



Carl Zeiss Meditec AG

Annual General Meeting 19 March 2019 in Weimar

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,

As President and CEO of Carl Zeiss Meditec AG, I would like to bid you a very warm welcome to our Annual General Meeting here in Weimar today.

The past fiscal year 2017/18 was a very good year for us, in which we achieved another record result. We gained market shares in our core markets, thus growing faster than the market. Currency-adjusted revenue growth amounted to around 11 percent. We can proudly report that this growth was also accompanied by an increase in profitability.

Ladies and Gentlemen,
We live in a globalized world, which is changing rapidly. To understand the development of our Company over the past fiscal year, we must look at key trends in the development of society, politics, the economy and technology. Allow me, therefore, to highlight these trends, before we turn our attention to business development over the past fiscal year in detail.

Bill Gates is purported to have said: "We overestimate the changes that will happen in the next two years, and we underestimate the changes that will happen in the next ten."
delete *Delete* Megatrends are changing the world slowly, often in a barely perceptible way. Such trends are, however, changing the world fundamentally and for the long term.



One example that is obvious to all of us is digitalization. I discussed this with the Chief Physician of the Eye Center at St. Franziskus Hospital in Münster, Prof. Daniel Pauleikhoff, and he said: "The things that are now possible with our smartphones are far beyond what I could have imagined five or ten years ago." He spoke about quantum leaps that digitalization has already made possible in our personal lives, but also in the professional sphere and in medicine.

Digitalization, ladies and gentlemen, is also referred to as Industry 4.0, the fourth industrial revolution. The first three industrial revolutions, from the development of the steam engine and the conveyor belt, to the computer, have each endured for 60-100 years. The fourth industrial revolution, digitalization, has only just begun. Considering what digitalization has already changed today, one can imagine what will happen in the next 20 or even 50 years – particularly with regard to the use of data. The question for medicine is: How can we use patient data generated by devices to enable medical progress, in other words, to improve the diagnosis and treatment of diseases? The entire industry is only at the beginning in this respect, and new technologies are only just emerging.

At ZEISS, we see digitalization above all as an opportunity to address future challenges – for example, the increasing aging of the population, which will bring with it a massive increase in age-related diseases, especially in the western world. The number of older people will also increase dramatically in countries like China or Japan over the next few years.



Furthermore, the wealthy middle class is growing in countries like China, India and the region of Southeast Asia. As a result, there is a growing need for health care, which cannot be met by current health care systems. The hope is that digital technologies will be the key to an improvement in health care in these countries.

Although the number of patients is on the rise, the number of doctors has remained almost the same or has decreased in some cases. This is also the case in Germany, for example. This puts a huge amount of stress and cost pressure on the health care system. What can we do to counteract this? In our view, what we need are new approaches to health care, to enable greater productivity and efficiency with the help of digital technologies, for instance.

The pressure on the health care systems is also causing a shift in market forces and roles in health care. Health care providers are expected to consolidate, to achieve efficiency and focus on cost effectiveness. The influence of "financial backers", such as insurance companies, for example, also appears to be getting stronger.

This trend is already advanced in the United States. Two examples show how the boundaries between insurance companies and health care providers are becoming blurred.

U.S. technology company Apple, for instance, aims to provide its own health care for its employees, and operates subsidiary AC Wellness, which aims to provide Apple employees with the best possible medical care.



The second example relates to insurance companies, which buy up so-called “touchpoints”, such as drugstores. Potentially groundbreaking here is the merger between drugstore chain CVS Health with U.S. health insurance company Aetna.

Ladies and Gentlemen,

A lot has been said and written about social, political and economic trends, particularly at the present time. After around 10 years of economic growth, key performance indicators have recently been on a downward trend, and economic growth is currently declining in both the industrialized countries and in the emerging economies. There is also a growing uncertainty that has arisen, for example due to Brexit or trade wars. The risks in global trade increase with rising barriers to trade. The VUCA formula sums this up well.

