Quarterly Statement 9 Months 2016/17

Interim Report of the Carl Zeiss Meditec Group for 9M 2016/17

- Consolidated revenue up by 8% to €864.7m – Further growth in both strategic business units
- Adjusted EBIT margin increases to 14.7% (prior year: 14.2%)
- Largest contributions to growth from Refractive Laser business and Surgical Ophthalmology, as well as the Asia/Pacific region
- Forecast for FY 2016/17 confirmed

Business development within the Group

- In the first nine months of fiscal year 2016/17, the Carl Zeiss Meditec Group generated revenue of €864.7m. This corresponds to an increase of 8.3% compared with the prior-year period (€798.6m). Adjusted for currency effects, this growth amounted to 7.2%.

- The Group achieved significant growth rates particularly in the Refractive Lasers segment within the Ophthalmic Devices strategic business unit (SBU) and in the sub-segment Surgical Ophthalmology. Regionally, the Group once again recorded its highest growth in its top-selling Asia/Pacific (APAC) region.

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

	9 months 2016/17	9 months 2015/16	Change
Unless otherwise stated	€m	€m	in %
Revenue	864.7	798.6	+ 8.3
Gross margin	55.4%	52.9%	+ 2.5 % pts
EBIT	132.6	110.5	+ 20.0
EBIT margin	15.3%	13.8%	+ 1.5% pts
Adjusted EBIT[1]	127.3	113.4	+ 12.3%
Adjusted EBIT in % of revenue	14.7%	14.2%	+ 0.5% pts
EPS	1.10	0.83	+ 31.6

[1] The reconciliation to 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 9.2% compared with the prior year, to €639.9m (prior year: €585.8m). Adjusted for currency effects, revenue increased by 8.2%. A strong Refractive Lasers business contributed to this increase. Surgical Ophthalmology also performed well, while Ophthalmic Diagnostics continued to be faced with intense competition. The EBIT margin increased again compared with the prior year. This figure includes the proceeds of around €8m already reported in the first quarter of 2016/17, from the sale of assets at the Ontario site.

  The first commercial procedures using the ReLEx® SMILE technology were performed in the USA in March 2017. This clinical procedure has been met with significant interest from refractive surgeons. The Company continues to invest in the expansion of the sales and service infrastructure.

- The Microsurgery SBU achieved revenue of €224.8m, which is 5.6% (adjusted for currency effects year: 4.3%) higher year-on-year (previous year: €212.8m). The EBIT margin increased slightly compared with the prior year. Microsurgery launched important new products in the market during the first nine months. March 2017 saw the launch of the EXTARO 300 dental microscope with fluorescence mode for distinguishing between decayed and healthy dental tissue. This was followed, in April 2017, by the launch of the Robotic Visualization System™ KINEVO® 900, with next-generation movement and positioning options and enhanced intraoperative digital visualization capabilities.

Table 2: Business development by SBU

Unless otherwise stated	Ophthalmic Devices 9 months 2016/17 €m	9 months 2015/16 €m	Change in %	Change in % (const. Fx)	Microsurgery 9 months 2016/17 €m	9 months 2015/16 €m	Change in %	Change in % (const. Fx)
Revenue	639.9	585.8	+9.2	+8.2	224.8	212.8	+5.6	+4.3
Share of consolidated revenue	74.0%	73.3%	+0.7 % pts.		26.0%	26.7%	-0.7 % pts.	
EBIT	80.4	64.8	+24.1		52.1	45.7	+14.0	
EBIT margin	12.6%	11.1%	+1.5 % pts.		23.2%	21.5%	+1.7 % pts.	

Business development by region

- Revenue in the EMEA region amounted to €259.6m (prior year: €262.5m) after the first nine months, and therefore lagged a slight 1.1% behind the prior year (adjusted for currency effects: -0.4%). The development of the individual markets continued to be inconsistent. Although the core markets were largely positive or stable, business in the UK, some regions in Southern Europe and the Middle East continued to be weak.

- Revenue in the Americas region increased by 5.9% (adjusted for currency effects: 3.7%), to €272.5m (prior year: €257.3m). There was positive growth in the USA. South America also achieved good growth in the first nine months, due to the positive development of Brazil.

- At 19.3% (adjusted for currency effects: 17.3%), the APAC region generated the highest revenue growth. Revenue increased to €332.6m (prior year: €278.7m). The largest contribution to revenue, with strong growth once again, came from China. India and Southeast Asia also achieved high growth rates.

