



Carl Zeiss Meditec AG
Annual General Meeting 6 August 2020

Speech text

Dr. Ludwin Monz, President and CEO

– Speech: check against delivery –



Ladies and Gentlemen,

Shareholders,

Members of the Supervisory Board,

Guests and Friends of the Company,

My name is Ludwin Monz. As President and CEO of Carl Zeiss Meditec AG, I bid you a very warm welcome to our Annual General Meeting today. Due to the external constraints of the COVID-19 pandemic, we are holding this Annual General Meeting virtually for the first time and also later in the year than usual. I ask for your understanding.

Fiscal year 2018/19, which we are reviewing today, was well before the pandemic. For us, it was another year in which we achieved very good results. We grew considerably faster than our markets. All strategic business units and regions contributed to the achieved revenue growth of 11.7 percent (after adjustment for currency effects). Fiscal year 2018/19 is therefore part of a very successful growth phase of Carl Zeiss Meditec, which has endured for 15 years now.

This success is down to the commitment of our employees worldwide, to whom I would like to express my sincere thanks at this point. Success is teamwork and therefore my thanks also extend to my colleagues in management and on the Management Board, without whose personal dedication this result would not have been achievable.



I would also like to say a particular word of thanks to the members of the Supervisory Board, who have dedicated a huge amount of support to the Company. Many thanks for the trusting cooperation.

And to you, our shareholders: you should also share in the success of Carl Zeiss Meditec AG. Later on, we shall vote on the payment of a dividend.

Ladies and Gentlemen,

ZEISS stands for innovation, precision and technological leadership. We act responsibly and are an open-minded company that aims to inspire its customers with products, ideas and new approaches. "Seeing Beyond" is the essence of our brand. "Seeing Beyond" is what we claim to do. "Seeing Beyond" is an attitude that means to look further, go deeper and think bigger than others might. It enables us to actively and fundamentally shape our market. In this way, we help doctors and medical staff to improve their patients' quality of life.

We live up to our claim by ensuring our strategy is geared to the long term, with a focus on customers. It is based on the pillars of market-shaping innovations, digital solutions & platforms, and customer service. Our consistent pursuit of this strategy over many years has played a vital role in ensuring that we also ended fiscal year 2018/19 on a very successful note, in spite of the already weaker global economic climate.

It is above all our innovative strength that makes the Company so successful. It is technological expertise and customer proximity that provide this strength.



One good example of how we collaborate with users to jointly develop a completely new product, which may later have a lasting effect on the market and become the gold standard, is the IOLMaster®. This is an optical biometer; in other words, a device that enables high-precision measurement of the eye. This is particularly necessary before any cataract operation.

During the fiscal year under review we celebrated 20 years of optical biometry with our customers and partners. ZEISS presented the first device of this kind back in 1999. It was developed closely with scientists and in particular ophthalmologists.

The special thing about the ZEISS IOLMaster is that it enables rapid, contactless, high-precision measurement of the eye. However, what made the device innovative, was its user friendliness and simple operation. It made it possible for practice staff other than just the physician to carry out the examination. This removed a considerable burden for physicians. Optical biometry is now the clinical standard for calculating intraocular lenses for cataract surgery. Over the last number of years, we have combined biometric measurement and the calculation of intraocular lenses in a digital “workspace” for the medical condition of cataracts. Networking our products and streamlining processes are now key to our success. This is because precision translates to better treatment outcomes and efficiency at lower costs. We therefore purposefully invest in our digital solutions on a global scale. I will touch upon this again later.

The IOLMaster is one example of “Seeing Beyond”. It shows how we have broken completely new ground with our technological expertise, our understanding of applications and our vision.



However, “Seeing Beyond” is also a mentality that allows us to look into the future and identify market opportunities.

An important megatrend is demographic change. According to the World Health Organization (WHO), the number of people over the age of 60 is expected to more than double to over two billion between 2017 and 2050. This is a hugely significant statistic for us, because Carl Zeiss Meditec is mostly concerned with age-related diseases, such as cancer and cataracts. The number of patients will therefore rise exponentially. Another trend that is relevant for us is the increase in short-sightedness, particularly among the younger generation – worldwide. The WHO estimates the annual loss of productivity due to uncorrected myopia at around USD244 billion. In an interview, ophthalmologist Dr. Ik-Hee Ryu reported to us that 70–80% of the population in his native country of South Korea suffers from short-sightedness.

