



**Carl Zeiss Meditec AG
Annual General Meeting
9 March 2007**

Speech text

Ulrich Krauss, President and CEO

- Speech: check against delivery -



Ladies and Gentlemen,
Shareholders, Guests

I, too, would like to extend a very welcome to this year's General Meeting. It is gratifying to note the level of interest there is in Carl Zeiss Meditec judging from the large numbers who have taken the trouble to make their way here.

Today I would like to present a review of the 2005/2006 financial year - a year dominated by the take-over of Carl Zeiss Surgical. Here in this room, one year ago, you decided by a large majority in favour of the take-over. Even so, the transaction was delayed until well into the current 2006/2007 financial year - which is why I am only able to present the first two months of Carl Zeiss Surgical's very strong contribution to the current year. But more on that later.

Ladies and Gentlemen

Carl Zeiss Meditec has been pursuing a sound and profitable course of growth for many years now. Our take-over of Carl Zeiss Surgical, however, represents a major leap forwards for us. Before we were a systems provider for the treatment of all four major ophthalmic disorders; now, however, we have augmented our scope to include the growth sector of neuro and ENT surgery. As the leading global provider of surgical microscopes and visualisation solutions for these treatments, we are now looking to raise our profile in this field through further growth and targeted expansion in adjacent market segments. Our overriding strategy is to offer comprehensive systems: we are not interested in merely offering individual products, but in equipping our customers with complete systems which allow doctors to provide comprehensive management of the various disorders. The overall aim is nothing less than the full networking and integration of all treatment stages from first examination and diagnosis through to treatment and aftercare. In other words: our systems make the treatment of patients simpler, safer and more efficient. This also helps to save costs in the health system.

First, however, I would like to present an overview of the 2005/2006 financial year which ended on 30 September 2006. The figures which I am about to show you do not, therefore, feature Carl Zeiss Surgical. Nonetheless we have reached our goals: with sales up over 20% we grew at more than twice the rate of the market, posting sales revenue of EUR 390.6 million. Most of the growth comes from our normal



business: even discounting the acquisitions of Laser Diagnostic Technologies (LDT) and Ioltech, and currency effects there was still an increase of almost 14%. We have also reached our second goal of always combining sales growth with profits growth. Profits grew even more strongly than sales: the result before interest and tax increased by 34.6% to EUR 48.1 million. We can be more than satisfied with an EBIT margin of 12.3% - yet our aim is to gradually increase this in the coming years. The group result, i.e. the bottom line profit, rose by roughly 50% to EUR 29.7 million, corresponding to a profit per share figure of 82 cents.

In the last financial year, i.e. before the take-over of Carl Zeiss Surgical, Carl Zeiss Meditec reported in three segments. Devices and systems for the diagnosis of eye disorders accounted for the greatest part of our sales. At EUR 266 million this segment represented over two thirds of our sales. Sales here were almost 19% up on the previous year.

The second largest area is lasers and intraocular lenses, or IOL for short. Our successful range of lasers includes the refractive laser MEL 80™ which is used for correcting vision defects. The VISULAS™ 532s, used for carrying out retinal treatment, also sold well. This segment also includes the entire business with intraocular lenses and consumables. Overall roughly a quarter of sales come from this segment. The growth posted in comparison to the previous year - up 26% - is influenced by both the successful expansion of our business and the acquisition of the French company Ioltech.



The Service segment posted strong growth of over 20% and accounted for just under 7% of our total sales, i.e. roughly EUR 27 million. Here we are benefiting from the steadily increasing number of devices and systems already installed and requiring regular servicing, upgrading and functional enhancements.

Carl Zeiss Meditec is an international company with a broad base. Our strongest region is America, with the USA the most important individual national market. We posted roughly 44% of our sales there in the last financial year. There we are seeing strong growth - more than 25% in 2005/2006 alone. The STRATUS_{OCT}TM und IOLMaster[®] products in particular have contributed significantly to this growth. The Asia/Pacific and EMEA (Europe, Middle East and Africa) regions performed equally strongly, each contributing roughly EUR 100 million to sales. The increase in Europe is once again attributable in part to the take-over of Ioltech. In Asia a large proportion of sales was accounted for by cataract diagnosis and surgical systems which have been on the Japanese market for two years now. In Germany our sales declined slightly, not least due to the ongoing uncertainty in the market surrounding the health service reform debates. Germany accounted for roughly 5% of our overall sales in the 2005/2006 financial year.

Even though it only makes a relatively small contribution to sales, Germany remains very important to us, both as a market and a production location. Many of our important new product innovations are developed and produced here. There are no plans to change this in the future.

