



**Carl Zeiss Meditec AG  
Ordinary General Meeting  
07 March 2008**

**Speech text**

**Ulrich Krauss, President and CEO**

- Speech: check against delivery -



Ladies and Gentlemen,

Shareholders,  
Guests

A very warm welcome to the General Meeting of Carl Zeiss Meditec AG. My name is Ulrich Krauss and I am President and CEO of Carl Zeiss Meditec AG. I am delighted that so many of you have decided to make the journey to Jena to hear all the latest news about our Company. Today we would like to set out how the 2006/2007 financial year developed, and to put you in the picture concerning performance in the first three months of the new 2007/2008 financial year. Besides this we would also like to keep you posted on a number of other interesting developments concerning our company.

Ladies and Gentlemen

We have a large circle of shareholders who have been investing in our company for a long time and who regularly attend the General Meetings. Nevertheless, to begin with I would like to present a brief overview of the business areas of Carl Zeiss Meditec.

We are one of the leading medical technology companies in the world. As part of the Carl Zeiss Group we can look back on many years of experience and expertise in the field of optical innovation.

We develop devices, systems and implants which help people to retain the best possible eyesight, mental health and mobility. Our main focuses are on ophthalmology, neuro and ENT surgery. Further business areas include tumour treatment in intraoperative radiation therapy and visualisation solutions for private practitioners.

Our customers are clinics, hospitals and private practices all over the world. In the Anglo-Saxon world in particular there are also "optometrists", a professional group, the definition of which lies somewhere between a optician and ophthalmologist here in Germany.

Ladies and Gentlemen

Incidences of many diseases are now increasing. They can be detected by modern medical technology at an earlier stage and be



treated more effectively. Prime examples include the most common eye diseases cataracts, glaucoma and retinal disorders. The same applies, however, to vascular disorders and the diagnosis and removal of brain tumours. Civilisation diseases such as myopia or prolapsed discs also come under this category. In addition, there is increasing demand for high-cost health treatments which are normally financed privately. Examples here include the laser-based correction of vision defects, high quality intraocular lenses and implant surgery for dental or inner ear treatment.

Modern society is confronted with a wide variety of medical challenges. Nearly all fast-developing and industrialised countries are faced with ageing populations, and the demand for modern examination and treatment methods is rising accordingly.

Besides mounting expectations regarding the quality of the treatment, there are increasing calls for cost-conscious solutions. The aim is to detect diseases at an earlier stage, to carry out treatment in a more targeted manner to produce better results and to shorten convalescence times.

For this reason we have set ourselves the target of making patient treatment better, safer and more efficient. We can achieve this by not concentrating exclusively on individual products. Instead we must focus on the bigger picture of the entire treatment process. We enable doctors to take an integrated view of disorders - from diagnosis and treatment through to aftercare. Doctors increasingly have to view the entire treatment process not only from the viewpoint of what is medically possible, but also from the economic angle.

An example of this in the field of neurosurgery is our INFRARED 800 visualisation system. This is used for aneurysms - vascular lesions in the brain. If bleeding occurs, this can be life-threatening. If an aneurysm is detected by chance, or if it bursts, an operation is necessary. The blood vessel is clamped to interrupt the link to the circulatory system. Decisive in determining the success of the treatment is the discovery of incompletely clamped or inadvertently closed vessels as quickly as possible, ideally during the operation itself. An integrated diagnosis module of our Pentero surgical microscope allows surgeons to monitor the result during the operation. At the push of a button the surgeon can check the blood flow during the operation itself and make corrections if necessary - without a second operation being necessary.



In ophthalmology, too, we are working to simplify diagnosis and treatment methods and to raise precision levels. In examinations carried out using the VISUCAM product family of retinal cameras it is no longer necessary to artificially dilate the patient's pupils with eye drops before the examination. The IOLMaster® is a further example. It measures the eye precisely before a cataract operation in a non-contact procedure and provides results which are five times more accurate than those obtained with conventional ultrasound techniques.