Ladies and Gentlemen,

The growing need for health care also means that the health care systems, physicians and medical staff are under an increasing amount of pressure. Costs are rising apace, the workload on the staff is getting heavier and heavier, and, meanwhile, patients are expecting better and better clinical results at the same time. Carl Zeiss Meditec looks at these challenges and sees above all opportunities, which are already being seized with the long-term strategy I talked about earlier.

Let me give you a few examples from the reporting year to explain what I mean.



Never before has there been a year – dear Shareholders – in which the Company has brought so many new products and solutions to market than in fiscal year 2018/19. By launching market-shaping innovations, we aim to live up to our claim that we drive and influence medical progress in the fields of ophthalmology and microsurgery.

As a pioneer of microsurgery, with the invention of the surgical microscope more than 60 years ago, we now offer an extensive and innovative product range for this discipline. Over the past three years, we have launched new visualization systems for neurosurgery, spinal surgery and dentistry. In the year under review, we rounded off this product portfolio with two additional products, the TIVATO™ 700 and the EXTARO® 300, for applications in ENT surgery.

Once again, the state-of-the-art, robotic visualization system KINEVO® 900 was one of the sales drivers in the Microsurgery SBU. This product is now establishing itself as the standard system for neurovascular and tumor surgery.

In brain tumor surgery, the problem is removing tumor tissue as fully as possible, without damaging healthy tissue. Tumor and healthy tissue are barely distinguishable from each other in terms of their outward appearance. A neurosurgeon once described the problem like this: It is about as difficult as removing a piece of margarine from a vat of butter.

Improving the treatment of brain tumors is the aim of the newly launched ZEISS Tumor Workflow. This product brings together individual systems to form a solution, thus opening up new treatment options to neurosurgeons and a seamless workflow. ZEISS Tumor Workflow combines the color marking of the tumor



using fluorescence methods with the histological differentiation of the tissue in the patient – the experts call it “in vivo” – and intraoperative radiotherapy. It is not just the workflow that is completely new, however, but also the optical biopsy with the ZEISS CONVIVO, which I mentioned before. The device helps surgeons to be more precise. They can directly check during a surgical procedure whether they have reached the tumor margin.

We also launched important market-shaping innovations in the Ophthalmology SBU in the reporting year.

The Diagnostics product range was extended to include the optical coherence tomograph CIRRUS® 6000. Doctors are enthusiastic about the technological advancement: This device takes a high-resolution image of a wide area of the patient’s retina in a very short time. This improves clinical efficiency as well as the diagnostic possibilities quite substantially. CIRRUS 6000 is used, for example, to diagnose and monitor the progression of serious eye diseases, such as age-related macular degeneration (AMD), for example. This disease is the main cause of blindness in people over the age of fifty in the industrialized countries.

Another new product in Diagnostics is the slit lamp SL 800. Almost every patient is first examined in the ophthalmic practice with a slit lamp. Unlike many other devices, doctors operate the slit lamp themselves. The main advancement of the new premium SL 800 slit lamp that is being extolled by physicians is its outstanding optics. They say that no other slit lamp can display the different structures of the lens of the eye so clearly.

Carl Zeiss Meditec’s strategy includes not only developing new technologies itself, but also purchasing them specifically to develop them and thus to expand their capabilities. In October



2018, for example, we acquired IanTECH Inc. – a company specialized in technical solutions for microinvasive cataract surgery. Cataracts are a very common age-related eye disease, although they can be cured with an operation. Almost half of people in Europe over the age of 75 are affected by clouding of the natural lens. IanTECH complements our extensive product range for cataract surgery. The micro-intervention device miLOOP® is the first product to be launched by the Company as a result of this acquisition. Further products are planned.

Carl Zeiss Meditec's growth is driven by the continuous stream of innovation in all areas of our business. This requires a high level of investment in research and development. In the reporting year, we invested around 12 percent of our revenue in R&D. This is a significantly higher percentage than most competitors in our markets.

Ladies and Gentlemen,

If we look at the innovations of the past few years, it is striking that digital technologies are playing a bigger and bigger role. We see digitalization as an opportunity to address the major challenges of the health care system. Our aim, with the help of digital technologies, is to increase treatment efficiency and thus reduce costs, while further improving the quality of treatment at the same time. A good example of this is the first fully digital surgical microscope ARTEVO® 800 for surgical ophthalmology.

This visualization system was developed in cooperation with physicians for physicians. In particular, I would like to mention Prof. Dr. Peter Stalmans from Belgium, with whom we work very closely and who made a major contribution to this product. I met Mr. Stalmans, a prominent retina specialist, at the expert



discussion at Leuven University Hospital. During our meeting he highlighted the potential of digitalization. Speaking about the image data generated by ZEISS devices, he said: "The challenge for the future is that we don't have sufficient resources to analyze all these images ourselves. What we need is artificial intelligence that will analyze the data and warn us if there is something wrong with the patient."

