Quarterly Statement 9 Months 2018/19

Quarterly Statement of the Carl Zeiss Meditec Group for the first nine months 2018/19

- **Further growth of 10.9%, to €1,027.6m**
- **Both strategic business units (SBUs) contribute to revenue and earnings growth**
- **Largest contributions to growth from products and consumables for ophthalmic surgery**
- **Stable growth in EMEA[1] and APAC[2] regions**
- **Significant increase in EBIT to €184.2m and margin expansion to 17.9%, earnings forecast raised for fiscal year 2018/19**

Business development within the Group

- In the first nine months of fiscal year 2018/19, the Carl Zeiss Meditec Group generated revenue of €1,027.6m. This corresponds to an increase of 10.9% year-on-year (prior year: €926.3m). Currency effects had a positive effect. Adjusted for currency effects, this growth amounted to 8.9%.

- This increase was again primarily due to the positive development of ophthalmic surgery business, both in the Refractive Laser Systems and the Surgical Ophthalmology business. Microsurgery also continued to perform well.

- The EMEA region achieved solid growth rates in its core markets, as did the APAC region.

[1] Europe/Middle East/Africa

[2] Asia/Pacific region

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

Unless otherwise stated	9 months 2018/19 €m	9 months 2017/18 €m	Change in %
Revenue	**1,027.6**	**926.3**	**+10.9**
Gross margin	56.8%	54.8%	+2% pts
EBIT	**184.2**	**134.8**	**+36.7**
EBIT margin	17.9%	14.6%	+3.3% pts
Adjusted EBIT[3]	**186.8**	**137.5**	**+35.9**
Adjusted EBIT in % of revenue	18.2%	14.8%	+3.4% pts
EPS	1.22	0.92	+33.0

Business development by strategic business unit

- The Ophthalmic Devices SBU increased its revenue by 12.0% compared with the prior year, to €762.7m (prior year €681.0m). Adjusted for currency effects, revenue increased by 10.1%. The main contributory factors to this increase were once again refractive laser systems and strong demand in Surgical Ophthalmology. The EBIT margin increased significantly compared with the prior year.

- Revenue in the Microsurgery SBU grew by 8.0% (adjusted for currency effects: +5.7%), to €264.9m, compared with €245.2m in the same period of the prior year. Sales of the KINEVO® 900 Robotic Visualization System™ for neurosurgery, in particular, continued to grow well. The EBIT margin increased slightly and remains above the Group average.

[3] 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			
	9 months 2018/19	9 months 2017/18		Change	9 months 2018/19	9 months 2017/18		Change
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	**762.7**	**681.0**	**+12.0**	**+10.1**	**264.9**	**245.2**	**+8.0**	**+5.7**
Share of consolidated revenue	74.2%	73.5%	+0.7% pts		25.8%	26.5%	-0.7% pts	
EBIT	**125.5**	**83.4**	**+50.4**		**58.7**	**51.5**	**+14.0**	
EBIT margin	16.5%	12.3%	+4.2% pts		22.2%	21.0%	+1.2% pts	

Business development by region

- Revenue in the Americas region developed slightly positive (+ 4.7%) compared with the prior-year period (prior year: €279.3m) and amounted to €292.5m. Adjusted for currency effects, revenue moved sideways (-0.3%). The prior-year period benefited considerably from new product launches in Diagnostics and Microsurgery.

- Revenue in the EMEA region amounted to €308.2m after the first nine months (prior year: €282.0m) and therefore increased by 9.3% (adjusted for currency effects: +10.0%). Stable development in the core markets Germany, France and the UK contributed to this.

- Revenue in the APAC region increased by 17.0%, to €426.9m (prior year: €364.9m). After adjustment for currency effects, this corresponds to growth of 15.4%. Once again, the largest contributions to growth came from China and South Korea, with Japan also exhibiting a positive trend. Due in particular to strong growth in China, the APAC region's share of revenue has now risen to 41.5%.