The balance sheet structure of Carl Zeiss Meditec AG has not changed significantly in the 2005/2006 financial year. The balance sheet total increased slightly from EUR 366 to EUR 387 million. On the assets side, our receivables have increased on account of the favourable business and liquidity developments. Cash and cash equivalents remained at more or less the same level. Our exceptionally strong business performance gave rise to a considerable increase in cash; this was offset, however, by the distribution of dividends and the provision of cash for purchasing the remaining Ioltech shares. These are booked individually in the balance sheet, as restricted cash.



On the liabilities side there was an increase in equity through the bolstering of retained earnings. We have reduced noncurrent liabilities as planned and also profited from currency effects.

Our overall balance sheet structure is exceptionally healthy. The equity ratio has risen again slightly; on 30 September 2006 it stood at 60.2%. The net debt has been further reduced, totalling EUR 70.6 million on 30 September 2006.

The operative cashflow came in higher at EUR 42.9 million, 11.5% up on the previous year. The main reason for this increase was the significant rise in the consolidated net income.

Cash flow from investing activities was influenced predominantly by the purchase of further Ioltech shares and through further investment in property, plant and equipment throughout the Carl Zeiss Meditec group, for instance in production equipment and IT. Furthermore we have commissioned a trust association with handling the company's pension obligations to all active employees by concluding a "Contractual Trust Agreement".

Cash flow from financing activities was mainly influenced by dividend payments to Carl Zeiss Meditec AG shareholders and a one-off distribution of a preference dividend which had accrued in the preceding years to Carl Zeiss Co. Ltd. in Japan. We also paid back current loans.

Ladies and Gentlemen

Innovation is our driving force - as the market leader in ophthalmic devices and systems, and visualisation solutions for neuro and ENT surgery, we are committed to innovation for the benefit of patients and doctors. This is why we once again raised our expenditure on research and development in 2005/2006 by 20% to EUR 38.3 million. This means that the amount that we spend on research and development has remained constant at roughly 10 percent of sales. This is money well invested, as we make just under half of our sales on products which are no older than five years old. 233 employees were working in research and development at Carl Zeiss Meditec as of 30 September 2006. Here we are concentrating on three main areas.



Firstly: We are continuing to develop the existing product portfolio. Developing new applications for the brand new VISUCAM™Pro^{NM} fundus camera was one of the main focuses in the financial year ended. We are also continually extending the functions of our successful IOLMaster® product.

Secondly: We are developing new products and integrating diagnosis and treatment. For instance we have developed a femtosecond laser system for refractive surgery which makes the treatment of vision defects even safer. We are also adding diagnostic and documentation features to our basic products such as slit lamps. In addition we are working on software solutions which link together our devices and systems, allowing them to be incorporated in existing networks. As you can see, information technology is playing an increasingly important role in our field, too. It allows doctors to meet their documentation obligations while raising the efficiency of the entire treatment chain for them. This makes treatment faster, safer and cheaper for patients.

Our third area is basic research. Here we investigate how we can translate new technologies into marketable products and applications. We carry this out in some cases in collaboration with external partners such as medical universities, for example.

Carl Zeiss Meditec's business is based on a healthy mixture of established products and new developments. Our proven IOLMaster® and STRATUS OCT™ systems and the Humphrey Field Analyzer are reliable sales factors and are constantly subjected to further development. Last year we also launched two new products onto the market. The VISUCAM™ Pro^{NM} fundus camera, which we launched at the beginning of the financial year, has been very well received. The Visante™OCT which was rolled out at the end of 2005 has also made a growing contribution to consolidated sales. This is used for diagnostic imaging of the anterior segment of the eye. This year we have again set up our primary products in the foyer, each one supervised by an expert. I would strongly urge you to take a look at as many as possible - and to try them out. Even if you are not a doctor, I believe there is no better way of familiarising yourself with the high quality and technological superiority of the products, and, not least, the expertise of our employees.



Companies should be successful - which ours is, as I have already shown from the key performance figures.

However, we, along with our customers, employees and investors, also attach importance to responsible management. And rightly so. Because long-term success is only possible under management which takes its responsibilities seriously. By responsibility-based management we understand striking a balance between economic interests and ecological and social needs. For us, being successful means targeting ongoing economic growth while treating people responsibly and protecting natural resources. This understanding also defines the core value of the Zeiss brand which, right from the outset, has always linked innovation with social commitment.

