



**Carl Zeiss Meditec AG
Annual General Meeting
6 April 2016 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,

My name is Ludwin Monz. As President and CEO of Carl Zeiss Meditec AG, I would like to extend you a warm welcome to our Annual General Meeting in the Weimarhalle Congress Center today.

Fiscal year 2014/15 was yet another strong year for Carl Zeiss Meditec AG. Our revenue broke the billion euro mark for the first time. In doing so, we not only grew with the market; we also further expanded our market shares in key areas of business. And: our growth trend is sustainably profitable.

We are happy to share this success with you, our valued shareholders, by way of dividends.

Ladies and Gentlemen,

The focus of the Annual General Meeting is in particular our business development, based on the key figures. I would, however, also like to take this opportunity today to present our strategy to you, which has stood us in good stead in quite challenging markets. I would also like to tell you about what investments we have made in the future and about why we are confident that we can sustainably increase the value of your company, dear shareholders, in the long term. The emphasis here is heavily focused on the strength of the ZEISS brand.



As you are probably aware, ZEISS has a special history. This year we will celebrate the 200th birthday of our founder, Carl Zeiss, who, in 1846, began the production of optical equipment and the development of microscopes some 20 kilometers from here, in Jena. The performance and quality of his products established the worldwide renown of the ZEISS brand.

For almost 170 years now, ZEISS has stood for utilizing light through pioneering technologies. And that is no different today.

Time and again, the Company's capacity for innovation has been the root of its success. The ZEISS brand stands for its technology leadership in its markets. It opens the doors to the most renowned scientists and physicians. The ZEISS brand provides us with the best conditions to evolve the Company positively in the future, too, to address challenges and exploit market opportunities.

Companies can only achieve long-term success if they don't rest on their laurels. The development of technology, markets and customer requirements is much too dynamic. ZEISS endeavors to keep taking on this ever-changing challenge, again and again. With a high level of creativity and inventiveness, we aim to keep inspiring our customers in new ways.

And we have now succeeded in doing this for more than 100 years in ZEISS medical technology. Time and again, ZEISS products have significantly advanced medical diagnostics and therapy. What we started with the slit lamp in 1911, has continued to this day with an unparalleled series of medical devices that medical practice can no longer imagine life without. What makes me particularly proud is the



fact that these devices have made a vital contribution to improving the health and quality of life of millions of people.

Products that are considered to be the benchmark in their category, which every other product has to compare itself with, we refer to as the gold standard. ZEISS has developed a whole range of such products. One that I would like to mention is the surgical microscope, which neurosurgery, ENT surgery and ophthalmic surgery can no longer do without. However, there are many other ZEISS products that belong in this category: in ophthalmology, for example, there is our HFA perimeter, for measuring visual field, and the biometric device IOLMaster, which is used to measure the eye before cataract surgery.

These devices can now be found everywhere in ophthalmic practices and clinics all over the world. But even industry standards have to be maintained, because, otherwise, the strong position in the market will quickly fall into jeopardy. I am therefore especially delighted to tell you that we succeeded just last year in establishing successors for these gold standards in the market, which, due to the use of cutting-edge technologies, enhance the performance of the devices, in line with our customers' interests, thus following on seamlessly from the success story of their strong predecessor products.

In a moment I will go into more detail about the enhancements and new products that have made our portfolio even stronger and more competitive in the past year.

The focus of our business activities is on the expectations of our customers. The aim of our strategy is to be a partner to physicians and clinics, who understands and addresses their needs. At the same time, we are very aware that these needs can vary greatly,



depending on the medical discipline, the size of the practice or hospital, the country or general conditions, and may even be subject to considerable changes. However, there is one thing that remains important for physicians: they strive for better and better treatment results for their patients, and they aim to achieve these results in the most efficient ways possible. Innovative progress can thus be achieved with new and better devices for diagnosis and therapy, but also by optimizing treatment workflows. These should not only be efficient, but they should enable the physician to concentrate on the truly value-enhancing steps of a procedure.

One could also say it like this: for physicians all over the world, top priority goes to the wellbeing of patients. At the same time, the services that physicians provide in the health care systems worldwide must be financeable – whether this be through particularly efficient workflows or more effective therapies, which can be reimbursed by the health insurance companies, or through supplementary payments for especially innovative procedures, which offer patients a particular added value.

