



**Carl Zeiss Meditec AG
Annual General Meeting
30 May 2017 in Jena**

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 am delighted to welcome you to our Annual General Meeting here in Jena today.

As I'm sure you have already heard, the past fiscal year 2015/16 was extremely successful. We achieved good growth in sales and earnings and won additional market shares, particularly in ophthalmology.

Success always comes from team work. My thanks today therefore go especially to our employees in all parts of our Company, as well as my colleagues within the management and on the Management Board, without whose strong personal commitment we could not have achieved this result.

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.

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

Ladies and Gentlemen,

Before I give my report on the key figures of our Company's development, I would like to turn the focus to our customers for



a few minutes, because our customers are of the greatest importance for the success of our Company.

Our customers have high expectations of us. The success of their very responsible work depends not only on the performance and reliability of our products, but also on the support we give them – whether that be in the purchase process in selecting products, order processing, installation and organization of their practice or clinic, the optimum use of our products, or in repair and maintenance. But also when we are developing new products: our customers like to be seen as partners, who can contribute their specialist knowledge and their practical experiences. This is in our interest, because it enables us to continuously improve our offering and to continuously increase the benefit for our customers with innovations.

We are united in this respect by the challenge to drive medical progress further forward, to enable doctors to make faster and more accurate diagnoses in future and have more success with treatments. The idea of working very closely with users when developing new products at our Company dates back to the Company founder, Carl Zeiss. His peer, Ernst Abbe, once said that Zeiss could imagine the future and used it as a basis for his decisions to achieve his goal. It is with this in mind that we work together with our customers on future success – on the success of medical work and, therefore, on the success of our Company.

Ladies and Gentlemen,



Let's take a look at one product that was developed together with a customer.

We developed the INFRARED 800 fluorescence module along with Professor Andreas Raabe from the University Hospital in Bern. This product enables the physician to visualize and monitor blood flow during surgery on blood vessels in the brain. The physician can adjust the treatment as appropriate to achieve the best possible result for the patient.

You may have already had a chance to read the article in our most recent annual report about my discussion with Professor Raabe, who clarified what is important to him as a brain surgeon: the best image! Doctors want functions that enable them to look into and through the tissue. Imaging and visualization are therefore areas where there are further opportunities for development. Because doctors can only give the best treatment to the things they can see the best.

Customer visits like this show us again and again what doctors and medical staff achieve each day. Such meetings motivate and inspire us, spur us on to also do our best on our side.

Ladies and Gentlemen,

Our aim is to contribute to the advancement of medicine in our fields of ophthalmology and microsurgery. Ever since the first slit lamp found its way into medical practices back in 1911, many physicians can no longer imagine their everyday life without ZEISS



products. We aim to set standards with our products, to make it faster and easier to make diagnoses, to improve treatments and make the everyday working lives of our customers easier and more efficient.

Let's just look at a current example to show you what I mean by this.

Around 18 years ago, we launched a market-changing innovation in ophthalmology – the IOLMaster. This device is used for contactless measurement of the eyeball. This measurement is necessary for any patient with cataracts, in order to select the correct artificial lens, which is then implanted in the eye during surgery. What made it an innovation was the fact that measuring with the IOLMaster is very simple, so simple that it can be carried out by auxiliary staff. It is also extremely precise. The device has established itself as a standard in the market. More than 100 million eyes worldwide have since been treated with this device. The IOLMaster has, as Professor Kenneth Hoffer, ophthalmologist at the University of California, puts it, completely changed the world of biometry.

Now that this technology has been available on the market for such a long time, we have significantly enhanced it once again with a new model, the IOLMaster 700. This time we brought in OCT technology, which we have also been using for a long time to examine the fundus of the eye. The IOLMaster 700 helps ophthalmologists to identify any unusual geometries of the eye and yet to measure the eyes with precision. For the first time, the physician can see whether the measurement is actually plausible.



We also made major progress in the field of retinal diagnostics, with the launch of a new product. It is called the "AngioPlex" and, similar to an angiography, it enables the physician to generate a crystal-clear, three-dimensional image of the microvascular system of the eye. This is major progress for the diagnosis of a number of retinal diseases, such as AMD or diabetic retinopathy. Because, contrary to conventional procedures, the patient does not have to have any contrast agent injected, which practically eliminates any risks of the examination.

Talking of new products, I would now like to turn my attention to microsurgery.

Thirteen years ago in neurosurgery, we launched the surgical microscope OPMI PENTERO. This advanced this discipline significantly, as it enabled a substantial improvement in quality in neurosurgery.

Our aim with our latest development, the robotic visualization system KINEVO 900, is to once again set standards. We also listened very closely when developing this product: ZEISS KINEVO is a system that was developed based on a large market survey and in cooperation with 50 neurosurgeons from 14 countries.

This visualization system offers neurosurgeons brand new insights, combined with intelligent assistance functions that enable a convenient and smooth workflow. The surgeon has the option to choose whether to use the system as a conventional surgical microscope or as an ocular, fully digital visualization system that offers optimum imaging of the surgical field and detailed information, precisely when it is needed.