In concrete terms, social commitment at Carl Zeiss Meditec means:

- Continually improving the performance of our products
- Promoting the personal and professional development of our employees
- Constantly adhering to the rules of good corporate governance
- Supporting international aid programmes

Here I would like to cite an example which means a great deal to me personally: for years now we have been supporting the "Vision 2020" initiative of the International Agency for the Prevention of Blindness and the World Health Organisation WHO. The aim of this initiative is to eradicate preventable blindness by the year 2020, especially in poorer countries. Our contribution is to help establish and develop effective medical provision. The main priority is helping the people concerned to help themselves. Purely financial aid, or the short-term provision of staff, is of little benefit. Our aim therefore is to provide knowledge and skills on the use of different diagnostic and treatment methods and to make the necessary technical equipment available. The projects we start can then run by themselves. We are convinced that only this way can positive results be achieved in the long term. At present we are supporting projects in India, Nepal, Indonesia and Nigeria amongst others.

As shareholders you are, of course, interested in seeing your investment increase in value. I have two pieces of good news for you in this regard: the Carl Zeiss Meditec share has risen considerably in



value. Between 1 October 2005 and 1 March 2007 it rose by more than 46%. The second piece of good news is that Carl Zeiss Meditec was admitted to the TecDAX on 5 March 2007. This means we have reached one of our important stock market goals. It remains to be seen what effect this will have on the future value of our share. But one thing is absolutely certain: the index listing is proof that the Carl Zeiss Meditec share has been performing exceptionally well and that our company is attracting an increasing amount of attention.

As you can see, the Carl Zeiss Meditec share has significantly outperformed both the TecDAX and the DAX. In the last three months in particular there have been three clear surges. First the stock market rewarded the successful conclusion of the Carl Zeiss Surgical take-over. The positive performance was also supported by our strong results in the 2005/2006 financial year which we published on 13 December. And finally, the good results from the first quarter of the new 2006/2007 financial year, in which the positive impact of the Surgical take-over is already visible, also boosted the share.

Furthermore, in the last financial year we distributed a dividend for the first time - to reward your commitment and the faith which many shareholders have shown in us over the years. This year, too, we are once again proposing to pay a dividend of EUR 0.14 per share - including the new shares issued in last year's capital increase. The distribution total will therefore increase by just under 120% from EUR 5.2 million last year to EUR 11.4 million for the 2005/2006 financial year.



Ladies and Gentlemen

Today we are again seeking your approval on a number of agenda items which I will now outline for you. We sent out detailed information along with the invitation to this General Meeting.

Firstly we would like to renew the authorisation to repurchase treasury shares which is about to expire. Under the terms of the last Annual General Meeting resolution, this will run out in September of this year. We have set ourselves strict guidelines governing when a repurchase can take place.

We only made minimal use of the authorisation resolved at the 2006 Annual General Meeting. In February 2007 we issued a total of 5,967 repurchased shares to Carl Zeiss Meditec AG employees and the German subsidiary Carl Zeiss Meditec Systems. Each employee received 17 free shares. The shares were bought at a price of EUR 16.26, corresponding to a total volume of just over EUR 97,000.

We are also planning to make two further amendments to the articles of association. The first concerns a change to the Supervisory Board remuneration. No new or additional remuneration is being introduced, we simply need to bring the wording in line with the new financial reporting standard. Up to now the variable remuneration has been based on the net income of the Carl Zeiss Meditec group as calculated using US GAAP. Article 315 of the German Commercial Code and a corresponding EU regulation stipulate that consolidated financial statements are to be based on the International Financial Reporting Standard (IFRS) as of the 2005/2006 financial year. This must also be reflected in our articles of association.

The second change concerns time limitations on the questioning and speaking rights of shareholders at the General Meeting. This possibility was included in the Stock Corporation Act (Aktiengesetz) last year. Under this law the chairperson of the General Meeting can be authorised to set a reasonable time limit on shareholders' rights to speak and ask questions. The articles of association should give the chairperson of the General Meeting concrete means of ensuring that the meeting is conducted in accordance with the regulations.

Ladies and Gentlemen

After addressing formal details and reviewing past performance, I would now like to shift our focus to the present and the near future of Carl Zeiss Meditec.



First of all, let us take a glance at the business results of the first quarter of the new 2006/2007 financial year.

Besides posting solid organic growth, the consolidated figures now also include two months of Carl Zeiss Surgical results - and both factors together saw our sales rise by almost 43%.

The figure now stands at EUR 135.8 million. Earnings before interest and tax (EBIT) rose even more sharply, at over 48%, to a total of EUR 16.9 million. At EUR 10.1 million, the consolidated net income after minorities has come in a full 69% above the previous year's result. The earnings per share figure of EUR 0.16 is more or less at the same level as in the equivalent period last year, despite the greatly increased number of shares. The cash flow from operating activities has almost tripled on last year; this too is a consequence of the expanded business volume.

