Quarterly Report 9 Months 2017/18

Quarterly Report of the Carl Zeiss Meditec Group for 9M 2017/18

- Consolidated revenue up by 7.1% to €926.3m – Further growth in both strategic business units
- Adjusted EBIT margin remains stable at 14.8% (prior year: 14.7%)
- Largest contributions to growth from Ophthalmic Diagnostics, Refractive Laser Systems and Microsurgery businesses
- Strong currency-adjusted growth in all regions
- Upward revision of FY 17/18 forecast to €1,250 - 1,300m

Business development within the Group

- In the first nine months of fiscal year 2017/18, the Carl Zeiss Meditec Group generated revenue of €926.3m. This corresponds to an increase of 7.1% compared with the prior-year period (€864.7m). Adjusted for currency effects, this growth amounted to 11.7%.

- This increase was primarily attributable to our devices and systems in the Refractive Lasers, Ophthalmic Diagnostics and Microsurgery businesses. Furthermore, there was a continued strong demand for premium and standard intraocular lenses.

- Balanced currency-adjusted growth rates in all reporting regions.

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

	9 months 2017/18	9 months 2016/17	Change
Unless otherwise stated	€m	€m	in %
Revenue	926.3	864.7	+ 7,1
Gross margin	54.8%	55.4%	- 0.6% pts
EBIT	134.8	132.6	+ 1,6
EBIT margin	14.6%	15.3%	- 0.7% pts
Adjusted EBIT[1]	137.5	127.3	+ 8,0
Adjusted EBIT in % of revenue	14.8%	14.7%	+ 0.1% pts
EPS	0.92	1.10	- 16,5

[1] The reconciliation to the adjusted EBIT can be found in Table 4 on page 4. 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.

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Business development by strategic business unit

- The Ophthalmic Devices SBU increased its revenue by 6.4% compared with the prior year, to €681.0m (prior year: €639.9m). Adjusted for currency effects, revenue increased by 10.7%. This increase is primarily attributable to a strong refractive laser business, the Ophthalmic Diagnostics segment and to a continued solid demand for premium and standard intraocular lenses. The adjusted EBIT margin increased slightly compared with the prior year.

  In June 2018 the ZEISS VISULAS green was presented as an innovative retinal photocoagulation laser for the treatment of various eye diseases, including diabetic retinopathy and age-related macular degeneration.

- The Microsurgery SBU achieved revenue of €245.2m, which is 9.1% (adjusted for currency effects year: 14.3%) higher year-on-year (previous year: €224.8m).

  In October of fiscal year 2017/18 additional functionalities of the ZEISS KINEVO 900 were presented, for which FDA approval had been obtained in the US market. This includes the QEVO micro-inspection tool and the YELLOW 560 fluorescence option for intraoperative visualization of blood flow.

Table 2: Business development by SBU

	Ophthalmic Devices				Microsurgery			
	9 months 2017/18	9 months 2016/17		Change	9 months 2017/18	9 months 2016/17		Change
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	681.0	639.9	+6.4	+10.7	245.2	224.8	+9.1	+14.3
Share of consolidated revenue	73.5%	74.0%	-0.5% pts		26.5%	26.0%	+0.5% pts	
EBIT	83.4	80.4	+3.8		51.5	52.1	-1.3	
EBIT margin	12.3%	12.6%	-0.3% pts		21.0%	23.2%	-2.2% pts	

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Business development by region

- Revenue in the EMEA region amounted to €282.0m (prior year: €259.6m) after the first nine months, and therefore rose by 8.6% (adjusted for currency effects: 10.0%). This increase was attributable to the stable development in the core markets Germany and France, and to solid growth in the UK and Southern Europe.

- Revenue in the Americas region increased by 2.5% (adjusted for currency effects: 11.7%), to €279.3m (prior year: €272.5m). The US market continued to develop positively.

- The APAC region achieved growth of 9.7%, to €364.9m (prior year: €332.6m). After adjustment for currency effects, this corresponds to growth of 13.0%. Once again, the largest contributions to growth came from China and South Korea.

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- Table 3: Business development by region

	EMEA				Americas				APAC			
	9 months 2017/18	9 months 2016/17		Change	9 months 2017/18	9 months 2016/17		Change	9 months 2017/18	9 months 2016/17		Change
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	282.0	259.6	+8.6	+10.0	279.3	272.5	+2.5	+11.7	364.9	332.6	+9.7	+13.0
Share of consolidated revenue	30.4%	30.0%	+0.4% pts		30.2%	31.5%	-1.3% pts		39.4%	38.5%	+0.9% pts	

Development of earnings

- Earnings before interest and taxes (EBIT) amounted to €134.8m (prior year: €132.6m)[2]. The adjusted EBIT margin amounted to 14.8% (prior year: 14.7%).

