Q2

JENOPTIK

# Interim Financial Report of the Jenoptik Group

(unaudited)

January to June 2018

# At a glance – Jenoptik Group

| in million euros | January - June 2018 | January - June 2017 | Change in % | April - June 2018 | April - June 2017 | Change in % |
|---|---|---|---|---|---|---|
| Revenue | 384.7 | 348.4 | 10.4 | 194.8 | 184.7 | 5.5 |
| Optics & Life Science | 139.5 | 124.9 | 11.7 | 70.8 | 66.0 | 7.3 |
| Mobility | 138.5 | 117.8 | 17.6 | 66.2 | 63.0 | 5.1 |
| Defense & Civil Systems | 108.2 | 105.4 | 2.7 | 58.6 | 55.2 | 6.2 |
| Other[1] | -1.5 | 0.3 | | -0.7 | 0.6 | |
| EBITDA | 56.3 | 42.8 | 31.4 | 28.5 | 25.0 | 14.0 |
| Optics & Life Science | 32.4 | 26.5 | 22.4 | 16.5 | 14.7 | 11.6 |
| Mobility | 16.1 | 6.3 | 155.8 | 7.8 | 3.4 | 128.9 |
| Defense & Civil Systems | 11.7 | 11.3 | 3.0 | 6.8 | 7.0 | -3.6 |
| Other[1] | -3.9 | -1.3 | | -2.5 | -0.1 | |
| EBIT | 42.8 | 29.3 | 46.1 | 21.9 | 18.2 | 20.3 |
| Optics & Life Science | 28.7 | 22.4 | 28.3 | 14.6 | 12.7 | 15.4 |
| Mobility | 11.8 | 2.4 | 394.2 | 5.8 | 1.5 | 295.2 |
| Defense & Civil Systems | 9.5 | 9.0 | 5.7 | 5.7 | 5.8 | -2.2 |
| Other[1] | -7.3 | -4.5 | | -4.2 | -1.7 | |
| EBIT margin | 11.1% | 8.4% | | 11.3% | 9.9% | |
| Optics & Life Science | 20.6% | 17.9% | | 20.7% | 19.2% | |
| Mobility | 8.6% | 2.0% | | 8.8% | 2.3% | |
| Defense & Civil Systems | 8.8% | 8.5% | | 9.7% | 10.6% | |
| Earnings after tax | 33.4 | 22.7 | 47.1 | 17.7 | 14.3 | 24.1 |
| Earnings per share in euros | 0.59 | 0.40 | 47.8 | 0.31 | 0.25 | 25.1 |
| Free cash flow | 28.8 | 22.1 | 30.1 | 15.5 | 12.0 | 29.6 |
| Order intake | 397.2 | 405.3 | -2.0 | 197.9 | 184.7 | 7.2 |
| Optics & Life Science | 157.5 | 149.1 | 5.7 | 70.5 | 72.0 | -2.1 |
| Mobility | 140.2 | 144.4 | -2.9 | 71.5 | 70.6 | 1.2 |
| Defense & Civil Systems | 100.4 | 111.8 | -10.2 | 56.3 | 42.0 | 34.1 |
| Other[1] | -1.0 | 0.0 | | -0.3 | 0.1 | |

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Order backlog (in million euros) | 454.7 | 453.5 | 455.0 |
| Optics & Life Science | 124.9 | 109.1 | 101.2 |
| Mobility | 143.7 | 144.7 | 132.8 |
| Defense & Civil Systems | 188.4 | 202.6 | 222.7 |
| Other[1] | -2.4 | -2.9 | -1.7 |
| Contracts (in million euros) | 79.8 | 87.6 | 144.3 |
| Employees (incl. trainees) | 3,684 | 3,680 | 3,603 |
| Optics & Life Science | 1,177 | 1,149 | 1,120 |
| Mobility | 1,253 | 1,326 | 1,280 |
| Defense & Civil Systems | 904 | 897 | 895 |
| Other[1] | 350 | 308 | 308 |

[1] Other includes holding, shared service center, real estate and consolidation.

Please note that there may be rounding differences as compared to the mathematically exact amounts (monetary units, percentages) in this report.