ZEISS acts as a checkpoint in the treatment of patients: the generation of image and other diagnostic data. We firmly believe that we can make a meaningful contribution to the further development of ophthalmology through intelligent processing of this data.

We have been active in the field of data management for many years, with our product FORUM®. We are constantly developing this system further. The FORUM component EQ Workplace®, the latest addition to the ZEISS Cataract Suite, is a digital solution for workflow management in cataract surgery.

Ladies and Gentlemen,

The reliable functioning of our products, helping our customers to use them efficiently, providing advice on achieving optimal treatment results, are all important aspects of customer service and are therefore a major focus of our activities. It fills us with pride that, for the third time, our Service team in China was presented with an award for services related to our surgical microscopes, for quality of service and customer satisfaction, at a Chinese medical technology conference. This shows us that we are on the right track and that we should continue to consistently deliver the diverse service activities we have launched worldwide.



Good service and customer proximity also include training physicians in how to use our products. In ophthalmology, for example, we support the learning and practice of surgical techniques, for instance in cataract wet labs, which we regularly offer. Another example is the training and further education of physicians in the dental field. The University of Pennsylvania School of Dental Medicine in the US has been working closely with Carl Zeiss Meditec for the past ten years. The university's world-renowned endodontic program was one of the first to include the dental microscope in its teaching and training syllabus. In the fiscal year under review, the institution switched its equipment to the new EXTARO® 300 dental microscope and a digital workflow. A collaboration like this pays off in many respects, as young physicians will often opt for the products they used during their training.

Ladies and Gentlemen,

our success is also reflected in our figures. We grew much faster than our markets in fiscal year 2018/19. We achieved our financial targets and can report encouraging growth in both revenue and earnings. Each of our three reporting regions contributed to this growth. Positive effects were seen in the Americas regions, where we achieved growth of + 8.9 percent. And, once again, the largest contribution to growth came from China.

With organic growth of 11.7 percent, we generated total revenue or almost €1.5 billion. We therefore significantly exceeded our target range of between €1.35 and €1.42 billion.

Revenue in the strategic business unit Ophthalmic Devices increased by 14.5 percent – adjusted for currency effects, this



corresponds to an increase of 12.4 percent – to €1.068 billion. This revenue increase was once again largely attributable to the laser vision correction systems, as well as devices and consumables for cataract surgery.

Revenue in the strategic business unit Microsurgery increased by 12.4 percent, or 9.7 percent after adjustment for currency effects, to €391 million. Sales of neurosurgical visualization systems for the treatment of tumors and vascular disease also remained buoyant.

Revenue in the EMEA region grew by 10.3 percent in fiscal year 2018/19, to €417 million – currency effects only had a marginal effect in this region. The core markets Germany, France and the UK posted strong revenue growth.

Revenue in the Americas region also increased, reaching a new high of €443 million.

The APAC region achieved growth of 20.8 percent, with revenue amounting to €600 million. Adjusted for currency effects, this growth equated to 19 percent. The largest contributions to this growth once again came from China and South Korea. Japan also performed well.

The operating result (EBIT) increased to almost €265 million in fiscal year 2018/19. This significant growth was primarily attributable to a positive development of the product mix, accompanied by a slight decline in operating expense ratios. The EBIT margin increased from 15.4 percent to 18.1 percent. Earnings per share rose to €1.79.



Dear Shareholders,

This brings me to an important part of this year's Annual General Meeting – the dividend. As in previous years, we would like you, our valued shareholders, to share appropriately in the Company's success. As you know, we operate a profit-driven and continuous dividend policy. On this basis, the Management Board and Supervisory Board strive for a distribution ratio of approximately one third of consolidated profit after non-controlling interests. The proposed distribution ratio to be resolved today for fiscal year 2018/19 is 36.4 percent.

In concrete terms, the Management Board and Supervisory Board propose to you the distribution of a dividend of €0.65 per share.

By having a sustainable dividend policy, we ensure that the Company also has sound financing in the future and that we can continue to invest in growth and sustainably increase the Company's value. This is something we intend to maintain in future, too.