VUCA stands for volatility, uncertainty, complexity and ambiguity. We live in a world that is constantly changing, that is becoming more unstable. It is rapidly becoming more and more difficult to foresee and predict events. Our world is more complex than ever. Problems and their effect are becoming more complex and difficult to understand. It is rare for all potential consequences of an action or decision to be clearly foreseeable.

However, we do not wish to become bogged down with these trends. We counter the volatility, uncertainty, complexity and ambiguity with vision, understanding, clarity and agility. This is major challenge, but one which the Company’s management is facing up to.



Carl Zeiss Meditec's vision is to contribute to medical progress and to help physicians all around the world to improve the quality of life of their patients. As a company, it is our aim to enable not only an effective health care system, but, in particular, an efficient and thus affordable health care system.

Our vision, just like our strategy for implementing it, are one constant at Carl Zeiss Meditec. They are the foundation of the Company's success, not just in the past fiscal year, ladies and gentlemen, but over the past ten to fifteen years. Our objective is long-term value growth, rather than short-term profit optimization. The high level of continuity and consistency in the implementation of our strategy is very successful, as shown by the development of revenue over the past number of years. Our most important success factor is our innovative strength. Carl Zeiss Meditec differentiates itself in particular through innovative products, customer proximity and good customer support. Our business success requires both a good understanding of customer requirements and good intuition with regard to future technologies.

We have a well-balanced product portfolio and offer solutions for ophthalmology and microsurgery. In addition to conventional capital goods, the rising proportion of consumables which generate recurring sales, are a cornerstone of our success. A second success factor is our global presence. Our global positioning enables us to utilize the market potential of almost all regions of the world to our advantage.



And the third factor of our success, ladies and gentlemen, is the long-term strategy I just described, which views the changes in the health care system as a challenge and an opportunity. This strategy picks up on the megatrends I outlined, and ensures sustainability. Let me give you a few examples of how we are implementing our strategy.

In Microsurgery, our new robotic visualization platform ZEISS KINEVO 900 is taking neurosurgery to a new level of ergonomics and precision. Ergonomics leads to efficiency and precision leads to effectiveness. The device displays the surgical field with truly impressive, fully digital quality on 3D screens. The surgeon therefore no longer has to rely on the view through the eyepiece, but can choose to use digital visualization. Positioning of the microscope is fully robotic, which ensures greater safety and ergonomics. The system can display blood flow and tumor tissue using intraoperative fluorescence, for example, and enables surgeons to make otherwise invisible structures visible. Surgeons can therefore perform complex neurosurgical procedures with a new level of precision using a ZEISS KINEVO.

In the area of digitalization, we have set an important standard in ophthalmology with our practice and data management system FORUM, which has been enhanced year after year with additional applications for retina and glaucoma specialists, for instance, and has significantly simplified the treatment of chronically ill patients. This product also contributes to treatment efficiency and helps to improve treatment quality.



Our platform ZEISS VisuHealth addresses the challenges of rising patient numbers in medically underserved regions. For example, the product enables digital screenings for the early detection of retinal diseases. The retinal images taken with a mobile fundus camera are uploaded to a digital platform and evaluated by a physician in an evaluation center. Therefore, ZEISS VisuHealth also gives patients in underserved regions access to an ophthalmic examination. More than 150,000 people in India have been examined to date thanks to this platform.

Dr. Kerry Solomon, a leading cataract and refractive surgeon from the USA, said in an interview that digital technologies have made their way into all areas of his clinic, from the practice to the operating room. Dr. Solomon is heavily involved in the development of our product Veracity Surgical. This software solution underpins our claim to digitally control workflows, for example in cataract surgery. Increasing efficiency while simultaneously minimizing error rates lays the foundations for good and cost-effective treatment outcomes. We are therefore setting new quality standards.

