLight AG consolidated accounts comprise WaveLight AG as well as all its consolidated subsidiaries.

The basis of the compilation of the consolidated accounts

The WaveLight AG consolidated accounts were prepared in accordance with Section 315a of the German Commercial Code (HGB) ("Annual accounts in accordance with international accounting standards") complying with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as well as the associated announcements of the International Financial Reporting Interpretations Committee (IFRIC), as they have to be applied in accordance with Article 4 of the Directive (EC) No. 1606/2002 of the European Parliament and the Council of July 19, 2002 in the European Union. The supplementary regulations required to be applied under Section 315a (1) German Commercial Code (HGB) were taken into account.

All authoritative International Financial Reporting Standards (IFRS) and the announcements of the IFRIC were applied in the fiscal year, insofar as they were adopted by the European Union.

The consolidated accounts have been prepared as of July 31, 2008. The annual accounts of WaveLight AG and its subsidiaries, WaveLight, Inc. (USA) and WaveLight S.A. (Spain) were prepared for the same reporting date. All consolidated accounts of the WaveLight Group are prepared on the basis of standardised accounting and valuation principles.

The annual accounts of the parent company, WaveLight AG, were prepared in accordance with the regulations of the German Commercial Code (HGB). They are published in the electronic Federal Gazette under HRB 7532.

The consolidated accounts were prepared in Euros and rounded up to thousand Euros. All figures are specified in thousand Euros unless otherwise noted.

The balance sheet has been classified by maturity in accordance with IAS 1, and the income statement has been prepared using the function of expense method. Where items in the balance sheet and profit and loss account have been combined to enhance the clarity of presentation, they are disclosed separately in the notes. The structuring corresponds to the current valid regulations. The previous year's presentation was adjusted accordingly.

In accordance with IFRS 5, the Aesthetic business and Intraocular divisions, which were either discontinued or sold, are presented separately. The results of the discontinued operations have been shown in the profit and loss account in a single amount and the breakdown was given in the notes. Previous year amounts on the profit and loss account were adjusted to the changes in the company structure.

The following standards and interpretations were first applied in the 2007/2008 fiscal year, insofar as they are of importance to WaveLight AG and its subsidiaries:

IAS 1	"Presentation of the annual accounts"
IFRS 7	"Financial instruments: Other declarations"
IFRIC 8	"Area of application of IFRS 2"
IFRIC 9	"Re-evaluation of embedded derivatives"
IFRIC 10	"Interim reporting and diminution in value"

The first application of the standards and interpretations has partially required expanded disclosures in the consolidated accounts of WaveLight AG.

The compilation of the consolidated accounts of WaveLight AG excludes certain financial instruments recorded at their fair values on the basis of historical purchase and manufacturing costs.

On October 6, 2008, the Executive Board of WaveLight AG released the WaveLight AG consolidated accounts for forwarding to the Supervisory Board. It is the task of the Supervisory Board to examine the consolidated accounts and to declare if it approves them.

II. Basis of consolidation

1. Consolidated group

The consolidated accounts of WaveLight AG constitute the annual accounts of WaveLight AG and of all its essential subsidiaries over which control may be exercised on their business and finance policy, directly or indirectly. The annual accounts of all companies included in the consolidated accounts had been prepared in accordance with standard accounting principles.

Companies in which the WaveLight Group has a shareholding of no more than 50%, but on which a comprehensive influence may be exercised are accounted for as associated companies at equity. All remaining companies of the WaveLight Group are accounted for at their acquisition costs.

The number of companies included in the consolidated accounts has been reduced in the 2007/2008 fiscal year. On September 18, 2007, WaveLight AG sold its 100% stake in WaveLight Aesthetic GmbH, Erlangen. WaveLight Aesthetic GmbH and its subsidiary, WaveLight Aesthetic, Inc. were deconsolidated at the end of September 2007. The remaining business activities in the Aesthetics Division, which will continue until the current production agreement between WaveLight AG and WaveLight Aesthetic GmbH expires, are reported as discontinued operations within the Group.

On December 14, 2007, WaveLight's 100% stake in WaveLight GmbH, with its registered office in Berlin, was sold to the Dutch Medical Device Production B.V (MDP B.V.) and its 30% stake in MDP B.V was sold to Procornea Holding B.V., based in Eerbeek, in the Netherlands.

In view of the sale of holdings, earnings in this sector are shown under the discontinued business divisions. Previous year's figures in the profit and loss account were restated accordingly.

On February 4, 2008, WaveLight AG transferred the business activities of WaveLight, Inc. to Alcon Laboratories, Inc. In addition to sales, service, and support functions, Alcon Laboratories, Inc. will also be responsible for marketing the technologically leading laser and diagnostic systems of WaveLight in the U.S.A.

The following table provides an overview of WaveLight AG's associated subsidiaries.

Amounts in € thousands	Holding in capital stock				
	%	in € thousands	Balance sheet	Equity	Total
WaveLight, Inc., Dover, DE, USA (as of: July 31, 2008)	100%	1	3,801	(6,898)	(2,005)
WaveLight S.A., Madrid, Spain (as of: July 31, 2008)	51%	191	1,861	(901)	(1,342)

The following holdings were accounted for at their acquisition costs on the balance sheet date:

Amounts in € thousands	Holding in capital stock				
	%	Carrying amount	Total assets	Equity	Total
WaveLight Japan Co., Ltd., Tokyo, Japan in liquidation (as of: July 31, 2008)	99.99%	0	2	2	0
Wavelight AsiaPacific Sdn Bhd, Kuala Lumpur, Malaysia in liquidation (as of: July 31, 2008)	99.99%	0	14	(122)	(75)

The holdings in e-EyeCare GmbH, Erlangen, that had already been adjusted in value in the previous year after completion of the liquidation proceedings were omitted in the last fiscal year.

2. Consolidation methods

Capital consolidation is carried out using the purchase method in accordance with IFRS 3, "Business Combinations" (purchase accounting). In the process, the acquisition costs of the holding are set off against the newly valued equity in the subsidiary, apportionable to the parent company at the acquisition date. Intangible assets, acquired through business combinations and identified in the course of purchase price allocation are taken into account at fair value. If an active difference remains after this set off and distribution of acquisition costs, it is accounted for as business value or goodwill under long-term assets. All transactions and balances between the companies of the WaveLight Group, comprising the consolidated accounts, are eliminated in the preparation of those accounts.

Differences in the debt consolidation are treated as affecting profit or loss. When of major importance, inter-company profit and loss from inter-company exchanges of services or from inter-company fixed asset transactions are eliminated from profit or loss.

At least once each year, an examination for impairments is carried out (impairment-only approach). Any excess of the acquirer's share in the net fair value of the recognized assets and liabilities over the cost of the business combination must be reassessed and recognized immediately in profit or loss.

Minority interests in equity of the subsidiaries are reported separately within the equity item. Minority interest shares in the income of the subsidiaries are shown separately in the Profit and Loss account as Allocation of Earnings.

Receivables and liabilities between consolidated companies are eliminated. The valuation of assets resulting from deliveries of inter-company goods and services is adjusted for unrealized inter-company profits or losses; such assets must therefore be measured at consolidated cost. On de minimis grounds, an elimination of inter-company profit and loss is waived with associated companies.

Inter-company revenues are eliminated, as are all other inter-company income and expenses. Deferred taxes are recognized for consolidation adjustments to the extent that differences in tax expenses are expected to reverse in future periods.

3. Non-current assets and disposal groups held for sale, discontinued operations

The WaveLight Group has almost completed the restructuring resolved in the 2005/2006 fiscal year, with the aim of concentrating on its core competency of ophthalmology. The sale of the Aesthetics division was carried out on September 18, 2007. The task of the intraocular business division was completed with the sale of WaveLight GmbH and of MDP B.V. The necessary assets for the fulfilment of the production agreement with WaveLight Aesthetic GmbH, the remaining purchase receivable and the allocated accruals are reported as discontinued operations.

Operations that will remain part of the Group's core competencies are designated "continuing operations".

III. Accounting policies

The annual accounts of WaveLight AG and of the German and foreign companies are prepared in accordance with uniform accounting policies and included in the consolidated accounts. The following specific accounting policies have been applied:

Currency conversion

Foreign currency conversion is reported on the functional currency concept. The functional currency of the Group accords with the currency report.

Foreign currency transactions are converted into the functional currency with the exchange rate valid on the transaction date. On the balance sheet date, the conversion of monetary items is carried out within the procedure of subsequent valuation at the closing rate, whereas non-monetary items remain valued at the historical exchange rates that prevailed on the transaction date. Currency conversion differences are generally recognized as income or expense.

The accounts of the foreign subsidiaries recognized in the consolidated accounts, whose functional currency is not the Euro, are converted from their own functional currency, namely the corresponding currency of their country, into the functional currency of the WaveLight Group, i.e. the Euro. Thus, the conversion of the assets and liabilities takes place at the period end exchange rate, while the positions of the Profit and Loss account are converted at the average rate of exchange. Currency conversion differences are deferred directly in equity.

Currency differences from the consolidation are recognized in the Profit and Loss account with the exception of the differences from non-current net investments (net investment in a foreign operation). The latter are deferred directly in equity.

Foreign currency conversion exchange rates	USD / €
Period-end exchange rate as of July 31, 2008	1.5611
Average exchange rate from August 1, 2007 to July 31, 2008	1.4870
Period-end exchange rate as of July 31, 2007	1.3707
Average exchange rate from August 1, 2006 to July 31, 2007	1.3139

Monetary items denominated in foreign currencies are generally converted at the closing rate. Currency conversion differences are generally recognized as income or expense in the period in which they arise.

Goodwill

Within this credit item in the consolidated accounts, WaveLight AG reports both goodwill that has arisen from the capital consolidation of subsidiaries and goodwill that was taken over from single accounts of the subsidiaries.

Goodwill acquired for monetary consideration is capitalized and is subject to an impairment test under IAS 36 at least annually and whenever there is good reason to believe that the item could have depreciated in value. The impairment of the goodwill is tested in a single procedure at the level of the cash generating units, to which it has been allocated.

The carrying amount of the cash generating unit is compared with its recoverable amount. If the carrying amount exceeds the recoverable amount, then an impairment loss exists and has to be depreciated on the recoverable amount.

The recoverable amount of a cash generating unit corresponds to the higher of the fair value less costs to sell, on the one hand, and its value in use, on the other.

A later reinstated write-down of the goodwill by reason of a former impairment loss that no longer exists is not permissible.

Research and development expenses

Research expenditures are recognized as expenses in the period in which they are incurred. In accordance with IAS 38, development expenditures are capitalized at cost if the criteria set out in IAS 38.57 are met. Cost in such cases includes all expenditures directly attributable to the development process, plus appropriate shares of development-related indirect costs. Capitalized development expenditure is normally amortized on a straight-line basis over the expected life of the products concerned, which may be between three and five years.

Other intangible assets

Along with goodwill, other intangible assets exist with a definite useful life, particularly in the form of patents, licences and software. The expected useful life of software, patents and similar rights is normally three to five years. The useful lives of intangible assets bought in the context of an acquisition may differ on first consolidation.

Interest on borrowings was not capitalized. Intangible assets with an indeterminate useful life are subject to an impairment test, at least once a year. If any intangible assets are impaired, a reversal of the write-down can only occur up to a maximum of the recoverable amount, in the case of a higher recoverable amount at a later point. However, after a write-up, the carrying amount should not exceed the calculated carrying amount that had resulted when the impairment was not applied in the past. The write-up affects profit and loss.

Separately acquired intangible assets are recognized at cost. Intangible assets acquired in a business combination are recognized at their fair value at the date of the business combination. Such assets are carried at amortized cost after initial recognition.

Property, plant, and equipment

Items of property, plant, and equipment are carried at cost, less straight-line depreciation. The depreciation period is based on the useful life of the asset.

Apart from material and production costs per item, manufacturing costs for self-constructed plant and equipment also contain an appropriate share of attributable material and production overheads and, if production takes place over a longer period, interest on borrowed capital during the construction period. Administrative costs are only capitalized if there is a direct relation to production. Maintenance and repair costs are recognized as expenditure insofar as they have not been capitalized in the application of the component approach.

Fixtures added by the tenant and leased plant and equipment are depreciated over the normal useful life assumed by the company or, if less, over the respective term of the rental or lease.

Depreciation in the WaveLight Group is based on the following uniform useful lives:

Fixtures added by the tenant	2 - 12 years
Technical equipment	5 - 8 years
Other equipment, operating and office equipment	3 - 10 years

Gains or losses on the disposal of assets are recognized in profit or loss.

Leases

The classification of leasing contracts conforms to IAS 17. Therefore, a distinction is made between finance leases and operating leases. A lease is classified as a finance lease when beneficial ownership, and thus substantially all the risks and rewards incidental to ownership of the asset, is attributable to the lessee. Other lease agreements under which beneficial ownership of the leased asset remains with the lessor are classified as operating leases.

To support their sales activities, companies of the WaveLight Group lease various WaveLight products to their customers under short term rentals and long-term leases.

Under the terms of short-term rental agreements, laser systems are rented to physicians as demonstration systems for a period of up to 180 days against payment of a licence fee. Some of these agreements include purchase and/or renewal options, but these are not classified as bargain purchase options. Under these contractual arrangements, the substantial risks and rewards incidental to ownership of the leased asset remain with the Group Company, which is why, from the lessor's perspective, such lease transactions are classified as operating leases. In such cases, the leased assets are recognized as noncurrent assets at cost and depreciated. Rental income is allocated on a straight-line basis over the term of the agreement.

Under the long term leases, various laser systems are sold to leasing companies. In a second step, the corresponding Group companies lease back the leased assets and transfer them to their customers under a sublease ("sale, leaseback, and sublease"). The agreements are entered into for a period of three to four years; any purchase and/or renewal options in the agreements are not classified as bargain purchase options.

If the risks and rewards from leaseback are borne by the Group Company, the leased assets are carried in that company's noncurrent assets. This applies in particular in the case of binding repurchase obligations and residual value guarantees that are granted by the Group and issued to the leasing company.

However, if substantially all the risks and rewards of such transactions are transferred to the leasing company, ownership of the asset passes to the third party.

Such long term customer agreements are generally refinanced at matching maturities and recognized as liabilities.

In addition to the categories of sales-related leases described above, companies belonging to the WaveLight Group also lease buildings, machinery, and operating and office equipment for their own use (procurement-related leases). Such leases are mainly classified as operating leases and have terms of between three and twelve years.

Impairment of assets

Items of property, plant, and equipment and intangible assets (including goodwill) are tested for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less selling costs. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Cash flows are determined in accordance with IAS 36. The recoverable amount is determined separately for each asset or, if this is not possible, for the cash-generating unit to which the asset is allocated.

