Interim Report 9 Months 2021/22

Interim Report of the Carl Zeiss Meditec Group for the first nine months 2021/22

- **Continued revenue growth after nine months 2021/22**
- **Both strategic business units - OPT[1] and MCS[2] - contributed to growth**
- **Orders received well above prior year by 36%**
- **Strong growth in APAC[3] regions**
- **Operating result at €275.9m with EBIT margin of 20.7%**
- **Management substantiates targets for fiscal year 2021/22**

Business development within the Group

- The Carl Zeiss Meditec Group generated revenue of €1,332.9m in the first nine months of fiscal year 2021/22. This corresponds to an increase of +11.2% compared with the prior-year period (prior year: €1,198.2m). Currency had a positive effect with currency-adjusted growth amounting to +9.8%.

- Revenue increased significantly in both strategic business units (SBUs). In particular, recurring business contributed to this revenue growth.

- Sales in all regions grew after the first nine months of the current fiscal year. The APAC region recorded the highest increase in revenue, supported by strong contributions to revenue from China and India. Also the EMEA[4] and Americas regions generated further stable growth.

1 Ophthalmic Devices

2 Microsurgery

3 Asia/Pacific

4 Europe/Middle East/Africa

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

Unless otherwise stated	9 months 2021/22 €m	9 months 2020/21 €m	Change in %
Revenue	**1,332.9**	**1,198.2**	**+11.2**
Gross margin	58.9%	58.4%	+0.5 pts
EBIT	**275.9**	**282.8**	**-2.5**
EBIT margin	20.7%	23.6%	-2.9 pts
Adjusted EBIT[5]	**282.3**	**286.0**	**-1.3**
Adjusted EBIT in % of revenue	21.2%	23.9%	-2.7 pts
EPS	2.14	2.04	+4.9

Business development by strategic business unit (SBU)

- The Ophthalmic Devices SBU increased its revenue by 11.2% in the first nine months of fiscal year 2021/22, to €1,027.2m (prior year: €923.4m). Adjusted for currency effects, the SBU achieved a growth of 10.0%. In particular, the business with recurring revenue made a significant contribution to this growth. Despite the continued strain in the supply chains, revenue in the equipment business further developed positively. EBIT margin fell short of the high prior-year figure. The decrease was due to the planned high level of investment in sales & marketing and research & development.

- Revenue in the Microsurgery SBU increased by 11.2% (adjusted for currency effects: +9.2%) to €305.7m, compared with €274.8m in the same period of the prior year. Recently, the development of orders received has been disproportionate to revenue. The EBIT margin increased significantly compared with the prior-year period, whereby the SBU benefited from positive currency effects, among other things.

[5] The reconciliation to the adjusted EBIT can be found on page 5 / Table 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.

Table 2: Business development by SBU

Unless otherwise stated	Ophthalmic Devices 9 months 2021/22 €m	9 months 2020/21 €m	in %	Change in % (const. Fx)	Microsurgery 9 months 2021/22 €m	9 months 2020/21 €m	in %	Change in % (const. Fx)
Revenue	**1,027.2**	**923.4**	**+11.2**	**+10.0**	**305.7**	**274.8**	**+11.2**	**+9.2**
Share of consolidated revenue	77.1%	77.1%	+0.0 pts		22.9%	22.9%	-0.0 pts	
EBIT	**205.1**	**226.0**	**-9.3**		**70.8**	**56.8**	**+24.6**	
EBIT margin	20.0%	24.5%	-4.5 pts		23.2%	20.7%	+2.5 pts	

Business development by region

- Revenue in the Americas region was up by 8.0% after the first nine months of fiscal year 2021/22, to €330.4m :(prior year: €305.9m; adjusted for currency effects: +1.1%). USA developed at a constant level, while Latin America returned more strongly.

- Revenue in the EMEA region amounted to €334.2m after the first nine months of the current fiscal year (prior year: €317.3m), and therefore rose by 5.3% :(adjusted for currency effects: +6.5%). In particular, the countries of Southern Europe contributed to growth. Revenue in Russia declined as expected. Orders received in core European markets exhibited a positive trend.

- Revenue in the APAC region increased by 16.2% to €668.3m (prior year: €575.0m). After adjustment for currency effects, this corresponds to a growth of 16.2%. China and India made the largest contributions to the growth. Japan and Southeast Asia recorded a high order intake in the first nine months.