This very strong performance shows that Carl Zeiss Surgical, which, as I already mentioned, has only been included in the calculations for two months, represents a genuine asset to our company's value. But there is more. Carl Zeiss Surgical's performance since being incorporated into Carl Zeiss Meditec is completely in line with the targets we set last year. This also confirms, Ladies and Gentlemen, the correctness of your decision last year to approve the take-over of Carl Zeiss Surgical by Carl Zeiss Meditec. The integration of Carl Zeiss Surgical is running smoothly to plan, despite our having to delay the merger by six months on account of the legal actions.

Carl Zeiss Meditec is starting the new financial year on a much stronger footing. In our new formation we no longer focus exclusively on ophthalmology, instead we have broadened our scope to cover what we regard as the three most pressing health topics of the 21st century: loss of vision, mobility and cognitive ability. The surgical microscopes and visualisation systems brought into the business by Carl Zeiss Surgical mean that we can offer exclusive integrated medical-technology solutions for the complete management of ophthalmic diseases, covering the entire treatment chain from diagnosis and treatment through to aftercare.

In addition, we are tapping into a further growth area in the form of neuro and ear/nose/throat surgery. Given the aging societies in the



industrialised, and soon also in the fast-developing nations, all these areas of treatment will gradually gain in significance.

We are now looking forward to servicing the market in the new constellation. As you are well aware, expanding the business has taken up the better part of the last two years. Naturally, before we made the announcement in January 2006 we thoroughly checked and weighed up all opportunities and risks involved in merging the two companies. At the General Meeting one year ago we were then given the go-ahead by the vast majority of our shareholders. However, there was also resistance. On the final day before the deadline, 8 shareholders holding a total of 242 shares submitted a legal action against the take-over. Hearings were then scheduled at the Gera District Court in June and July when both sides presented their arguments. On 21 August 2006 we scored our first victory when the District Court rejected the actions and approved our application for release. Nevertheless, the plaintiffs decided, in an expected move, to appeal, which led to further delays. It was not until October that the Thuringian Higher Regional Court finally approved the application for release, thereby giving the green light to the capital increase. On 1 November 2006 Carl Zeiss Surgical became part of Carl Zeiss Meditec - resulting in the very strong sales and earnings figures I detailed earlier.

Corporate mergers are viewed critically by many investors. We share this view, which is why we explore all available options very carefully, rejecting any where we see the risks outweighing the opportunities. But if ever there was a take-over in the last few years which we were convinced of from the outset, it was that of Carl Zeiss Surgical. Because both companies represent a perfect fit. It will now be possible to develop devices and systems not only for ophthalmology, but also for neuro and ENT surgery on the basis of joint technology platforms. This will lead to greater productivity in our research and development.

Our sales department is also benefiting from the amalgamation. The specialised sales teams will be retained, as the needs of ophthalmologists and neurosurgeons are by no means identical. However, the sales operations will be run on a uniform basis in the future as a means of offering optimised service to major clients such as hospitals. The new increased size of the company also allows us to increase our service presence. We will be able to service new



markets more effectively in the future with our own sales and service units.

Increases in efficiency will also be achieved in purchasing, for instance, or in approval procedures where the know-how of two globally operating units has now been combined. Here, two highly profitable companies have joined forces to become stronger than the sum of their parts. Our aim now is to advance together on our path to profitable growth.

This chart shows our main locations. Besides the head office in Jena, the main sites are at La Rochelle, Tokyo, Dublin in California and Oberkochen here in Germany. This means we have a direct presence in all the major medical technology markets in the world. In places where we have no office of our own we make use of the sales and service network of the Carl Zeiss Group. We can exploit these valuable synergies - the brand name Zeiss is renowned and valued throughout the world for its quality - even more intensively in the new constellation.

As of 31 December 2006 we employed a total staff of 1,891.

We need highly skilled employees to actively support us on the way towards profitable growth in the tasks ahead of us.



Ladies and Gentlemen

Our aim is to be amongst the market leaders - wherever we operate. Carl Zeiss Meditec has assumed market leadership in the field of ophthalmic systems and devices with a market share of over 17% on the basis of strong organic growth and judiciously chosen acquisitions. We are also well positioned in the field of ophthalmic surgery microscopes. We are the market leader in this field, commanding a 40% share. By integrating Ioltech we also succeeded in entering the intraocular lens market. At 2% our market share is still relatively low, but we have only just started and we are now beginning to exploit the potential for growth.

