Quarterly Statement 9 Months 2019/20

Quarterly Statement of the Carl Zeiss Meditec Group for the first nine months 2019/20

- Revenue down by around 6% year-on-year due to COVID-19 pandemic, with declines in both strategic business units
- Stable performance in APAC[1] – marked declines in EMEA[2] and Americas
- Operating result of €111.9m significantly below prior year – result in Q3 remains positive
- Revenue of around €1.3bn projected for fiscal year 2019/20

Business development within the Group

- The Carl Zeiss Meditec Group generated revenue of €967.9m in the first nine months of fiscal year 2019/20, corresponding to a decline of -5.8% year-on-year (prior year: €1,027.6m). Currency effects had a slightly positive effect. After adjustment for currency effects, revenue was down by -6.9% compared with the year-ago figure.

- Both strategic business units (SBUs) reported a decline in revenue for the first nine months of fiscal year 2019/20. Revenue from both consumables and the equipment business declined in the SBU Ophthalmic Devices. Revenue in the SBU Microsurgery was also down year-on-year. The revenue trend in the APAC region was largely stable compared with the prior year, while the EMEA and Americas regions recorded significant declines – particularly in the third quarter, which was the worst affected by the COVID-19 pandemic.

[1] Asia/Pacific

[2] Europe/Middle East/Africa

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

Unless otherwise stated	9 months 2019/20 €m	9 months 2018/19 €m	Change in %
Revenue	967.9	1,027.6	-5.8
Gross margin	55.3%	56.8%	-1.5% pts
EBIT	111.9	184.2	-39.3
EBIT margin	11.6%	17.9%	-6.3% pts
Adjusted EBIT[3]	116.9	186.8	-37.4
Adjusted EBIT in % of revenue	12.1%	18.2%	-6.1% pts
EPS	0.77	1.22	-36.5

Business development by strategic business unit

- After nine months of fiscal year 2019/20, revenue in the SBU Ophthalmic Devices amounted to €709.1m (prior year: €762.7m), corresponding to a decrease of -7.0% compared with the year-ago period (adjusted for currency effects: -8.0%). Both the consumables and the equipment business recorded a downward trend overall, especially in the third quarter. There was a marked decrease in the EBIT margin year-on-year, due to the weaker sales trend and higher research and development expenses.

- Revenue in the SBU Microsurgery reached €258.7m, compared with €264.9m in the same period of the prior year, and was thus down by -2.3% (adjusted for currency effects: -3.6%) on the year-ago figure. In spite of the downward sales trend, particularly in the third quarter of fiscal year 2019/20, the EBIT margin remained at a high level,.

[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

Unless otherwise stated	Ophthalmic Devices 9 months 2019/20 €m	9 months 2018/19 €m	in %	Change in % (const. Fx)	Microsurgery 9 months 2019/20 €m	9 months 2018/19 €m	in %	Change in % (const. Fx)
Revenue	709.1	762.7	-7.0	-8.0	258.7	264.9	-2.3	-3.6
Share of consolidated revenue	73.3%	74.2%	-0.9% pts		26.7%	25.8%	+0.9% pts	
EBIT	49.1	125.5	-60.9		62.8	58.7	+6.9	
EBIT margin	6.9%	16.5%	-9.6% pts		24.3%	22.2%	+2.1% pts	

Business development by region

- Revenue in the Americas region declined by -6.9% (adjusted for currency effects: -9.0%) during the first nine months of fiscal year 2019/20, to €272.3m (prior year: €292.5m). In the third quarter, revenue decreased significantly in the USA and Brazil in particular, after both had achieved growth at the start of the fiscal year.

- Revenue in the EMEA region amounted to €268.8m after the first nine months (prior year: €308.2m) and thus decreased by -12.8% (adjusted for currency effects: -12.7%) compared with the same period of the prior year. Declines were recorded particularly in the markets worst affected by the COVID-19 pandemic in Western Europe, the UK, Turkey and the Middle East region. In Germany, a recovery was well underway towards the end of the reporting period.

- The APAC region recorded revenue of €426.8m, which was just under the prior-year figure of €426.9m (adjusted for currency effects: -1.1%). Business performance was bolstered by a recovery in China and South Korea at the end of the reporting period, after in particular temporary closures of clinics and postponements of non-acute surgical treatments had previously led to significant sales losses in the months of February and March. The markets of Japan, India and Southeast Asia, on the other hand, showed a clear decline in the third quarter.