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Table 3: Business development by region

	EMEA				Americas			
	9 months 2018/19	9 months 2017/18	Change		9 months 2018/19	9 months 2017/18	Change	
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	**308.2**	**282.0**	**+9.3**	**+10.0**	**292.5**	**279.3**	**+4.7**	**-0.3**
Share of consolidated revenue	30.0%	30.4%	-0.4% pts		28.5%	30.2%	-1.7% pts	

	APAC			
	9 months 2018/19	9 months 2017/18	Change	
Unless otherwise stated	€m	€m	in %	in % (const. Fx)
Revenue	**426.9**	**364.9**	**+17.0**	**+15.4**
Share of consolidated revenue	41.5%	39.4%	2.1% pts	

Development of earnings

- Earnings before interest and taxes (EBIT) increased significantly in the first nine months, to €184.2m (prior year: €134.8m). The EBIT margin also increased significantly, to 17.9% (prior year: 14.6%). This growth is mainly attributable to a positive development of the product mix, with a high proportion of recurring revenue. The adjusted EBIT margin was 18.2% (prior year: 14.8%).

- The financial result amounts to €-22.8m and declined due, in particular, to a negative currency result (prior year: €-14.1m).

- Earnings per share (EPS) increased from €0.92 in the prior year, to €1.22 after nine months of the current fiscal year.

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

Unless otherwise stated	9 months 2018/19 €m	9 months 2017/18 €m	Change in %
EBIT	**184.2**	**134.8**	**+36.7**
Acquisition-related special effects[4]	**+2.6**	**+2.7**	**-**
Adjusted EBIT	**186.8**	**137.5**	**+35.9**
Adjusted EBIT in % of revenue	18.2%	14.8%	+3.4% pts

Financial position

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

	9 months 2018/19 €m	9 months 2017/18 €m
Cash flows from operating activities	124.2	102.2
Cash flows from investing activities	-135.6	-16.7
Cash flows from financing activities	12.7	-82.7

- Cash flows from operating activities amounted to €124.2m in the reporting period, due to the good development of earnings (prior year: €102.2m).
- Cash flows from investing activities amounted to €-135.6m (prior year: €-16.7m). The higher cash outflow in the first nine months of fiscal year 2018/19 was mainly due to the acquisition of IanTECH, Inc.
- Cash flows from financing activities amounted to €12.7m in the period under review (prior year: €-82.7m). This is mainly attributable to the decline in treasury payables due to the acquisition of IanTECH, Inc.

[4] There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €2.6M, mainly in connection with the acquisition of Aaren Scientific, Inc. in fiscal year 2013/14.

- On 30 June 2019, net cash amounted to €600.5m (30 June 2018: €595.4m). The equity ratio was 72.2% (30 June 2018: 79.3%).

Report on forecast changes

- The management of the Company expects revenue for fiscal year 2018/19 to reach or slightly exceed the upper end of the previously communicated range of €1,350.0m to €1,420.0m.

- The Company expects its EBIT margin in the current fiscal year to exceed the previously forecast range of 15.0% to 17.5%, due to the positive development to date.

- From a current perspective, the Management Board does not anticipate any sustainable increase in its EBIT margin in the coming fiscal year 2019/20, due, among other things, to planned strategic investments in research and development. A precise forecast for fiscal year 2019/20 is expected to be issued when the results for fiscal year 2018/19 are published on 6 December 2019.

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Contact for investors and press
Sebastian Frericks
Director Investor Relations Carl Zeiss Meditec AG
Phone: +49 (0)3641 220-116
Email: investors.meditec@zeiss.com
press.meditec@zeiss.com

www.zeiss.de/presse

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 3,050 employees worldwide, the Group generated revenue of €1,280.9m in fiscal year 2017/18 (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:

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Income statement

Unless otherwise stated	9 months 2018/19 €m	9 months 2017/18 €m
Revenue	**1,027.6**	**926.3**
Cost of sales	-443.8	-418.4
Gross profit	**583.8**	**507.9**
Selling and marketing expenses	-239.1	-217.3
General administrative expenses	-40.8	-35.9
Research and development expenses	-119.8	-120.0
Other operating result	0.0	0.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	220.0	154.6
Depreciation and amortization	-35.8	-19.8
Earnings before interest and taxes (EBIT)	**184.2**	**134.8**
Interest income	1.1	0.6
Interest expenses	-7.0	-1.5
Net interest from defined benefit pension plans	-0.4	-0.4
Foreign currency gains/(losses), net	-16.5	-15.3
Other financial result	0.0	2.6
Earnings before income taxes (EBT)	**161.4**	**120.7**
Income taxes	-51.7	-38.8
Consolidated profit	**109.7**	**81.9**
Attributable to:		
Shareholders of the parent company	108.9	81.9
Non-controlling interests	0.8	0.0
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (EPS) (in €)		
Basic/diluted	1.22	0.92