We make doctors' work easier by continually improving devices and systems, and devising ways to link them up. We give them the space they need to focus on their main task - that of treating the patient. Our twin goals here are to improve results for the patient and to help save costs.

Ladies and Gentlemen

In the last financial year we underwent a period of reorientation, adapting to a new corporate structure. This is now oriented towards the growth markets where we operate as one of the leading companies. We are now organised in three strategic business units, or SBUs for short. They constitute powerful organisational units, aimed specifically at tailoring our business to our customers' needs. This allows us to use customer requirements as the basis for developing new products - faster and more effectively. Each segment is responsible for managing its own business and has all the resources it needs to do so.

The strategic business units are as follows:

The largest sector is the Ophthalmic Systems strategic business unit. The main customers are ophthalmologists in private practices and optometrists, for whom we provide a comprehensive range of products facilitating the examination and treatment of the main eye diseases: glaucoma, refraction (i.e. vision defects) and retinal disorders.

The second strategic business unit is Surgical Ophthalmology. The primary application area here is the treatment of cataracts, a typical disease of old age. The lens of the eye gradually clouds until the eyesight is lost completely. It is then replaced by an artificial lens in a routine operation. This is conducted millions of times every year all over the world, making it the operation most commonly carried out on



human beings. We provide nearly all the devices required for the diagnosis and treatment of cataracts. We also produce the lens implants, or intraocular lenses, to give them their technical name.

The third strategic business unit is Neuro and ENT Surgery. Customers include hospitals and also doctors in private practice. Added to these are physicians in other disciplines which rely on the high-precision and innovative visualisation solutions of Carl Zeiss Meditec when carrying out their operations. Our OPMI® Pentero® surgical microscope is of prime importance for neurosurgery. It is not, however, simply a magnifying microscope such as the ones we are all familiar with from biology lessons at school. The OPMI® Pentero® is a system platform which can be expanded to include diagnosis elements to match the surgeons' needs, and can be integrated in hospital networks by means of appropriate software. The benefits for patients lie in the provision of higher treatment quality and therefore in improved chances of healing.

This year, too, we have set up numerous devices from all three sectors in the foyer. Check them out for yourselves - and talk to our staff, who will be delighted to answer your questions.

A further two points regarding the organisational structure: The Service business, which we have hitherto featured separately, has now been assigned to the relevant strategic business units. Key functions such as group management, administration and sales, are still carried out centrally.

Ladies and Gentlemen

The new strategic business units are the preconditions for even more forceful expansion and improvement of our market position. But let me turn first to the key figures for the 2006/2007 financial year. The Chairman of the Supervisory Board has already referred to the documents which must be submitted by law, including the Management Board's explanatory report of the figures, as stipulated in paragraph 289 clause 4 and paragraph 315 clause 4 of the German Commercial Code. These have all been presented today. In summary: we have posted new records in nearly all the key earnings figures. Our annual statement includes Carl Zeiss Surgical figures for eleven months. As a result, sales rose by almost 46 percent to just under € 570 million.



Earnings before interest and tax, or EBIT for short, were influenced by two factors. On the one hand we invested heavily in research and development and also in marketing and sales. At 10.4 percent our R&D ratio is significantly higher than the average figure of our competitors. The products which were still in the final stages of development in the financial year just ended are now out in the market and have been exceptionally well received by customers. A good example here is the Cirrus HD-OCT, a diagnostic system for examining the retina.

On the other hand our result has been held back following a lost court case in the USA with our former supplier Notal Vision as the result of which we were forced to pay damages totalling € 2.7 million before tax. The fact that the EBIT figure has risen - despite these factors - to more than € 70 million, meaning that in percentage terms it has risen just as sharply as revenue, is therefore a major success which is primarily thanks to the strong performance of Carl Zeiss Surgical.

The net surplus has grown by almost 79 percent, meaning that it has risen significantly more strongly than revenue. At the final count, your company earned € 47.8 million in the last financial year. Spread across the shares this represents a result of 61 cents per share. Superficially this represents a reduction. However, you should bear in mind that the number of shares more than doubled from the previous year, from 32.5 to 81.3 million, as a result of the capital increase.