If the reason for previously performed impairments of items of property, plant and equipment, and intangible assets (excepting goodwill) no longer applies, impairment will be reversed to amortize acquisition and manufacturing costs.

Financial assets

In the absence of a market and if, as a result, the market value cannot be reliably determined, financial assets are recognized at amortized cost less value adjustment or impairment.

Inventories

Inventories are carried at the lower of cost and net realisable value. Raw materials, consumables, and supplies are measured at cost, including a percentage mark-up for transaction costs.

Finished goods and work in progress are measured at cost. This includes direct costs plus an appropriate share of overheads. Appropriate valuation allowances are recognized to reflect potential losses owing to obsolete or slow-moving inventories.

The net present value is the estimated fair value that can be obtained in an arm’s length transaction less the estimated cost until completion and required sales’ costs.

Receivables and other current assets

Receivables and other current assets are carried at amortized cost. Valuation allowances are recognized for identifiable specific risks and the general credit risk.

First recognition is at fair value. In future periods, the carrying amount corresponds to depreciated cost less value adjustments or impairments.

In December 2007, the asset-backed security programme finished, in the context of which receivables from deliveries and services were sold to third parties. On the day of the termination of the contract, sold receivables of €8,251 thousand were repurchased by WaveLight AG in this context.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. They are recognized at depreciated cost.

Cash and cash equivalents whose availability is restricted are presented for the first time in other current and other noncurrent assets according to their maturity. In the current financial year, €0 (previous year € 2,967 thousand) are included in short term and €0 (previous year €0) in long term assets.

Deferred taxes

In accordance with the balance sheet liability method, deferred tax assets and liabilities are recognized in the amount at which assets are expected to be recovered or liabilities settled.

Deferred taxes are recognized for all temporary differences between the tax base of an asset or liability and its carrying amount in the consolidated balance sheet. Deferred tax credits are recognized for loss carry forwards if it is probable that they will be available for use in future periods. Deferred taxes are recognized in the amount of the probable tax expense or benefit in future fiscal years on the basis of the tax rate enacted in the period in which they will be realized. Tax effects of dividend distributions are only recognized when the dividend has been resolved.

Deferred tax assets and liabilities are measured on the basis of the tax rates expected to apply to taxable income in the years in which these temporary differences are expected to reverse. If tax rates change, the effects on deferred tax assets and liabilities are recognized in profit or loss of the period to which the new tax rate applies.

Other provisions

In accordance with IAS 37, provisions are recognized for present obligations to third parties arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits, and which can be estimated reliably. Provisions that will not lead to an outflow of resources embodying economic benefits in the subsequent fiscal year are carried at the settlement amount discounted to the balance sheet date. Discounting uses market rates of interest. The settlement amount also reflects expected future cost increases. Claims for reimbursement are not deducted from the carrying amount of provisions.

Provisions for warranty expenditures are recognized as soon as the revenues in question have been recognized. The carrying amount of the provision is measured on the basis of the entity's experience of the estimated costs needed to settle the warranty obligation, including handling and transportation costs.

Financial liabilities

Financial liabilities include interest bearing liabilities of a financial nature, particularly loans from banks or other loan providers, finance lease liabilities as well as other interest bearing liabilities. They are recognized at present value if they bear no or little interest. They are further valued at amortized cost using the effective interest method.

Trade account receivables, other receivables

Trade account receivables as well as other receivables are recognized at the redemption amount. Long term receivables bearing no or little interest are discounted and recognized at present value. Liabilities are first recognized at the time when the obligation arises.

Share-based payment

Accounting for employee equity compensation models is governed by IFRS 2 (Share-based Payment). IFRS 2 is effective for reporting periods beginning on or after January 1, 2005. Under IFRS 2, equity instruments granted under the terms of share-based payment plans are measured at fair value at the grant date by reference to an option pricing model. The resulting amount is recognized as an expense over the vesting period.

In the course of the majority takeover of Alcon, Inc, WaveLight AG has come to an agreement with the majority of its employees regarding the renouncement of share option plans from share options granted in the past. The corresponding agreements contained cash compensations to the sum of €9 per option. Alcon, Inc. has confirmed the transfer costs resulting from the end of the share option plans.

No new stock options were granted in this financial year.

Earnings per share

Basic earnings per share are computed by dividing profit for the period by the weighted average number of shares outstanding. Diluted earnings per share are computed using the treasury stock method and include the number of stock options outstanding.

Derivatives

WaveLight AG uses forward exchange contracts to hedge foreign currency risks from receivables or liabilities. These financial instruments are not employed for speculative purposes.

The Company had entered into forward exchange contracts as of July 31, 2007 to hedge foreign currency risks from trade receivables. Changes in the value of these forward exchange contracts are recognized immediately in profit or loss.

Interest rate swaps and interest rate caps were entered into in both the reporting period and previous years in order to manage the interest rate risk from short-term interest-bearing liabilities to banks. All changes in value of these interest rate swaps and interest rate caps are immediately recognized in profit or loss.

Fair value of financial instruments

Where financial instruments are recognized at fair value, this is estimated by reference to quoted market prices. In the absence of such market prices, fair value is estimated by applying recognized financial techniques and market parameters at the balance sheet date.

Borrowing costs

Borrowing costs for the acquisition or production of qualifying assets are capitalized in accordance with IAS 23.20.

Revenue recognition

Revenue primarily stems from product deliveries and secondarily from services. Revenues are reported net of value added tax and less sales deductions such as bonuses, discounts or rebates at the time that they are regarded as realisable under IFRS. This is generally the case if the main risks and rewards connected with the ownership of the sold goods and products have passed to the buyer, if the entity does not retain effective control of the sold goods and products, if there is unambiguous evidence that delivery has taken place or services were performed, if the price has been firmly agreed or if it can be determined unambiguously, if actual payment is reasonably secure and if the costs incurred or costs still to be incurred in relation to the sale can be reliably determined.

Use of estimates

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the balance sheet date, as well as the reported amounts of income and expenses during the reporting period. Such estimates and assumptions are based on assumptions that are in turn based on management's current knowledge. Actual results could differ from these estimates and assumptions.

Group consolidated cash flow statement

The consolidated cash flow statement shows changes in the balance sheet entry "cash and cash equivalents", from operating activities, investment activities and financing activities.

Cash flow from operating activities is determined indirectly based on changes in the balance sheet entries. These are adjusted for exchange rate effects and changes due to consolidation. As a result, a reconciliation of the changes of balance sheet entries from the group consolidated cash flow statement with the computed changes from the consolidated balance sheet, asset overview or other disclosures is only possible within limits.

Sector reporting

Sector reporting is compiled in accordance with IAS 14 "Sector reporting". Sector classification at the WaveLight Group is determined according to Business areas (ophthalmology and other sectors) and according to regions. Sector results are shown as earnings before interest and taxes (EBIT).

Changes in interpretations of IFRS standards

First application of standards and interpretations

The new IFRS 7 ("Financial Instruments: Disclosures"), published by the IASB in August 2005, requires information about the significance of financial instruments for the entity's assets, financial and profit position and also contains new requirements regarding qualitative and quantitative reporting of the risks relating to financial instruments. The European Union recognized this standard in January 2006 and it is compulsory to apply it in financial years starting on or after January 1, 2007. The WaveLight Group has extended its disclosures about financial instrument risk as a result of IFRS 7, for example by sensitivity analyses on currency and interest.

The amendment to IAS 1 ("Presentation of Financial Statements: Capital Disclosures") published by the IASB in August 2005 was recognized by the European Union in January 2006. This amendment stipulates additional information that allows the final recipients to evaluate the aims, methods and processes of capital management. The amendments to IAS 1 must be applied in financial years starting on or after January 1, 2007. Initial application has led to enhanced information in the notes added to the accounts of the WaveLight Group.

IFRIC 10 was previously used by the WaveLight Group and there are no further effects on the accounts of the WaveLight Group.

Standards or interpretations that have been recognized by the EU but that have yet to be applied

Under IFRS 8 ("Operating Sectors"), sector reporting is changed from the so-called "risk and reward approach" to the "management approach" in relation to sector identification under IAS 14. Information that the so-called "chief operating decision maker" receives regularly for decision making is material in this respect. At the same time, sector evaluation switches from the "financial accounting approach" of IAS 14 to the "management approach". IFRS 8 was published in November 2006 and recognized by the European Union in November 2007. The standard must be applied in financial years starting on or after January 1, 2009. Earlier applica-tion is permissible. On initial application, IFRS 8 will lead to changed information in sector reporting for the WaveLight Group.

IFRIC 11 ("IFRS 2 - Group and Treasury Share Transactions") deals with the questions of how company-wide share-based payment is to be recognized on the balance sheet, what would be the effects of staff changes in the group and how to treat share-based payment for which the entity issues new shares or acquires third-party shares. IFRIC 11 was published in November 2006 and recognized by the European Union in June 2007. The interpretation must be applied in financial years starting on or after March 1, 2007. Earlier application is advised. We do not expect IFRIC 11 to have an effect on future results of the WaveLight Group.

Standards or interpretations whose recognition by the EU is still pending and have yet to be applied

IFRIC 14 ("IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction") suggests how to determine the limit of a surplus under IAS 19 "Employee Benefits" that can be used as a defined benefit asset. It also explains the effects on the valuation of assets and provisions from defined benefit pension plans of a legal obligation of a minimum payment amount, for example by law or due to plan regulations. IFRIC 14 was published by the IASB in July 2007 and must be applied in financial years starting on or after January 1, 2008. Recognition by the European Union is still pending, however. IFRIC 14 will not have a material effect on the results of the WaveLight Group.

In September 2007, the IASB published a revised version of IAS 1 ("Presentation of Financial Statements: A revised Presentation"), which makes it easier for users to analyse and compare accounts. Among other things, all changes in equity relating to the shareholders are to be presented in a single "statement of comprehensive income" or in two separate reporting components with a profit and loss statement that was previously separate from the "statement of comprehensive income". For the single components of the "other comprehensive income", the corresponding profit tax effect must be shown. The new version of IAS 1 must be applied in financial years starting on or after January 1, 2009. Recognition by the European Union is still pending, however. The presentation of changes in equity of the WaveLight Group will be adjusted in accordance with the requirements of IAS 1.

By publishing the revised version of IFRS 3 ("Business Combinations") and the amendments of IAS 27 ("Consolidated and Separate Financial Statements") in January 2008, the IASB ends the second phase of its project, "Business Combinations". Among others, the main changes relate to the balance sheet representation of minority interests as well as the initial recognition in profit or loss of previously existing shares in gradual acquisitions at the time of gaining control. Changes in shareholding quota without loss of control are to be accounted for exclusively as transactions of shares. Ancillary acquisition costs are to be recognized as expenditure in the future. In future valuations, goodwill must no longer be adjusted for possible provisions for acquisition costs dependent on future events that are recognized as liabilities at the time of acquisition. The new version of IFRS 3 must be prospectively applied to business combinations starting on or after July 1, 2009. Earlier application is permissible. However, it is limited to reporting periods starting on or after June 30, 2007. The amendments to IAS 27 must be applied to financial years starting on or after July 1, 2009, even though earlier application is permissible. Early application of one of the standards must, however, occur alongside early application of the other corresponding standard. Recognition by the European Union is still pending, however. The WaveLight Group expects additional expenditure owing to the fact that ancillary acquisition costs are recognized as an expense the amount of which depends, among other things, on the size of the acquisitions made. The effects of recognizing, in profit or loss acquisition, adjustments to the cost of purchase, dependent on future events and recognized as liabilities at the acquisition date, depend on the particular case.

In January 2008, the IASB published the amendment of IFRS 2 ("Share-based Payment: Vesting Conditions and Cancellations"). The amendment clarifies that vesting conditions are service conditions and performance conditions only. As a result of the amended definition of vesting conditions, non-vesting conditions must now be included in the grant date fair value of the share-based payment. The amendments must be applied in financial years starting on or after January 1, 2009. Early application is permissible as long as this is declared. Recognition by the European Union is still pending, however. This will not result in a material effect on the profit position of the WaveLight Group.

In February 2008, the IASB published a document with the title "Puttable Financial Instruments and Obligations Arising on Liquidation", amendments of IAS 32 ("Financial Instruments: Presentation") and IAS 1 ("Presentation of Financial Statements"). The changes primarily relate to the differentiation between equity capital and borrowed capital. In particular, in the context of the new version, it is now possible to classify callable instruments as equity capital under particular conditions. The amendments must be applied in financial years starting on or after January 1, 2009. Earlier application is permissible. Recognition by the European Union is still pending, however. This regulation has no effect on the WaveLight Group.

Apart from drafts of standards, interpretations and amendments, the IASB or IFRIC published the following statements:

FRIC 12 ("Service Concession Arrangements") deals with accounting for infrastructure services by private companies and was published in November 2006.

IFRIC 13 ("Customer Loyalty Programmes"), which the IASB published in June 2007, deals with the balance sheet recognition and valuation of customer loyalty programmes.

The IASB published the amendment to IAS 23 ("Borrowing Costs") in March 2007 and deals with the capitalization of borrowing costs.

These regulations are not relevant to the WaveLight Group at the moment and are therefore not explained in more detail at this point.

Consolidated Balance Sheet Disclosures

1. Noncurrent and current assets

(1) Intangible assets

Intangible assets changed as follows in fiscal year 2007/2008:

Amounts in € thousands	Concessions, industrial development and similar rights and assets and licenses in such rights and assets	Capitalized development expenditures for development phase	Capitalized expenditures for products currently in use	Purchased goodwill	Total
Carrying amounts at August 1, 2007	**12,567**	**2,417**	**8,064**	**6,201**	**29,249**
Additions	769	2,381	-	-	3,150
Disposals	(760)	-	-	-	(760)
Adjustment consolidation group	(63)	-	-	(3,343)	(3,406)
Rebooking or reclassifications in assets relating to discontinued operations	(644)	(2,417)	2,417	-	(644)
Gross carrying amounts at July 31, 2008	**11,869**	**2,381**	**10,481**	**2,858**	**27,589**
Amortization and impairment losses at August 1, 2007	(5,050)	-	(4,016)	-	(9,066)
Depreciation and impairment losses for 2007/2008	(1,605)	-	(1,936)	(787)	(4,328)
Disposals	708	-	-	-	708
Adjustment consolidation group	29	-	-	-	29
Amortization and impairment losses at July 31, 2008	**(5,918)**	**-**	**(5,952)**	**(787)**	**(12,657)**
Net carrying amount at July 31, 2008	**5,951**	**2,381**	**4,529**	**2,071**	**14,932**
Net carrying amount at July 31, 2007	7,517	2,417	4,048	6,201	20,183

Of the development expenditures incurred in the 2007/2008 fiscal year, €2,381 thousand (previous year: €2,417 thousand) met the IFRS capitalization criteria. Capitalized development expenditures relate primarily to expenses for software development and the development of prototypes, as well as to upgrades and functional enhancements of the product families. They are amortized over a period of three to five years.

