



**dbAccess German, Swiss & Austrian Conference**  
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Dr Christian Müller, CFO

- 1 Carl Zeiss Meditec Overview
- 2 Key Success Factors
- 3 First 6 Months 2013/2014 at a Glance
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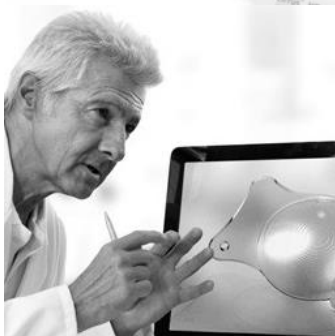
# Prevalence of Age-related Eye Diseases on the Rise



40% of people are likely to develop Cataract, 5% Glaucoma and 10% AMD.



Every second, somebody goes blind due to AMD or glaucoma around the world.



Cataract is one of the leading cause of visual impairment worldwide. There are more than 21 millions of cataract surgeries a year globally.

## A leading medical technology company in :



### Ophthalmology

Comprehensive systems to diagnose and treat eye diseases right from an early stage – helping to prevent blindness

### Microsurgery

Complete product range of microscopes for microsurgical procedures, e.g. spinal, neuro/ENT, ophthalmic and dental



## Driving progress in medicine






### Results 2012/2013:

- Revenue: € 906.4mn; Growth: 5.2%
- EBIT: € 133.9mn; EBIT margin: 14.8%

- Headquarters in Jena, Germany
- Nearly 3,000 employees worldwide
- Listed on the TecDAX
- 65% of the shares held by Carl Zeiss

# Most Extensive Portfolio of Solutions for Specific Customer Needs



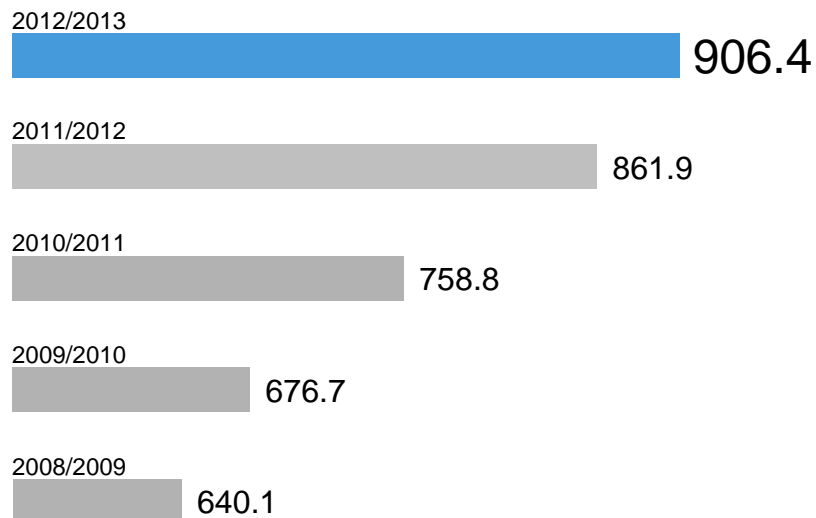
Customer	SBU	Segments	Products
Private practitioners	<b>Ophthalmic Systems</b> Sales 12/13: € 391.0mn (+4.0%)	Glaucoma & Retina Diagnose & Therapy	
		Corneal Refractive Surgery	
Hospitals	<b>Surgical Ophthalmology</b> Sales 12/13: € 121.3mn (+12.6%)	Cataract Surgery	
Clinics		Visualisation & Microsurgery	
Ambulatory surgery centers	<b>Microsurgery</b> Sales 12/13: € 394.2mn (+4.2%)	Surgical Oncology	