- Earnings per share (EPS) decreased from €1.10 in the prior year, to €0,92. It was, however, predominantly non-operating factors that contributed to this, specifically the one-time proceeds in the prior-year period[2], a negative currency result and the increase in the number of outstanding shares following the capital increase in March 2017.

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

	9 months 2017/18	9 months 2016/17	Change
Unless otherwise stated	€m	€m	in %
EBIT	134.8	132.6	+1.6
Acquisition-related special effects[3]	+2.7	-5.3	-
Restructuring/reorganization	-	-	-
Other special effects	-	-	-
Adjusted EBIT	137.5	127.3	+8.0
Adjusted EBIT in % of revenue	14.8%	14.7%	+0.1% pts

[2]In the prior year, this included a one-time special effect of around €8m associated with the disposal of assets at the Ontario site.
[3]There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €-2.4m, mainly in connection with the acquisition of Aaren Scientific Inc. in fiscal year 2013/14. The disposal of assets of Aaren Scientific Inc. also resulted in one-time accounting profits of around €8m in Q1 2016/17.

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Financial position

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

	9 months 2017/18	9 months 2016/17
	€m	€m
Cash flows from operating activities	102.2	22.0
Cash flows from investing activities	-16.7	-34.1
Cash flows from financing activities	-82.7	15.1

- Cash flows from operating activities amounted to €102.2m in the reporting period (prior year: €22.0m). In the first nine months of fiscal year 2017/18 there was a decrease in trade receivables and other assets compared with the prior year, as well as less stockpiling of inventories.

- Cash flows from investing activities amounted to €-16.7m (prior year: €-34.1m). The higher cash outflow in the prior year was mainly due to the acquisition of Ophthalmic Laser Engines, LLC, Lafayette, USA

- Cash flows from financing activities amounted to €-82.7m in the period under review (prior year: €15.1m). This is mainly due to dividend payments as well as the decline in treasury payables.

- On 30 June 2018 net cash amounted to around €595.4m (30 June 2017: €569.3m). The equity ratio was 79.3% (30 June 2017: 77.6%).

Report on forecast changes

- Carl Zeiss Meditec confirms the revenue forecasts for fiscal year 2017/18 as published in the ad hoc disclosure dated 3 July 2018. Revenue is expected to be within the range of €1,250m – €1,300m (previously: €1,230m – €1,280m).

- On a comparable basis, the EBIT margin is expected to be within the range of 14% -16% in the current fiscal year and in the medium term.

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Brief profile
Carl Zeiss Meditec AG (ISIN: DE 0005313704), which is listed on 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. The Company offers complete solutions, including implants and consumables, to diagnose and treat eye diseases. The Company creates innovative visualization solutions in the field of microsurgery. With approximately 3,000 employees worldwide, the Group generated revenue of €1,189.9m in fiscal year 2016/17 (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 optoelectronic industries.

For further information visit:

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Income statement

unless otherwise stated	9 months 2017/18 €m	9 months 2016/17 €m
Revenue	926.3	864.7
Cost of sales	-418.4	-385.8
Gross profit	507.9	478.9
Selling and marketing expenses	-217.3	-213.8
General administrative expenses	-35.9	-35.7
Research and development expenses	-120.0	-104.5
Other operating result	0.0	7.6
Earnings before interest, taxes, depreciation and amortization (EBITDA)	154.6	149.5
Depreciation and amortization	-19.8	-16.9
Earnings before interest and taxes (EBIT)	134.8	132.6
Interest income	0.6	0.7
Interest expenses	-1.5	-1.1
Net interest from defined benefit pension plans	-0.4	-0.8
Foreign currency gains/(losses), net	-15.3	6.2
Other financial result	2.6	0.1
Earnings before income taxes (EBT)	120.7	137.7
Income taxes	-38.8	-43.0
Consolidated profit	81.9	94.7
Attributable to:		
Shareholders of the parent company	81.9	92.5
Non-controlling interests	0.0	2.2
Profit/(loss) per share attributable to the shareholders of the parent company in the current fiscal year (in €) (EPS):		
Basic/diluted	0.92	1.10