Development expenditure for future series products and other internally generated intangible assets are capitalized at cost if the production of these products is expected to generate future economic benefits for the WaveLight Group. These products are amortized according to schedule over a period of three to five years.

Additional changes relating to the subsidiaries of WaveLight AG are to be expected in connection with the reorientation of the world wide distribution structures. It is intended to transfer the supervision of the Spanish market to the subsidiary of Alcon, Inc. based in Spain and to sell the holdings in the WaveLight S.A. The expected permanent diminution of the holdings in the WaveLight S.A. was taken into account through depreciation equivalent to the goodwill (€ 787 thousand).

Intangible assets of the Aesthetics division to the extent of € 644 thousand were reclassified in the fiscal year under Assets in connection with the disposed operations.

As of July 31, 2007, WaveLight GmbH was presented under continuing operations. The assets disposed of with the deconsolidation of WaveLight GmbH are accounted for under Changes in the Consolidated Group.

(2) Property, plant, and equipment

Property, plant, and equipment changed as follows in fiscal year 2007/2008:

Amounts in € thousands	Technical plants and machines	Other equipment, operating and office equipment	Deposits paid and plant under construction	Total
Gross amount at August 1, 2007	1,642	10,221	-	11,863
Additions	477	1,940	139	2,556
Disposals	(26)	(1,108)	-	(1,134)
Adjustment consolidation group	-	(433)	-	(433)
Rebooking or reclassifications in assets relating to discontinued operations	(349)	(738)	-	(1,087)
Gross carrying amounts at July 31, 2008	**1,744**	**9,882**	**139**	**11,765**
Depreciation and impairment losses at August 1, 2007	(1,135)	(6,614)	-	(7,749)
Depreciation 2007/2008	(115)	(969)	-	(1,084)
Disposals	24	568	-	592
Adjustment consolidation group	-	274	-	274
Rebooking or reclassifications in assets relating to discontinued operations	107	703	-	810
Depreciation and impairment losses at July 31, 2008	**(1,119)**	**(6,038)**	**-**	**(7,157)**
Net carrying amount at July 31, 2008	**625**	**3,844**	**139**	**4,608**
Net carrying amount at July 31, 2007	508	3,607	-	4,115

Property, plant and equipment are valued at acquisition or manufacturing cost and are reduced by scheduled depreciation. The depreciation period is determined by the expected useful life of the assets. The straight-line method of depreciation is applied as in the previous year.

Property, plant, and equipment includes laser devices with a carrying amount of €2,703 thousand (previous year: €2,179 thousand) that are required on a permanent basis for research and demonstration purposes at WaveLight AG for key physicians and institutions performing clinical trials. The corresponding depreciation charges are allocated to research and development expenses.

Fixed assets of the Aesthetics division to the extent of €277 thousand were reclassified in the fiscal year under Assets in connection with the disposed operations. Interest on borrowings is capitalized at €30 thousand (previous year: €30 thousand) under fixed assets.

Low-cost assets with an individual purchase price of up to €410 net are depreciated fully in the year of acquisition, 2007 and shown as disposals. Against the background of the Company tax reform, from the 2008 calendar year, property, plant and equipment assets were fully depreciated immediately with an individual purchase price of up to €150 net and recognized as expenses. Property, plant and equipment assets with individual purchase prices of more than €150 net and less than €1 thousand net are collected in a "pool" and amortized to schedule over five years in accordance with German commercial law.

In the income statement, amortization of intangible assets and depreciation of property, plant, and equipment are allocated to the appropriate functions. As of July 31, 2007, WaveLight GmbH was presented under continuing operations. The assets disposed of with the deconsolidation of WaveLight GmbH are accounted for under changes in the Consolidated Group.

In February 2008, within the restructuring of the US sales, WaveLight, Inc, has sold its entire fixed assets to Alcon Laboratories, Inc. at carrying amount values. Transfers took place of intangible assets to the extent of €35 thousand and of fixed assets amounting to €433 thousand.

(3) Non-current financial assets

Non-current financial assets changed as follows:

Amounts in € thousands	Investments in affiliated companies	Loans to investments	Changements in Investments using the equity method	Total
Gross carrying amounts at August 1, 2007	96	23	938	1,057
Additions	-	-	-	-
Disposals	-	(23)	(938)	(961)
Gross carrying amounts at July 31, 2008	**96**	**-**	**-**	**96**
Impairment losses at August 1, 2007	-	(23)	(206)	(229)
Impairment losses for 2007/2008	(96)	-	-	(96)
Disposals	-	23	206	229
Impairment losses at July 31, 2008	**(96)**	**-**	**-**	**(96)**
Net carrying amounts at July 31, 2008	**-**	**-**	**-**	**-**
Net carrying amounts at July 31, 2007	96	-	732	828

Investments in unconsolidated companies and investees are generally carried at cost. The carrying amounts are tested for impairment if there are indications of it, and an impairment loss is recognized if the carrying amount is impaired.

The holdings in WaveLight Japan Co., Ltd., Tokyo, Japan and in WaveLight Asia Pacific Sdn Bhd, Kuala Lumpur, Malaysia were adjusted in value to the full amount (€96 thousand). Both companies are in the process of liquidation.

(4) Inventories

Inventories are classified into:

Amounts in € thousands	2007/2008	2006/2007
Raw materials, consumables and supplies	4,275	3,932
Unfinished goods	368	362
Finished goods and merchandise	2,001	3,497
Advances paid	32	97
Total inventories	**6,676**	**7,888**

Inventories are carried at the lower of cost and net realisable value.

Inventories of raw materials, consumables, and supplies are recognized at purchase prices, including a percentage mark-up for transaction costs.

Finished goods and work in progress are measured at cost using the unit cost method. In addition to directly attributable material costs and direct labour, cost also includes proportionate indirect production and labour costs, as well as proportionate production-related administrative expenses.

Due to insufficient movement rate, turnover frequency and lack of marketability, valuation adjustments were made totalling €951 thousand (previous year €261 thousand). These arise from changes in the product portfolio, the adjustment of excess inventories, the lower turnover of individual components, and obsolete or slow-moving inventories.

(5) Trade receivables

Trade receivables:

Amounts in € thousands	Due within 1 year	Due after more than 1 year	Carrying amount at July 31, 2008	Due within 1 year	Due after more than 1 year	Carrying amount at July 31, 2007
Trade receivables	14,311	2,653	16,964	16,195	4,321	20,516

Receivables and other current assets are carried at their principal amounts.

Under an Asset-Backed Security programme (ABS Programme), revolving trade receivables have been sold to a financial services provider since October 2004. In December 2007, the ABS Programme was terminated by mutual agreement of the parties. In this connection, the receivables originally sold were retransferred in the sum of €8,251 thousand.

All receivables exposed to risks are accounted for by recognizing appropriate valuation allowances. The expense was recognized under other operating expenses. The valuation adjustments amount to €1,161 thousand (previous year €668 thousand). Trade receivables with long credit terms are discounted at a rate of 5.5% (previous year 4.4 to 4,6%).

Trade receivables from affiliated companies

Amounts in € thousands	Due within 1 year	Due after more than 1 year	Carrying amount at July 31, 2008	Due within 1 year	Due after more than 1 year	Carrying amount at July 31, 2007
Trade receivables from associated companies	5,679	-	5,679	-	-	-

Trade receivables amounting to €5,679 thousands, derive exclusively from companies of the Alcon Group.

(6) Non-current and current assets

Amounts in € thousands	Due within 1 year	Due after more than 1 year	Carrying amount at July 31, 2008	Due within 1 year	Due after more than 1 year	Carrying amount at July 31, 2007
Other assets						
Other taxes receivables	686	-	686	823	-	823
Positive fair values or devirative financial instruments	5	-	5	105	80	185
Prepayments and accured income	528	-	528	1,409	-	1,409
Other receivables from associated companies	941	873	1,814	-	-	-
Remaining assets	783	-	783	3,039	-	3,039
Total	**2,943**	**873**	**3,816**	**5,376**	**80**	**5,456**

Receivables are the main item under other tax receivables. Receivables from affiliated companies contain receivables from Alcon, Inc., that arise from the take-over of the expenses from the termination of the share option programme.

(7) Cash and cash equivalents

Bank balances at the reporting date amounted to €4,401 thousand (previous year €1,247) and a cash balance of €15 thousand (previous year €16 thousand). Of these amounts, €586 thousand (previous year: €773 thousand) relates to foreign currency.

(8) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups held for sale relate primarily to the following amounts:

Amounts in € thousands	2007/2008	2006/2007
Intangible assets	155	590
Property, plant, and equipment	18	600
Inventories	404	2,055
Trade receivables	953	1,669
Other assets	1,600	194
Deferred taxes	-	181
Cash and cash equivalents	-	128
Assets in connection with the disposed operations	**3,130**	**5,417**

At the balance sheet date of July 31, 2008, the only items presented were assets attributable to the Aesthetics Division. These are valued on the expected proceeds of sale, taking into account the current production agreement. The second purchase price amounting to €1,600 thousand, is reported under Other Assets.

(9) Deferred Taxes

Positive and negative deferred taxes are reported in accordance with IAS12 "Income Taxes", if future tax effects are to be expected, which on the one hand are due to differences limited in period between the carrying amounts of the existing credit and debit and their tax base values or on the other hand due to deficits carried forward.

Regarding the balance sheet approach of deferred taxes, we refer to position (26) of the notes.

2. Equity

(10) Subscribed capital

The subscribed capital is divided into 6,586,026 bearer shares. All shares are made out in the name of the bearer.
The authorised capital amounts to €3,008,102 and the contingent capital to €627,878 corresponding in each case to the values of the previous year.

On April 15, 2008, 9,000 option rights were exercised. As of July 31, 2008, there remained share options totalling 53,000, which may be exercised up to December 31, 2010 subject to the option conditions. The subscribed capital of the Company as of July 31, 2008 was €6,586,026 (previous year: €6,577,026) after the capital increase had taken place.

Development of the subscribed capital in the 2007/2008 fiscal year

Development of the subscribed capital Amounts in €		Changes	Subscribed capital
as of:	**July 31, 2007**	**-**	**6,577,026**
Increase from contingent capital III of the 2004 share option programme	April 15, 2008	9,000	-
as of:	**July 31, 2008**	**-**	**6,586,026**

In the course of the majority takeover of Alcon, Inc, the WaveLight AG has come to an agreement with the majority of its employees regarding the renouncement of share option plans from share options granted in the past. The corresponding agreements contained cash compensations to the amount of € 9 per option. Alcon, Inc. has confirmed the transfer costs resulting from the end of the share option plans.

No new stock options were granted in this financial year.

Capital reserve

The capital reserve on July 31, 2008, amounted to €48,018 thousand (previous year €49,188 thousand). The change results from the capital increase that took place in April totalling €107 thousand and the effect of the termination of the existing share option programme.

The capital reserves contain the various premiums from the individual capital increases including their transaction costs, since the IPO in September 1999.

Other reserves consist of all changes in equity not recognized in the income statement. A breakdown is given in the statement of changes in share holding.

(11) Minority interest

This item contains the minority interest in equity, including the share of profits attributable to these minority interests.

3. Non-current and current liabilities

(12) Financial liabilities

Amounts in € thousands	Due within 1 year	Due after more than 1 year	Due after more than 5 years	Carrying amount at July 31, 2008	Due within 1 year	Due after more than 1 year	Due after more than 5 years	Carrying amount at July 31, 2007
Financial liabilities	34,546	116	-	34,662	28,227	461	-	28,688
to banks	363	116	-	479	28,227	461	-	28,688
to affiliated companies	34,183	-	-	34,183	-	-	-	-

In the course of the reorientation of the company financing through the majority shareholder, Alcon, Inc., Hünenberg, Switzerland, all existing short and long-term liabilities to banks were paid off so that currently, the business relationship with banks is carried out on basis of credit. The existing securities due to the liabilities to banks were released in the course of the repayment of the same.

In December 2007, WaveLight AG agreed a total loan of €50 million with Alcon Inc. to repay liabilities to banks, among other things, which was taken initially taken by the Company to the extent of €40 million. During the fiscal year, amortizations amounting to €5,817 thousand were made by WaveLight AG.

With the prolongation of the period of the loan agreement in August 2008 up to November 30, 2009, an optional conversion of the loan in US Dollars up to a maximum of $30 million was agreed.

The interest of the loan takes place under conditions in line with the market and follows the 3-months Euribor and 3-months Libor plus a mark-up.

(13) Non-current and current liabilities

Amounts in € thousands	Due within 1 year	Due after 1 year	Carrying amount at July 31, 2008	Due within 1 year	Due after 1 year	Carrying amount at July 31, 2007
Liabilities						
Trade receivables	2,995	-	2,995	7,444	-	7,444
from affiliated companies	532	-	532	-	-	-
from advance payments	26	-	26	2,189	-	2,189
Other liabilities						
ABS liabilities	-	-	-	1,534	-	1,534
Negative fair values of derivatives	271	-	271	7	2.025	2,032
from leasing agreements	92	-	92	153	126	279
Deferred income	735	288	1,023	938	189	1,127
from share option programme	941	873	1,814	-	-	-
from outstanding invoices	814	-	814	265	-	265
from the restructuring of the company financing	392	-	392	380	-	380
from acquisition costs	153	-	153	70	-	70
from interest	218	-	218	143	-	143
from consultancy services	634	-	634	348	-	348
from bonuses	270	-	270	-	-	-
from taxes	652	-	652	84	-	84
from sales commissions	953	-	953	1,302	-	1,302
from personnel costs	1,644	-	1,644	1,917	-	1,917
of which, for social security	10	-	10	14	-	14
of which, for wages and salaries	362	-	362	247	-	247
Other liabilities	1,472	-	1,472	1,987	-	1,987
Total	**12,794**	**1,161**	**13,955**	**18,761**	**2,340**	**21,101**

The other liabilities include all debts that are determined according to time and amount. The amount of €5,310 thousand accounted for under provisions in the previous year was reclassified accordingly.

Tax liabilities of €652 thousand (previous year: €84 thousand) were included in the other short-term liabilities. Tax liabilities of €206 thousand are based on risks from the findings of the tax audit of WaveLight AG for the years 2001 to 2004, which are the subject of ongoing opposition proceedings.

The liabilities from interest for € 218 thousand concern deferred interest to Alcon, Inc.

