Interim Report 3 Months 2022/23

Interim Report of the Carl Zeiss Meditec Group - 3 Months 2022/23

- **Further growth at the start of fiscal year 2022/23**
- **Orders on hand remain high at over €600m**
- **EBIT declines to €60.3m; EBIT margin at 12.8% due to rising operating costs and a weaker product mix**
- **Forecast for fiscal year 2022/23 unchanged**

Business development within the Group

- The Carl Zeiss Meditec Group generated revenue of €470.3m in the first three months of fiscal year 2022/23. This corresponds to a growth of +14.6% compared with year-ago period (prior year: €410.2m). Currency had a slightly positive effect, with currency-adjusted growth amounting to +12.1%.

- Despite ongoing constraints in the supply chains, both strategic business units (SBUs) contributed to the revenue growth. COVID-19-related volatility in China and a downturn of the market for multifocal IOLs in South Korea slowed the consumables business at the start of the fiscal year. The move away from the Zero-COVID policy in China toward the end of last year is expected to bring renewed growth in the further course of the year.

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

Unless otherwise stated	3 months 2022/23 €m	3 months 2021/22 €m	Change in %
Revenue	**470.3**	**410.2**	**+14.6%**
Gross margin	54.7%	56.8%	-2.1 pts
EBIT	**60.3**	**74.4**	**-19.0%**
EBIT margin	12.8%	18.1%	-5.3 pts
Adjusted EBIT[1]	**63.1**	**76.4**	**-17.4%**
Adjusted EBIT in % of revenue	13.4%	18.6%	-5.2 pts
EPS (in €)	0.57	0.42	+34.5%

Business development by strategic business unit (SBU)

- The Ophthalmology SBU (former Ophthalmic Devices) increased its revenue by 15.2% in the first three months of fiscal year 2022/23, to €358.2m (prior year: €310.9m). Adjusted for currency effects, the SBU achieved a growth of 12.7%. Thereby Surgical Ophthalmology and Diagnostics made a solid contribution to the growth. The supply chains for the equipment business remain tense. The EBIT margin declined significantly compared with the prior year. A curbing effect was caused by the significantly higher operating costs, due in particular to planned investments in sales and marketing as well as research and development. A weaker product mix with smaller proportions of surgical consumables – relative to the equipment business – also added to the decline in the operating result – primarily as a result of COVID-19-related shortfall in the number of procedures in China in the reporting period, and a downturn in the market for multifocal IOLs in South Korea.

[1] 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.

- Revenue in the Microsurgery SBU increased by 12.9% (adjusted for currency effects: +10.3%) to €112.0m, compared with €99.3m in the same period of the prior year. Orders on hand remain at a high level. The EBIT margin was down slightly due to higher strategic investments in research and development. In addition, the continued supply chain bottlenecks led to higher procurement costs.

Table 2: Business development by SBU

	Ophthalmology				Microsurgery			
	3 months 2022/23	3 months 2021/22		Change	**3 months 2022/23**	3 months 2021/22		Change
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	**358.2**	**310.9**	**+15.2%**	**+12.7%**	**112.0**	**99.3**	**+12.9%**	**+10.3%**
Share of consolidated revenue	76.2%	75.8%	+0.4 pts		23.8%	24.2%	-0.4 pts	
EBIT	**36.1**	**51.5**	**-29.9%**		**24.1**	**22.8**	**+5.8%**	
EBIT margin	10.1%	16.6%	-6.5 pts		21.5%	23.0%	-1.1 pts	

Business development by region

- Revenue in the Americas region was up by 22.2% after the first three months of fiscal year 2022/23, to €139.9m (prior year: €114.5m; adjusted for currency effects: +11.2%). This result is attributable to both the US market and Latin America, which achieved double-digit percentage growth.

- Revenue in the EMEA[2] region amounted to €122.1m after the first three months of the current fiscal year (prior year: €114.1m), and therefore rose by 7.0% (adjusted for currency effects: +9.1%). Good growth was achieved in the countries of Southern Europe, while the core markets Germany, France, Italy and Spain showed a heterogeneous picture.

[2] Europe, Middle East, Africa

- Revenue in the APAC[3] region increased by 14.7% to €208.2m (prior year: €181.5m). After adjustment for currency effects, this corresponds to a growth of 14.7%. India and Southeast Asia, in particular, made the largest contributions to the growth. The markets Japan and South Korea, on the other hand, were down slightly.

