Carl Zeiss Meditec Group

Dr. Ludwin Monz, President and CEO
Justus Felix Wehmer, CFO

August 5, 2020
Agenda

9M 2019/20 at a Glance

Financial Performance
Focus Topics
Outlook
Revenue and earnings under pressure due to the impact of the COVID-19 pandemic on our customers

### Revenue

<table>
<thead>
<tr>
<th>9M 2019/20</th>
<th>€ 967.9 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>9M 2018/19</td>
<td>1,027.6</td>
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</tbody>
</table>

- 5.8%

- 9M revenue down by -6.9% - significant slowdown during Q3 due to impact of COVID-19 pandemic on our customers, particularly in hard-hit countries in Americas, Europe and parts of APAC
- Recovery of countries which are less affected by pandemic is well underway in May & June (China, Korea, Germany nearly stable at 9M)

### EBIT

<table>
<thead>
<tr>
<th>9M 2019/20</th>
<th>€ 111.9 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>9M 2018/19</td>
<td>184.2</td>
</tr>
</tbody>
</table>

- 39.3%

- EBIT margin reached 11.6% (prev. year 17.9%)
- EBIT significantly impacted by weak revenue development - cost discipline with opex savings > € 20 million ensured positive result in Q3
- Adj. EBIT margin amounted to 12.1% (prev. year 18.2%)

### EPS

<table>
<thead>
<tr>
<th>9M 2019/20</th>
<th>€ 0.77</th>
</tr>
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<tbody>
<tr>
<td>9M 2018/19</td>
<td>1.22</td>
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-36.5%

- Earnings per share down in line with EBIT, no significant impact from financial result & taxes
Agenda

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Ophthalmic Devices
Strong impact from closures of clinics and deferrals of elective surgeries in Q3

Revenue
- FX-adj. revenue decline of -8.0%
- Significant declines in both consumables and equipment business in Q3 due to temporary closures of clinics and deferrals of elective surgeries during COVID-19 pandemic

<table>
<thead>
<tr>
<th>9M 2019/20</th>
<th>9M 2018/19</th>
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<tbody>
<tr>
<td>€709.1 million</td>
<td>762.7 million</td>
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</tbody>
</table>

-7.0%

EBIT margin
- EBIT margin down sharply y/y due to negative operating leverage from revenue decline and significantly lower consumables revenue
- Cost discipline and reductions in sales & marketing expenses helped to mitigate impact of top line decline, maintaining break-even in Q3

<table>
<thead>
<tr>
<th>9M 2019/20</th>
<th>9M 2018/19</th>
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<tbody>
<tr>
<td>6.9%</td>
<td>16.5%</td>
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</tbody>
</table>

Revenue Split
- OPT: 73.3% of total revenue
- MCS: 16.5% of total revenue
Microsurgery
Hospital closures have created difficult environment in Q3

**Revenue**
- FX-adj. revenue decline of -3.6%
- Q3 revenue down by ~30% due to hospital closures for elective procedures

<table>
<thead>
<tr>
<th>9M 2019/20</th>
<th>€ 258.7 million</th>
</tr>
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<tbody>
<tr>
<td>9M 2018/19</td>
<td>264.9</td>
</tr>
</tbody>
</table>

**EBIT margin**
- EBIT margin remains at strong level supported by disciplined cost management in manufacturing and sales & marketing

<table>
<thead>
<tr>
<th>9M 2019/20</th>
<th>24.3%</th>
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<tbody>
<tr>
<td>9M 2018/19</td>
<td>22.2%</td>
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</table>

**Revenue Split**
- MCS 26.7% of total revenue
- OPT
Robust APAC performance supported mainly by China and South Korea not enough to offset declines in EMEA and Americas region

**Americas**
- FX-adj. revenue decline of -9.0%
- US and Brazil in particular showed a significant decline in Q3 while these regions had achieved growth at the beginning of fiscal year 2019/20

**EMEA**
- FX-adj. revenue decline of -12.7%
- Declines particularly evident in markets most affected by the COVID-19 pandemic in Western Europe, Great Britain, Turkey and Middle East
- In Germany, recovery well underway towards the end of the reporting period

**APAC**
- Revenue nearly on previous year’s level (FX-adj. -1.1%)
- Revenue was supported by robust performance in key markets of China and South Korea in the third quarter
- Japan, India, Southeast Asia, Australia/NZ remain sharply below PY during Q3
Headwind to EBIT margin due to negative operating leverage, but resilient gross margin and reduction of sales & marketing expenses provide backstop

| Income Statement |
|------------------|-----------------|
|                  | 9M 2019/20      | 9M 2018/19 |
| Gross profit     | 535.4           | 55.3       |
|                  | 583.8           | 56.8       |
| Selling & marketing expenses | 222.4           | 23.0       |
|                  | 239.1           | 23.3       |
| General admin. expenses | 42.5            | 4.4        |
|                  | 40.8            | 4.4        |
| R&D expenses     | 158.6           | 16.4       |
|                  | 119.8           | 11.7       |
| EBIT [adj.]      | 111.9           | 11.6       |
|                  | [116.9]         | [12.1]     |