(14) Provisions

Amounts in € thousands	Accruals
As of August 1, 2006	**357**
Additions/new provisions	425
As of July 31, 2007	**782**
Utilization	(422)
Additions/new provisions	878
Reversals	(213)
As of July 31, 2008	**1,025**

The reserves take into account all other debts that are not determined according to time and amount. These were accumulated especially for warranty claims, licence payments and discontinuation costs. Debts of €5,310 thousand are presented in hundreds under Other Liabilities unlike the previous year.

The provisions described above are expected to be utilized primarily within the next 12 months.

(15) Liabilities included in disposal groups held for sale

Liabilities included in disposal groups held for sale relate primarily to the following amounts:

Amounts in € thousands	2007/2008	2006/2007
Accruals	619	519
Liabilities from deliveries and services	-	244
Other liabilities	-	69
Liabilities included in discontinued groups held for sale	**619**	**832**

Legal risks and disputes

As a business that operates globally, WaveLight is regularly exposed to legal risks. It is not possible to predict the outcomes of current or future litigation with any certainty. The possibility that expenses may be incurred that are not covered by corresponding insurance policies cannot be ruled out. The Executive Board does not believe that the potential risk from currently pending legal proceedings will materially affect the Company’s net assets, financial position, and profit position.

In connection with Alcon, Inc's takeover of WaveLight AG, individual shareholders' claims against resolutions passed by the Extraordinary General Meeting of May 7, 2008 are pending. In the financial year, expected procedural costs of € 300 thousand were included.

VI. Contingencies and other financial commitments

1. Contingencies

Guarantees and securities of a total of € 708 thousand (previous year €1,120 thousand) were recorded for existing leasing contracts. These consist of securities for leasing contracts belonging to the Spanish subsidiary, WaveLight S.A., amounting to € 478 thousand (previous year € 859 thousand) and to the American subsidiary, WaveLight, Inc., amounting to € 230 thousand (previous year € 261 thousand).

The contract of sale for NWL Laser-Technologie GmbH, Ottensoos, contains guarantee acceptances, also relating to taxation, which according to present knowledge do not have an effect on net income.

2. Other financial commitments

The Group has entered into various rental agreements and leases for buildings and motor vehicles, as well as other agreements. The Group's obligations resulting from these agreements are shown below:

Amounts in € thousands	2008/2009	2009/2010 to 2012/2013	from 2013/2014	Total
Rent	1,249	3,845	858	5,952
Operating leases	1,480	674	-	2,154
Finance leases				
future minimum lease payments	74	120	-	194
of which interest costs	11	27	-	38
present value of lease payments	63	93	-	156
Total rental and leasing payments	**2,803**	**4,639**	**858**	**8,300**

3. Leases

Deemed depreciation for finance leases in the reporting period are included in depreciation expenditure and amounts to €144 thousand (previous year €193 thousand).

Additional disclosures on finance leases (WaveLight as lessee):	
Net carrying amount of leased assets at the balance sheet date	€100 thousand

In previous years, WaveLight made sale-and-lease-back agreements as operating leases for its lasers.

Additional disclosures on operating leases (WaveLight as lessee):	
Payments under leases expensed in the period	€ 1,843 thousand

The laser systems in question are used within the Company as demonstration, training, and development devices, but are also leased to end customers to a small extent. For this, WaveLight has specifically obtained the right to sublease the systems to customers from the external leasing companies.

Amounts in € thousands	Within 1 year	In 1 to 5 years
Financial leasing (WaveLight as lessor)		
Gross investment in the lease = Future inflows from finance leases	74	120
Cash value outstanding lease payments	63	93
Unrealized financial income	11	27
Operating-Leasing (WaveLight as lessor)		
Future lease payments	51	39
Lease payments recognized as income in the fiscal year	140	-

Disclosures on financial instruments

Risk management

The WaveLight Group faces different risks owing to its use of financial instruments that might negatively affect the group's net assets, financial power and profitability.

These risks can be separated into credit risks, liquidity risks and market price risk.

The group's risk management ensures that risks are identified in a timely manner and counter measures can be taken. The risk management system is made up of two levels, central risk management and the decentralised risk officers in all departments. The task of the reporting and control of the risk management process are taken on by the central risk management unit. The investigation of risks, their assessment and monitoring as well as their minimisation by corresponding measures is the duty of the respective risk responsibility personnel.

Risks from financial instruments and strategies to hedge for these risks

1. Credit risks

In connection with financial assets, credit risks occur whenever a contractual party does not meet its obligations in a financial instrument transaction or if it does not meet these for the given deadlines. Credit risk can at most amount to the financial instrument's positive fair value.

Accounts receivables result from the different subsidiaries' sales activities from operations. The Group manages credit risk according to the guidelines of internal risk management with the help of internal credit guidelines, prepayments, export insurance, letters of credit, guarantees and securities.

Furthermore, the WaveLight Group manages credit risk by recognizing value adjustments for bad debt losses. A concentration of credit risks relating to trade receivables is limited owing to the WaveLight Group's global activities and the large number of customers.

Owing to WaveLight AG's increased use of the Alcon Group's global commercial strength, WaveLight AG is becoming more dependent on the Alcon Group. According to current plans, the share of sales by the Alcon Group will increase the total turnover of WaveLight AG by more than 70% during the next few years. WaveLight considers the financial strength of the Alcon Group to be sound. Bank accounts are exclusively opened with banks that can demonstrate first-rate creditworthiness. WaveLight also chooses only banks with first-rate creditworthiness for derivative instruments.

The maximum default risk (credit risk) consists of the entire loss of the financial instruments' positive carrying amount values. In this context, the company assumes that the recorded carrying amounts basically correspond to the fair values of the financial instruments.

The maturity structure at the balance sheet date of accounts receivables that are not value-adjusted and not overdue can be found in the table below, which is structured according to the different maturity ranges.

Amounts in € thousands	as per July 31, 2008	Payable in less than 30 days	Payable in 30 to 90 days	Payable in 60 to 90 days	Payable in more than 90 days
Trade receivables	22,534	9,069	3,087	1,233	8,165

Amounts in € thousands	as per July 31, 2007	Payable in less than 30 days	Payable in 30 to 90 days	Payable in 60 to 90 days	Payable in more than 90 days
Trade receivables	24,854	7,175	2,288	978	9,451

The aged analysis of overdue trade receivables that are not value adjusted can be summarized as follows for the balance sheet date:

Amounts in € thousands	overdue as per July 31, 2008	overdue since less than 30 days	overdue since 30 to 90 days	overdue since 60 to 90 days	overdue since more than 90 days
Trade receivables	3,818	346	772	248	2,452

Amounts in € thousands	overdue as per July 31, 2007	overdue since less than 30 days	overdue since 30 to 90 days	overdue since 60 to 90 days	overdue since more than 90 days
Trade receivables	7,067	2,871	801	709	2,686

In terms of the not value-adjusted assets, there are no reasons at the balance sheet date for assuming a possible payment delay by the debtors.

2. Liquidity risks

Liquidity risk basically describes the risk that the companies of the WaveLight Group might have insufficient financial means or might not be able to obtain these under the expected conditions in order to meet their payment obligations in connection with financial instruments. Such payment obligations consist of interest and amortization payments. In particular, liquidity risk is covered the WaveLight AG's involvement with the Alcon Group. The Alcon Group currently provides the WaveLight AG with a maximum credit limit of €50 million of which €34 million were being used at the balance sheet date.

The contractually agreed due dates of the financial obligations or those based on experience can be found in the table below which is structured according to the different maturity ranges:

Amounts in € thousands	Carrying amount July 31, 2008	Due dates 2008 (Short fiscal year)	2009	2010	2011	Later
Original financial liabilities						
Long term financial liabilities	116	-	116	-	-	-
Other long term liabilities	1,161	-	1,082	71	8	-
Short term financial liabilities	34,546	34,546	-	-	-	-
Trade payables	3,527	3,527	-	-	-	-
Other short term liabilities	9,241	9,241	-	-	-	-
Liabilities from discontinued business divisions	619	619	-	-	-	-
Derivative financial liabilites and assets						
Outpayments from derivate financial instruments						
- Interest rate derivates	271	123	57	-	-	-
- Foreign currency derivates	-	-	-	-	-	-

Future outflows of funds are covered by inflows from operations. Particular seasonal and single-amount peaks for finance requirements are sufficiently covered by the available liquidity as well as the coordination or short and long-term credit limits.

In terms of the market liquidity or derivatives, there is a risk that these can only be liquidized or settled with losses. In the financial year, market liquidity risk was counteracted by settling most derivates with complex structures.

3. Market price risks

The WaveLight Group faces market price risks in the shape of interest rate risks as well as in the shape of exchange rate risks because of its international approach. Continuous observation of key economic factors and pertinent market information is used to appraise and estimate the risks.

The group specifically hedges against currency and interest rate risk.

The group established a centrally organized risk management system to systematically record and evaluate these risks.

Currency risk:
Currency risks occur if the value of amounts held in a foreign currency changes owing to exchange rate fluctuations.
The WaveLight Group's exchange rate risk basically relates to sales and primarily relates to the US dollar and the Euro. Transaction risk which occurs as sales proceeds are received in a foreign currency and related costs are due in Euros can particularly affect the group's results and liquidity.

The identification of currency risk is performed with the help of a rolling forecast of outflows and inflows in foreign currencies adjusted at regular intervals.

The dollar rate development had a negative influence on the results in the closed fiscal year. Through appropriate hedging measures, WaveLight AG seeks to counteract this trend. However, it will not be possible to mitigate this effect entirely.

As a consequence of the change-over of the calculation of turnover for the US market in Euros, through corresponding agreements with Alcon, Inc., it was possible for a considerable part of the US dollar exchange rate risks to be reduced. Moreover, in August 2008, WaveLight AG had used the possibility to secure its US dollar assets through restructuring a part of the loan from Alcon, Inc. from Euros to dollars, so that, in total, it was possible for the dependency on dollars of the WaveLight Group to be reduced.

In order to manage US dollar risk, WaveLight AG arranged an FX swap in July 2008, in the context of which it sold $900 thousand at spot rate and repurchased them on August 18, 2008. At the balance sheet date, the deal had had a market value of €5 thousand. At the previous balance sheet date, there were forwards contracts with a total volume of $5,950 thousand and positive market values amounting to €46 thousand.

Under IFRS 7, the group conducts sensitivity analyses in relation to market price risks based on which it is possible to determine the effects of hypothetical changes of the relevant risk variables on results and equity capital.

The currency sensitivity analyses are based on the following assumptions:
Non-derivative financial instruments denominated in a foreign currency face currency risk and are therefore included in the sensitivity analysis.
Exchange-rate-related changes to the market values of currency derivatives that are neither in a hedging relationship in terms of IAS 39 nor in a natural hedging relationship affect the currency income and they are, therefore, included in the result-focused sensitivity analysis.

A currency appreciation or depreciation of the Euro compared to the value at the balance sheet date of 10% would have had a direct effect on equity capital amounting to €-0.1 million or €0.1 million. In the profit or loss statement, a currency appreciation or depreciation of the Euro of 10 % would have had a negative effect of approx. €0.6 million or a positive effect of approx. €0.8 million.

Interest rate risk:
Based on changes in market interest rates, interest rate risk can occur owing to value fluctuations of non-derivative financial instruments or from the outflow of funds resulting from these.

For the WaveLight Group, interest rate risk basically results from changes in the 3 month Euribor and the 3 month Libor based on which the parent company has determined interest rates for the loans provided.

At the balance sheet date, the derivatives shown in the table below were employed for interest rate management:

Amounts in € thousands	July 31, 2008		July 31, 2007	
	Nominal volume	Fair value = carrying value	Nominal volume	Fair value = carrying value
Interest rate swaps	10,000	(271)	46,922	(1,996)
Interest rate caps	-	-	6,000	103
Total	**10,000**	**(271)**	**52,922**	**(1,893)**

The interest rate swaps all mature in March 2009.

Under IFRS 7, interest rate risks are presented with the help of sensitivity analyses that show the effects of changes in market interest rates on interest payments, interest yield and interest expense, on other sections of the result as well as on equity capital.

The interest rate sensitivity analyses are based on the following assumptions:
Changes in market interest rates of non-derivative financial instruments with fixed interest only affect the result if these are carried at fair value. As a result, all financial instruments with fixed interest carried at amortized cost are not affected by interest rate risks in terms of IFRS 7.

Changes in market interest rates affect the net interest income of interest-bearing financial instruments whose interest payments have not been elected as hedges against interest rate changes in the context of cash flow hedges and they are therefore included in the sensitivity calculations.

Changes in market interest rates of interest rate derivatives that are not in a hedging relationship in terms of IAS 39 affect the net interest income and they are therefore included in the sensitivity calculations.

An increase or decrease in the level of the market interest rates in the reporting year by 100 base points would result in a group interest income of approx. €0.3 million (previous year approx. €0.1 million) more or less.

Other price risks:
In the context of market risk presentation, IFRS 7 also requires information on the effects of hypothetical changes of other price risk variables on the prices of financial instruments. Stock market prices or indices are particularly relevant as risk variables.
The group neither held such financial instruments in this nor in the previous reporting year.

Disclosures on capital management
The WaveLight Group's liabilities, equity capital and balance sheet total at the balance sheet date amounted to:

Amounts in € thousands	July 31, 2008	July 31, 2007	Changes in %
Current liabilities	48,984	48,602	
Non-current liabilities	1,277	2,801	
Liabilities	**50,261**	**51,403**	**-2%**
Percentage of balance sheet total	81%	69%	
Share capital	**11,787**	**22,995**	**-49%**
Percentage of balance sheet total	19%	31%	
Balance sheet total	**62,048**	**74,398**	

Liabilities were reduced by 2% compared with the previous balance sheet date. The basis of this development is taken from the positive operational business development.

In spite of the positive development of continued operations, the WaveLight Group's equity capital decreased by 49 %. The reduction in equity capital basically results from the WaveLight Group's reorientation in 2007/2008 as well as from value adjustments of deferred taxes amounting to €13,218 thousand in total. This leads to a reduction in the balance sheet total.

Equity capitalization is an important condition to secure the continued survival of WaveLight AG or of the WaveLight Group. Based on this, equity is managed and supervised regularly on the basis of the key management ratios, the equity to assets ratio and the return on equity.

The WaveLight AG is not bound by any capital requirements set out in the Articles of Association.

VII. Consolidated income statement disclosures

The presentation of the Profit and Loss account of the Company using the function of expense method.

Income and expenses that are to be allocated to the "Intraocular Ophthalmology" and "Aesthetics" business divisions are presented separately in the results from the discontinued operations in accordance with IFRS 5 ("Non-current Assets Held for Sale and Discontinued Operations"). Previous-year amounts were restated to conform to the new corporate structure.

