Quarterly Statement 3 Months 2020/21

Quarterly Statement of the Carl Zeiss Meditec Group – 3 months FY2020/21

- **Revenue stable overall compared with prior year, in spite of effects of COVID-19 pandemic**
- **Return to growth in APAC[1] region – Revenue in EMEA[2] and Americas around previous year's level after adjustment for currency effects**
- **Operating result of €73.4m and EBIT margin increases to 19.9%**
- **Management expects recovery of revenue and earnings to continue compared with previous fiscal year, which was dominated by COVID-19 pandemic**

Business development within the Group

- The Carl Zeiss Meditec Group generated revenue of €368.9m in the first three months of fiscal year 2020/21, coming close to matching the year-ago figure of €369.7m (-0.2%). Currency effects had a material adverse effect, however; currency-adjusted growth amounted to +2.6%.

- While the Ophthalmic Devices strategic business unit reported a positive revenue trend, bolstered by the strong recurring revenue, revenue in the Microsurgery strategic business unit was still on a decline due in particular to ongoing restrictions in relation to the COVID-19 pandemic. The APAC region was already recording good growth again in the first quarter of fiscal year 2020/21. The revenue trend in the EMEA region was also largely stable compared with the prior year, while the Americas region showed a decline in revenue after adjustment for currency effects.

[1] Asia/Pacific

[2] Europe/Middle East/Africa

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

	3 months 2020/21	3 months 2019/20	Change
Unless otherwise stated	€m	€m	in %
Revenue	**368.9**	**369.7**	**-0.2**
Gross margin	56.2%	55.8%	+0.4 pts
EBIT	**73.4**	**56.8**	**+29.3**
EBIT margin	19.9%	15.4%	+4.5% pts
Adjusted EBIT[3]	**72.9**	**58.3**	**+25.0**
Adjusted EBIT in % of revenue	19.8%	15.8%	+4.0% pts
EPS	0.52	0.43	+19.3

Business development by strategic business unit

- The Ophthalmic Devices strategic business unit increased its revenue by 5.2% after the first three months of fiscal year 2020/21, to €283.4m (prior year: €269.4m). Adjusted for currency effects, the SBU achieved growth of 8.2%. In particular the business with recurring revenue made a significant contribution to this growth. The revenue trend in the equipment business was largely stable, in spite of the effects of the COVID-19 pandemic. The development of the EBIT margin was markedly positive compared with the prior year, due to the significantly lower selling and marketing expenses in the reporting period and a more favorable product mix with a high proportion of recurring revenue.

- Revenue in the SBU Microsurgery amounted to €85.5m compared with €100.3m in the same period of the prior year, a decrease of -14.7% year-on-year (adjusted for currency effects: -12.3%). Orders received recently developed disproportionately to revenue and were already back at the prior year's level on a currency-adjusted basis. The EBIT margin decreased significantly due to the weaker revenue compared with the year-ago period.

[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			
	3 months 2020/21	3 Months 2019/20		Change	**3 months 2020/21**	3 Months 2019/20		Change
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	**283.4**	**269.4**	**+5.2**	**+8.2**	**85.5**	**100.3**	**-14.7**	**-12.3**
Share of consolidated revenue	76.8%	72.9%	+3.9 pts		23.2%	27.1%	-3.9 pts	
EBIT	**55.0**	**29.4**	**+87.4**		**18.4**	**27.5**	**-33.2**	
EBIT margin	19.4%	10.9%	+8.5 pts		21.5%	27.5%	-6.0 pts	

Business development by region

- Revenue in the Americas region amounted to €102.0m after the first three months of fiscal year 2020/21 (prior year: €109.0m). Due to currency effects, the region therefore reported a decline of -6.4%. After adjustment for currency effects, revenue was at the level of the prior-year period (-0.2%). Revenue in the USA was stable during the first quarter and almost on the same level as the prior year.

- The development of business in the EMEA region was almost stable in the first three months of the current fiscal year. Revenue amounted to €108.7m (prior year: €110.7m). Currency effects, in particular, led to a slight decline of -1.8%. Adjusted for currency effects, revenue reached the prior-year level, rising by +0.1%. Germany, France and the countries of Southern Europe, especially, gave a solid performance.

- The APAC region generated revenue of €158.2m (prior year: €150.0m), an increase of +5.5% compared with the year-ago period (adjusted for currency effects: +6.6%). In particular China and South Korea made good contributions to growth. Japan recorded only a slight decline in revenue, while the development of revenue in India and Southeast Asia, on the other hand, was still clearly lagging behind the prior year.