ZEISS has made it its mission in medical technology to be the partner of choice for its customers - in Europe as much as in the USA, the world's largest medical technology market, or the fast-growing markets such as in China or India. We are also honoring this claim by continuously expanding our presence in the important markets and offering tailored solutions for the regions. We made significant progress in this respect, in particular, this past year, which I will tell you about shortly.

Ladies and Gentlemen, although the medical technology market is characterized by high expectations of physicians and clinics, as well



as dynamically changing general conditions, Carl Zeiss Meditec AG is interested in long-term value growth. A long-term approach requires stability. And stability requires support, which Carl Zeiss Meditec AG has had for many years now from its majority shareholder, Carl Zeiss AG, as well as many other shareholders. The extremely positive outcome of this is a steady corporate policy and predictable behavior. Dear shareholders, I would like to thank you for supporting our company.

I also consider the environment in which we operate to be very positive: Carl Zeiss Meditec AG is moving in a market that also has good long-term growth potential.

Trends that have a global impact give our business momentum, because these trends mean that the need for health care is growing worldwide.

There are in particular three major mega trends that ensure our growth.

First is demographic development. In absolute terms, there are more people living on the planet today than ever before. Even more relevant for us as a medical technology provider, however, is that the proportion of older people is continuously rising - not just in Germany, which is often a matter of discussion in these parts, but also in countries such as the USA and China, in particular.

This increasing life expectancy is an achievement of our civilization. It is above all the result of medical progress and improved health care. With age, however, the probability of eye diseases and lifestyle diseases increases dramatically. The health care systems are



therefore seeing a considerable growth in demand for a treatment for these diseases. Our company can benefit from this demand to a particular extent.

In addition, a positive economic trend, and the growing prosperity that goes with it, is leading, in many countries of the world, to more and more people having access to medical care at all. This positive side effect is another mega trend, from which we are benefiting with our company.

Growing prosperity leads directly to more investment in the health care system, and this benefits millions of people whose previous quality of life was severely compromised.

Aside from that, investments in better health are not just an act of humanity; it's just common sense. Particularly in ophthalmology, it is known that the successful fight against preventable blindness is not only of inestimable value for the lives of those affected; it also brings with it a high economic dividend.

Dear Shareholders,

It is therefore clear that we can contribute to improvements in medical care, and that we can do this based on sustainable profitable development for our Company. That is a privilege and one that we can be proud of.

The general conditions that determine our business also include the fact that in many countries the medical services offered by the health care systems are under significant cost pressure. The result for us as a company is that we, in the interests of physicians and, indirectly, the patients, must keep the cost-effectiveness of the products and



solutions in mind right from the start. As I said before, the effectiveness of the products and efficient workflows play an important role in this.

Perhaps you've already had a chance to take a look at our annual report. Once again this year we consulted an expert to shed some light on an important aspect for the development of our company. I had a discussion with Professor Nolte, winner of the renowned Future Prize awarded by the German President, about how we can turn a groundbreaking idea into industrially usable technologies.

Technological advancement is namely the third mega trend that plays a crucial role in the development of our business. Not only that new technologies are developed at high speed, thus allowing new medical approaches to be pursued; our society expects these technologies to become available in medicine, and is willing to bear the costs for this to happen. For us, as an innovation company, this gives rise to the opportunity and the challenge to bring new ideas and technologies to market as quickly as possible.

Professor Nolte and I were in agreement in our discussion that it is not enough to just demonstrate the effectiveness of a new technology under laboratory conditions. Rather, it is much more crucial, aside from efficacy in everyday practice, to ensure the safety and cost-effectiveness of a new procedure.

Professor Nolte explained that a scientific understanding of the relevant organ is a basic prerequisite for being able to develop new diagnostic and therapeutic approaches. He referred, with respect to the human eye, to the fact that there are still a lot of unanswered questions as to how a visual impression actually occurs. For, although the optical system of the eye is well understood, the brain



carries out some extremely complex signal processing, often resulting in a surprising visual impression.

It is exceedingly important that there are scientists who will work with enthusiasm and passion to develop new approaches and clarify unanswered questions. I gained an impressive insight into this enthusiasm for research during my visit with Professor Nolte to the laboratory of the Fraunhofer Institute for Applied Optics and Precision Engineering and the Institute for Applied Physics at Friedrich Schiller University in Jena.