# Continuous Profitable Growth Over the Last Five Years



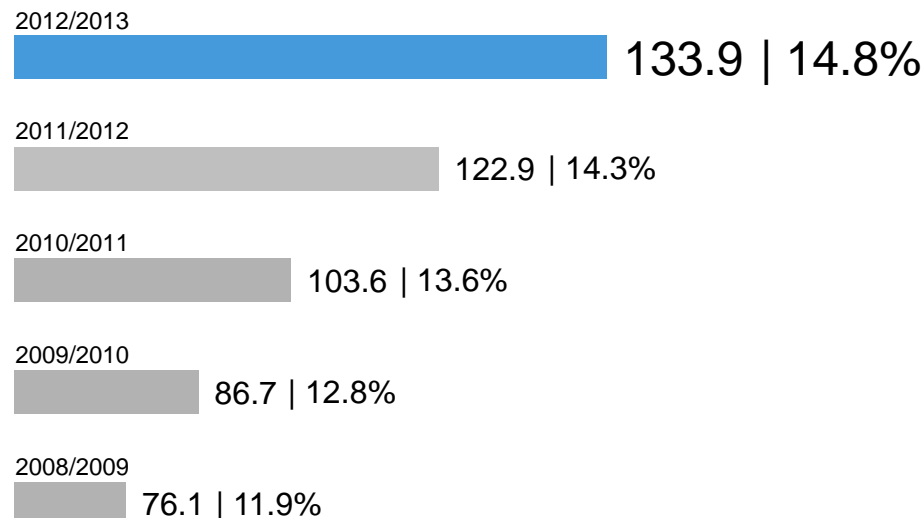
## Revenue

in € million



## EBIT | EBIT Margin

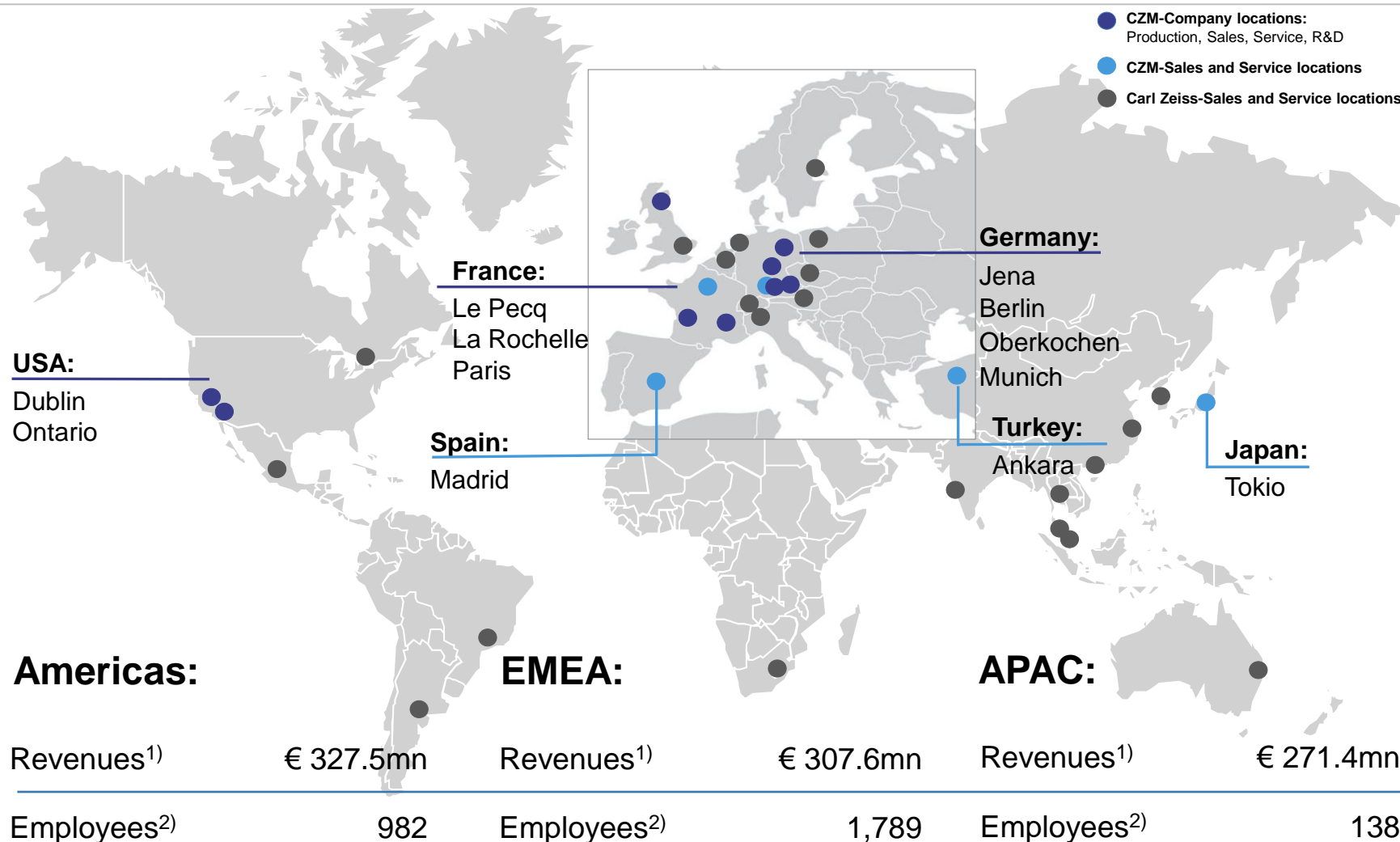
in € million



- In 12/13, we have reached the upper end of our revenue guidance of € 880 - € 910mn.
- Forecast 2013/2014: sales of € 910-940 mn, which corresponds to growth of about 0.4% - 3.7%

- In 12/13, EBIT margin gained 0.5 %-pts. to 14.8%.
- We confirm our target of reaching a 15% EBIT margin by 2015.
- Recurring revenue is expected to rise to 30% of total sales.

# Our Well-Balanced Revenue Split Across all Major Markets



<sup>1)</sup> FY 2012/2013

<sup>2)</sup> on of March 31, 2014

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# Focus on Key Success Factors Yields First Results



## Customer Focus

- Basis for long term growth
- Service as a profitable recurring business opportunity

## New Markets

- Geographical expansion (into RDEs)
- New areas of business (e.g. surgical oncology)

## Innovation

- Major source of competitive differentiation (“Gold Standards”)
- Using cutting edge technologies to advance medical applications

- Make success happen
- Responsible human resources development and continuous professional improvement

- Efficient and effective business management
- Streamlining of supply chain processes

## Our Employees

## Excellent Processes

# Our Dedication to R&D Strengthens our Technological Leadership and Continues to be a Major Success Factor



## R&D expenses | R&D ratio to revenue

in € million

2012/2013

97.3 | 10.7%

2011/2012

93.5 | 10.8%

2010/2011

84.2 | 11.1%

2009/2010

72.4 | 10.7%

2008/2009

63.5 | 9.9%

- Tradition for gold standard products
- Close collaboration with customers to develop new products and solutions leading to more efficient workflows and better clinical outcomes
- In 2012/2013, R&D expenditure increased by 4.1% to € 97.3mn.
- Approx. 16% of current total workforce are employed in R&D.