(16) Revenues by Group sectors

The table below shows the Company's revenues from continuing operations, broken down by business area and region:

Amounts in € thousands	2007/2008	2006/2007*
Revenues by product area		
Refractive Ophthalmology	87,955	67,623
OEM surgery	2,921	2,747
Total	**90,876**	**70,370**

Amounts in € thousands	2007/2008	2006/2007*
Revenues by region		
Germany	5,163	4,937
Europe	16,769	15,774
USA	41,513	23,525
Asia	17,130	13,753
Rest of world	10,301	12,381
Total	**90,876**	**70,370**

*) previous-year amounts were restated to conform to the new corporate structure.

Sales from the Alcon Group amounting to €31,763 thousand (previous year: €0) were included in the sales revenues.

(17) Cost of sales

Cost of sales includes all costs for the products sold in the reporting period. The relevant labour and material costs were included using full absorption costing. The costs of research, selling, corporate marketing/investor relations, and administration not attributable to the production function are allocated to the appropriate items.

(18) Selling and product marketing expenses

Selling and product marketing expenses contain all expenses attributable to the direct and indirect sale of WaveLight products. Most of the expenses arise in connection with the provision of support to direct customers, and in particular distributors, for which highly qualified product specialists are required.

Due to the reorganization of the US business and the changed presentation of the "Intraocular Ophthalmology" division, the sales cost decreased in relation to the turnover by 24.6% in the previous term (€17,303 thousand) to 17.2% (€15,660 thousand) during the 2007/2008 fiscal year.

(19) Corporate marketing/investor relations expenses

All expenses relating to corporate marketing and corporate identity, as well as investor relations expenses are presented under corporate marketing/investor relations. The product marketing costs incurred in the product sectors are included in selling and product marketing expenses.

(20) Research and development expenses

The Company recognises research and development expenses that do not meet the criteria for capitalization under IAS 38.57 in profit or loss when they are incurred. These expenses include both expenses for developing potential clinical applications for the various laser systems and current expenses for the maintenance of existing products. The depreciations of capitalized development expenses are allocated to the products and thus are components of the cost of sales.

(21) General and administrative expenses

General and administrative expenses contain expenses not incurred by and not attributable to other functions.

(22) Other operating expenses

This item contains all expenses that are related only indirectly to ordinary business activities. Significant items in other operating expenses include exchange rate differences (€2,112 thousand, previous year: €1,168 thousand), expenses in connection with the share buy-back programme (€995 thousand, previous year: €0), restructuring expenses of WaveLight AG: (€1,873 thousand, previous year: €0) and legal and consultancy fees in connection with the take-over by Alcon, Inc. (€2,577 thousand, previous year: €0), miscellaneous personnel costs (€ 1.932 thousand, previous year € 0) and costs of the Extraordinary General Meeting (€ 171 thousand, previous year € 0).

(23) Other operating income

The other operating income primarily results from the charging of expenses of the share buy-back programme to Alcon (€2,588 thousand, previous year €0), 'income from exchange rate differences' €1,154 thousand (previous year €719 thousand), government grants received for current research projects of €196 thousand (previous year €334 thousand), charging of costs of assets of WaveLight, Inc. to Alcon Laboratories, Inc. (€509 thousand, previous year €0) and income from cost transfer of shared costs of the company valuation in connection with the domination agreement (€ 70 thousand, previous year € 0) and income from cost transfer of operating costs (€ 1,332 thousand, previous year € 0).

(24) Financial income

The financial income of €363 thousand (previous year: €420 thousand) primarily includes income from changes in fair value from interest rate swaps and interest on bank balances and time deposits.

(25) Finance costs

The utilisation of credit and the directly related additional expenses amounted to €3,687 thousand (previous year: € 4.390 thousand) for the WaveLight Group. Of these, €1,862 thousand are made up of interest expenses from liabilities to banks, interest expenses from liabilities to associated companies of €1,783 thousand and changes in value of the interest rate derivatives of €42 thousand (previous year: €639 thousand).

(26) Income tax expense

Earnings before taxes amounted to €2,968 thousand (previous year: € -3,310 thousand) and is subject to 51% tax of the Federal Republic of Germany.

Income taxes paid or due in the respective countries as well as deferred taxes are reported as income taxes. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and their tax base as well as for tax loss carry forwards whose utilisation is probable. Income taxes are computed using the tax rates that have been enacted or substantively enacted in each country.

Group income taxes are broken down as follows:

Amounts in € thousands	2007/2008	2006/2007
Current taxes	(571)	(101)
Deferred taxes	(6,558)	864
Income taxes	**(7,129)**	**763**

In addition, deferred tax expense of €243 thousand (previous year: €279 thousand) was recorded directly under the revaluation reserve in equity.

The tax rate of the individual companies of 25% to 37.96% is applied to the pre-tax income to calculate deferred taxes.

In the case of WaveLight AG, a tax rate of 30.0% applied (previous year: 30.0%). This tax rate is a composite tax rate consisting of corporate income tax rate of 15.0% (previous year: 15.0%) plus a 5.5% solidarity charge (previous year: 5.5%) and a trade tax rate of 14.2% (previous year: 14.2%). For WaveLight, Inc., a tax rate of 37.96% (previous year: 40.0%) applied and for WaveLight S.A. a rate of 25.0 % (previous year: 25.0%).

The difference between the expected and the reported income tax expense is attributable to the following factors:

Amounts in € thousands	2007/2008	2006/2007
Expected tax expense	**(948)**	**1,277**
Other tax-free income and non-decuctible expenses	(2,308)	332
Taxes in previous years	(519)	(396)
Change in tax rate	-	(1,517)
Tax effect from discontinued operations and consolidation adjustments	1,669	4,004
Valuation allowances on deferred tax assets on tax loss carryforwards	(4,992)	(2,709)
Miscellaneous	(31)	(228)
Reported income tax expense	**(7,129)**	**763**
Effective tax rate in %	**240.2%**	**23.0%**

The Group (excluding discontinued operations) has the following domestic tax loss carry forwards: corporation tax: €34,444 thousand (previous year: €37,163 thousand), trade tax €31,066 thousand (previous year: €34,501 thousand) and foreign, primarily USA, tax loss carry forwards of €3,809 thousand (previous year: €5,287 thousand).

The US losses carry forwards expire by 2023. The so-called minimum taxation has applied in Germany since 2004, under which tax loss carry forwards may be set without restriction against profits of up to €1,000 thousand in the following year, and by up to 60% on any profits in excess of this amount. Valuation allowances were charged on the deferred tax assets on this loss carry forwards in some cases.

Along with the minimum taxation to be applied in Germany since 2004, the interest deduction ceiling rule, which newly regulates deduction from taxable income from interest expenses, has to be applied in fiscal years that end after January 1, 2008. The interest deduction ceiling rule has no effect on the tax result of WaveLight AG in the 2007/2008 fiscal year.

As a consequence of these new regulations and in spite of existing losses carried forward for the 2007/2008 fiscal year, WaveLight AG has to pay income taxes of €335 thousand. Furthermore, provision of €200 thousand for tax audit risks was set aside in the fiscal year 2007/2008.

The actual income tax expenses outside the period amount to €236 thousand (previous year: €76 thousand) for the WaveLight Group.

Deferred tax assets and liabilities result from the following:

Amounts in € thousands	2007/2008		2006/2007	
	Credited deferred taxes	Debited deferred taxes	Credited deferred taxes	Debited deferred taxes
Intangible assets and property, plant, and equipment	-	2,255	-	2,117
Current assets	147	554	123	34
Liabilities	956	-	1,916	-
Tax loss carryforwards (after valuation allowances)	3,357	-	8,489	-
Miscellaneous	-	-	-	119
Eliminations	(2,809)	(2,809)	(2,270)	(2,270)
Total	**1,651**	**0**	**8,258**	**0**

The deferred taxes on intangible assets and property, plant, and equipment and on the tax loss carry forwards are primarily non-current. The other deferred taxes are current.

With the exception of the deferred tax assets on tax loss carry forwards, all deferred taxes are based on taxable temporary differences between the carrying amounts and the tax base.

The carrying amount of the deferred tax credits on loss carry forwards is based on the completed restructuring and the results already taking place in the current fiscal year; from the point of view of tax, in the 2007/2008 fiscal year, WaveLight AG has again achieved a positive income to be taxed. The value of deferred tax credits on loss carry forwards is measured on the basis of an assessment by the Company using a forecast period of five years. In the course of this, the agreement published on the April 7, 2008 between Nestlé S.A. and Novartis AG, has been taken into consideration. It provides that Novartis AG should acquire 24.85% of the shares of Alcon Inc., as the first step. Between January 1, 2010 and the July 31, 2011, the take-over of an additional estimate of 52% of the shares is planned. On the basis of this assessment, the deferred tax on loss carry forwards on the assets side were written down by €6,972 thousand (previous year: €4,225 thousand).

The usability of tax loss carry forwards could be endangered in the future owing to the takeover by Alcon, Inc. More than 50% of the shares have been transferred; any significant addition of assets in the future would lead to the lapse of tax loss carry forwards in Germany.

Also for WaveLight Inc. the carrying amount of the deferred tax on loss carry forwards on the asset side is based on predictions of taxable income for the next five years. The deferred taxes on loss carry forwards on the asset side were recognized in the amount in which they are still useful for the remaining operational activity of WaveLight Inc. (€485 thousand; previous year: €1,955 thousand). In total, the deferred taxes on loss carry forwards on the asset side were adjusted in value by €961 thousand in the case of WaveLight Inc. In addition, currency exchange rate adjustments of €192 thousand were made on the deferred taxes on the assets side of WaveLight, Inc.

For the first time, for WaveLight, Inc. non-deductible interest expenses of €1,767 thousand were incurred during the reporting year. These non-deductible interest expenses are basically deductible in following years, provided that specific earnings indicators and equity quotas are achieved. Because it cannot be expected for sure that these indicators can be achieved comprehensively, the deferred taxes on the assets side, incurred on the interest carrying amount totalling €671 thousand, were fully adjusted in value.

The deferred taxes on the assets side of WaveLight S.A. were fully adjusted in the value of €421 thousand, considering the unforeseen usability.

Deferred tax liabilities are netted against deferred tax assets at Company level.

(27) Income from discontinued operations

Income from discontinued operations can be broken down as follows:

Amounts in € thousands	2007/2008	2006/2007
Turnover	5,873	17,151
Cost of sales	(4,247)	(13,412)
Gross profit on turnover	**1,626**	**3,739**
Sales costs	(2,433)	(6,671)
Corporate marketing/selling expenses	(15)	(15)
General administration expenses	(246)	(1,252)
Research and development expenses	(289)	(1,122)
Other operating expenses	(65)	(6,089)
Other operating income	27	542
Earnings before interest and taxes (EBIT)	**(1,395)**	**(10,868)**
Financial results	(221)	(1,523)
Result before taxes	**(1,616)**	**(12,391)**
Corporate marketing/selling expenses	170	1,304
Income tax expense and income from discontinued operations less tex effect (deconsolidation)	(4,643)	-
Results from discontinued operations	**(6,089)**	**(11,087)**
of which from Aesthetics	(1,367)	(9,957)
of which from intraocular surgery	(4,722)	(1,130)

The results of the discontinued operation were impacted in particular by expenses, which are related to the discontinuation of the Aesthetics Division.

The loss from the discontinued operations amounted to €6,089 thousand, from which €4,722 thousand were allocated to the intraocular surgery sector and €1,367 thousand to the disposal of the aesthetics division. The write-down became necessary since current unit sales figures in this division mean that it is becoming increasingly unlikely that WaveLight will be able to collect the variable purchase price. Furthermore, the result from discontinued operations was hit by depreciations of fixed assets of the Aesthetics Division.

(28) Profit/loss attributable to minority interest

The profit or loss attributable to the minority shareholders in WaveLight S.A. is reported in this item.

(29) Earnings per share

Diluted earnings per share additionally include rights equivalent to shares and options that have already been granted and whose exercise price was lower than the average share price of €16.44 in the 2007/2008 fiscal year (previous year: 6.59). This average share price and the exercise prices granted result in a dilutive effect attributable to an additional 15,000 shares. The corresponding diluted earnings per share are thus €-1.53 (previous year: €-2.05).

Earnings per share	2007/2008	2006/2007
Group annual result, amounts in € thousands	**(10,072)**	**(13,490)**
Average number of shares (quantity)	6,579,657	6,577,026
Loss per share in € (basic)	(1.53)	(2.05)
Average number of shares, diluted (quantity)	6,587,861	6,577,173
Loss per share in € (diluted)	(1.53)	(2.05)
Basic earnings per share from the disposal operations		
Income from discontinued operations less tax effect, amounts in € thousands	**(6,089)**	**(11,087)**
Average number of shares (quantity)	6,579,657	6,577,026
Loss per share in € (basic)	(0.93)	(1.69)
Average number of shares, diluted (quantity)	6,587,861	6,577,173
Loss per share in € (diluted)	(0.92)	(1.69)

Other declarations

Cost of materials and employee expenses

Amounts in € thousands	2007/2008	2006/2007
Cost of materials	46,937	34,056
thereof for purchased services	1,790	1,786
Wages and salaries	10,968	12,234
Social security contributions, employee benefit and old-age pension expenses	1,873	1,949

VIII. Consolidated cash flow disclosures

The following amounts must be disclosed because the cash flow statement was prepared using the indirect method:

Amounts in € thousands	2007/2008	2006/2007
Payments of income taxes	272	-
Payments of interest less interest income	3,069	4,072

In the fiscal year under review, discontinued operations resulted in cash flows used in operating activities of €2,854 thousand (previous year: €12 thousand), an investment activity amounted to €311 thousand (previous year: €976 thousand) and an inflow of funds from financing activity to the extent of €0 (previous year: €-1,001 thousand)

Other disclosures to consolidated cash flow statement

Sale of subsidiaries and business divisions:

Amounts in € thousands	2007/2008	2006/2007
Intangible assets	3,376	-
Property, plant, and equipment	159	-
Deferred tax	131	-
Inventories	788	51
Non-current trade receivables	530	327
Other non-current assets	63	-
Liquid funds	251	235
Trade payables	(1,185)	(132)
Financial liabilities	-	(46)
Accurals	(197)	(186)
Other liabilities	(8)	-
Disposition gain	**(3,908)**	**249**
Purchase price received	-	500
Cash disposed	(251)	(235)
Reimbursables of sales	(24)	-
Inflow of funds from sale of companies, less cash disposed	**(275)**	**265**

IX. Sector information disclosures

Sector reporting by business divisions

Divisions Amounts in € thousands	Ophthalmology 2007/2008	 2006/2007
Sector revenues	**87,955**	**67,623**
Export sales	56,192	67,623
Internal group sales	31,763	-
Sector result for continuing operations	6,090	660
Sector result for discontinued operations	-	-
Share of profit or loss of equity-accounted companies	-	(206)
Carrying amount of equity-accounted companies	**-**	**732**
Assets of continuing operations	**50,977**	**56,506**
Assets of discontinued operations	-	-
Liabilities of continuing operations	**14,025**	**18,939**
Liabilities of discontinued operations	-	-
Sector investments	**5,523**	**3,739**
Sector depreciation and amortization	5,238	4,073
Impairment losses	787	57
Non-cash expenses	8,234	206