During last year's Annual General Meeting, it was resolved to increase the number of Supervisory Board members from six to nine. Dr. Karl Lamprecht and Ms. Isabel De Paoli shall stand for election to the Supervisory Board today as shareholder representatives. On the employee side, Mr. Rene Denner succeeded Mr. Jörg Heinrich in October 2019. Mr. Jeffrey Marx was also elected as an additional employee representative in March 2020. The number of Supervisory Board members was increased in order to take account of Company's significant growth over the last few years as well as the increased complexity of the work of the Supervisory Board and the higher demands placed on the Supervisory Board as a result.



Ladies and Gentlemen,

As I said at the beginning: Our success is down to the commitment of our employees worldwide. Before travel was considerably impeded by the COVID-19 pandemic, I made site visits to ZEISS locations in various parts of the world. What I particularly remember about these trips are the many employees who work with such enthusiasm and an outstanding level of expertise and creativity for our Company. The diversity of our workforce is truly inspiring and supporting them is a major objective for us.

As a market shaper, ZEISS offers a diverse and attractive range of career paths and supports the development of its employees with a wide range of learning opportunities. In the reporting year, the ZEISS Group established a new digital learning platform, from which Carl Zeiss Meditec can now also benefit. Learning new skills is crucial for the further development of our employees, and not just with regard to digital technologies. It is an investment in the future for our Company.

Dear Shareholders,

The phase after the financial crisis in 2008/09 was characterized by rapid and sustained growth. Although we could never have foreseen the unprecedented global economic collapse caused by the COVID-19 pandemic, we were already preparing ourselves for an economic slowdown in the year under review. Specifically, we were working on the organization's resilience, which has obviously benefited us over the past few months.



Because these times have also been rougher and difficult for Carl Zeiss Meditec due to the COVID-19 pandemic. We as a company are now feeling the negative effects of the pandemic worldwide.

We recorded a revenue decline of around 6% after nine months of fiscal year 2019/20. We expect revenue for the fiscal year as a whole to total around €1.3 billion – a decline of approximately 11%. This is because the fourth quarter of this year will lag behind the strong fourth quarter of the previous year. The decline in the third and fourth quarters cannot be compensated by the growth in the first two quarters.

The COVID-19 pandemic is having a marked effect on our customers in both business units. Business is down for consumables and implants, because surgical procedures are being postponed. These include the majority of eye operations, for instance. In most cases, however, these procedures will be performed at a later date, which promises a catch-up effect.

Our business with medical devices, on the other hand, is suffering due to the strained investment climate during the COVID-19 crisis – it is difficult to predict when this business will recover or whether postponed investments will be made later on.

Ladies and Gentlemen, particularly given the pace and drama of the country-specific measures to contain the COVID-19 pandemic, it was and remains important to act with prudence. Our attention is focused on protecting our employees, continuing to supply and support our customers and, of course, stabilizing our Company financially. As far as possible, we shall push ahead with our core strategic development projects. Because even in the current extremely difficult environment, our aim is to further consolidate our strategic position. To do this, we need our



employees – there have been no forced redundancies to date, nor are we expecting any in future.

Financial stabilization requires a high degree of cost discipline. I am therefore particularly delighted to report that, in spite of the decline in revenue I already spoke about, we still managed to achieve a solid double-digit percentage operating profit after the first nine months of fiscal year 2019/20. Even in the third quarter of 2019/20, when our revenue was severely impaired because the effects of the global COVID-19 containment measures overlapped in all of our reporting regions, we remained in the black.

One crucial question is how long the effects and after-effects of the pandemic will last and when will the economy return to normal? We are already starting to see a dynamic recovery, particularly in some Asian markets that responded quickly and effectively to the threat, such as China and South Korea. There are also signs in Europe that we have passed the low point, even if the recovery there seems to be slower. In North and South America, the health care system – and thus the majority of our customers – continues to be faced with enormous challenges, as the pandemic has not yet been effectively contained across the board.

Given the uncertainties in the markets, it is not yet possible to make an exact forecast for the coming fiscal year.

The COVID-19 pandemic is an unprecedented crisis. It seems important to me that we as a company stand together and take on the challenges that the crisis brings, without compromising our principles. In particular, this means accepting our responsibility for our employees, our customers and their patients



and for all other stakeholders in our Company. I am confident that we will then emerge stronger from the crisis.

Dear Shareholders,

The success of Carl Zeiss Meditec in reporting year 2018/19 was not something that we took for granted but is based on the long-standing trust of our customers, partners and investors. For that I would like to say a huge thank you to you all, on behalf of the entire Management Board. We are working together with our dedicated employees, even in these challenging times, to ensure that we continue to receive this trust in future.

Stay healthy!

Thank you very much for your attention!