# Significant Innovations Were Introduced to the Market in Recent Quarters



CIRRUS™ photo



AT LISA® tri toric 939MP



MEL 90 Excimer Laser



ZEISS Cataract Suite markerless



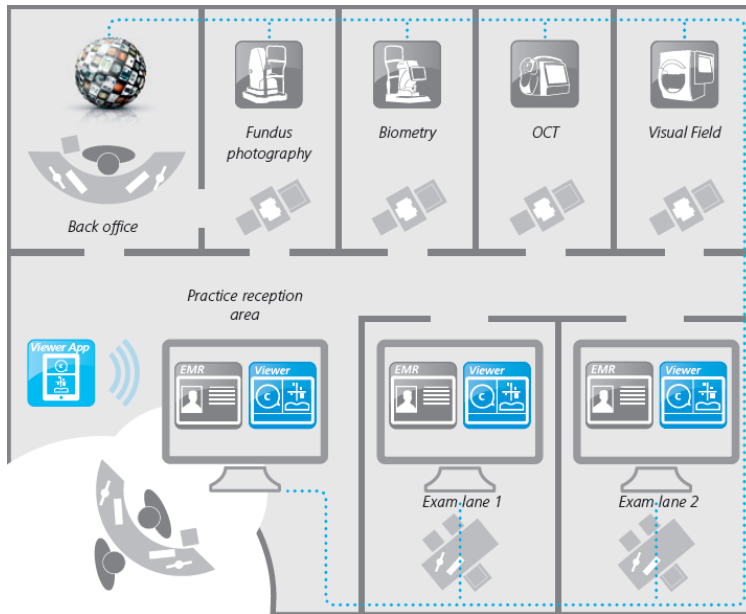
CIRRUS™  
HD-OCT 5000/500



OPMI LUMERA® 700 and  
RESCAN™ 700



# Designed to Work Together: With FORUM, we add Value through Connecting all our Customers' Components



FORUM Glaucoma Workplace

FORUM GO

Forum Archive & Viewer 3.1

# Workflow Solutions for Cataract – Enable Effective and Efficient Treatment



IOL - Master



Z CALC



OPMI LUMERA®  
AT LISA®



VISULAS YAG III



Diagnosis

Treatment-Planning

Surgery

After-Treatment

Data

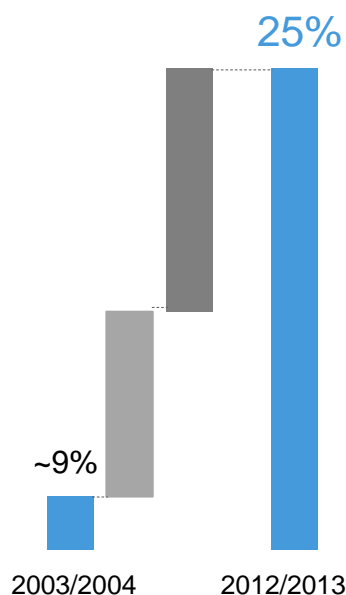
Management

Solution

# We Have Reached our Mid-term Target for Recurring Revenue Ahead of Time and now Target a 30% Share



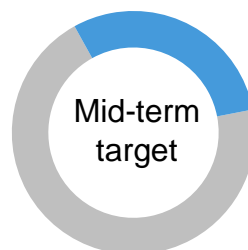
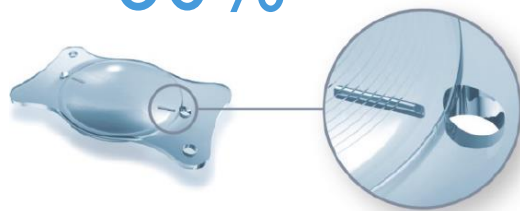
## Recurring revenue as a % of sales



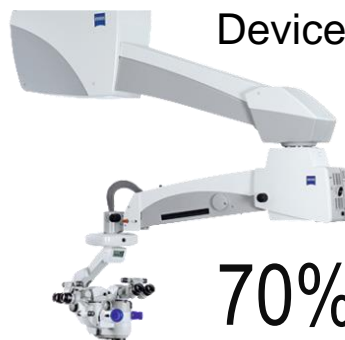
- Recurring revenue increase through acquisitions
- Recurring revenue increase through organic growth

## Consumables & Service

30%



## Devices



70%

- We have reached our mid-term (2015) target of 25% in recurring revenue in 2013 and now target further progress of up to 30%.
- IOLs and various consumables are sources of recurring revenue (e.g. viscoelastics, phaco cassettes, refractive laser treatment packs, drapes, etc.)
- We steadily broaden our service offering to enhance the share of recurring revenue.
- More recurring revenue has allowed for profitable growth and less cyclical

# Customer Focus is the Basis for Long-Term Growth and a Business Opportunity in Itself



## Strengthening of Global Service & Customer Care

- Our service complements our product offering and improves customer satisfaction.
- Improved customer service level through training and certification of service technicians
- Focus on service has increased revenue continuously.

## Early Involvement of Customers in Research and Development

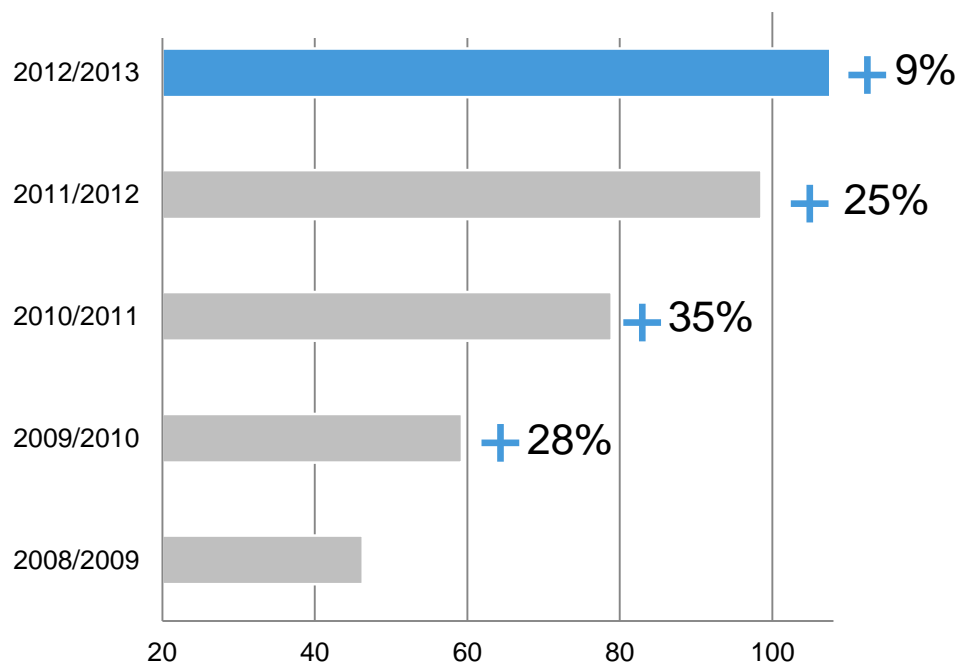
- Customers are routinely involved in all phases of product development (e.g. Forum<sup>®</sup> 3.0).
- R&D centers in Europe, America and Asia support understanding specific market needs.
- We help our customers to be more successful.