# Summary of the Months January to June 2018

- Good demand in key markets – group revenue grew sharply, by 10.4 percent to 384.7 million euros (prior year: 348.4 million euros), with all segments contributing to growth.
  See Earnings Position – Page 8

- Earnings showed stronger increase than revenue – EBITDA rose to 56.3 million euros (prior year: 42.8 million euros). EBIT increased 46.1 percent to 42.8 million euros (prior year: 29.3 million euros). EBIT margin improved to 11.1 percent (prior year: 8.4 percent).
  See Earnings Position – Page 9

- Order intake grew by 7.2 percent in the second quarter, the cumulative figure for the first six months ist was slightly down on prior year – with a book-to-bill ratio of 1.03, the order intake in the first half-year exceeded revenue (prior year: 1.16). Jenoptik received new orders worth 397.2 million euros (prior year: 405.3 million euros). In the prior year, several major orders had a strong impact on order intake.
  See Earnings Position – Page 9

- Financial power remained strong – in the first six months, free cash flow increased to 28.8 million euros (prior year: 22.1 million euros). The equity ratio remained at a healthy level of 59.4 percent (31/12/2017: 59.6 percent).
  See Financial and Asset Position – Page 10

- Segment highlights:
  Optics & Life Science: strong growth in all key indicators – revenue, EBIT, and order intake were markedly up.
  Mobility: good business performance and scheduled deliveries in the field of traffic safety technology – revenue and earnings improved significantly.
  Defense & Civil Systems: slight increase in revenue and earnings. The order intake in the first half-year was still down on the high prior-year level.
  See Segment Report – Page 12

- New revenue and earnings guidance – with the acquisition of Prodomax Automation Ltd. Jenoptik had raised its revenue forecast to 805 to 820 million euros. Management now also raises its margin targets, the EBITDA margin is expected to be around 15 percent, the EBIT margin around 11 percent. They include impacts from the purchase price allocation.
  See Forecast Report – Page 17

# Business and Framework Conditions

## Group Structure and Business Activity

Jenoptik is a global photonics group and a supplier of high-quality and innovative capital goods. The Group is thus primarily a technology partner to industrial companies. In the Mobility and Defense & Civil Systems segments, we are also a supplier to the public sector, in part indirectly through system integrators.

Jenoptik provides the majority of its products and services to the photonics market. Our key markets primarily include the semiconductor equipment industry, the medical technology, automotive, mechanical engineering, traffic, aviation, and security and defense technology industries.

The Jenoptik Group operates in three segments
- Optics & Life Science
- Mobility
- Defense & Civil Systems.

## Targets and Strategies

The Executive Board of JENOPTIK AG presented its "Strategy 2022" in February 2018. In future, Jenoptik will intensify its concentration on core competencies and focus more on photonic growth markets. The aim is to transform Jenoptik into a global, streamlined photonics company over the next few years. The greater concentration on the core competencies will simultaneously help to optimize the use of existing capacities and thus a more efficient allocation of resources.

The strategy under the motto "More Light", is based on three building blocks: "More Focus", "More Innovation", and "More International". By 2022, we want to increase our R+D output, including developments on behalf of customers, to around 10 percent of revenue. International diversity will also characterize Jenoptik more strongly than ever before. That means international teams and more local decision-making. In this context, the Executive Board expanded its operating management team to include international managers. At least one division will have its headquarters abroad by 2022.

To implement the "Strategy 2022", we
- focus on our core competencies in the field of photonics,
- actively manage our portfolio with a view to additional purchases as well as transformatory acquisitions and selective divestments,
- continue to work on further internationalization in conjunction with greater vertical integration and customer proximity in our growth regions,
- invest more heavily in research and development, expand our system and application expertise and step up our activities as a solutions provider,
- promote an active cultural shift within the company and
- continue to steadily strengthen our financial power.

As part of the new strategy, the Executive Board has set out the following priorities for the current 2018 fiscal year:
- establishing a new corporate structure,
- reorganizing the Asian business and
- launching a new brand for our mechatronics business.

The new organizational structure for Asia, which will help to simplify complex corporate structures and define clear responsibilities, was approved in June.

For more information on the strategic alignment of the Jenoptik Group, we refer to the 2017 Annual Report and the details given in the "Targets and Strategies" chapter from page 70 on, as well as the Jenoptik website.