	Other Sectors		Total Sectors		Reconciliation		Group	
	2007/2008	2006/2007	2007/2008	2006/2007	2007/2008	2006/2007	2007/2008	2006/2007
	2,921	**2,747**	**90,876**	**70,370**	**-**	**-**	**90,876**	**70,370**
	2,921	2,747	59,113	70,370	-	-	59,113	70,370
	-	-	31,763	-	-	-	31,763	-
	202	-	6,292	660	-	-	6,292	660
	(1,395)	(10,868)	(1,395)	(10,868)	-	-	(1,395)	(10,868)
	-	-	-	(206)	-	-	-	(206)
	-	**-**	**-**	**732**	**-**	**-**	**-**	**732**
	1,693	**2,295**	**52,670**	**58,801**	**6,248**	**10,180**	**58,918**	**68,981**
	3,130	5,417	3,130	5,417	-	-	3,130	5,417
	466	**769**	**14,491**	**19,708**	**35,151**	**30,863**	**49,642**	**50,571**
	619	832	619	832	-	-	619	832
	183	**152**	**5,706**	**3,891**	**-**	**-**	**5,706**	**3,891**
	174	165	5,412	4,238	-	-	5,412	4,238
	-	-	787	57	-	-	787	57
	273	9,193	8,507	9,399	-	-	8,507	9,399

Revenues by region

Regions Amounts in € thousands	Germany 2007/2008	 2006/2007	Europe 2007/2008	 2006/2007
Sector revenues	**5,163**	**4,937**	**16,769**	**15,774**
External sales	5,163	4,937	14,799	15,774
Internal group sales	-	-	1,970	-
Sector assets	**47,171**	**45,466**	**1,285**	**4,628**
Sector investments	**5,551**	**3,636**	**3**	**19**

WaveLight is structured into divisions reflecting its internal organizational and management structure. Sector reporting in accordance with IFRS is prepared for the Ophthalmology Division and the other sectors. The Aesthetics and Industrial Laser Divisions are reported collectively under "Other sectors" since, as sectors held for sale, they are of minor importance to the Group's further development. The OEM Surgery business area is also allocated to "Other sectors" owing to its size.

Sector reporting contains all income and expenses as well as assets and liabilities that are attributable either directly to the sector or on the basis of a logical allocation formula. Sector results are reported as EBIT in the reporting year as in the previous year.

	USA		Asia		Rest of world		Total sector group	
	2007/2008	2006/2007	2007/2008	2006/2007	2007/2008	2006/2007	2007/2008	2006/2007
	41,513	**23,525**	**17,130**	**13,753**	**10,301**	**12,381**	**90,876**	**70,370**
	11,720	23,525	17,130	13,753	10,301	12,381	59,113	70,370
	29,793	-	-	-	-	-	31,763	-
	4,214	**8,707**	**-**	**-**	**-**	**-**	**52,670**	**58,801**
	152	**236**	**-**	**-**	**-**	**-**	**5,706**	**3,891**

In the cases in which an allocation formula was used, this was applied on the basis of the sector revenues.

The ophthalmology sector comprises the activities of the refractive surgery unit. The refractive product portfolio consists of laser systems, diagnostic systems, and the associated services for treating visual impairments.

No goods or services were exchanged between the reported sectors.

X. Events after the balance sheet date

On August 14, 2008, the credit limit agreement between the WaveLight AG and Alcon, Inc was extended to November 30, 2009. Furthermore, in the context of this extension, the company now also has the option of using the above-mentioned credit limit up to the maximum amount of $ 30 thousand in US dollars.

On September 18, 2008, WaveLight AG agreed an endorsement with the buyer of WaveLight Aesthetic GmbH in relation to the transfer of the company's activities in the Aesthetics business area. The content of this agreement basically deals with the production phase-out until December 2008, the transfer of inventories, the omission of a variable purchase price claim by WaveLight AG and the final regulations on guarantee promises. WaveLight AG's withdrawal from the aesthetics business area until the end of 2008 can thereby be assured.

A decision was made on September 23, 2008, to reorganise business activities in Spain. In the course of this, the WaveLight AG intends to sell its share in WaveLight S.A. to the Managing Director of the Spanish company. Furthermore, the Alcon Group's sales presence in the Spanish market will be used by transferring marketing and sales of lasers systems to the Spanish Alcon marketing organisation in future.

XI. Employees

The average number of employees was as follows:

Employees on the date of the balance sheet	July 31, 2008	July 31, 2007
Salaried employees	158	233
Part time employees	7	11
Trainees/Undergraduates	6	14
Temporary workers	3	4
Total	**174**	**262**

Part time employees, undergraduates and temporary workers were accounted for on a pro rata basis.

XII. Related party disclosures

Alcon, Inc informed WaveLight AG on November 9, 2007, that it had 5,089,618 voting rights in WaveLight AG. This corresponds to 77.38% of voting rights. The voting stock is held directly by Alcon, Inc. Owing to WaveLight AG's capital increase, Alcon, Inc holds 77.28% of voting rights of WaveLight AG at the balance sheet date, with the same number of voting rights, being 5,089,618.

As a result, WaveLight AG and its subsidiaries are dependent on the parent company Alcon, Inc, Hünenberg, Switzerland.

The WaveLight Group currently entertains business relationships with the following companies in the Alcon Group:

- Alcon, Inc., Hünenberg, (Switzerland)
- Alcon Laboratories, Inc., Fort Worth / Texas, USA
- Alcon Pharmaceuticals, Ltd. (Switzerland)
- Alcon Pte. Ltd., Singapore

Alcon, Inc, Hünenberg (Switzerland) will provide WaveLight AG with a credit limit of €50 million until November 30, 2009. The grant of such a loan is subject to conditions that regulate the use of the funds provided. Interest reflects standard market rate conditions.

WaveLight AG delivers the company's entire product portfolio to the Alcon Group. This includes:

- The delivery of laser systems, diagnosis systems and accessories
- The delivery of spare parts
- The performance of services (installations, maintenance, repairs)
- The delivery of WaveCards, a system for the application of local licensing conditions (per procedure fee) used only on the American market

WaveLight, Inc's current business transactions with Alcon Laboratories, Inc have been limited since February 1, 2008, owing to rental costs and "per procedure fees" that were determined on the US market based on units installed before the takeover by the Alcon Group.

The Alcon Group receives WaveLight products at a price that bears comparison with third party sales from today's perspective, bearing in mind the quantity structure.

The following presents the extent and manner of the basic business relationship between Alcon, Inc. or its subsidiaries and WaveLight AG including its subsidiaries:

Delivery of goods and performance of services by WaveLight Group companies of the Alcon group

Product group	Amounts in € thousands
Laser systems and diagnostic systems	23,658
Spare parts, service and WaveCards	8,105
Total	**31,763**

Other business relationships and services of the WaveLight Group to companies of the Alcon Group

Product group	Amounts in € thousands
Charging of expenses from termination of the share option programmes	705
Sale of assets of WaveLight, Inc. in the course of the reorientation of the US activities	1,812
Other services	1,277
Total	**3,794**

Supplies and services from the Alcon Group to companies of the WaveLight Group.

Product group	Amounts in € thousands
Licence payments in the US market	1,113
Delivery of goods	150
Management fees	135
Interest calculations for the loan from Alcon, Inc. to WaveLight AG	1,566
Total	**2,964**

In the business year 2007/2008, the following contracts and agreements were made with companies of the Alcon Group, and they are the basis of the above-mentioned legal transactions:

Intra-Group Loan Agreement between WaveLight AG and Alcon, Inc from December 6/18, 2007
Management Service Agreement between WaveLight, Inc. and Alcon Laboratories, Inc. from February 1/4, 2008
Tax Indemnification Agreement between WaveLight AG and Alcon, Inc. from February 1/4, 2008
Asset Purchase Agreement between WaveLight, Inc. and Alcon Laboratories, Inc. from February 1/4, 2008
Exclusive Supply and Asset Transfer Agreement between WaveLight AG and Alcon Laboratories, Inc. from February 1/4, 2008.

As of July 31, 2008, there were claims of € 7,493 thousand against and liabilities of € 34,715 thousand to the Alcon Group. These contain financial liabilities of € 34,813 thousand. Furthermore, the miscellaneous liabilities contain deferred interest of € 218 thousand to Alcon, Inc.

Share option plan

In the course of the majority takeover of Alcon, Inc, the WaveLight AG has come to an agreement with the majority of its employees regarding the renouncement of share option plans from share options granted in the past. The corresponding agreements contained cash compensations to the amount of € 9 per option. Alcon, Inc. has confirmed the transfer costs resulting from the end of the share option plans. With the renouncement, all share options of the 2006 programme become INVALID. 53,000 options remain from the 2004 share option plan whose exercise period expires on December 31, 2010.

No new stock options were granted in this financial year.

The exercise of the remaining options is linked to the development of the relevant branch index. The base price is the average closing price of WaveLight shares in Xetra trading on the Frankfurt Stock Exchange in the 20 days preceding the issue date of the options.

WaveLight AG recognized the employee expense at the grant date in the amount of the fair value of the share options calculated using the Black/Scholes option-pricing model.

The table below provides detailed information on changes in the grant and exercise of stock options and the weighted average exercise prices, which reflect exercise prices adjusted for the capital increase.

	2007/2008		2006/2007	
	Quantity	Exercise price in €	Quantity	Exercise price in €
Options at August 1	**353,500**	**12.55**	**379,000**	**12.73**
Options granted under 2004 plan	75,000	12.90	-	
Options granted under 2004 plan	71,500	18.10	-	
Options granted under 2006 plan	125,000	9.22	-	
Options granted under 2006 plan	15,000	6.53	-	
Expired options under 2004 plan	-		5,500	18.10
Expired options under 2006 plan	5,000		35,000	9.22
Options granted under 2006 plan	-		15,000	6.53
Options exercised under 2004 plan	9,000		-	
Outstanding options at July 31	**53,000**	**14.37**	**353,500**	**12.55**
Available for grant at July 31	**192,638**		**192,638**	

The following overview contains information on the remaining option period (in years) and the exercise prices for the share options outstanding at July 31, 2007:

Exercise price in €		Number of shares	Remaining term in years
€ 12.82	Stock option plan 2004	3,000	2.4
€ 12.90	Stock option plan 2004	35,000	2.4
€ 18.10	Stock option plan 2004	15,000	2.4
€ 14.37	**Outstanding share options**	**53,000**	
	of which, exercisable	38,000	

Domination agreement

On March 20, 2008 a domination agreement was made between WaveLight AG and Alcon, Inc, in accordance with Section 291 German Companies Act (AktG). In the course of the Extraordinary General Meeting of WaveLight AG on May 7, 2008, the shareholders approved the domination agreement. The requisite entry in the commercial register has not yet been made.

Declaration of conformity with the Corporate Governance Code

The Executive Board and the Supervisory Board of WaveLight AG have issued the Declaration of conformity with the Corporate Governance Code, required by Section 161 of the German Companies Act (AktG), and have made it available to the shareholders on WaveLight AG's website, where they can have permanent access to it.

Declarations in accordance with Section 160 (1) No. 8 of the AktG (German Stock Corporation Act)

The following declarations were made to the company in accordance with Section 160 (1) No. 8 German Companies Act (AktG):

January 15, 2008

On January 2, **Merrill Lynch International, London, U.K.,** informed us in accordance with Section 21(1) and (23) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on the December 21, 2007, exceeded the 3% and 5 % threshold and now amounts to 5.02 % (Voting rights 330,180; capital stock in shares: 6,577,026).

On January 2, **ML UK Capital Holdings, London, U.K.,** informed us in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on December 21, 2007, exceeded the 3% and 5 % threshold and now amounts to 5.02 % (voting rights: 330,180; capital stock in shares: 6,577,026). All these voting rights are attributable to ML UK Capital Holdings in accordance with Section 22(1) Sentence 1 No 1 of the German Securities Trading Act (WpHG). The parent companies holding the voting rights are interlinked via: Merrill Lynch International which is controlled by ML UK Capital Holdings.

On January 2, **Merrill Lynch Holdings Limited, London, U.K.,** informed us in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on December 21, 2007, exceeded the 3% and 5 % threshold and now amounts to 5.02 % (voting rights: 330,180; capital stock in shares: 6,577,026). All these voting rights are attributable to Merrill Lynch Holdings in accordance with Section 22(1) Sentence 1 No 1 of the German Securities Trading Act (WpHG). The parent companies holding the voting rights are interlinked via: Merrill Lynch International which is controlled by ML UK Capital Holdings, which in turn is controlled by Merrill Lynch Holding Limited.

On January 2, **Merrill Lynch Europe Intermediate Holdings, London, U.K.,** informed us in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on December 21, 2007, exceeded the 3% and 5 % threshold and now amounts to 5.02 % (voting rights: 330,180; capital stock in shares: 6,577,026). All these voting rights are attributable to Merrill Lynch Europe Intermediate Holdings in accordance with Section 22 (1) Sentence 1 No 1 of the German Securities Trading Act (WpHG). The parent companies holding the voting rights are interlinked via: Merrill Lynch International which is controlled by ML UK Capital Holdings, which in turn is controlled by Merrill Lynch Holdings Limited, which in turn is controlled by Merrill Lynch Europe Intermediate Holdings.

On January 2, **Merrill Lynch Europe PLC, London, U.K.,** informed us in accordance with Section 21 (1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on December 21, 2007, exceeded the 3% and 5 % threshold and now amounts to 5.02 % (voting rights: 330,180; capital stock in shares: 6,577,026). All these voting rights are attributable to Merrill Lynch Europe Intermediate Holdings in accordance with Section 22 (1) Sentence 1 No 1 of the German Securities Trading Act (WpHG). The parent companies holding the voting rights are interlinked via: Merrill Lynch International which is controlled by ML UK Capital Holdings, which in turn is controlled by Merrill Lynch Holdings Limited, which in turn in controlled by Merrill Lynch Europe Intermediate Holdings, which in turn is controlled by Merrill Lynch Europe PLC.

On January 2, **Merrill Lynch International Inc., Wilmington, USA.,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on December 21, 2007, exceeded the 3% and 5 % threshold and now amounts to 5.02 % (voting rights: 330,180; capital stock in shares: 6,577,026). All these voting rights are attributable to Merrill Lynch International Inc. in accordance with Section 22(1) Sentence 1 No 1 of the German Securities Trading Act (WpHG). The parent companies holding the voting rights are interlinked via: Merrill Lynch International which is controlled by ML UK Capital Holdings, which in turn is controlled by Merrill Lynch Holdings Limited, which in turn in controlled by Merrill Lynch Europe Intermediate Holdings, which in turn is controlled by Merrill Lynch Europe PLC which in turn is controlled by Merrill Lynch International Holdings Inc. which in turn is controlled by Merrill Lynch International Inc.