# Our Focus on New Markets Has Materialized in Significant Contribution to the Overall Growth of CZM



## Total Revenue China, India and SEA

in € million



- High growth momentum (FX-adj.) from China (+22%) and SEA (+25%)
- Strong growth also from Latin America (+21% Fx-adj.)

- RDEs currently represent 24% of our sales.
- R&D center in China addresses the fastest growing market for mid-range products
- R&D center in India develops products tailored to suit individual market needs.
- Customer training program in China enhances customer loyalty.
- Increase of sales coverage in China
- Leverage of economic growth in Latin America by expanding our sales organization



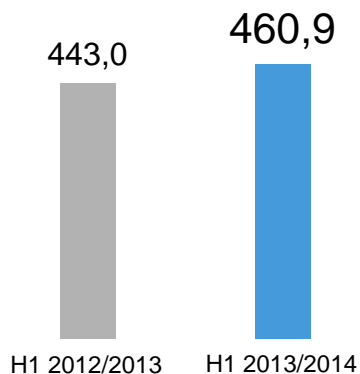
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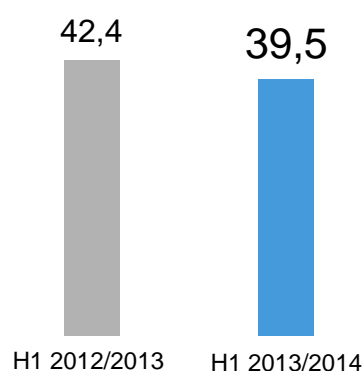
# Revenues Back to Growth as Microsurgery Recovers – Earnings Still Slightly Below Previous Year



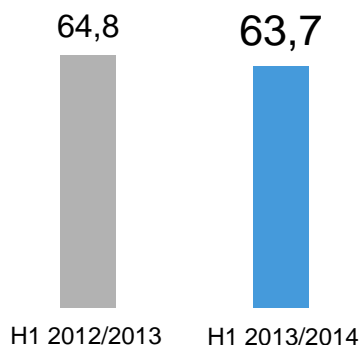
Revenue  
in € million **+ 4.1%**



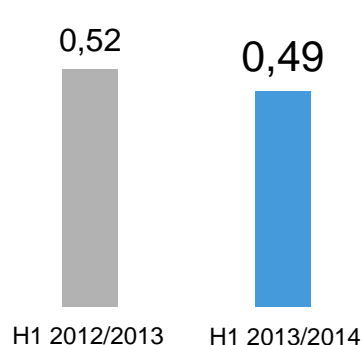
Net Income  
in € million **- 7.0%**



EBIT  
in € million **- 1.7%**



Earnings  
per Share  
in € million **- 7.0%**



- FX-adj. revenue growth of 8.5%
- Significant negative currency effects mainly from EUR/USD and EUR/JPY
- EBIT almost reached the previous year's figure. EBIT margin on previous year's level in Q2.
- Highest growth rate in SUR<sup>1)</sup>
- Continued top-line growth in OPH<sup>2)</sup> despite intense competition
- MCS<sup>3)</sup> achieved revenue on previous year's level, recovering from a weak Q1.
- Japan contributed significantly to sales growth due to VAT increase on April 1, 2014.