The final key ratio for our corporate success is the operative cashflow. This indicates how the operative business has reinforced our company's financial strength. € 56.1 million for the 2006/2007 financial year represents a record in our company's history - and we would like you, our shareholders, to share in the success. But more on that later.

I would now like to show you how the revenue was distributed across our strategic business units.

Exactly 40 percent of our revenue, or € 228 million, is accounted for by the Neuro and ENT Surgery business unit. This represents a dramatic increase of 533 percent on the previous year, a figure which would have been even higher if exchange rate fluctuations are factored out. This is because it contains the figures of Carl Zeiss Surgical which were not featured in the consolidated financial statement the year before.



The Ophthalmic Systems segment contributed roughly € 292 million to consolidated revenue, representing just over 51 percent. The previous year, revenue was € 303 million, meaning that this year's result represents a decrease of just under four percent. The main reason for this was currency effects caused by the strong euro - particularly in relation to the US dollar and the Japanese yen. If these effects are taken out, there would have been slight growth of 1 percent.

In terms of numbers, the smallest unit is the Surgical Ophthalmology SBU. However, this is the market in which we posted the highest growth rates in ophthalmology. This unit contributed almost 9 percent, or € 50 million, to consolidated revenue.

Ladies and Gentlemen

Carl Zeiss Meditec and its products are represented all over the world. This is shown by our balanced regional revenue breakdown. Traditionally our strongest region has been America, in particular the USA. You can imagine that we are more than a little worried about the current economic developments there, given that in the financial year just ended America accounted for almost 43 percent, or € 244 million, of our revenue. EMEA stands for Europe, the Middle East and Africa, and this economic area accounted for just under 30 percent of our revenue, i.e. roughly € 170 million. A fifth of our revenue, roughly € 119 million, stems from the Asia/Pacific region, with Japan as the largest single market. € 37 million, representing roughly six and a half percent of consolidated revenue, were made in Germany. The growth rates are influenced by the merger with Carl Zeiss Surgical. However, this had no effect on the growth in the Asia/Pacific region where we posted 20% growth.

As you can see, the exchange rates, especially in the America and Asia/Pacific regions, have caused us difficulties.

Our balance sheet grew significantly in the last financial year. Naturally, this was related to the incorporation of Carl Zeiss Surgical and to the cash component of the capital increase in 2006. The equity ratio rose again, this time by almost 9 percentage points. As of 30 September 2007 it stood at 69 percent. In the current financial year the net debt is no longer a debt, rather a credit: in the 2005/2006 financial year all liabilities minus cash and cash equivalents totalled roughly € 71 million. In the financial year just ended there was a



surplus of € 62 million. The reasons for this were the strong growth in business and the capital increase in October 2006. In 2006/2007 the cash and cash at bank total was roughly € 277 million.

This cash balance, Ladies and Gentlemen, I can assure you, we intend to use responsibly. We have not allowed ourselves to be pressurised into making overhasty acquisitions, even though several such proposals have been presented to us. Rather, this amount gives us sufficient flexibility to plan our future growth carefully and to finance it.

So you can see, Ladies and Gentlemen, that Carl Zeiss Meditec has firm financial foundations. For you as shareholders, this represents an important signal - especially at such times of stock market turmoil. Because, regardless of the rises and falls in the capital markets, we are substantial enough now to expand our market share even in economically difficult phases. I would therefore like to reiterate that the financial year just ended saw record results both in revenue and profits.

There have been two major developments in terms of cashflow. Firstly we have made a great leap to EUR 135 million in cashflow from financing activities. This includes the cash component of the capital increase from the end of 2006. However, I would like in particular to draw your attention to the cashflow from operating activities. This rose to a full € 56 million and therefore came in significantly above plan. This is also the reason why we are today proposing the distribution of a special dividend in addition to the regular dividend of 30 % of the consolidated net surplus. Because, as our shareholders, many of whom have been investing for a long time in Carl Zeiss Meditec, we believe you should share proportionately in our corporate success.