Carl Zeiss Meditec is a pioneer in the field of digitalization in its business areas, and we shall continue to actively shape the digital transformation of our industries. Due to our positioning with diagnostic and surgical solutions, as well as our many years of expertise, we are in a forward-looking starting position to achieve this.



Ladies and Gentlemen,

I would like to turn now to the results for fiscal year 2017/18. As I already indicated at the start of my speech, the reporting period just ended marks the most successful year in Carl Zeiss Meditec's history. We continued the positive trend of the past few years, and thus fiscal year 2017/18 is a year in which many milestones were achieved. Once again, we proved our innovative strength with numerous market launches. We are receiving a very positive customer response to our new products for ophthalmology, such as the ultra-wide-angle fundus camera ZEISS CLARUS and the therapeutic laser ZEISS VISULAS green. The same applies to the intraocular lens ZEISS AT LARA TORIC, a completely new category of toric IOLs.

We also introduced the next step in multimodal treatment with the Integrated Diagnostic Imaging platform. This platform brings together the different image sources, such as OCT images, OCT angiography, or fundus photos. This state-of-the-art digital solution assists ophthalmologists with efficient and personalized diagnosis and treatment.

We also continued our history of innovation of the past few years in Microsurgery. After introducing the ZEISS KINEVO 900 in the previous fiscal year, we upped the ante in the fiscal year just ended with the new systems for ENT and spinal surgery. The ZEISS EXTARO 300 and ZEISS TIVATO 700 introduce forward-looking augmentation concepts to improve workflows. As the inventor of the ENT surgical microscope over 60 years ago, we are therefore heralding the digital age for this application. We are also setting new benchmarks in the field of spinal surgery, with



the state-of-the-art visualization and robotics technology of the ZEISS TIVATO.

Another key milestone is the FDA approval for an extended indication range of ReLEx SMILE in the USA. This means that SMILE is now also available in the USA for patients with astigmatism, a curvature of the cornea. ZEISS ReLEx SMILE is a minimally invasive procedure for the treatment of visual defects using the femtosecond laser ZEISS VisuMax. The SMILE procedure has been employed more than 1.5 million times by refractive surgeons in more than 70 countries worldwide.

Ladies and Gentlemen,

Ultimately, our success is measured in our figures. The development of the global economy was very positive last year, with an even more dynamic trend in the industrialized nations than originally forecast at the start of the last calendar year. Significant impetus came from the USA, and the growth markets of Asia once again showed above-average development. This trend is also evident from our business figures.

I am delighted to be able to report to you today that we have met the financial targets we set ourselves for fiscal year 2017/18. We can report encouraging growth in both sales and profit. We therefore grew at a significantly faster rate than our markets in the reporting year. With organic growth of 11 percent – as reported at the beginning – we achieved total revenue of €1.28 billion, and were thus within the target range of between €1.25 and €1.3 billion. Both of our strategic business units, Ophthalmic Devices and Microsurgery, made a positive contribution to this development. Growth was also well distributed across the



regions, with each of the three reporting regions contributing to growth.

The Ophthalmic Devices strategic business unit grew organically by more than 9 percent. Generating €933 million, the business unit accounted for around three quarters of total revenue. One driver of the successful development, as I mentioned earlier, was refractive lasers for visual acuity correction. The demand for our intraocular lenses for the treatment of cataracts was also high. Implants are necessary for each cataract patient treated. The products therefore generate recurring revenue that depends on the number of patients treated and not on device sales. This amounted to 34 percent for fiscal year 2017/18. The third business field within the Ophthalmic Devices business unit, Diagnostics, also achieved good growth.

In the Microsurgery strategic business unit we achieved double-digit organic growth of as much as 16.5 percent. This business unit accounted for €348 million of revenue. We benefited here, in particular, from our now strongly rejuvenated product range in neurosurgery and dentistry.