<sup>1)</sup> Surgical Ophthalmology <sup>2)</sup> Ophthalmic Systems <sup>3)</sup> Microsurgery

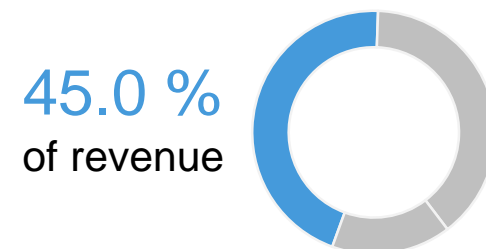
# Microsurgery: Sales Recover to Previous Year's Level



- FX-adj. revenue growth of 5.9%
- Double-digit growth within second quarter
- Japan with a significant contribution to growth (VAT increase on April 1<sup>st</sup>, 2014)

## MCS Revenue | Revenue split

in € million



# Ophthalmic Systems: Slight Growth in Revenue Driven by Refractive Laser Business



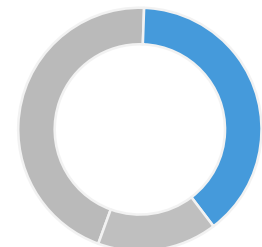
- FX-adj. revenue growth of 6.9%
- Refractive laser business main growth and profit driver
- Competitive pressure in diagnostic equipment remains intense

## OPH Revenue | Revenue split

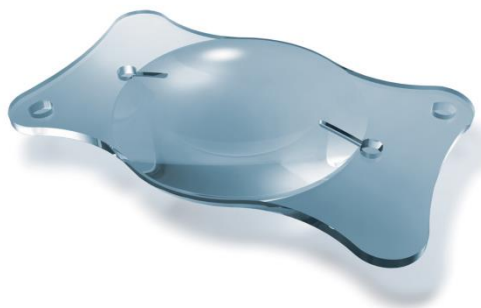
in € million



39.1 %  
of revenue



# Surgical Ophthalmology: Strong Performance Helped by Aaren Acquisition and Double-digit Organic Growth



- FX-adj. revenue growth of 21.5%, double-digit organic growth rate
- Benefiting in particular from ongoing high demand for IOLs for minimally invasive cataract surgery in the premium segment
- Successful market launch of the AT Lisa<sup>®</sup> tri toric with additional astigmatism correction
- First product based on Aaren Scientific acquisition to be launched in late 2014

## SUR Revenue | Revenue split

in € million

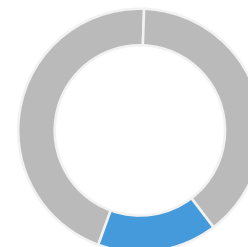
H1 2013/2014

73,4 + 21.5%

H1 2012/2013

60,5

15.9 %  
of revenue



# APAC with Highest Contribution to Growth



## Revenue by region

in € million

### Americas

30.7 %  
of revenue



- 1.5% (+1.9% FX-adj.)

H1 2013/2014



H1 2012/2013



### EMEA

34.4 %  
of revenue



+ 3.8% (+3.8% FX-adj.)

H1 2013/2014



H1 2012/2013



### APAC

34.9 %  
of revenue



+ 9.8% (+20.8% FX-adj.)