Interdisciplinary collaboration with the researchers at the universities and research institutes plays a key role for us all over the world, and will continue to do so in future. Other important factors are close cooperation and continuous exchange with the physicians, who bring their scientific and medical knowledge and their demands. The more precisely we understand what is important to the physicians, the better we will be able to develop innovations that are safe, effective and economical.

I would like to briefly illustrate this by taking the example of the innovative third-generation laser technology for correcting vision, which is still only offered by ZEISS. This procedure – we call it SMILE – was developed as a result of just such a collaboration between scientists, clinics and our company. The technical principle behind this device is based on the following effect: if one focuses a laser beam with ultrashort pulses into the cornea of the eye, the beam will only cut the corneal tissue at its precise focal point. The cornea above and below the focal point, however, remains untouched. It is therefore possible to make extremely precise incisions inside the cornea, without damaging the surface. This enables a minimally



invasive vision correction treatment; in other words, a treatment with the least possible interference.

The treatment results of the SMILE procedure for vision correction are impressive. They have led to a significant increase in demand over the past year. We have now passed the threshold of 400,000 SMILE procedures, which effectively means that we have helped to permanently improve the visual acuity of more than 400,000 eyes. SMILE is therefore on its way to becoming another gold standard in ophthalmology.

This development is all the more remarkable, given that this innovation has yet to be granted approval in the largest market, the USA. Accordingly, we shall continue to work this fiscal year on also meeting the requirements for regulatory approval in the United States.

The triumph of the SMILE procedure is also contributing to the increase in procedure-dependent and, therefore, recurring sales. These sales are very important for our company, because they are largely independent of investment cycles, thus providing profitable earnings. Another source of recurring sales comes from intraocular lenses. Overall, these sales account for almost one third of total revenue.

We are also at the pinnacle of medical development in another field, namely retinal diagnostics. As you may know, ZEISS made so-called OCT technology commercially viable in the 1990s. OCT stands for Optical Coherence Tomography and, in simple terms, is roughly comparable with an ultrasound device. The difference is, instead of ultrasound, light is used to visualize the tiniest of structures on the



retina. Research partners at the time were renowned scientists from the Massachusetts Institute of Technology (MIT) on the east coast of America. OCT is now omnipresent in ophthalmology.

Last year we achieved a significant development based on this technology:

AngioPlex enables physicians to perform a non-invasive examination of the eye and visualize even the smallest of blood vessels in the patient's retina. Previously, this was only possible if the patient had had a fluorescent dye injected into the bloodstream beforehand – with some side effects, which is why the conventional procedure can only be used in a hospital setting.

With AngioPlex, ZEISS has now successfully launched the non-invasive retinal examination in the market. AngioPlex already had regulatory approval in the USA in the fall of last year, well ahead of its competitors. In terms of reliability and image quality, we also consider ourselves to be ahead of the competition. During the break, you will have the opportunity to take a look at this innovative device yourselves, here in the Weimarhalle.

We were also able to harvest the fruits of a product development in the market for intraocular lenses last year, which focuses particularly on the benefit to the patient. We can now claim to cater for the very diverse patient demands with the broadest product portfolio in the area of intraocular lenses.

A key driver of this development was our multifocal intraocular lenses, which bring eligible patients particular benefits, such as freedom from glasses after cataract surgery. These lenses are not



reimbursed by the health insurance companies as a general rule, but require additional payment from the patient. It is particularly for this reason that superior product features are so important.

Although we are still not able to offer our range of intraocular lenses worldwide, we have nevertheless gained significant market shares in this business.

The positive trend in the area of intraocular lenses was boosted by our strong position in the field of surgical equipment for cataract surgery. With our Cataract Suite markerless, we offer a so-called solution, which consists of a range of carefully coordinated individual devices that complement each other to form a system. Cataract Suite markerless is designed in such a way as to provide optimum support for the implantation of intraocular lenses, due to an improvement in the workflow.

Ladies and Gentlemen,

Another development that is of crucial importance for the medical technology industry and therefore for our company, is the rapid pace of digitization. We now consider it the norm to be able to access data at all times in a convenient form, such as on our smartphones or tablets. In medicine, data protection sets strict constraints; however, digitization is now progressing rapidly in this area, too. I believe that there is a massive opportunity in the digitization of medical data. Aspects of this include not only cost-cutting, due to the avoidance of duplicate examinations, or more efficient workflows in medical practices and clinics. Major potential lies particularly in the evaluation of the data, in order to research and understand correlations. This is likely to contribute significantly to progress in medicine.



