Quarterly Statement Q1 2017/18

Quarterly Statement of the Carl Zeiss Meditec Group for Q1 2017/18

- Consolidated revenue increases 5.3% to €294.7m
- EBIT reaches around €39m – adjusted EBIT margin 13.5% (prior year: 13.4%)
- Strong growth in SBU Microsurgery
- Growth forecast for FY 2017/18 unchanged

Business development in first quarter of 2017/18

- Carl Zeiss Meditec generated revenue of €294.7m in the first three months of fiscal year 2017/18. This corresponds to an increase of 5.3% year-on-year (prior year: €280.0m). Adjusted for currency effects, this growth amounted to 9.5%.
- All segments and regions made a positive contribution to revenue growth. The Company's highest growth rate was achieved in its Microsurgery strategic business unit (SBU). Adjusted for currency effects, the development of business in the Americas region, in particular, was very dynamic.

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

	3 months 2017/18	3 months 2016/17	Change
unless otherwise stated	€m	€m	in %
Revenue	294.7	280.0	+5.3
Gross margin	55.3%	55.4%	-0.1 % pts
EBIT	38.9	44.2	-12.0
EBIT margin	13.2%	15.8%	-2.6% pts
Adjusted EBIT[1]	39.8	37.4	+6.3
Adjusted EBIT in % of revenue	13.5%	13.4%	+0.1% pts
EPS	0.32	0.38	-16.1

[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 4.2% compared with the prior year, to €216.3m (prior year: €207.6m). Adjusted for currency effects, revenue increased by 8.2%. This increase is attributable in part to the Ophthalmic Diagnostics segment, in which the market launch of the CLARUS 500 fundus imaging system made good progress. The refractive lasers business also continued to perform well. Additional market shares were gained for intraocular lenses in Surgical Ophthalmology.
  The EBIT margin declined compared with the prior year; however, this was primarily due to the proceeds gained in the prior year from the disposal of non-strategic assets at the Ontario site. The EBIT margin was also impacted slightly by an increase in investments in the areas of Research & Development and Sales & Marketing.

- The Microsurgery SBU achieved revenue of €78.4m, which equates to an increase of 8.2% year-on-year (prior year: €72.4m). Adjusted for currency effects, this growth amounted to 13.4%. The development of revenue from the new robotic visualization system for neurosurgery, KINEVO 900, was encouraging. The EBIT margin increased slightly compared with the prior year.

Table 2: Business development by SBU

	Ophthalmic Devices				Microsurgery			
	3 months 2017/18	3 months 2016/17	Change		3 months 2017/18	3 months 2016/17	Change	
unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	216.3	207.6	+4.2	+8.2	78.4	72.4	+8.2	+13.4
Share of consolidated revenue	73.4%	74.1%			26.6%	25.9%		
EBIT	20.8	28.3	-26.7		18.1	15.9	+13.7	
EBIT margin	9.6%	13.6%			23.1%	22.0%		

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Business development by region

- At 8.9% (adjusted for currency effects: 10.8%), the EMEA region generated the highest revenue growth. Revenue amounted to €91.2m (prior year: €83.7m). Positive contributions came in particular from Germany and France.
- Revenue in the Americas region increased by 3.9% (adjusted for currency effects: 11.8%), to €94.1m (prior year: €90.5m). This is mainly due to a positive trend in the North American market, especially in the area of diagnostics.
- Revenue in the APAC region was 3.5% higher than the year-ago figure after the first three months (adjusted for currency effects: 6.6%). Revenue increased to €109.5m (prior year: €105.8m). Once again, China made the greatest contribution to growth. The trend in South Korea was also positive.

Table 3: Business development by region

	EMEA				Americas				APAC			
	3 months 2017/18	3 Months 2016/17	Change		3 months 2017/18	3 months 2016/17	Change		3 months 2017/18	3 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	91.2	83.7	+8.9	+10.8	94.1	90.5	+3.9	+11.8	109.5	105.8	+3.5	+6.6
Share of consolidated revenue	30.9%	29.9%			31.9%	32.3%			37.2%	37.8%		

Development of earnings

- Earnings before interest and taxes (EBIT) amounted to €38.9m. The adjusted EBIT margin amounted to 13.5% (prior year: 13.4%).
- Earnings per share (EPS) amounted to €0.32, which was down slightly compared with the prior year (prior year: €0.38). This decline is mainly attributable to the disposal of non-strategic assets at the Ontario site in the comparison period, and to the slight 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

unless otherwise stated	3 months 2017/18 €m	3 months 2016/17 €m	Change in %
EBIT	38.9	44.2	-12.0
Acquisition-related special effects[2]	-0.9	6.8	-
Restructuring/reorganization	-	-	-
Other special effects	-	-	-
Adjusted EBIT	39.8	37.4	+6.3
Adjusted EBIT in % of revenue	13.5%	13.4%	+ 0.1% pts

Financial position

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

	3 months 2017/18 €m	3 months 2016/17 €m
Cash flows from operating activities	-1.7	0.4
Cash flows from investing activities	-2.3	2.7
Cash flows from financing activities	5.6	0.2
Net cash and cash equivalents (31 Dec)	562.9	326.3

- Cash flow from operating activities amounted to €-1.7m in the reporting period (prior year: €0.4m). Given the numerous new product launches, continued high investments in current assets were necessary to aid delivery capacity.

[2]There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €-0.9m, mainly in connection with the acquisition of Aaren Scientific Inc. in fiscal year 2013/14.

- On 31 December 2017 net cash amounted to around €563m, which was nearly unchanged from 30 September 2017. The equity ratio was 78.1%.

Report on forecast changes

- The projections for fiscal year 2017/18 remain unchanged. The Company expects revenue to grow at least as fast as the market, and an EBIT margin ranging between 14% to 16% on an adjusted basis.

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

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: www.zeiss.de/med

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Income statement

unless otherwise stated	3 months 2017/18 €m	3 months 2016/17 €m
Revenue	294.7	280.0
Cost of sales	-131.8	-124.9
Gross profit	162.9	155.1
Selling and marketing expenses	-71.4	-68.2
General administrative expenses	-12.5	-13.3
Research and development expenses	-40.2	-37.1
Other operating result	0.0	7.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	45.4	49.8
Depreciation and amortization	-6.5	-5, 6
Earnings before interest and taxes (EBIT)	38.9	44.2
Result from investments measured at equity	0.0	0.0
Interest income	0.2	0.2
Interest expenses	-0.6	-0.4
Net interest from defined benefit pension plans	-0.1	-0.2
Foreign currency gains/(losses), net	-2.5	1.4
Other financial result	2.6	0.0
Earnings before income taxes (EBT)	38.4	45.2
Income taxes	-10.4	-13.1
Consolidated profit	28.0	32.1
Attributable to:		
Shareholders of the parent company	28.5	30.9
Non-controlling interests	-0.4	1.2
Profit/(loss) per share attributable to the shareholders of the parent company in the current fiscal year (in €) (EPS):		
basic/diluted	0.32	0.38