We are also leading the field in neuro and ENT surgery. Here we are the global leaders in surgical microscopes used in different microsurgery disciplines. Here our market share is in excess of 50%.

All the markets in which we operate are enjoying long-term growth. The cyclicity is relatively low on account of the steadily increasing and aging world population. There may be fluctuations in demand due to specific economic or political factors in individual markets, but we are able to compensate for these to a large extent on account of our balanced global representation.

We are keen to maintain, or even, as we have just seen, to increase our rapid pace of growth. This also includes the possibility of acquiring companies - after all, the profitability of our business and the capital increase mean that we have sufficient funds. But you, our shareholders, can be sure that we will always keep a cool head. As in the past, we will only spend money on a take-over if the company in question is a 100% match for us and can be expected to make a contribution to profits in the foreseeable future.

There are many possibilities for new growth. The expansion of our ophthalmic range means that we will be well placed to persuade even more customers of the benefits of our products and services. The business areas of Carl Zeiss Surgical, too, will benefit from the amalgamation. We are now looking to continue the ophthalmology success story of Carl Zeiss Meditec over the last few years in the area of neuro and ENT surgery. Here our intention is branch out into related fields from the starting point of surgical microscopes and visualisation solutions. And then, mirroring our strategy in



ophthalmology, our plan is to develop from a supplier of individual devices into a provider of comprehensive system solutions.

We also see possible potential in intraoperative radiation therapy for the treatment of tumours. This involves irradiating the tumour bed directly after excising the tumour in order to attack any residual tumour cells immediately. We have already obtained approval for this method in key markets such as Europe and the USA. However, the immediate priority now is to prove the long-term success of the method in clinical studies. These are currently underway.

What do the coming months and years hold for Carl Zeiss Meditec? As you have seen, all the signs are for growth in this financial year, too. And this is not only due to the addition of two companies. We are working actively on developing new products and supplying doctors and patients with innovative and reliable treatment methods. A good example of this is the new VisuMax™ femtosecond laser. It was recently given its market approval by the US Food and Drug Administration. In Europe it was licensed at the end of February 2007. The conclusion of this approvals procedure represented an important and gratifying milestone for Carl Zeiss Meditec.

The VisuMax™ system permits precise excision of a flap of cornea in refractive surgery. Previously, this step had to be carried out mechanically using a blade before the pre-calculated optimum form of the cornea was created using an excimer laser. Separately or in combination with the MEL 80™ excimer laser from Carl Zeiss Meditec, the new technology has yielded outstanding clinical results. Combining both systems allows surgeons to optimise their work procedures and also to offer greater comfort for patients. Using the unique swivelling patient bed and the integrated data management system, the surgeon can carry out all the different elements in a vision correction procedure without having to move the patient or to input data more than once.

We are also expecting our new OPMI® Pentero surgical microscope to attract great interest this year. This product from the Carl Zeiss Surgical portfolio is a unique microscope for neurosurgery, designed for the precise visualisation of diseased tissue structures such as brain tumours or vascular disorders. Its spectrum of functions and applications has been extended by a range of technologies. These include the recently launched fluorescence diagnosis system, the IR800. The OPMI® Pentero can show blood circulation through



tissue during an operation by means of a special fluorescing agent. This yields a significant improvement in the operation results.

Ladies and Gentlemen,

I hope that I have succeeded in giving you a comprehensive overview of our company. Last year was a very eventful one for all of us here and I am sure it is neither possible nor desirable to try to present all the details in such a speech.

We have quite a few plans for the current financial year. Now that the formal amalgamation is complete, our aim is to realise the potential which lies in the collaboration between Carl Zeiss Meditec and Carl Zeiss Surgical. For this reason we will be further intensifying our research and development efforts. The sales organisations will also see further integration. In the case of Ioltech much remains to be done: here we are looking to further streamline our product portfolio and to raise its value with new products.

The aim is to increase profitability in the medium term. We are also continuing to examine further external growth options.

Our efforts at the operative level should of course also bear fruit and be visible in the figures which I will present to you this time next year. We are aiming to achieve a rate of growth which at least matches the average market growth of our individual ophthalmology and neuro/ENT surgery markets. And profitability is also to be further improved.

So, as you see, we have remained true to our claim that Carl Zeiss Meditec shareholders will get two shares in one. We are offering attractive and stable growth while continuing to represent a genuine high-value investment. This way we create added value for you, for our employees and for all our customers and their patients. I can assure you that the management of Carl Zeiss Meditec will continue to work hard in the future to live up to this claim.

Thank you for your kind attention. I now look forward to taking any questions you might have.