Carl Zeiss Meditec has been active in this area for a number of years now. Our data management solution forum serves us as a platform for systematic further development. As a supplier of a broad and comprehensive range of diagnostic and therapeutic equipment, particularly in ophthalmology, we consider ZEISS to be in a good strategic position to drive digitization forward and utilize it to its own advantage.

Ladies and Gentlemen,

Our strategy to be the partner of choice for physicians worldwide requires a geographically widespread and organizationally direct presence in the market, to enable customer proximity. "Direct" in this context means that our own sales staff are in direct contact with customers. Carl Zeiss Meditec AG has its own direct sales channels in the most important countries of the world, in particular the USA, Japan, Germany, France and Spain. At the same time, our company benefits quite significantly from the positioning of the ZEISS Group, which also has representatives in smaller countries, as well as in growth countries as strategically important as Asia and South America. The ZEISS branch offices distribute the products of Carl Zeiss Meditec AG in these countries.

The ZEISS Group has also established R&D centers in China and India, where products are developed for Carl Zeiss Meditec. We are therefore able to embrace the growing importance of these countries for our business.

I am therefore delighted to be able to report to you today that we have developed and launched tailor-made products especially for the rapidly developing markets in the development centers in China and



India. One is a robust and easy-to-operate OCT device – called Primus 200 – which has custom features tailored to the needs of small practices and newcomers to technology. We also developed a surgical microscope there: the LUMERA 300 for ophthalmic surgery. This product, its features and its price are also tailored to the world's growth markets. It will certainly come as no surprise that demand for these products is also increasing in the established markets.

I would also like to mention at this point that it is not just the products' features are a deciding factor in the purchase decision. The service offering and financing solutions play just as important a role. In terms of service, it's about ensuring proper operation of the devices at all times. This is because failure of our products can cause a major disruption to practice and clinic operations, and could potentially lead to substantial financial losses for our customers. But it is also the support provided to our customers, be that expert advice or training on how to operate the equipment, that is of vital importance for many customers. With regard to financing solutions, we offer our customers ways to manage the, in some cases, substantial investments in new technologies.

Ladies and Gentlemen,

The most important goal for us is to increase the value of our company based on sustainable principles, although we feel obliged to uphold strict ethical principles. This also includes ZEISS assuming a social responsibility. We also want to live up to this claim.

Even though the medical care of people in developing countries has improved on the whole, there are still too many people receiving inadequate medical care, or no care at all. Some of these people are



suffering from diseases than are actually easily treatable or even curable. For example, there are still cases of blindness today that could be prevented at little cost.

We at ZEISS cannot and will not simply accept this. We are therefore actively involved in the Vision 2020 initiative of the United Nations. Over a number of years we have set up training centers in several regions, where local physicians are given training in the spirit of "Helping People to Help Themselves". The fifth center of this kind is just being opened on the continent of Africa.

Another initiative which we are happy to support is the fellowship program run by the "International Council of Ophthalmology". Fellowship awardees from countries such as the Democratic Republic of the Congo, Syria, India or Pakistan get the opportunity, through work placements in state-of-the-art clinics in Germany, Austria and Switzerland, to expand their knowledge in the area of ophthalmology. They can then benefit from these insights upon their return to their native countries. We offer the fellowship holders the opportunity to also get to know ZEISS during their study abroad. The enthusiasm of the young trainee doctors for our products during these visits is almost tangible. For me, and all those who come into contact with the fellowship holders, that is always a particularly motivating and inspiring encounter.

On that note I would like to move on to the review of the past business year.



Ladies and Gentlemen,

As I touched upon earlier, fiscal year 2014/15 was a good year for Carl Zeiss Meditec AG in terms of sales and earnings. The overview also shows that we launched a considerable number of new products and solutions in fiscal year 2014/15.

Carl Zeiss Meditec AG sets itself apart from its competitors due to its capacity for innovation. Our investments in research and development are accordingly high. Our R&D ratio last year was around 11 percent. In absolute terms, this means that we invested well over 100 million euros in the development of new products and solutions.

