Quarterly Statement 3 Months 2019/20

Interim Report of the Carl Zeiss Meditec Group for the first three months 2019/20

- **Successful start to FY 2019/20 with profitable growth**
- **Both strategic business units (SBUs) achieve double-digit percentage growth in revenue**
- **EBIT rises to €56.8m and margin increases to 15.4%, earnings forecast for fiscal year 2019/20 confirmed**

Business development within the Group

- In the first three months of fiscal year 2019/20, the Carl Zeiss Meditec Group generated revenue of €369.7m. This corresponds to an increase of 14.2% compared with the prior-year period (€323.6m). Currency effects had a slightly positive effect. Adjusted for currency effects, this growth amounted to 12.7%.

- Revenue increased significantly in both strategic business units. Products for ophthalmic surgery and diagnostics, in particular, as well as products for microsurgery, contributed to revenue growth. All business regions also improved their growth rates.

Table 1: Summary of key ratios in the consolidated income statement

Unless otherwise stated	3 months 2019/20 €m	3 months 2018/19 €m	Change in %
Revenue	**369.7**	**323.6**	**+14.2**
Gross margin	55.8%	54.9%	+0.9% pts
EBIT	**56.8**	**48.1**	**+18.1**
EBIT margin	15.4%	14.9%	+0.5% pts
Adjusted EBIT[1]	**58.2**	**49.0**	**+18.8**
Adjusted EBIT in % of revenue	15.7%	15.1%	+0.6% pts
EPS	0.43	0.32	+35.3

Business development by strategic business unit

- The Ophthalmic Devices SBU increased its revenue by 12.5% compared with the prior year, to €269.4m (prior year: €239.5m). Adjusted for currency effects, revenue increased by 11.1%. This increase was driven by both products for ophthalmic surgery and products for diagnostics. The EBIT margin was down slightly compared with the prior year, due in particular to higher research and development expenses.

- Revenue in the Microsurgery strategic business unit grew by 19.1% (adjusted for currency effects: +17.4%), to €100.3m, compared with €84.2m in the same period of the prior year. Once again, revenue from the visualization system KINEVO® 900 in neurosurgery and from the TIVATO® 700 for spinal surgery developed particularly well. The EBIT margin increased significantly compared with the prior year, due to the strong revenue growth.

[1] The reconciliation to the adjusted EBIT can be found in Table 4 on page 5. The term "adjusted EBIT" is not defined in the International Financial Reporting Standards (IFRSs). There is no comparability with similarly designated key figures of other companies. Adjusted figures do not serve as a substitute for IFRS figures and are not more meaningful than IFRS figures.

Table 2: Business development by SBU

	Ophthalmic Devices				Microsurgery			
	3 months 2019/20	3 months 2018/19		Change	**3 months 2019/20**	3 months 2018/19		Change
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	**269.4**	**239.5**	**+12.5**	**+11.1**	**100.3**	**84.2**	**+19.1**	**+17.4**
Share of consolidated revenue	72.9%	74.0%	-1.1% pts		27.1%	26.0%	+1.1% pts	
EBIT	**29.4**	**29.8**	**-1.4**		**27.5**	**18.3**	**+50.4**	
EBIT margin	10.9%	12.4%	-1.5% pts		27.5%	21.8%	+5.7% pts	

Business development by region

- Revenue in the Americas region increased by 18.5% after the first three months of fiscal year 2019/20, to €109.0m (prior year: €91.9m; adjusted for currency effects: +15.5%). Strong contributions to growth came from the USA, as well as positive impetus from Latin America. The main drivers of this positive development of revenue included newly launched diagnostics products in the Ophthalmic Devices SBU, such as the CLARUS™ 700. The OCT device CIRRUS® 6000, which was introduced to the market at the end of fiscal year 2018/19, also recorded strong demand.

- Revenue in the EMEA region amounted to €110.7m after the first three months (prior year: €103.5m), and therefore rose by 7.0% (adjusted for currency effects: +6.9%). Good growth rates were also achieved once again in the core markets Germany and France.

- Revenue in the APAC region increased by 16.9%, to €150.0m (prior year: €128.2m). After adjustment for currency effects, this corresponds to growth of 15.5%. Once again, the largest contributions to growth came from China and South Korea, with Japan also exhibiting a positive trend.

Table 3: Business development by region

Unless otherwise stated	EMEA 3 months 2019/20 €m	EMEA 3 months 2018/19 €m	EMEA Change in %	EMEA Change in % (const. Fx)	Americas 3 months 2019/20 €m	Americas 3 months 2018/19 €m	Americas Change in %	Americas Change in % (const. Fx)
Revenue	**110.7**	**103.5**	**+7.0**	**+6.9**	**109.0**	**91.9**	**+18.5**	**+15.5**
Share of consolidated revenue	30.0%	32.0%	-2.0% pts		29.5%	28.4%	+1.1% pts	

Unless otherwise stated	APAC 3 months 2019/20 €m	APAC 3 months 2018/19 €m	APAC Change in %	APAC Change in % (const. Fx)
Revenue	**150.0**	**128.2**	**+16.9**	**+15.5**
Share of consolidated revenue	40.5%	39.6%	+0.9% pts	

Development of earnings

- Earnings before interest and taxes (EBIT) increased after the first three months, due in particular to the strong development of revenue, to €56.8m (prior year: €48.1m). The EBIT margin also increased to 15.4% (prior year: 14.9%). The adjusted EBIT margin amounted to 15.7% (prior year: 15.1%).