H1 2013/2014

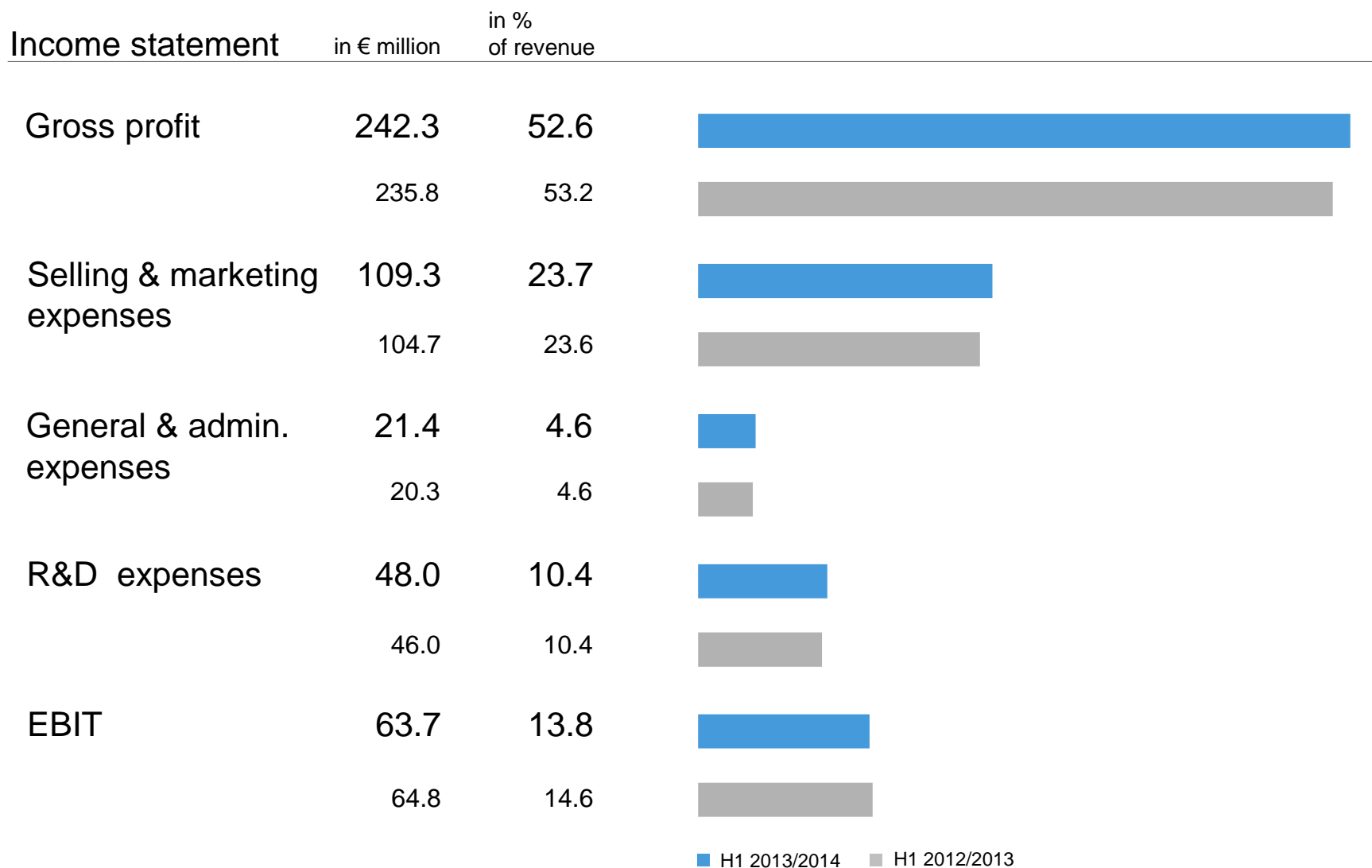


H1 2012/2013



- U.S. business stable, second quarter slightly weaker
- European core markets largely stable
- Southern European countries have gained momentum.
- Expiry of investment programs in Russia has a negative impact
- Japan, China and SEA countries as biggest growth drivers for APAC
- Moderate growth in APAC ex Japan
- EUR/JPY continues to have a strong negative impact

# EBIT Almost Reached the High Previous Year's Level



# Slight Increase in Operating Cash Flow



## Cash Flow Statement

in € million

### Cash flow from operating activities



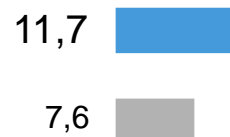
### Cash flow from investing activities



### Cash flow from financing activities



### Cash and cash equivalents



■ H1 2013/2014 ■ H1 2012/2013

### Cash flow from operating activities:

- Cash inflow resulting primarily from a lower increase of trade receivables
- Higher tax payments compared to previous year reduced cash flow from operating activities

### Cash flow from investing activities:

- Higher cash outflow due to the acquisition of Optronics A.S. in Turkey and Aaren Scientific Inc. in the US