Table 3: Business development by region

Unless otherwise stated	EMEA 9 months 2019/20 €m	EMEA 9 months 2018/19 €m	EMEA Change in %	EMEA Change in % (const. Fx)	Americas 9 months 2019/20 €m	Americas 9 months 2018/19 €m	Americas Change in %	Americas Change in % (const. Fx)
Revenue	268.8	308.2	-12.8	-12.7	272.3	292.5	-6.9	-9.0
Share of consolidated revenue	27.8%	30.0%	-2.2% pts		28.1%	28.5%	-0.4% pts	

Unless otherwise stated	APAC 9 months 2019/20 €m	APAC 9 months 2018/19 €m	APAC Change in %	APAC Change in % (const. Fx)
Revenue	426.8	426.9	+0.0	-1.1
Share of consolidated revenue	44.1%	41.5%	+2.6% pts	

Development of earnings

- Earnings before interest and taxes (EBIT) amounted to €111.9m after the first nine months, due in particular to the downward revenue trend (prior year: €184.2m). The EBIT margin decreased to 11.6% (prior year: 17.9 %). Adjusted for special items, the EBIT margin amounted to 12.1% (prior year: 18.2%).

- In addition to the weak sales performance, EBIT was also adversely affected by an increase in cumulated functional costs after nine months. While investments in research and development were continued and even intensified even during the crisis, significant cost reductions were achieved in sales and marketing as a result of consistent countermeasures.

- The financial result amounted to €-9.9m, compared with €-22.8m in the prior year. This result is mainly attributable to much weaker negative currency effects compared to the prior year.

- Earnings per share (EPS) decreased to €0.77 (prior year: €1.22), primarily as a result of the weaker EBIT.

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

	9 months 2019/20	9 months 2018/19	Change
Unless otherwise stated	€m	€m	in %
EBIT	111.9	184.2	-39.3
Acquisition-related special effects[4]	+5.0	+2.6	
Adjusted EBIT	116.9	186.8	-37.4
Adjusted EBIT in % of revenue	12.1%	18.2%	-6.1% pts

Financial position

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

	9 months 2019/20	9 months 2018/19
	€m	€m
Cash flows from operating activities	63.1	124.2
Cash flows from investing activities	-32.3	-135.6
Cash flows from financing activities	-42.2	12.7

- Cash flows from operating activities for the reporting period amounted to €63.1m (prior year: €124.2m), primarily due to the downward earnings trend. An adverse effect was also had by higher stockpiling of certain products and components to ensure deliveries during the COVID-19 pandemic, and the reduction in trade payables. A decrease in trade receivables had a counteracting effect.

[4] There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €5.0m, mainly in connection with the acquisitions of Aaren Scientific, Inc. in fiscal year in fiscal year 2013/14 and of IanTECH Inc. in fiscal year 2018/19.

- Cash flows from investing activities amounted to €-32.3m (prior year: €-135.6m). The higher cash outflow in the first nine months of the previous year is mainly due to the acquisition of IanTECH, Inc.

- Cash flows from financing activities amounted to €-42.2m in the period under review (prior year: €12.7m).

- On 30 June 2020, net cash amounted to €696.8m (30 June 2019: €600.5m). The equity ratio was 72.5% (30 June 2019: 72.2%).

Report on forecast changes

- The management projects revenue of around €1.3bn for fiscal year 2019/20 (prior year: €1.459bn). This would correspond to a decrease of about 11% year-on-year.

- This outlook is based on the assumption that the global macroeconomic recovery will continue until the end of the fiscal year and that our markets will not be affected by any significant additional measures to contain the COVID-19 pandemic.

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 3,230 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	9 months 2019/20 €m	9 months 2018/19 €m
Revenue	967.9	1027.6
Cost of sales	-432.5	-443.8
Gross profit	535.4	583.8
Selling and marketing expenses	-222.4	-239.1
General administrative expenses	-42.5	-40.8
Research and development expenses	-158.6	-119.8
Other operating result	0.0	0.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	156.3	220.0
Depreciation and amortization	-44.4	-35.8
Earnings before interest and taxes (EBIT)	111.9	184.2
Interest income	1.2	1.1
Interest expenses	-8.3	-7.0
Net interest from defined benefit pension plans	-0.5	-0.4
Foreign currency gains/(losses), net	-2.2	-16.5
Other financial result	0.0	0.0
Earnings before income taxes (EBT)	102.0	161.4
Income taxes	-33.4	-51.7
Consolidated profit	68.6	109.7
Attributable to:		
Shareholders of the parent company	69.2	108.9
Non-controlling interests	-0.6	0.8
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (EPS) (in €)		
Basic/diluted	0.77	1.22