Table 3: Business development by region

	EMEA				Americas			
	3 months 2020/21	3 months 2019/20	Change		3 months 2020/21	3 months 2019/20	Change	
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	**108.7**	**110.7**	**-1.8**	**+0.1**	**102.0**	**109.0**	**-6.4**	**-0.2**
Share of consolidated revenue	29.5%	30.0%	-0.5 pts		27.6%	29.5%	-1.9 pts	

	APAC			
	3 months 2020/21	3 months 2019/20	Change	
Unless otherwise stated	€m	€m	in %	in % (const. Fx)
Revenue	**158.2**	**150.0**	**+5.5**	**+6.6**
Share of consolidated revenue	42.9%	40.5%	+2.4 pts	

Development of earnings

- Earnings before interest and taxes (EBIT) increased in the first three months of fiscal year 2020/21 to €73.4m (prior year: €56.8m). Relative to the largely stable development of revenue, the EBIT margin increased to 19.9% (prior year: 15.4%). Lower selling and marketing expenses compared with the prior year, as well as a favorable development of the product mix with a high proportion of recurring revenue, were the main contributors to this earnings trend. EBIT also includes one-time proceeds from the sale of a property, in the amount of €2.4m. Adjusted for special effects, the EBIT margin amounted to 19.8% (prior year: 15.8%).

- The financial result totaled €-6.8m, compared with €-0.9m in the prior year. This development is mainly attributable to higher negative currency effects at the reporting date compared with the prior year.

- Earnings per share (EPS) increased mainly as a result of the positive EBIT trend, to €0.52 (prior year: €0.43).

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

	3 months 2020/21	3 months 2019/20	Change
Unless otherwise stated	€m	€m	in %
EBIT	**73.4**	**56.8**	**+29.3**
./. Acquisition-related special effects[4]	-1.9	-1.4	-
./. Other special effects[5]	+2.4	-	-
Adjusted EBIT	**72.9**	**58.3**	**+25.0**
Adjusted EBIT in % of revenue	19.8%	15.8%	+4.0% pts.

Financial position

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

	3 months 2020/21	3 months 2019/20
	€m	€m
Cash flows from operating activities	40.5	26.4
Cash flows from investing activities	-11.7	-10.1
Cash flows from financing activities	-25.6	-17.3

- Cash flows from operating activities amounted to €40.6m in the reporting period, mainly due to the favorable earnings trend (prior year: €26.4m). A positive effect was also had by a reduction of inventories, in contrast to stockpiling of inventories in the year-ago quarter, as well as an increase in trade payables. An increase in trade receivables in the first quarter of fiscal year 2020/21 had a counteracting effect.

- Cash flows from investing activities amounted to €-11.7m (prior year: €-10.1m). This figure also includes a cash outflow of €8.5m due to the acquisition of IanTech, Inc. as a result of the

[4] There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €1.9m (prior year: €1.4m), mainly in connection with the acquisitions of Aaren Scientific, Inc. in fiscal year 2013/14 and IanTECH, Inc. in fiscal year 2018/19.

[5] EBIT in the period under review includes one-time proceeds from the sale of a property in the amount of around €2.4m.

achievement of certain regulatory targets, as well as a one-time positive effect arising from the proceeds from the sale of a property, in the amount of €8.4m.

- Cash flows from financing activities in the reporting period amounted to €-25.6m, compared with €-17.3m in the same period of the prior year.

- On 31 December 2020, net cash amounted to €730.4m (31 December 2019: €689.1m). The equity ratio was 72.4% (31 December 2019: 71.2%).

Report on forecast changes

- The Company expects revenue and EBIT to continue to recover over the further course of fiscal year 2020/21 compared with the prior year, which was markedly dominated by the COVID-19 pandemic.

- In the medium term, the Company still expects to be able to sustainably increase its EBIT margin to above 18% (2019/20: 13.3%).

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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. 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 3,290 employees worldwide, the Group generated revenue of €1,335.5m in fiscal year 2019/20 (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 companies in the optical and optoelectronic industries.

For further information visit: www.zeiss.de/med

Income statement

Unless otherwise stated	3 months 2020/21 €m	3 months 2019/20 €m
Revenue	**368.9**	**369.7**
Cost of sales	-161.6	-163.4
Gross profit on sales	**207.3**	**206.3**
Selling and marketing expenses	-68.2	-82.9
General and administrative expenses	-13.9	-14.7
Research and development expenses	-54.2	-51.9
Other operating result	2.4	0.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**87.8**	**70.5**
Depreciation and amortization	-14.4	-13.7
Earnings before interest and taxes (EBIT)	**73.4**	**56.8**
Interest income	0.5	0.5
Interest expenses	-1.6	-2.7
Net interest from defined benefit pension plans	-0.2	-0.1
Foreign currency gains/(losses), net	-5.6	1.4
Other financial result	0.1	0.0
Earnings before income taxes (EBT)	**66.6**	**55.9**
Income taxes	-20.3	-17.3
Consolidated net income	**46.3**	**38.5**
Attributable to:		
Shareholders of the parent company	46.3	38.8
Non-controlling interests	0.0	-0.3
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (EPS) (in €)		
Basic/diluted	0.52	0.43