On January 2, **Merrill Lynch & Co., Inc., Wilmington, USA.,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on December 21, 2007, exceeded the 3% and 5 % threshold and now amounts to 5.02 % (voting rights: 330,180; capital stock in shares: 6,577,026). All these voting rights are attributable to Merrill Lynch & Co., Inc. in accordance with Section 22(1) Sentence 1 No 1 of the German Securities Trading Act (WpHG). The parent companies holding the voting rights are interlinked via: Merrill Lynch International which is controlled by ML UK Capital Holdings, which in turn is controlled by Merrill Lynch Holdings Limited, which in turn in controlled by Merrill Lynch Europe Intermediate Holdings, which in turn is controlled by Merrill Lynch Europe PLC which in turn is controlled by Merrill Lynch International Holdings Inc. which in turn is controlled by Merrill Lynch International Inc., which in turn is controlled by Merrill Lynch & Co., Inc.

November 13, 2007

On November 12, **Carl Zeiss Meditec AG, Jena, Germany,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on December 21, 2007, exceeded the 5 % and 3 % threshold and now amounts to 0 % (voting rights: 0)

November 12, 2007

On September 11, 2007, **Alcon, Inc., Hünenberg, Switzerland,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG) that its voting rights percentage in WaveLight AG, Erlangen, Germany, on the September 11, 2007 exceeded the 30 %, 50% and 75% thresholds and now amounts to 77.38 % (5,089,618 voting stock). The voting stock is held directly by Alcon, Inc.

On November 9, 2007, **Nestlé S.A., Vevey, Switzerland,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on December 21, 2007, exceeded the 30 % and 50 % thresholds and now amounts to 75 % (voting rights: 5,089,618) All this voting stock is attributed to Nestlé S.A. on the basis of the stock held by Alcon, Inc. in accordance with Section 22(1) Sentence 1 No. 1 in combination with Sentence 3 of the German Securities Trading Act (WpHG). Alcon, Inc. is a directly controlled company of Nestlé S.A.

November 6, 2007

On November 5, 2007, **INVERSIONES FOCALIZADAS SICAV, S.A., Madrid, Spain,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on the September 25, 2007, exceeded the 3% threshold and now amounts to 0 % (voting rights: 0).

On November 5, 2007, **Questions S.G.I.I.C., S.A., Madrid, Spain** informed us by order and for account of INVERSIONES FOCALIZADAS SICAV, S.A., in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on September 25, 2007, exceeded the 3% threshold and now amounts to 0 % (voting rights: 0)

September 25, 2007

On September 25, 2007, **Alcon, Inc., Hünenberg, Switzerland,** informed us, in accordance with Section 21(1) German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on September 25, 2007 exceeded the 25% threshold and now amounts to 25.49% (1,676,795 voting stock). The voting stock is held directly by Alcon, Inc.

On September 25, **Nestlé S.A., Vevey, Switzerland,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on September 25, 2007, exceeded the 25% threshold and now amounts to 75% (voting rights: 1,676,795) All this voting stock is attributed to Nestlé S.A. on the basis of the stock held by Alcon, Inc. in accordance with Section 22 (1) Sentence 1 No. 1 in combination with Sentence 3 of the German Securities Trading Act (WpHG). Alcon, Inc. is a directly controlled company of Nestlé S.A.

September 21, 2007

On September 7, **Soneva S.A., Neuchatel, Switzerland,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on September 6, 2007, exceeded the 5% threshold and now amounts to 6.08% (voting rights: 400,000) Soneva S.A. directly holds 3.8% (250,000 voting stock). 0.76% of which (50,000 voting stock) is attributed to Soneva S.A. from Orsus Consult GmbH in accordance with Section 22(1) Sentence 1 No. 2 of the German Securities Trading Act (WpHG). A further 1.52% (100,000 voting stock) is also attributed to Soneva S.A. in accordance with Section 22 (2) clause 1 of the German Securities Trading Act (WpHG).

On September 13, 2007, **RRS Capital Strategies Services GmbH, Vienna, Austria** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on September 6, 2007, exceeded the 3% and 5 % thresholds and now amounts to 5.32 % (voting rights: 350,000). 1.52% of which (100,000 voting stock) is also attributed to RRS Capital Strategies Services GmbH, Vienna, Austria in accordance with Section 22(1) Sentence 1 No. 6 of the German Securities Trading Act (WpHG). A further 3.80 % (250,000 voting stock) is attributed to it from Soneva S.A., Neuchatel, Switzerland in accordance with Section 22(2) clause 1 of the German Securities Trading Act (WpHG).

September 11, 2007

On September 11, 2007, **Alcon, Inc., Hünenberg, Switzerland,** informed us, in accordance with Section 21(1) German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on September 11, 2007 exceeded the 20% threshold and now amounts to 24.25% (1,595,000 voting stock). The voting stock is held directly by Alcon, Inc.

On September 11, **Nestlé S.A., Vevey, Switzerland,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on September 11, 2007, exceeded the 20% threshold and now amounts to 24.25 % (voting rights: 1,595,000) All this voting stock is attributed to Nestlé S.A. on the basis of the stock held by Alcon, Inc. in accordance with Section 22(1) Sentence 1 No. 1 in combination with Sentence 3 of the German Securities Trading Act (WpHG). Alcon, Inc. is a directly controlled company of Nestlé S.A.

On September 10, 2007, **Arnhold and S. Bleichroeder Holdings, Inc.** (as the parent company of Arnhold and S. Bleichroeder Advisers, LLC), New York, USA, informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on September 7, 2007, exceeded the 3% threshold and now amounts to 0.00% (voting rights: 0; capital stock in shares: 6,577,026). The voting rights previously held were accredited to Arnhold and S. Bleichroeder Holdings, Inc. in accordance with Section 22 (1) Sentence 2 in connection with Section 22(1) Sentence 1 No. 6 of the German Securities Trading Act (WpHG).

On September 10, 2007 **Arnhold and S. Bleichroeder Advisers, LLC, New York, USA,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on the September 7, 2007, exceeded the 3 % threshold and now amounts to 0.00 % (voting rights: 0; capital stock in shares: 6,577,026). The voting rights previously held were accredited to Arnhold and S. Bleichroeder Advisers, LLC, as wholly-owned subsidiary of Arnhold and S. Bleichroeder Holdings, Inc. in accordance with Section 22(1) clause 1 No. 6 of the WpHG (German Securities Trading Act).

September 4, 2007

On August 29, 2007, **Arnhold and S. Bleichroeder Holdings, Inc.** (as the parent company of Arnhold and S. Bleichroeder Advisers, LLC), New York, USA, informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on August 28, 2007, exceeded the 5 % threshold and now amounts to 5.32% (voting rights: 350,000; capital stock in shares: 6,577,026). The voting rights previously held were accredited to Arnhold and S. Bleichroeder Holdings, Inc. in accordance with Section 22(1) Sentence 1 No. 6 in connection with Section 22(1) Sentence 2 of the German Securities Trading Act (WpHG).

On August 29, 2007 **Arnhold and S. Bleichroeder Advisers, LLC, New York, USA,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on August 29, 2007, exceeded the 5% threshold and now amounts to 5.32% (voting rights: 350,000; capital stock in shares: 6,577,026). The voting rights are accredited to Arnhold and S. Bleichroeder Advisers, LLC, as wholly-owned subsidiary of Arnhold of Arnhold and S. Bleichroeder Holdings, Inc. in accordance with Section 22(1) Sentence 1 No. 6 of the German Securities Trading Act (WpHG).

August 17, 2007

On August 17, 2007, **Soneva S.A., Neuchatel, Switzerland,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on August 17, 2007, exceeded the 3% threshold and now amounts to 3.12 % (voting rights: 205,125) 0.76 % of which (50,000 voting stock) is attri-buted to it in accordance with Section 22 (1) Sentence 1 No. 2 of the German Securities Trading Act (WpHG). Voting rights were attributed to us by the following share holders: Orsus Consult GmbH, Kupferberg, Germany´.

August 14, 2007

On August 13, 2007, **Alcon, Inc., Hünenberg, Switzerland,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on August 10, 2007 exceeded the 10% threshold and now amounts to 10.17% (number of shares: 668,862; capital stock in shares: 6,577,026). The voting stock is held directly by Alcon, Inc.

On August 13, 2007, **Nestlé S.A., Vevey, Switzerland,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, August 10, 2007, exceeded the 10 % threshold and now amounts to 10.17% (number of shares: 668,862; capital stock in shares: 6,577,026). All this voting stock is attributed to Nestlé S.A. on the basis of the stock held by Alcon, Inc. in accordance with Section 22(1) Sentence 1 No. 1 in combination with Sentence 3 of the German Securities Trading Act (WpHG). Alcon, Inc. is a directly controlled company of Nestlé S.A.

August 10, 2007

On August 9, 2007, **Highclere International Investors Smaller Companies Fund, Westport, USA,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on August 8, 2007, exceeded the 3% threshold and now amounts to 1.52% (number of shares: 100,054; capital stock in shares: 6,577,026).

On August 9, 2007, **Highclere International Investors Limited, London, United Kingdom,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on August 8, 2007, exceeded the 3% threshold and now amounts to 1.52% (number of shares: 100,054; capital stock in shares: 6,577,026). All these voting rights are attributed to Highclere International Investors Limited on the basis of the shares held by Highclere International Investors Smaller Companies Fund in accordance with Section 22(1) Sentence 1 No. 6 of the German Securities Trading Act (WpHG).

August 6, 2007

On August 3, 2007, **Carl Zeiss Meditec AG, Jena, Germany,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on July 31, 2007, exceeded the 3% threshold and now amounts to 4.20% (number of shares: 276,025; capital stock in shares: 6,577,026).

On August 3, 2007, **Carl Zeiss Meditec AG, Jena, Germany,** informed us, in accordance with Section 21 (1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Erlangen, Germany, on August 2, 2007, exceeded the 5 % threshold and now amounts to 5.00% (number of shares: 328,852; capital stock in shares: 6,577,026).

July 31, 2007

On July 27, 2007, **Alcon, Inc., Hünenberg, Switzerland,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Am Wolfsmantel 5, DE-91058 Erlangen (Germany), WKN 512560, on July 25, 2007, exceeded the 5% threshold and now amounts to 5.10% (number of shares: 335,327; capital stock in shares: 6,577,026). The voting stock is held directly by Alcon, Inc.

On July 27, 2007, **Nestlé S.A., Vevey, Switzerland,** informed us, in accordance with Section 21(1) of the German Securities Trading Act (WpHG), that its voting rights percentage in WaveLight AG, Am Wolfsmantel 5, DE-91058 Erlangen (Germany), WKN 512560, on July 25, 2007, exceeded the 5% threshold and now amounts to 5.10% (number of shares: 335,327; capital stock in shares: 6,577,026). All this voting stock is attributed to Nestlé S.A. on the basis of the stock held by Alcon, Inc. in accordance with Section 22(1) Sentence 1 No. 1 in combination with Sentence 3 of the German Securities Trading Act (WpHG). Alcon, Inc. is a directly controlled company of Nestlé S.A.

XIV. Disclosures on executive bodies of the Company

Executive Board

The Executive Board of WaveLight AG is constituted as follows:

Maximilian Reindl Diplom-Ingenieur	**Chairman of the Board of Directors** **Chief Executive Officer (CEO)**
Member of the Advisory Board of BMDSys GmbH, Jena	Chief Executive Officer (CEO)

Total remuneration of the Executive Board is set out in the following table. Figures are specified in thousand Euros.

non-profit-related components	€240 thousand (previous year: €240 thousand)
profit-related components	€260 thousand (previous year: €260 thousand)
long-term components	within the context of the termination of the share option programme, an amount of €126 thousand was paid during the fiscal year

Along with the fixed payments, €260 thousand (previous year: €260 thousand) variable positions were reserved, but its payment was not yet decided at the time of the preparation of the balance sheet.

As in the previous year, no advance payments or loans were granted to the Executive Board. There are no contingent liabilities as in the previous year.

Supervisory Board

The Supervisory Board of WaveLight AG was constituted in the fiscal year as follows:

Rudolf P. Franz Diplom-Wirtschaftsingenieur, Augsburg	**Chairman of the Supervisory Board**

Member of the Executive Committee of Franz Industriebeteiligungen AG, Augsburg
Chairman of the Advisory Board of HAMA Group GmbH, Augsburg
Chairman of the Advisory Board of Göppel Bus GmbH, Augsburg
Chairman of the Advisory Board of Voxeljet Technology GmbH, Augsburg

Dr. Dietmar Bychowski Diplom-Betriebswirt, Schondorf/Ammersee	**Deputy Chairman of the Supervisory Board** (until March 3, 2008)
Dr. Peter Berndsen Diplom-Ökonom, Augsburg	**Member of the Supervisory Board** (until March 3, 2008)

Member of the Supervisory Board of Hotel Steigenberger Drei Mohren AG, Augsburg
Member of the Advisory Board of F. Fluhr Draht- und Metallwarenfabrik GmbH, Fischach
Member of the Advisory Board of Sortimo International GmbH, Zusmarshausen
Member of the Advisory Board of Hama Group GmbH, Augsburg

Dr. Daniel Daeniker Solicitor, Zurich, Switzerland	**Deputy Chairman of the Supervisory Board** (since March 4, 2008)

Member of the Administrative Board of Rothschild Continuation Holdings AG, Zug, Switzerland

Richard J. Croarkin Fort Worth, Texas, USA	**Member of the Supervisory Board** (since March 4, 2008)

Senior Vice President, Chief Financial Officer and Corporate Strategy der Alcon Laboratories, Inc., USA
Senior Vice President, Chief Financial Officer and Corporate Strategy der Alcon, Inc., Switzerland
Member of the Board of Directors of the following companies associated with Alcon, Inc:
- Alcon Holdings Inc., USA
- Alcon Laboratories, Inc., USA
- Alcon Capital Corporation, USA
- Alcon RefractiveHorizons, LLC, USA
- Refractive Solutions, Inc., USA
- Alcon (Puerto Rico) Inc., USA
- Alcon Research, Ltd., USA
- Falcon Pharmaceuticals, Ltd., USA

Kevin J. Buehler | **Member of the Supervisory Board**
Mansfield, Texas, USA | (since March 4, 2008)