# Improved Cash Utilization Due to Acquisitions



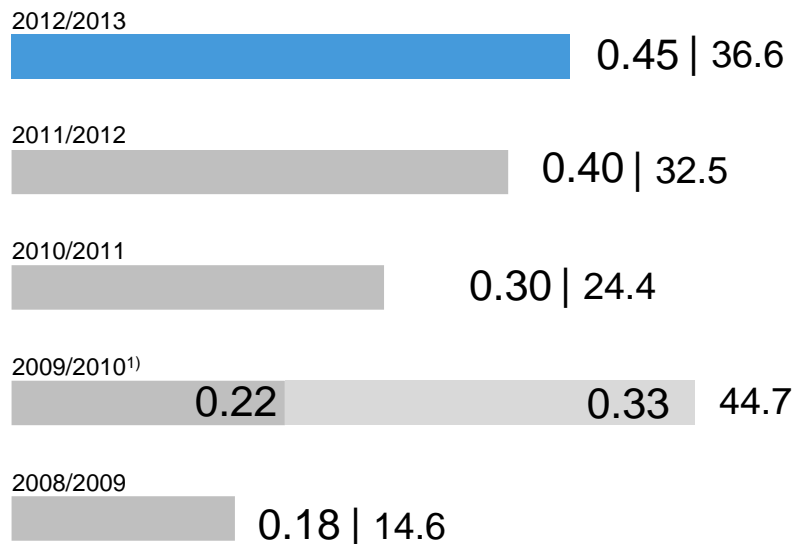
Key ratio	Definition	Mar 31, 2014	Change to Sep 30, 2013
Equity ratio	$\frac{\text{Equity}}{\text{Total Asset}}$	71.9 %	- 0.9%-pts
Net cash and cash equivalents	Cash-in-hand and bank balances + Treasury receivables from Group treasury of Carl Zeiss AG ./. Treasury payables to Group treasury of Carl Zeiss AG + Financial Investments	€ 265.1 mn	- 24.6%
Working capital	Current assets ./. Current liabilities	€ 476.6 mn	- 9.8%
Days of sales outstanding (DSO)	$\frac{\text{Trade receivables at the end of the reporting period (gross)}}{\text{Rolling monthly sales}}$	53.2 days	+ 4.7%
Rate of inventory turnover (ITO)	$\frac{\text{Cost of goods sold (annualized)}}{\text{Average inventories}}$	2.8	-0.1

# Positive Development also Reflected in Dividend



## Dividend | Total dividend distributed

in € | in € million



- Dividend of € 0.45 per share was paid for FY 2012/2013 (+12.5% vs. previous year).
- The payout ratio amounts to 39% (prev. year: 45%) – future payout strategy of ~1/3 of net income remains unchanged.

<sup>1)</sup> In 2009/2010, a special dividend of € 0.33 was paid in addition to the regular dividend.

# Combination of Two ZEISS Gold Standards to Provide Intra-operative OCT Visualization



- OPMI LUMERA<sup>®</sup> 700 and RESCAN<sup>™</sup> 700 is the first ophthalmic operating microscope with an integrated OCT camera.
- Presented at WOC trade fair in Tokyo on April 1<sup>st</sup>, 2014
- Advanced visualization of transparent structures in the eye with HD-OCT imaging
- Verification of clinical results during surgery
- Full integration with CALLISTO eye to make pre-operative OCT scans available during treatment

# Acquisition of Aaren Scientific: Teaming up for a Successful Future in IOLs



- CZM has acquired Aaren Scientific Inc., a US-based manufacturer of IOLs.
- Purchase price: US \$70mn
- In 2012, Aaren Scientific generated revenues of around US \$20mn with 235 employees in its Ontario, California headquarters and manufacturing facility.
- Aaren Scientific provides capacities and competencies for developing and manufacturing - amongst others – fully preloaded hydrophobic IOLs.



First product from Acquisition of Aaren Scientific to be launched in late 2014



Hydrophobic

Hydrophilic



Leading innovation in IOL technology  
Portfolio expansion in mid-segment, addressing new markets

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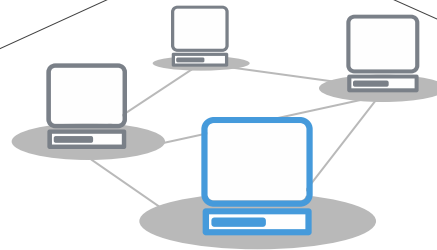
## Demographic change



## Globalization



## Technological change



Rising demand for CZM solutions:

- Prevention & Diagnosis
- Surgery
- Follow-up treatment
- Data management

We are well positioned for profitable growth due to:

1. Stable long-term demographic trends
  2. Our innovative strength & broad product portfolio
  3. Our global presence both in sales and R&D
  4. Our good position in new markets
- 

## 2013/2014 goals:

- To reach revenue in the range of € 910 – 940 million
- This corresponds to a growth rate of +0.4% – +3.7%
- We continue to expect challenging currency effects

## Mid-term goals:

- To grow revenues at a faster rate than the market
- To increase the share of recurring revenues to at least 30%
- To reach an EBIT margin level of 15% in 2015

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- 14 August 2014                      9 Month Report
- 14 August 2014                      Telephone conference on 9 month results
- 10 December 2014                    Annual Financial Statements 2013/2014
- 10 December 2014                    Analyst's Conference, Frankfurt am Main



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