In certain situations, using the KINEVO can increase patient safety. This is made possible by ZEISS QEVO, for example – a fully integrated microinspection instrument, that delivers images of hidden structures and makes these detectable for the surgeon.

Another product that we introduced to the professional public this year is the dental microscope EXTARO 300. What is special about this device? For the first time we combined a microscope for dentistry with a fluorescence-based technology, which enables very accurate detection of decayed tissue. This means better protection for healthy tooth structure.

Ladies and Gentlemen,

It is crucial for Carl Zeiss Meditec, as a technology company, to recognize technology trends and capitalize on them early. One significant trend of our time is digitization. We are all familiar with the changes in the private sector – be it in communication, shopping or procuring information. I believe that all of this is just the beginning and that there are even more very exciting advancements to come.

Digitization is also a huge opportunity for health care. We are actively helping to shape this development in ZEISS medical technology.

Our data management solution FORUM prepares ophthalmic data and images in such a way that the physician immediately has an overview of all the important information. The ZEISS FORUM Viewer app, for example, enables a fast and direct comparison of data from different examination devices. This means that this app



allows ophthalmologists to access patient data stored in the FORUM data management system at any location.

Being able to view and evaluate patient information on a tablet opens up new possibilities for the physician, in terms of diagnosis and treatment and when speaking to the patient.

We also offer this new possibility of app-assisted patient communication for dentistry: The integrated HD camera of the new ZEISS EXTARO 300 takes high-resolution images with the help of the ZEISS Connect App, and transmits these wirelessly to the local network. This enables the dentist to show his or her patient images of teeth that require treatment and also to show the patient the condition of the tooth before and after treatment, for example.

Ladies and Gentlemen,

We see ourselves as an international group. With operating sites and subsidiaries in Germany, France, Spain, the USA and Japan, we have a direct presence in the most important medical technology markets. Carl Zeiss Meditec also benefits from the strong, global sales network of the ZEISS Group. This ensures us customer proximity and therefore a crucial advantage in international competition, as it enables us to develop products close to the customer. We employ people from various national and cultural backgrounds at our sites; we value their different views on things and view diversity as an asset. For us, dealing with each other in an open and respectful manner goes without saying. Equally, we do not believe that national borders should be an obstacle to trade. As a group with global operations, we shall



endeavor to work against such trends in individual countries and continue to advocate free trade.

ZEISS has traditionally taken its social responsibility very seriously. We are involved in numerous social initiatives surrounding our business activities. However, one of our main concerns is to support young talent, particularly in countries with inadequate resources. This is why we have supported the fellowship program of the ICO Foundation for many years now. Young doctors come to Germany and Austria, Switzerland and Italy to learn about state-of-the-art treatment methods and clinical workflows there. Back in their home countries, these young doctors become important disseminators for new technologies, and can thus significantly improve medical care for their fellow citizens.

Ladies and Gentlemen,

Carl Zeiss Meditec has worked for many years on being able to offer as complete and comprehensive a product range for ophthalmology as possible. In order to be able to better play on this strength in the market, in August of last year we decided to bundle our business activities in the field of ophthalmology in the new strategic business unit Ophthalmic Devices.

This merger of the former two ophthalmology business units and the simultaneous integration of the sales organization into the business unit means that our structure is now even more strongly focused on the customer segments in the market. We are making Service even more efficient and we can exploit additional growth opportunities. Microsurgery will also benefit in this new structure



from its own powerful sales organization, to offer our customers an even better service.

Ladies and Gentlemen,

As I already mentioned at the start: we continued the successful trend of the past few years during the last fiscal year. We look back on fiscal year 2015/16 as a year in which we achieved a lot.

Which brings me to the business figures.

We met the targets we set ourselves for the fiscal year and are proud to be able to report encouraging increases in both revenue and profitability to you today.

At €1,088 million, revenue was once again over the billion mark, with organic growth amounting to almost 3 percent. Earnings before interest and tax increased by more than 18%, to €154.3 million, thus increasing our EBIT margin to 14.2 percent. Earnings per share amounted to €1.21. As expected, cash flows from operating activities were in the high millions, at just under €112 million.

This successful trend is particularly attributable to the area of ophthalmology. In terms of regional growth, the Asia/Pacific region had a clear lead.

The strategic business unit Ophthalmic Devices generated revenue of €791.9 million in fiscal year 2015/16. Organic growth



amounted to 4.1 percent. The business unit now accounts for more than two thirds of overall business.

The area benefited, on the one hand, from the positive trend in the refractive laser systems business for vision correction. On the other hand, the strong demand for products for treating glaucoma resulted in a positive development. Another positive development is that, in spite of the high level of competition in the field of diagnostics and the associated pressure on margins, we still managed to increase profitability by a good amount in ophthalmology as a whole.

We already have a high percentage of so-called recurring sales in ophthalmology, which are mainly attributable to the sale of consumables and implants, but also to our customer service. This business makes us more independent of market fluctuations, because patients are still treated even in economically challenging times. This is a major advantage in today's economic turbulence.