By its very nature, the development of new medical treatments is not always predictable. Last year, for example, in connection with our investment in the company Oraya, we unfortunately had to accept that the market launch of a new, innovative procedure for treating wet age-related macular degeneration, failed to live up to expectations. Although we still consider the potential of Oraya's technology to be positive, we have to assume that much more time will be needed for successful commercialization than originally hoped. As a result, we had to make write-downs on our involvement in Oraya, which has had a noticeable negative impact on our financial result.

We reached a revenue milestone and broke the billion euro mark in 2014/15. With an additional boost from currency effects, we recorded a 14.4 percent increase in revenue, to € 1,040 million. As we had projected slightly less growth in our forecast for the last fiscal year, we published this result in advance in an ad hoc release in October.



Earnings before interest and tax also reached a good level, amounting to € 130.6 million. The EBIT margin was slightly lower than the prior year, at 12.6 percent. However, we had decided to make additional strategic investments in research and development in the reporting year. These related to the development of a new product category for our company, with which we aim to exploit a market opportunity, or, rather, avoid a competitive disadvantage. Adjusted for this conscious additional expenditure, the EBIT margin would have been 13.8 percent and thus slightly higher than the year-ago margin.

While our operating result benefited from currency trends, currency hedges had an adverse effect on the financial result. Then there were the write-downs on the investments in Oraya, which had an additional impact on the net result.

Viewed by business units, the Surgical Ophthalmology strategic business unit, or "SBU", achieved the most growth. Growth was driven by good demand for intraocular lenses and consumables, as well as for surgical workstations for ophthalmology. The percentage growth for this SBU was 22.5 percent; after adjustment for currency effects, it still amounts to 19.0 percent.

Currency effects were more clearly reflected in the revenue increase of the Ophthalmic Systems SBU. Revenue here increased by 12.2 or 3.9 percent. The development of this SBU was split into two parts: a very positive trend in the business with lasers for vision correction and the associated, procedure-dependent revenue was countered by ongoing price and competitive pressure in diagnostics.



Microsurgery also benefited from currency effects. The Group achieved revenue growth of 8.5 percent in this SBU, or 2.7 percent, if currency effects are excluded.

All three SBUs thus contributed to the Company's growth. If we look at the distribution of revenue from a regional perspective, we can see that all three reporting regions made positive contributions. Overall, our Company's business activities are very balanced. Once again, the APAC region accounted for the most growth; in other words Asia and the Pacific Area. Due to the appreciation of the U.S. dollar against the euro, currency effects had a positive influence on growth, particularly in the Americas region.

In the EMEA region (Europe, Middle East and Africa), significant contributions to growth came in particular from Germany and the United Kingdom; development in Southern Europe was mixed. On balance, revenue in the EMEA region increased by 9.4 percent, to € 358.8 million.

As I mentioned before, revenue in the Americas region benefited from the strong U.S. dollar and – even on a currency-adjusted basis – from a positive trend in Latin America. Overall, revenue growth of 21.9 percent to € 361.9 million was achieved. Adjusted for currency effects, this growth amounted to 6 percent. The APAC region increased its revenue by 12.3 percent, to € 319.4 million. After adjustment for currency effects, this corresponds to growth of 10.1 percent.



Dear Investors,

Our dividend policy has always been geared to sustainability. We advocate allowing our shareholders to participate fairly in the success of Carl Zeiss Meditec AG, while at the same time protecting any opportunities for future growth. The Management Board and Supervisory Board propose to the Annual General Meeting to distribute a dividend of 38 cents per share. Our dividend ratio therefore amounts to around 50% of the earnings per share.

Ladies and Gentlemen,

Before I come to the outlook, let us now take a glance at the figures for the first quarter. These are also encouraging below the line and allow us to look forward to the new reporting period with optimism:

Boosted by the development of the most important currencies, we increased our revenue from € 241.1 million in the same quarter of the previous year, to € 262.6 million.

Other developments during this quarter also give us a positive outlook:

- Earnings before interest and tax increased by 15.6 percent, to € 32.2 million.
- The EBIT margin was 12.3 percent.
- And all three strategic business units grew with tailwind from currency trends. Microsurgery achieved almost the previous year's level, without any support from currency trends.



This brings me to the outlook for the year ahead:

We have set ourselves some quite challenging goals for the remaining months of the fiscal year. We aim to grow at least as fast as the market and to achieve an EBIT margin of between 13 percent and 15 percent at the same time.

Ladies and Gentlemen,

Thank you very much for your interest in the progress of Carl Zeiss Meditec AG and for your attention today.