The cashflow from investment activities is negative, which means we have once again made significant investments. The three largest individual projects include the acquisition of the remaining shares in the former Ioltech S.A. which today trades as Carl Zeiss Meditec S.A.S. Then there was the full takeover of Carl Zeiss Meditec Iberia and the acquisition of a 5 percent package of Wavelight Laser Technologies AG. We have since disposed of the latter. We purchased this stock to keep all possible options open. After undertaking a thorough assessment, though, we arrived at the conclusion that an acquisition would not have significantly improved



our strategic position. Here, too, it is apparent that we are using your funds in a responsible manner and are not investing in growth at any price.

Our latest acquisition, which we concluded in October 2007, has proved a success: Acri.Tec AG in Hennigsdorf near to Berlin. In the 2006 financial year it earned revenue of € 15.4 million. It specialises in innovative implants and other eye surgery products. Acri.Tec enjoys an excellent reputation in the market and is known for its innovative products. For this reason it dovetails perfectly with our business and reinforces our Ophthalmic Surgery strategic business unit. It also complements the ZEISS brand ideally, which also stands for innovation in medical technology.

As the technology leader we spend large amounts to maintain the quality of our research and development at the highest level. This was also the case in the last financial year. We spent over € 59 million in this area, more than 10 percent of our revenue. We have 322 employees in our research and development departments, representing 17 percent of the entire workforce. The main focuses of our R&D activities are:

- The ongoing further development of our products
- The development of new products based on our technologies
- The interlinking of systems and devices to cover the entire treatment process from diagnosis right through to aftercare, making it safer and more efficient
- The investigation of new technologies to determine their practicability and effectiveness

By the end of 2007 these activities had allowed us to launch a large number of new products. They include the Cirrus™ HD-OCT diagnosis system. This provides retinal scans of unprecedented quality: the higher scan speed allows more images to be made than before, allowing three-dimensional images of the retina to be compiled. This permits the eye specialist to make even more precise diagnoses and to significantly raise the efficiency and reliability of the treatment. The main area of application is the early detection of retinal disorders such as glaucoma or age-related macular degeneration.



Thanks to its unique illumination system the OPMI Lumera® surgical microscope allows the image quality to be considerably improved for the physician carrying out a cataract operation, i.e. the insertion of an artificial lens.

These are just two examples from our wide spectrum of research and development work. I would like once again to invite you to take a closer look at our latest products, on display in the foyer, and to have the main functions explained to you. You don't have to be a doctor to appreciate the many benefits of the Carl Zeiss Meditec solutions.

Ladies and Gentlemen

As a part of the Carl Zeiss Group we are committed to upholding the basic values of responsibility, tolerance and fairness, and to setting ourselves high standards. Along with our business success arises a sense of responsibility towards society at large and the environment. We take this responsibility very seriously and apply it in all parts of the company.

It starts with the responsible handling of natural resources. We provide our staff with ongoing training and engage in professional environment protection management. In production we deploy resource and energy-saving solutions. Naturally, this also applies to the products themselves. Here we ensure energy efficiency and the economical use of raw materials right from the development stage.

Responsible management is also of prime importance to us. The Management Board and Supervisory Board work effectively together and we observe the Corporate Governance Code strictly.

A long-term project which I myself am particularly committed to is the international "Vision 2020 – The Right to Sight" aid programme. This initiative, which was set up by various bodies including the World Health Organisation (WHO), today brings together a large number of international partners with the aim of overcoming preventable blindness by the year 2020. As the very first corporate sponsor we have been part of this initiative since 2002 and are now contributing to numerous projects in India, Nepal, Indonesia and Nigeria. In doing so we are helping individuals to help themselves and giving millions of people access to high quality and affordable eye treatment. For instance, in summer 2007 we supported the opening of a training centre in Bandung, the fourth largest city in Indonesia. Our donations help pay for staff training and for equipping the centre for which we



have also supplied numerous devices to assist in the diagnosis and treatment of eye diseases. There are already five such training centres worldwide.