Senior Vice President, Global Markets und Chief Marketing Officer der Alcon Laboratories, Inc., USA
Member of the Board of Directors of the following companies associated with Alcon, Inc:
- Alcon Laboratories, Inc., USA
- Alcon Capital Corporation, USA
- Falcon Pharmaceuticals Ltd., USA

Elaine E. Whitbeck | **Member of the Supervisory Board**
Arlington, Texas, USA | (since March 4, 2008)

Senior Vice President, Chief Legal Officer, General Counsel and Corporate Secretary der Alcon Laboratories, Inc., USA
General Counsel und Corporate Secretary der Alcon, Inc., Switzerland
Member of the Board of Directors of the following companies associated with Alcon, Inc:
- Alcon (China) Ophthalmic Product Co., Ltd., China
- Alcon Medical Device (Shanghai) Co., Ltd., China
- Alcon Korea Ltd., South Korea
- Alcon Norge AS, Norway
- Alcon Laboratories (Thailand) Ltd., Thailand

Martin Schneider | **Member of the Supervisory Board**
Rotkreuz, Switzerland | (since March 4, 2008)

Director Finance & Operations der Alcon Pharmaceuticals, Ltd., Switzerland
Member of the Board of Directors of the following companies associated with Alcon, Inc:
- Alcon Ophthalmika GmbH, Austria
- Alcon Coordination Center, Belgium
- Alcon Danmark, APS, Denmark
- Alcon Italia S.P.A., Italy
- Alcon Norge AS, Norwegen
- Alcon Portugal-Produtos e Equipamentos Oftalmológicos, Lda., Portugal
- Alcon Farmacevtika LLC, Russia
- Alcon Laboratories (South Africa) (Pty.) Ltd., South Africa
- Alcon Sverige AB, Sweden
- Alcon Credit Corporation, Switzerland
- Alcon Grieshaber AG, Switzerland
- Alcon Pharmaceuticals, Ltd., Switzerland
- Alcon Management SA, Switzerland
- Alcon Switzerland SA, Switzerland
- Alcon Pharmaceuticals Taiwan Ltd., Taiwan
- TRICL, Inc., USA

The remuneration of the Supervisory Board including contractual reimbursement in the financial year was €88 thousand (previous year €135 thousand). The reduction of the payments compared with the same period in the previous year despite an increase of the number of members from three to six, results from the fact that the members, Mr. Richard Croarkin, Mr. Kevin Buehler, Mr. Martin Schneider and Mrs. Elaine Whitbeck waived their remuneration.

As in the previous year, no advance payments or loans were granted. As in the previous year, there are no contingent liabilities for members of the Supervisory Board.

Auditors' fees

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Nuremberg, Germany were the auditors for WaveLight AG (previous year: Dr. Ebner, Dr. Stolz & Partner GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover).

In the fiscal year, the fees to be found in the table below were recorded as expenditure. Amounts are specified in thousand Euros.

Amounts in € thousands	2007/2008	2006/2007
Audit	179	68
Other confirmation or assessment services	-	6
Auditors' fees	**179**	**74**

Erlangen, October 6, 2008

Maximilian Reindl
Chairman of the Board of Directors

Auditors’ Report

We have audited the consolidated financial statements – comprising the balance sheet, the income statement, the statement of changes in equity, the statements of cash flows and the notes to the financial statements – and the group management report prepared by WaveLight Aktiengesellschaft, Erlangen, for the business year from August 1, 2007 to July 31, 2008. The preparation of the consolidated financial statements and group management report in accordance with the IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) HGB (”Handelsgesetzbuch”: ”German Commercial Code”), as well as the supplementary provisions contained in the Articles of Association, is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut für Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) HGB, as well as the supplementary provisions contained in the Articles of Association, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group’s position and suitably presents the opportunities and risks of future development.

Nuremberg, October 7, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Herr
Wirtschaftsprüfer

Rauh
Wirtschaftsprüfer

Responsibility statement for the consolidated financial statement as of July 31, 2008 and consolidated management report of WaveLight AG, Erlangen

I declare to the best of my knowledge that in accordance with the applicable accounting policies, the consolidated financial statement represents a true and fair view of the net assets, financial position and results of operations of the Group and that the consolidated management report presents a true and fair view of the business developments including the net group results and the financial position of the group and that the basic opportunities and risks of the foreseeable development of the Group are described.

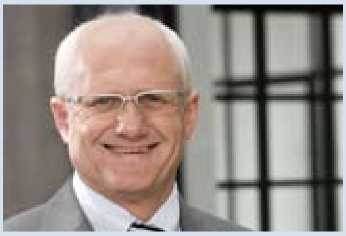
Erlangen, October 6, 2008

Maximilian Reindl
Chairman of the Board of Directors

Key Group Figures – Year-on-Year Comparison

Amounts in € thousands	2007/2008	2006/2007
Income statement:		
Revenues	90,876	70,370
Employee expenses	(12,841)	(14,183)
Expenses for R&D	(6,742)	(5,294)
EBIT	6,292	660
Net finance costs	(3,324)	(3,970)
EBT	2,968	(3,310)
Consolidated profit	(10,072)	(13,490)
Earnings per share, diluted, in €	(1.53)	(2.05)
Balance sheet as of July 31:		
Property, plant, and equipment	4,608	4,115
Noncurrent financial assets	-	828
Current assets	37,727	35,597
Thereof: cash and cash equivalents	4,416	1,263
trade receivables	22,643	20,516
inventories	6,676	7,888
Total assets	62,048	74,398
Equity	11,787	22,995
Thereof: subscribed capital	6,586	6,577
Provisions	1,025	782
Liabilities	48,617	49,789
Thereof: financial liabilities	34,662	28,688
Financial liabilities as a percentage of equity	294%	125%
Medium- and long-term debt	116	461
Short-term debt	34,546	28,227
Current assets not including inventories as a percentage of short-term debt	12%	4%
Cash flow statement:		
Investments in property, plant, and equipment	(2,556)	(699)
Depreciation of property, plant, and equipment	1,084	1,724
Cash flows from operating activities	10,665	410
Cash flows from investing activities	(5,471)	(1,990)
Stock market data:		
Year-end closing price in €	15.95	10.64
Average number of shares (quantity)	6,579,657	6,577,026
Average number of shares, diluted (quantity)	6,587,861	6,577,173
Average number of employees	**174**	**262**

Contacts



Maximilian Reindl

Chief Executive Officer
max.reindl@wavelight.com

Susanne Grethlein

Marketing/Investor Relations
susanne.grethlein@wavelight.com

Rudolf P. Franz

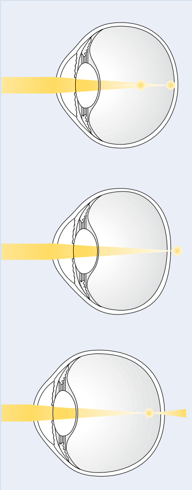
Chairman of the Supervisory Board
rudolf.franz@wavelight.com

Financial Calendar

Annual General Meeting Fiscal Year 2007/2008		
Annual General Meeting		February 3, 2009
Publications 2008 (Short Fiscal Year)		
3-Month Report	(August 1, 2008 – October 31, 2008)	December 18, 2008
Annual Report	(August 1, 2008 – December 31, 2008)	March 25, 2008
Annual General Meeting Short Fiscal Year 2008		
Annual General Meeting		June 24, 2009
Publication of Quarterly Results for 2009		
3-Month Report	(January 1, 2009 – March 31, 2009)	May 14, 2009
6-Month Report	(January 1, 2009 – June 30, 2009)	August 13, 2009
9-Month Report	(January 1, 2009 – September 30, 2009)	November 19, 2009

Glossary

Aberrations, optical



Astigmatism

Hyperopia

Myopia

Optical aberrations are individual departures from the ideal form of the eye. These aberrations limit the quality of the retinal image and are the cause of blurred vision.

Aberrometer
Diagnostic system for measuring optical aberrations of the eye. In contrast to subjective measurements of refraction (determination of the eye's refractive power), this system enables objective measurements of optical errors and thus patient-specific corneal correction.

Aberroscopy-guided LASIK
New treatment method in refractive surgery for improvement of visual acuity. The eye is reconfigured, so to speak, on the basis of the patient data obtained with the aberrometer and the corneal surface is then corrected via LASIK surgery, with the result that a sharp image appears on the retina.

Ablation (ablation / removal)
Fine layers of skin can be removed in an extremely controlled manner using extremely short light impulses.

Accommodation
The ability of the eye to focus on both near as well as distant objects without visual aids. The degrading of this ability from approx. the age of 45 is called presbyopia: the affected person then needs reading glasses.

Astigmatism
Distortion in the shape of the cornea (regular or irregular). Parallel light rays do not converge at a point on the retina. A blurred image is produced.

Cataract surgery
Operations to treat cataracts. The cataract is produced by the clouding of the eye's natural lens. During the operation, the clouded lens is broken up using ultrasound, removed and replaced by an artificial lens.

Corneal topography system
Surface presentation (= topography) of the cornea, especially also the radii of the curvature.

Excimer laser
The word "excimer" is derived from the term "excited dimer" which describes a molecule comprising two atoms in an excited state. It is a cold-light laser which operates with wavelengths in the UV (ultraviolet) and VUV (vacuum ultraviolet) range. A wavelength of 193 nm is used to correct visual disorders (near-sightedness, farsightedness, astigmatism) while a wavelength of 308 nm is used to treat psoriasis.

"Eye-Tracking"-System
A component of the ALLEGRETTO WAVE excimer laser that records the movements of the eye during laser treatment and directs the treatment beam online.

FDA
Food and Drug Administration in the USA

Femtosecond laser
The femtosecond laser is an infrared laser which is primarily used in ophthalmology for cuts inside the cornea, e.g. for preparation of the cornea flap for the LASIK. It cuts corneal tissue very precisely and practically without heat development.

Hyperopia
Farsightedness: the eye is too short in relation to its refractive power. Parallel light rays converge at a point behind the retina. A blurred image is produced.

Intraocular surgery
Operations performed inside the eye, e.g. the treatment of cataracts and glaucoma or the implantation of artificial lenses.

Laser in situ keratomileusis (LASIK)
Relatively painless method deployed in refractive surgery for the correction of visual disorders. The method involves the use of a microkeratome to cut a thin flap on the cornea which is then hinged open to prepare for laser treatment. At the end of the surgical procedure, the corneal flap is then closed to its original position where it remains in place without needing stitches.

Microkeratome
Sharp, highly precise and oscillating cutter used during a preliminary stage of LASIK surgery. The microkeratome cuts an ultra thin flap on the cornea which is opened to permit laser sculpting of the cornea and then closed again at the end of the surgical procedure.

Myopia
Nearsightedness: the eye is too long in relation to its refractive power. Parallel light rays converge at a point in front of the retina. A blurred image is produced.

Objective refraction
Determination of the refractive power of the eye using an automatic measuring device, e.g. an aberrometer.

Ophthalmology
Technical term for eye surgery

Refractive surgery
Corneal surgery for the correction of nearsightedness, farsightedness and astigmatism.

Repetition rate
Number of laser pulses per second.

Scanning Spot System
Operating principle of the ALLEGRETTO WAVE excimer laser system. Due to the high pulse frequency (200 – 500 Hz), the scanning spot system enables an extremely even distribution of energy during the surgical removal of the corneal tissue.

Topography-guided treatment
Taking account of the existing corneal refractions in the corneal topography, minute surface irregularities can be recognized and corrected. This procedure is useful for irregular cornea surfaces such as in the case of scars on the cornea or after previous refractive surgery.

Visus
Visual acuity: capability of the eye to see sharply, i.e. to recognise as many details as possible in an object. The distance between the observer and object is crucial here.

Wavefront-guided treatment
Higher-order refractive defects are recognized and calculated using extremely precise diagnostic devices. This usually results in an improvement in contrast vision and thus to an improvement of vision in twilight.

An Overview of the WaveLight Product Line

ALLEGRETTO laser family
Excimer laser systems for refractive surgery for the correction of nearsightedness, farsightedness and astigmatism. The laser systems in the product line are differentiated by configuration and features.

CONCERTO
The CONCERTO is the first high-end excimer laser system in the world which integrates diagnostic and treatment possibilities in a single platform.

ALLEGRO Analyzer
The ALLEGRO Analyzer (= aberrometer) with the integrated A-CAT software provides precise data for a wavefront-guided treatment and objectively measures the visual disorders of the eye..

ALLEGRO Topolyzer
The ALLEGRO Topolyzer (= cornea surface measuring instrument) with the integrated T-Cat software measures the corneal topography and makes topography-supported LASIK possible. This diagnostic device can be used for eyes with strong irregularities where the standard and wavefront-guided treatments are at their limits.

ALLEGRO Oculyzer
The ALLEGRO Oculyzer is based on the innovative Scheimpflug technology which provides further possibilities for patient-specific adjustment in the refractive laser surgery thanks to complete measurement of the front section of the eye from the cornea up to the natural lens of the eye..

ALLEGRO BioGraph
The Allegro BioGraph is an optical diagnosis system capable of conducting a contact-free biometry (= measurement of the length of the eye) as well as a simultaneous measurement of cornea radii and pupil diameters. With just one click, several of the essential parameters of the front section of the eye as well as the total length of the eyeball can be measured.

ARTISTA
Artista, with the integrated patient management system, is a new software platform developed by WaveLight according to its specifications, with a modern, ergonomic design. This new software interface, the basis for all equipment, has been designed for user friendliness with a universal, self-explanatory design concept for operating elements and input screens. The software is constructed on a modular basis ensuring that it is both upgradeable and future-proof.

A-CAT
The A-CAT software system interprets the data of the patient eye measured by the ALLEGRO Analyzer diagnostic system.

T-CAT
The T-CAT software system interprets the diagnostic data of the ALLEGRO Topolyze

OcuLink
The OcuLink software system interprets the diagnostic data of the ALLEGRO Oculyzer.

RONDO
The microkeratome used in the course of LASIK surgery cuts an ultra thin flap on the cornea which is opened to permit laser sculpting of the cornea and then closed again at the end of the surgical procedure.

Imprint

Publisher:
WaveLight AG
Am Wolfsmantel 5
91058 Erlangen
Tel.: +49 9131-61 86-0
Fax: +49 9131-61 86-191
info@wavelight.com
www.wavelight.com

Concept, editorial dept.:
AGIL Gesellschaft für Finanzkommunikation mbH, Neuss, Germany
Picture credits: WaveLight AG, fotolia.de (Dimitry Pistrov, pressmaster, Baloncici, Douglas Freier, DWP, IKO)
Creation, Production: Werbers Büro GmbH, Nuremberg, Germany
Printing: COS, Hersbruck, Germany

werbersbuero.de · 28210

see the difference | wavelight.com

WaveLight AG
Am Wolfsmantel 5
91058 Erlangen, Germany
www.wavelight.com