Our three business regions Europe/Middle East/Africa, or EMEA for short, Asia/Pacific, or APAC, as well as the Americas region, each generated a good third of total revenue, although the APAC region has meanwhile become the largest region with increasing weight. Our regional presence was nevertheless very balanced. All regions recorded growth in fiscal year 2017/18. After several years of restrained growth, the Americas region exhibited a very positive trend, with double-digit organic growth of 14.4 percent, to €407 million. The U.S. market was particularly encouraging.



We especially benefited from our new product launches here, which I have already spoken about.

China and South Korea made the largest contributions to growth in the APAC region. This region once again made a strong contribution, with growth of 13.2 percent and revenue of €496 million.

In the EMEA region, stable development in Germany and solid growth in the UK and Southern Europe provided for an increase of 5.4 percent, to €378 million.

We also achieved our target in terms of earnings. Our operating result increased to €197 million. The operating margin was thus 15.4%. Our earnings per share amounted to €1.41. It is also thanks to this positive development of earnings that cash flows from operating activities were in the three-digit million range, at €187.2 million, in the past fiscal year.

Ladies and Gentlemen,

Once again, the successful development of business is also reflected in the continuous increase in value of the Carl Zeiss Meditec AG share over the past year. Yet again, our share proved to be a very attractive and successful long-term investment. On the first day of trading of fiscal year 2017/18 the share listed at €44.51. At the end of the fiscal year, the Carl Zeiss Meditec share finished trading at a closing price of €72.50 Euro. Its list price was therefore already 63 percent higher than at the beginning of the fiscal year.



As a technology company, the share is listed on the TecDax. In September last year the Carl Zeiss Meditec AG share was also admitted to the SDAX of Deutsche Börse. Owing to its high market capitalization and a respectable annual trading volume, the share then took the leap onto the MDAX at the end of 2018. The share has since continued to perform well. On 12 February of this year, the share reached its first all-time high of €84.55 and almost doubled its value compared with the opening rate of the past fiscal year. The going concern value or market capitalization now amounts to almost €7 billion.

This brings me, shareholders, to an important part of our Annual General Meeting this year: the dividend. As you know, we operate a profit-driven and continuous dividend policy. With this in mind, we would like you, our shareholders, to share appropriately in the Company's success.

The Management Board and Supervisory Board are striving for a payout ratio of approximately one third of consolidated net income after non-controlling interests. The proposal to be resolved today for the payout ratio for reporting year 2017/18 is 39 percent, and thus deviates slightly upward from this guideline. In concrete terms, the Management Board and Supervisory Board propose to you to distribute a dividend of €0.55 per share. We intend to maintain a sustainable dividend policy in future, too. This way, we will 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.



Ladies and Gentlemen,

One example of a forward-looking investment in growth is the acquisition of IanTECH, which is domiciled in the USA, during the first quarter of the current fiscal year. IanTECH specializes in technical solutions for microinvasive cataract surgery. We are therefore expanding our product portfolio in the area of surgical ophthalmology. We view this technology acquisition as a medium and long-term investment that will enable us to offer completely new and innovative approaches for cataract surgery in future. Aside from the gain in technology and innovation expertise, we are also delighted to have gained new colleagues with a wealth of expertise, customer focus and motivation with the IanTECH team.

Another focal point of our activities, ladies and gentlemen, is our sustainability strategy.

In order to reduce costs, Carl Zeiss Meditec uses the sustainability management system of the ZEISS Group. This covers five core areas: employees, social commitment, the environment, products and value chains, integrity and compliance. You can find out about the progress we have made in the ZEISS Group's sustainability report, which was published several weeks ago.

I would like to highlight our social commitment as an example of our sustainable actions. We collaborate with international organizations with the aim of bringing medical care to underserved regions. I would like to mention the IAPB, the "International Agency for the Prevention of Blindness", and the Christoffel Blindenmission, CBM. Since 2005, we have built a number of diagnostic and treatment centers for ophthalmology worldwide



along with these organizations, and equipped them with ZEISS devices. Doctors are trained at these centers in keeping with the motto of “helping people to help themselves”, to enable them to diagnose and treat eye diseases with modern and reliable technology.