Table 3: Business development by region

Unless otherwise stated	EMEA 9 months 2021/22	EMEA 9 months 2020/21	EMEA Change	EMEA Change	Americas 9 months 2021/22	Americas 9 months 2020/21	Americas Change	Americas Change
	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	**334.2**	**317.3**	**+5.3**	**+6.5**	**330.4**	**305.9**	**+8.0**	**+1.1**
Share of consolidated revenue	25.1%	26.5%	-1.4 pts		24.8%	25.5%	-0.7 pts	

Unless otherwise stated	APAC 9 months 2021/22	APAC 9 months 2020/21	APAC Change	APAC Change
	€m	€m	in %	in % (const. Fx)
Revenue	**668.3**	**575.0**	**+16.2**	**+16.2**
Share of consolidated revenue	50.1%	48.0%	+2.1 pts	

Development of earnings

- Earnings before interest and taxes (EBIT) in the first nine months of 2021/22 amounted to €275.9m (prior year: €282.8m). The EBIT margin of 20.7% was lower year-on-year (prior year: 23.6%). This was mainly due to the scheduled increase in sales and marketing costs, particularly as a result of the launch of new products. Adjusted for special effects, the EBIT margin was 21.2% (prior year: 23.9%).

- The financial result amounted to €-13.3m, compared with €-20.8m in the prior year. Foreign currency losses on hedges had an adverse effect in this respect; conversely, there was extraordinary income in the other financial results from the revaluation of liabilities in connection with the acquisition of IanTECH, Inc. in fiscal year 2018/19. Earnings per share (EPS) increased to €2.14 (prior year: €2.04), mainly due to lower income taxes.

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

	9 months 2021/22	9 Months 2020/21	Change
Unless otherwise stated	€m	€m	in %
EBIT	**275.9**	**282.8**	**-2.5**
./. Acquisition-related special effects[6]	-6.1	-5.6	+8.9
./. Other special effects[7]	-0.3	+2.4	-112.5
Adjusted EBIT	**282.3**	**286.0**	**-1.3**
Adjusted EBIT in % of revenue	21.2%	23.9%	-2.7 pts

Financial position

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

	9 months 2021/22	9 Months 2020/21
	€m	€m
Cash flow from operating activities	88.7	227.5
Cash flow from investing activities	-118.5	-47.8
Cash flow from financing activities	33.3	-171.4

- Cash flow from operating activities amounted to €88.7m in the reporting period (prior year: €227.5m). This was primarily due to a build-up of inventories and an increase in trade accounts receivable. The inventory build-up is related to the build-up of safety stocks for key components in view of the tight supply chain situation for many key products. The increase in receivables is partly due to a strong closing month in June following the recovery of the Asian business after the end of the COVID-19 lockdown in China.

[6] There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €2.0m (prior year: €1.9m) 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.

[7] EBIT for the prior-year period includes non-recurring income of around €2.4m from the sale of a property.

- Cash flow from investing activities amounted to €-118.5m (prior year: €-47.8m), mainly due to payments in connection with the acquisitions of Preceyes, Kogent and Katalyst.

- Cash flows from financing activities amounted to €33.3m in the reporting period (prior year: €-171.4m). A reduction in receivables from financial settlements had a positive effect, with funds being drawn from Group Treasury mainly for the purpose of dividend payments and the acquisitions of Preceyes, Kogent and Katalyst.

- On 30 June 2022, net cash amounted to €825.9m (30 September 2021: €939.9m). The equity ratio was 72.1% (30 June 2021: 70.0%).

Report on forecast changes

- The company's outlook for fiscal year 2021/22 is substantiated: Revenue is expected to be at least around €1.8b, while EBIT margin in fiscal 2021/22 should be in the upper range of the previous forecast range of 19-21%.

- The forecasts for revenue and EBIT assume that the COVID-19 situation in China and the global supply chain situation do not deteriorate further in the course of the fourth quarter of 2021/22.

- In the medium term, the EBIT margin is expected to increase to a level sustainably above 20%. The rising proportions of recurring revenue are making a positive contribution to this. However, scheduled strategic investments in Research & Development and Sales & Marketing remain high.

Contact for investors and press

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Brief profile

Carl Zeiss Meditec AG (ISIN: DE 0005313704), which is listed on the TecDAX and MDax 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 3,531 employees worldwide, the Group generated revenue of €1,646.8m in fiscal year 2020/21 (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: www.zeiss.de/med

Income statement

Unless otherwise stated	9 months 2021/22 €m	9 Months 2020/21 €m
Revenue	**1,332.9**	**1,198.2**
Cost of sales	-547.6	-498.8
Gross profit	**785.2**	**699.4**
Selling and marketing expenses	-253.4	-210.2
General administrative expenses	-51.4	-42.3
Research and development expenses	-204.2	-166.5
Other operating result	-0.3	2.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**325.5**	**327.6**
Depreciation and amortization	-49.6	-44.8
Earnings before interest and taxes (EBIT)	**275.9**	**282.8**
Interest income	6.7	1.3
Interest expenses	-6.0	-5.4
Net interest from defined benefit pension plans	-0.3	-0.6
Foreign currency gains/(losses), net	-42.5	-16.2
Other financial result	28.7	0.1
Earnings before income taxes (EBT)	**262.5**	**262.0**
Income taxes	-70.4	--79.3
Consolidated profit	**192.1**	**182.7**
Attributable to:		
Shareholders of the parent company	191.2	182.2
Non-controlling interests	0.9	0.5
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (EPS) (in €)		
Basic/diluted	2.14	2.04