Table 3: Business development by region

			EMEA				Americas	
	3 months 2022/23	3 months 2021/22	Change		3 months 2022/23	3 months 2021/22	Change	
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	**122.1**	**114.1**	**7.0%**	**+9.1%**	**139.9**	**114.5**	**+22.2%**	**+11.2%**
Share of consolidated revenue	25.9%	27.8%	-1.9 pts		29.8%	27.9%	+1.9 pts	

			APAC	
	3 months 2022/23	3 months 2020/21	Change	
Unless otherwise stated	€m	€m	in %	in % (const. Fx)
Revenue	**208.2**	**181.5**	**+14.7%**	**+14.7%**
Share of consolidated revenue	44.3%	44.3%	+0.0 pts	

Development of earnings

- Earnings before interest and taxes (EBIT) decreased in the first three months of 2022/23 to €60.3m (prior year: €74.4m). The EBIT margin decreased significantly to 12.8% (prior year: 18.1%). A curbing effect was caused by the significantly higher operating costs, due in particular to the inflationary pressures on the one hand and planned investments in sales and marketing as well as in research and development on the other hand. A weaker product mix with smaller proportions of surgical consumables – relative to the equipment business – also added to the decline in the operating result – primarily as a result of COVID-19-related shortfall in the number

[3] Asia/Pacific

of procedures in China in the reporting period, as well as a slowdown of the premium IOL business in South Korea. Adjusted for special effects, the EBIT margin was 13.4% (prior year: 18.6%).

- The financial result amounted to €12.8m, compared with €-20.3m in the prior year. This result is mainly attributable to positive results from currency hedging transactions compared with the prior year. Earnings per share (EPS) increased to €0.57, mainly as a result of foreign currency gains (prior year : €0.42).

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

	3 months 2022/23	3 months 2021/22	Change
Unless otherwise stated	€m	€m	in %
EBIT	**60.3**	**74.4**	**-19.0%**
./. Acquisition-related special effects[4]	-2.8	-2.0	+40.0%
Adjusted EBIT	**63.1**	**76.4**	**-17.4%**
Adjusted EBIT in % of revenue	13.4%	18.6%	-5.2 pts.

Financial position

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

	3 months 2022/23	3 months 2021/22
	€m	€m
Cash flows from operating activities	18.2	-14.9
Cash flows from investing activities	-19.6	-16.0
Cash flows from financing activities	17.7	31.4

[4] There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €2.8m (prior year: €2.0m), mainly in connection with the acquisitions of Aaren Scientific, Inc. in fiscal year 2013/14 and IanTECH, Inc. in fiscal year 2018/19, and Katalyst Surgical LLC and Kogent Surgical LLC in fiscal year 2021/22.

- Cash flows from operating activities increased to €18.2m in the reporting period (prior year: €-14.9m). The reduction in receivables compared with the year-ago period had a positive effect. Conversely, preventive stockpiles remain high due to the strained supply chain situation.
- Cash flows from investing activities amounted to €-19.6m (prior year: €-16.0m).
- Cash flows from financing activities amounted to €17.7m in the period under review (prior year: €31.4m). The change is mainly due to a smaller reduction of treasury receivables from the Group treasury of the ZEISS Group compared with the same period of the prior year.
- On 31 December 2022, net cash amounted to €871.6m (30 September 2022: €885.6m). The equity ratio was 74.8% (30 September 2022: 71.9%).

Report on forecast changes

- The Outlook in the 2021/22 Annual Report remains unchanged. The Company expects further market growth in spite of geopolitical risks and the increasingly challenging macroeconomic environment. Revenue is expected to at least match the market growth projected for the industry in fiscal year 2022/23. At the same time, inflationary pressure in materials, logistics and personnel as well as supply chain shortages remain.

- The EBIT margin is expected to be slightly down on the previous year at around 19% to 21%, due among other things to rising personnel and material costs as well as planned high investments in sales and marketing as well as research and development, in light of the launch of new products and innovations. This requires a stabilization of the global supply chains, as well as a significant recovery of the consumables business in China over the further course of the fiscal year.

- In the medium term, the EBIT margin is expected to develop 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 and development as well as sales and marketing remain high.

Contact for investors and press

Sebastian Frericks
Head of Group Finance & 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 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 4,224 employees worldwide, the Group generated revenue of €1,902.8m in fiscal year 2021/22 (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	**3 months 2022/23** €m	3 months 2021/22 €m
Revenue	**470.3**	**410.2**
Cost of sales	-212.9	-177.4
Gross profit	**257.4**	**232.8**
Selling and marketing expenses	-97.7	-83.1
General administrative expenses	-18.4	-14.8
Research and development expenses	-81.0	-60.5
Other operating result	-	-
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**79.2**	**91.1**
Depreciation and amortization	-18.9	-16.8
Earnings before interest and taxes (EBIT)	**60.3**	**74.4**
Interest income	3.0	0.3
Interest expenses	-2.9	-1.9
Net interest from defined benefit pension plans	1.4	-0.1
Foreign currency gains/(losses), net	11.6	-18.6
Other financial result	-0.3	-0.0
Earnings before income taxes (EBT)	**73.0**	**54.1**
Income taxes	-22.5	-16.1
Consolidated profit	**50.6**	**38.0**
Attributable to:		
Shareholders of the parent company	51.0	37.9
Non-controlling interests	-0.5	0.1
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (EPS) (in €)		
Basic/diluted	0.57	0.42