- Pressure on gross margin primarily due to lower consumables sales in EMEA following cancellation of elective procedures in many countries - mitigated in part by ongoing recovery in large consumables markets of China & South Korea
- Strong operating cost controls implemented, leading to opex reductions of > € 20 million, mainly in sales & marketing
- Sharp increase in R&D expenses partly overstated due to approx. € 10 million effect from higher level of R&D capitalization in previous year
- Strategic R&D investment largely ring-fenced and continuing in line with long-term objectives: focus on digital transformation and Surgical Ophthalmology roadmap
Adjusted EBIT Margin amounted to 12.1% - remaining at healthy level

<table>
<thead>
<tr>
<th></th>
<th>9M 2019/20 € million</th>
<th>9M 2018/19 € million</th>
<th>Change to PY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>111.9</td>
<td>184.2</td>
<td>-39.3</td>
</tr>
<tr>
<td>Acquisition-related special effects</td>
<td>5.0</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>116.9</td>
<td>186.8</td>
<td>-37.4</td>
</tr>
<tr>
<td>Adjusted EBIT in % of revenue</td>
<td>12.1%</td>
<td>18.2%</td>
<td>-6.1% pts.</td>
</tr>
</tbody>
</table>

- Mainly non-cash charges related to the acquisitions of Aaren Scientific, Inc. and IanTech, Inc.
Operating cash-flow remains solid despite of sharp earnings decline due to strict management of net working capital

- **Operating cash flow** declined compared to prev. year partly due mainly to lower operating earnings as well as an increase in safety stocks of certain products and components to secure deliveries in the context of the COVID-19 pandemic.

- Strict working capital management helped to avoid a material impact on trade receivables and inventory levels from COVID-19 pandemic

- **Cash flow from investing activities** in the previous year mainly influenced by acquisition of IanTECH, Inc., in current period including some capacity expansion in surgical business

- Net liquidity at record high of € 696.8 million
Agenda

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Intubation of COVID-19 patients poses a high infection risk for healthcare workers due to potential virus shedding from patient’s respiratory system.

ZEISS NURA was developed in a fast, 4 months development project in order to address the COVID-19 healthcare challenge.

ZEISS NURA is a single-use laryngoscope for highest hygiene demands, to avoid cross-infection and reduce infection risks to hospital staff.

ZEISS NURA helps to ensure:

- greater distance between patient and physician
- faster intubation

ZEISS NURA is currently the only smartphone-integrated video laryngoscope.
We are managing through COVID-19 with a focus on the long-term

- **Safety of employees & Continuity of production**
  - Implementation of work organization and hygiene measures have resulted in a very low number of infected employees
  - No constraints on manufacturing & supply chain
  - Safety stocks built

- **Financial Stability**
  - Positive Free Cash-flow maintained through strict working capital discipline
  - Defended profitability through OPEX reductions > € 20 million in Q3 including use of furloughs/short-time work and reduced discretionary spending on sales and marketing

- **Return to Growth & Continue Strategic investments**
  - Ring-fencing of strategic investments in R&D to advance our roadmap
  - Embrace structural shifts in go-to-market through digital channels, rising relevance of tele-medicine
Agenda

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Long-Term demand drivers for our business remain in place despite uncertainties around speed of recovery

**Favourable Long-Term Trends**

Aging of the population and growing affluence

Rising access to health care in RDEs

Increasing information access and awareness

Growing patient load, growing patient expectations

**COVID-19 Impact**

Surgical procedures have taken a sharp decline but tend to ramp back up fast following end of containment measures

Equipment business expected to need more time to recover to strong pre-crisis levels as clinics need to first and most urgently redesign workflows and cope with patient backlog

Rising relevance of tele-medicine and digital, AI driven solutions for diagnostics and surgery will re-shape ophthalmology, ZEISS needs to continue to invest in digitalization in order to stay on top

**FY 2019/20 Outlook**

Assuming a recovery of the relevant markets and, in particular, that no significant additional measures for the containment of the COVID-19 pandemic will impact the development, management anticipates revenue of around € 1.3 billion for fiscal year 2019/20 (approx. -11% vs. prev. year € 1.459 billion).

Mid-term return to pre-crisis revenue and profitability envisaged; Duration of recovery is highly uncertain