- Higher functional costs in the first quarter of 2019/20 compared with the prior year had a curbing effect on EBIT and are attributable, among other things, to the acquisition of IanTECH, Inc. in December 2018. In particular, research and development expenses increased significantly compared with the prior year, as planned. This is partly attributable to strategic development projects in surgical ophthalmology and digitalization, as well as a relatively low prior-year basis in the first quarter of 2018/19. In the prior-year quarter, effects from the capitalization of development costs, among other things, reduced the reported research and development expenses by a total of around €6 million – these effects did not recur in the reporting period.

- The financial result amounted to €-0.9m, compared with €-6.7m in the prior year. This development is primarily due to positive currency effects, which were offset by negative effects in the comparative period.
- Earnings per share (EPS) increased after three months of the current fiscal year, from €0.32 in the prior year, to €0.43.

Table 4: Reconciliation of the non-IFRS key ratio adjusted result

	3 months 2019/20	3 months 2018/19	Change
Unless otherwise stated	€m	€m	in %
EBIT	**56.8**	**48.1**	**+18.1**
Acquisition-related special effects[2]	1.4	0.9	
Adjusted EBIT	**58.2**	**49.0**	**+18.8**
Adjusted EBIT in % of revenue	15.7%	15.1%	+0.6% pts

Financial position

Table 5: Summary of key ratios in the statement of cash flows

	3 months 2019/20	3 months 2018/19
	€m	€m
Cash flows from operating activities	26.4	23.6
Cash flows from investing activities	-10.1	-108.8
Cash flows from financing activities	-17.3	92.4

- Cash flows from operating activities amounted to €26.4m, due to the positive earnings trend for the reporting period (prior year: €23.6m).

[2] There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €1.4m, mainly in connection with the acquisitions of Aaren Scientific, Inc. in fiscal year 2013/14 and IanTECH, Inc. in fiscal year 2018/19.

- Cash flows from investing activities amounted to €-10.1m (prior year: €-108.8m). The higher cash outflow in the first three months of the same period of the prior year was mainly due to the acquisition of IanTECH, Inc.

- Cash flows from financing activities amounted to €-17.3m in the period under review (prior year: €92.4m). This is mainly attributable to the decline in treasury payables due to the acquisition of IanTECH, Inc. in the first quarter of the prior year.

- On 31 December 2019, net cash amounted to €689.1m (31 December 2018: €582.6m). The equity ratio was 71.2% (30 September 2019: 70.1%).

Report on forecast changes

- The management forecast for fiscal year 2019/20 is revenue growth that is at least in line with the market growth expected for the industry, which, from today's perspective, and without taking currency effects into consideration, will be at least in the low to mid-single-digit percentage range.

- Regarding the development of earnings, an EBIT margin of between 17% and 19% is anticipated for fiscal year 2019/20. In the medium term, the Company expects to be able to sustainably increase its EBIT margin to a level above 18%.

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Brief profile

Carl Zeiss Meditec AG (ISIN: DE 0005313704), which is listed on the MDAX and TecDAX of the German stock exchange, is one of the world's leading medical technology companies. The Company supplies innovative technologies and application-oriented solutions designed to help doctors improve the quality of life of their patients. It provides complete packages of solutions for the diagnosis and treatment of eye diseases, including implants and consumable materials. The Company creates innovative visualization solutions in the field of microsurgery. With approximately 3,230 employees worldwide, the Group generated revenue of €1,459.3m in fiscal year 2018/19 (to 30 September).

The Group's head office is located in Jena, Germany, and it has subsidiaries in Germany and abroad; more than 50 percent of its employees are based in the USA, Japan, Spain and France. The Center for Application and Research (CARIn) in Bangalore, India and the Carl Zeiss Innovations Center for Research and Development in Shanghai, China, strengthen the Company's presence in these rapidly developing economies. Around 41 percent of Carl Zeiss Meditec AG's shares are in free float. The remaining approx. 59 percent are held by Carl Zeiss AG, one of the world's leading groups in the optical and opto-electronics industry.

For further information visit: www.zeiss.de MED:

Income statement

Unless otherwise stated	3 months 2019/20 €m	3 months 2018/19 €m
Revenue	**369.7**	**323.6**
Cost of sales	-163.4	-146.1
Gross profit	**206.3**	**177.6**
Selling and marketing expenses	-82.9	-78.0
General administrative expenses	-14.7	-13.8
Research and development expenses	-51.9	-37.7
Other operating result	0.0	0.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**70.5**	**57.6**
Depreciation and amortization	-13.7	-9.5
Earnings before interest and taxes (EBIT)	**56.8**	**48.1**
Interest income	0.5	0.4
Interest expenses	-2.7	-0.5
Net interest from defined benefit pension plans	-0.1	-0.1
Foreign currency gains/(losses), net	1.4	-6.5
Other financial result	0.0	0.0
Earnings before income taxes (EBT)	**55.9**	**41.4**
Income taxes	-17.3	-13.0
Consolidated profit	**38.5**	**28.4**
Attributable to:		
Shareholders of the parent company	38.8	28.7
Non-controlling interests	-0.3	-0.3
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (EPS) (in €)		
Basic/diluted	0.43	0.32