The second strategic business unit, Microsurgery, in which we provide visualization solutions for minimally invasive surgical treatments, almost matched the previous year's level in fiscal year 2015/16, without the tailwind from currency effects. Revenue amounted to €296.5 million. We defended our market position in this area and kept profitability at a high level. In terms of products, we are in a good position. With our new solutions in the area of dental and neurosurgery we aim to achieve stronger growth again in future.

The balanced regional distribution of our revenue is another of Carl Zeiss Meditec's strengths. As you know, our business is distributed almost evenly across the reporting regions of Europe,



Middle East and Africa, Asia/Pacific and the Americas, with around a third of revenue being generated in each. The Asia/Pacific region, or APAC, increased its share to around 35% compared with the other two regions, due to its high level of growth.

Revenue in the region Europe, Middle East and Africa, or EMEA, was down slightly compared with the previous year, at €352.7 million, which was primarily due to declines in Southern Europe and the Middle East. Our core markets, however, such as Germany, France and the UK, continued to make good contributions to revenue.

Business in the Americas region continued to be noticeably impacted by the tense competitive situation in the area of ophthalmic diagnostics. The region generated €354.0 million and was on a downward trend up until the end of the fiscal year, with a decline of almost 5%, which was halfway cushioned by the favorable currency trend.

As I said at the beginning, revenue in the APAC region was particularly strong once again. Here we achieved double-digit organic growth of 15.5 percent and generated revenue of €381.7 million. The largest contribution to revenue in this region, with strong growth once again, came from China, although Southeast Asia also recorded high growth rates.

Ladies and Gentlemen,

The successful development of business over the past few months is also clearly reflected in the positive development of the Carl Zeiss Meditec AG share. Up until the end of the fiscal year the share was up by more than 20 percent. In the first half of the



current fiscal year the price continued to rise at an accelerated rate, with the result that the share value has now (26.5.) increased by around 60 percent. The TecDAX fell by almost 1 percent in the comparative period; to date (26.5.), the index has only increased by 25 percent. Over the past few months, Carl Zeiss Meditec AG has proved itself to be a very lucrative and successful investment in the long term.

Ladies and Gentlemen,

This brings me to an important part of every annual general meeting: the dividend proposal.

As you know, we pursue a profit-driven and continuous dividend policy. We shall continue to adhere to this strategy in future and want you as shareholders to participate appropriately in the Company's success. The Management Board and Supervisory Board therefore propose to you a dividend of €0.42 per share. The dividend ratio in this case would thus remain at more than one third of consolidated profit after non-controlling interests. This will ensure that the Company will continue to have sound financing in future and that we will continue to be able to invest further in growth, and sustainably increase the value of the Company.

In order to be able to accelerate our growth strategy even further, in spring of this year we successfully placed 8.1 million new shares at a price of €38.94 within the scope of a capital increase. Funds of around €317 million accrued to us as a result, which gives us the necessary clout and flexibility to systematically exploit new opportunities in our markets and to sustainably



accelerate our growth. We would be delighted if you as our shareholders would agree to the replenishment of our authorized capital under agenda item 6, so that, were we to make any larger acquisitions, we would continue to have the maximum flexibility in putting together an attractive and value-creating financing package.

Ladies and Gentlemen,

We remain on a successful path, and this is also reflected by the results for the first six months of fiscal year 2016/17.

During the first six months of the current fiscal year, we generated revenue of €587.5 million. Organic growth amounted to 7.1 percent. Earnings before interest and tax increased by more than 26 percent, to €91.5 million. We therefore increased profitability in the first half of the year to an EBIT margin of as much as 16.2 percent, to which both business units contributed.



The Ophthalmic Devices strategic business unit contributed to overall growth in the first six months, with organic growth of 9.2 percent. The Microsurgery business unit also made a good contribution to organic growth of almost 2 percent.

While the EMEA region was almost on the previous year's level, we grew by almost 3 percent in the Americas region, to which business development in the USA made a significant contribution.

However, the greatest growth impetus once again came from the APAC region. Organic growth here reached 18.4 percent, with high growth rates in China, India and Southeast Asia.

Dear Shareholders,

We consider ourselves to be in a good position to continue to grow organically. We also possess the necessary financial strength to seize opportunities, including acquisitions. We can build on competitive and profitable products in a broadly diversified portfolio, which we continue to develop in close cooperation with our customers. At the same time, we are taking advantage of the opportunities of digitization to leverage further market potential. Behind this is a strong global team that works well together.

Ladies and Gentlemen,

All that remains for me now is to specify the projections for the current fiscal year:



For fiscal year 2016/17 we anticipate revenue in the range of €1.15 to €1.20 billion, and an EBIT margin of between 13 and 15 percent. We shall continue to consistently pursue our objective of growing at least to the same extent as our underlying markets.

I am very optimistic that we shall achieve our objectives together and that our efforts will be worth it. To this end, we shall keep the pace high and shall not let up in our aim to be the partner of choice for our customers.

Ladies and Gentlemen,

I hope that I was able to give you some understanding of how we work together with our customers to help patients regain a better quality of life and drive medical progress further forward. Thank you for your support and your interest in our Company, and – not least – for your attention today.