Five diagnostic, treatment and training centers were established between 2005 and 2016 in Indonesia, Nigeria, Tanzania, Paraguay and Sudan.

These centers are all productive today. In 2017 alone, a total of 19 doctors treated almost 5,000 patients for cataracts at the training center opened in Paraguay in 2013. During the past year we expanded our involvement there by adding a phaco training center.

In February of this year, we also opened a new phaco training center in West India. The aim is to raise the standard of treatment and to thus improve the care of patients in this region.

In addition to our involvement at the training centers, we also support the fellowship program run by the ICO Foundation, which is the international umbrella organization for ophthalmology. This program facilitates residencies in Europe for the further education and training of young doctors from developing and emerging economies.

Ladies and Gentlemen,

Let us now take a look ahead. We have made a good start to the new fiscal year. Carl Zeiss Meditec once again grew profitably in the first quarter of fiscal year 2018/19 and gained market shares in both strategic business units. We generated revenue of €324



million in the first three months, which corresponds to an increase of 9.8 percent (adjusted for currency effects: +9.0 percent) compared with the year-ago period. We recorded significant growth in the EMEA region. In particular the core markets, Germany and France, as well as Southern Europe, made a positive contribution to the first quarter.

We anticipate that we shall continue to grow at least as fast as our markets over the rest of the fiscal year. Growth drivers for the medical market in general and the microsurgery and ophthalmology markets in particular are unchanged, as are the long-term trends outlined earlier. Carl Zeiss Meditec shall continue to consistently implement the successful strategy of the past few years.

We are very well aware of the growing uncertainties and the weakening trend in the global economy. I would like to assure you that we are actively addressing these issues and taking a proactive approach. What we need to do is increase our resilience and improve our flexibility. Because this is the only way for us to be able to respond quickly to changes in the market. Good examples of our activities are the further increase in the proportion of recurring revenue and the transition to more flexible cost structures within the Company. We are also working on the efficiency and productivity of Company processes, as well as on a focused investment and innovation strategy, and on actively further developing our global team.



Ladies and Gentlemen,

The results for the record year 2017/18 are based on teamwork. More than 3,000 employees worldwide contributed to this. I would like to thank you all most sincerely for your commitment. Many thanks also to the management team for the extremely constructive and positive cooperation.

I would also like to sincerely thank my new colleagues on the Management Board. As I am sure you are aware, our Chief Financial Officer of many years, Dr. Christian Müller, stepped down from Carl Zeiss Meditec AG's Management Board effective 30 September 2018 and moved into the role of CFO of Carl Zeiss AG. He is succeeded by Justus Felix Wehmer, former CFO and Co-Director of the Microscopy division of Carl Zeiss AG. In addition, the Management Board of Carl Zeiss Meditec AG was expanded from two to three members, with the appointment of Jan Willem de Cler. Jan Willem de Cler is the former head of our Surgical Ophthalmology business unit, and has been with ZEISS since 2004. In his role as a member of the Management Board, he now assumes responsibility for Human Resources and Employee Development, among other things. We have been working together as the Management Board team for the success of the Company since 1 October 2018.

As the Management Board and management team we can look back on a very trusting collaboration with the Supervisory Board. I would like to thank the Chairman of the Supervisory Board, Prof. Dr. Michael Kaschke, the Deputy Chairwoman, Tanja von der Goltz, and the Supervisory Board members, Dr. Markus Guthoff, Cornelia Grandy, Jörg Heinrich and Thomas Spitzenpfeil.



Shareholders, naturally I also want to thank you for your confidence in Carl Zeiss Meditec AG. Thank you very much for your interest in our Company and for your support! We look forward to continuing to shape medical technology with you at our side. We are looking to the future with optimism. Thank you very much for your attention.