Ladies and Gentlemen

As shareholders you naturally keep a close eye on the share price. Here I say quite openly, I, too, would have hoped to see better performance. The takeover of Carl Zeiss Surgical boosted the share price at the start of the financial year - offering a clear sign that the capital market supports our strategic orientation. The successful growth of Carl Zeiss Surgical in the year just ended - now trading as the Neuro/ENT strategic business unit - confirms this. The next logical step came in March 2007 when we achieved a major investor relations goal: admission to the TecDAX. However, as the subprime crisis in the USA began to take hold, the share started to move downwards. This led to investors losing faith in shares in general and many of them decided to cash up.

As everyone here is aware, all shareholders are affected by this. All the more reason for us, Ladies and Gentlemen, to send out a signal to you, our shareholders, by issuing a dividend. Assuming we obtain your consent, the Carl Zeiss Meditec share would currently yield a dividend return of roughly 4.5 percent.

Ladies and Gentlemen

At present we are confronted by weak markets in the USA which are impacting upon sales of our ophthalmic systems - especially to our target clientele of doctors in private practice. We also pointed to this in the outlook in the Annual Statement. Unfortunately, the fears we expressed then have now come true. The statement for the first quarter of the current financial year also shows that the development of the ophthalmology market in the USA remains below expectations. We are convinced, though, that this effect will only be temporary. This is because the long-term megatrends, such as demographic development, which drive our business, remain intact. We believe, therefore, that many doctors and hospitals are simply deferring their investments until later.

Even so, as the first quarter of 2007/2008 shows, we have had to weather a temporary slump in revenue and EBIT margin growth.



Naturally we are not satisfied with this outcome and are taking measures aimed at returning us very soon to a higher level. However, I would also like to emphasise that we are not prepared to hack away at the underlying foundations of our business which we need for long-term growth, simply to generate short-term profits. Carl Zeiss Meditec has always positioned itself as a growth share built on firm foundations - and there is no intention to change this. I believe, Ladies and Gentlemen, that, in taking this course, we are also acting in your best interests.

Large numbers of analysts are also convinced that the Carl Zeiss Meditec share is a worthwhile investment. There are currently 15 studies, only one of which contains a sell recommendation. Five analysts recommend holding on to the share, nine analysts recommend buying the Carl Zeiss Meditec share. The analysts are therefore acknowledging the large volume of orders on hand, and most of them are assuming that our business will return to strong growth by the end of the financial year. Following publication of the business figures for the first quarter of 2007/2008 two analysts have upgraded us to "buy". We are confident that the decline in the share price has now bottomed out.

Ladies and Gentlemen

I would now like to touch briefly upon a few points in today's agenda.

In item 2 we propose distributing a dividend of 43 cents per share from the balance sheet profit. This consists of the regular dividend of 16 cents and a special dividend of 27 cents. As already described, in the 2006/2007 financial year we posted an operating cashflow above our expectations and yielding more than a sufficient amount of liquid funds. In the last few weeks we have occasionally been asked why we are distributing a special dividend after a capital increase. The funds being used for the distribution do not derive, however, from the capital increase, but from the high operating cashflow. I explained this earlier when describing the growth of the cash and cash equivalents. Furthermore, we have more than sufficient liquidity and assets to finance growth, including external growth. The acquisition of Acri.Tec, a producer of innovative intraocular lenses, shows that, when necessary, we are capable of responding quickly when such opportunities arise. Nevertheless, we have no intention of acquiring companies at any price simply to "use up" our cash. I clearly remember standing here a few years ago and being criticised for not



distributing a dividend. Two years ago we then began issuing a dividend, and have now increased it this year in comparison to the original level. We are convinced that we have made the right decision for you, too, and would appreciate your approval for this item on the agenda.

In item 7 we ask for your approval for an extension to the share buy-back programme. In the last few years we have only made limited use of this, yet, for the reasons set out in the invitation to the General Meeting, to which I would refer you at this point, it remains an important tool for us. We deploy it, for instance, to strengthen the loyalty of long-term employees to the company by issuing shares to them. The overall limit is restricted to 10 percent of the outstanding share capital. In the year just ended we issued 13,940 of our own bought-back shares to all our employees in Germany. The shares were bought at a price of € 11.82, representing a total volume of € 164,770. As a result, each employee received 20 shares.