Table 3: Business development by region

Unless otherwise stated	EMEA 9 months 2016/17 €m	9 months 2015/16 €m	Change in %	Change in % (const. Fx)	Americas 9 months 2016/17 €m	9 months 2015/16 €m	Change in %	Change in % (const. Fx)	APAC 9 months 2016/17 €m	9 months 2015/16 €m	Change in %	Change in % (const. Fx)
Revenue	259.6	262.5	-1.1	-0.4	272.5	257.3	+5.9	+3.7	332.6	278.7	+19.3	+17.3
Share of consolidated revenue	30.0%	32.9%	-2.9 % pts.		31.5%	32.2%	-0.7 % pts.		38.5%	34.9%	+3.6 % pts.	

Development of earnings

- Earnings before interest and taxes (EBIT) amounted to €132.6m (prior year: €110.5m). This includes, in particular, a one-time special effect of around €8m associated with the disposal of assets at the Ontario site as reported in the first quarter of 2016/17. The adjusted EBIT margin amounted to 14.7% (prior year: 14.2%).

- Earnings per share (EPS) increased significantly, to €1.10 (prior year: €0.83). Besides the increase in operating profit, the main favorable effect was a positive currency result, compared with a loss in the same period of the prior year.

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

Unless otherwise stated	9 months 2016/17 €m	9 months 2015/16 €m	Change in %
EBIT	132.6	110.5	+ 20.0
Acquisition-related special effects[2]	-5.3	+2.8	-
Restructuring/reorganization	-	-	-
Other special effects	-	-	-
Adjusted EBIT	127.3	113.4	+ 12.3
Adjusted EBIT in % of revenue	14.7%	14.2%	+ 0.5% pts

[2] There were write-downs on intangible assets arising from purchase price allocations (PPA) of around €-0.9m, 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 2016/17	9 months 2015/16
	€m	€m
Cash flows from operating activities	22.0	85.6
Cash flows from investing activities	-34.1	88.8
Cash flows from financing activities	15.1	-178.0

- Cash flow from operating activities amounted to €22.0m in the reporting period (prior year: €85.6m). In the first nine months of fiscal year 2016/17 there was a rise in trade receivables as of the end of the reporting period compared with the prior year, as well as an increase in inventories, associated with new product launches.

- Cash flow from investing activities amounted to €-34.1m in the reporting period (prior year: €88.8m). The cash flow in the prior year was mainly due to the maturity of a fixed-term deposit on 30 September 2015, in the amount of €110m, which was processed via Carl Zeiss Financial Services GmbH. Cash flow from financing activities amounted to €15.1m in the period under review (prior year: €-178.0m).
- On 30 June 2017 net cash amounted to around €569.3m (30 June 2016: €319.3m). The capital increase on 22 March 2017 resulted in cash inflows of €317m (excluding incidental costs). The equity ratio was 77.6% (30 June 2016: 67.2%).

Report on forecast changes

- The Company confirms the recent sales forecast for fiscal year 2016/17 formulated in May 2017. Revenue is expected to be within the range of €1.150m – €1.200m.

- The EBIT margin is expected to be within the range of 13% – 15% in the current fiscal year and in the medium term – the current fiscal year not taking into account the positive one-time effect from the disposal of assets at the Ontario site.

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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 2,900 employees worldwide, the Group generated revenue of €1,088m in financial year 2015/16 (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 more information visit our website at: www.zeiss.de/med

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Income statement

unless otherwise stated	9 months 2016/17 €m	9 months 2015/14 €m
Revenue	864.7	798.6
Cost of sales	-385.8	-375.9
Gross profit	478.9	422.7
Selling and marketing expenses	-213.8	-186.9
General administrative expenses	-35.7	-34.9
Research and development expenses	-104.5	-90.4
Other result	7.6	0.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	149.5	124.7
Depreciation and amortization	-16.9	-14.2
Earnings before interest and taxes (EBIT)	132.6	110.5
Result from investments accounted for using the equity method	0.0	-0.8
Interest income	0.7	0.7
Interest expenses	-1.1	-1.5
Net interest from defined benefit pension plans	-0.8	-1.1
Foreign currency gains/(losses), net	6.2	-8.0
Other financial result	0.1	0.1
Earnings before income taxes (EBT)	137.7	99.9
Income taxes	-43.0	-30.8
Consolidated profit	94.7	69.0
Attributable to:		
Shareholders of the parent company	92.5	67.8
Non-controlling interests	2.2	1.3
Profit/(loss) per share attributable to the shareholders of the parent company in the current fiscal year (in €) (EPS):		
Basic/diluted	1.10	0.83