Finally, we have to elect a new Supervisory Board member. Alexander von Witzleben resigned from our Supervisory Board with effect from 31 May 2007. Dr. Wolfgang Reim was appointed in his place on 17 August 2007 by the District Court. The Supervisory Board proposes that the General Meeting elect him today as an ordinary member of the Supervisory Board. Dr. Reim is a renowned expert in the industry and we have already come to value his advice in the brief period he has been with us. The basis for this proposal was a decision made by the newly appointed nomination committee of the Supervisory Board. This committee was elected on 3 December 2007 and has the task of nominating suitable Supervisory Board candidates to propose to the General Meeting.

Ladies and Gentlemen,

I would now like to present the figures for the first quarter of the current 2007/2008 financial year. Despite what we believe to be temporarily depressed demand in our key market, the USA, we have achieved solid growth. Revenue rose to just under € 142 million, i.e. 4.4 percent above the figure posted in the first quarter of last year. Besides the depressed US business, exchange rate effects have also impacted negatively on growth - the euro is currently soaring in value in comparison to the US dollar and the yen.



EBIT fell to € 14.5 million, attributable mainly to our US customers' current reluctance to invest, as already described. Expenditure was also required for the market launch of new products which will not yield revenue until the following quarters. The high numbers of orders received and the high degree of acceptance from customers for these new products have given us confidence for the rest of the financial year, as can be seen from our forecasts for the year as a whole. The period net income rose in the first quarter, coming in at € 11.6 million, i.e. 14 percent up on the equivalent period last year. Earnings per share, accordingly, were 14 cents. The slight downturn in the earnings per share figure is the result of the increase in the average number of outstanding shares from 64.9 million to 81.3 million.

One year ago we explained our intention to merge Carl Zeiss Surgical with Carl Zeiss Meditec. Today we can report on the successful conclusion of the integration process. But we have also taken a further step and reinforced our Ophthalmic Surgery strategic business unit with the acquisition of Acri.Tec. Integration of this company is continuing at full pace and is already at a well advanced stage. We will continue to monitor the market carefully and seize any opportunities for external growth where these make strategic and financial sense for us.

Our aim is to continue along this course of constantly expanding our product range through internal and external growth. We are therefore pressing ahead with research and development on a number of projects in the current year. Principal amongst these are

- Visualisation systems for neurosurgery
- Expansion of the product range in ophthalmic surgery
- Interconnection of our systems

We also have major plans in Neuro and ENT Surgery. As with Ophthalmology, our intention here is to develop from a product into a systems provider by linking up devices, thereby improving the treatment of patients and making it more cost-effective.

At the same time our intention is to redouble our efforts to expand our business in the key future markets such as India and China. Our many years of experience will stand us in good stead here, too, as will the reputation we have gained in these countries through our innovative products.



The new structure of Carl Zeiss Meditec with its strategic business units will give us a noticeable boost. Within a very short space of time we have already noticed that the dialogue with our customers has intensified. Sales, product management and research & development are becoming increasingly closely intermeshed and are now more strongly oriented towards reacting quickly to customer requirements.

The aim is for this to be reflected in our business figures, too. We are forecasting revenue of € 600 to 620 million in the current financial year. We are expecting an EBIT margin of between 11 and 12 percent.

In the medium term our target is for an EBIT margin of 14 to 15 percent. We are confident that we can reach this target. Because the underlying conditions are all in place:

- Carl Zeiss Meditec has answers to the questions posed by the ageing populations in the industrialised and fast growing countries.
- Carl Zeiss Meditec is the market and technology leader and sets the standards for the industry
- Carl Zeiss Meditec benefits from global megatrends which are not exposed to short-term economic cycle fluctuations

And finally - Carl Zeiss Meditec will continue to improve its market share and increase its profitability through internal and external growth - for the benefit of its customers and patients all over the world, for the benefit of its employees and, naturally, also for the benefit of you, our shareholders.

I would like to thank you for your attention and look forward to answering any questions you may have afterwards.