With closing on July 23, 2018, Jenoptik completed the acquisition of the Canadian company Prodomax Automation Ltd., thereby securing further potential for growth in the field of advanced manufacturing. More information on the acquisition can be found in the Report on Post-Balance Sheet Events, on page 15, and in the Notes, on page 27.

# The Jenoptik Share

The first half-year of 2018 was overshadowed by geopolitical events; trade conflicts and Brexit were dominant issues that were reflected in developments on the capital markets. A sharp rise in global risk also impacted on previously good growth forecasts for Germany.

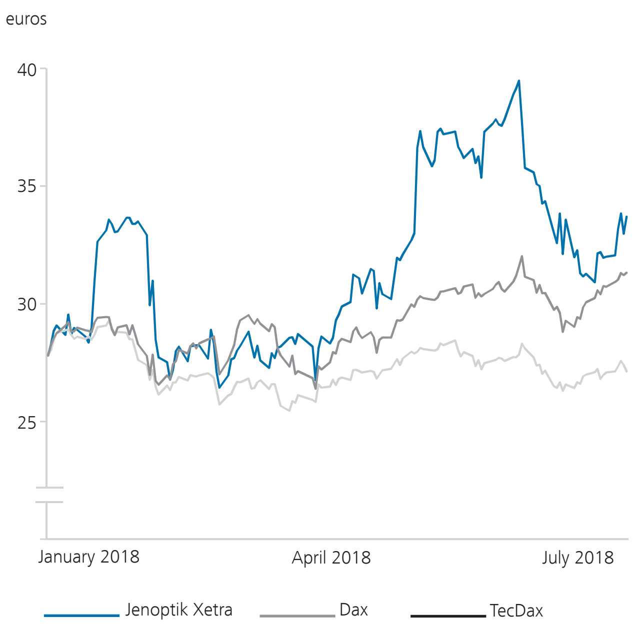
The mood on the international capital markets at the start of the year was positive, but deteriorated in the face of the risk situation, particularly in the first quarter of 2018. At the end of June 2018 Germany's benchmark index, the Dax, could not match the high level seen at year-end 2017, closing at 12,306 points on June 29, 2018 to end the first half-year down 4.4 percent. On the last day of trading in June, the TecDax was up 5.3 percent, at 2,691 points.

The Jenoptik share saw more robust development in the first six months. In January 2018, the price rose from an initial 27.80 euros to a temporary high of 33.66 euros. Following a period of consolidation, the share again rose sharply in May and early June, reaching its highest level of 39.48 euros on June 13 with a market capitalization of 2.26 billion euros. On the last trading day in June 2018, the Jenoptik share was trading at 33.58 euros, an increase of 20.8 percent since the beginning of the year. In the six-month period, the total shareholder return was 57.8 percent (prior year: 38.5 percent). By the end of trading on July 31, 2018, the share rose further, to reach a price of 34.36 euros. As of the end of June, Jenoptik's market capitalization was 1,922.1 million euros.

In February 2018, the Oppenheimer International Small-Mid Company Fund informed us that it had increased its stake in Jenoptik from 2.92 percent to 3.16 percent. In June, BlackRock Inc. disclosed a stake of 3.17 percent in Jenoptik for the first time. Also in June 2018, Templeton Investment Counsel announced a reduction in its Jenoptik stake from 4.69 percent to 2.98 percent.

The liquidity of the Jenoptik share has improved over recent months; in the first half-year of 2018, trading on German stock exchanges (Xetra, German floor exchanges, and Tradegate) increased 7.2 percent on the same prior-year period, with an average 185,909 shares traded per day (prior year: 173,473 shares). On the TecDax, Jenoptik improved to 15th place (prior year: 17th) in terms of free float market capitalization (89.0 percent), and to 22nd place in terms of stock market turnover (prior year: 23rd), as of June 30, 2018.

At the Annual General Meeting on June 5, 2018, the shareholders agreed to a 20 percent higher dividend of 0.30 euros per share (prior year: 0.25 euros). On the basis of the total dividend in the sum of 17.2 million euros, the payout ratio came to 23.7 percent based on the earnings attributable to shareholders achieved in 2017 (prior year: 25.0 percent).




Earnings per share

| | 1/1 to 30/6/2018 | 1/1 to 30/6/2017 |
|---|---|---|
| Earnings attributable to shareholders in thousand euros | 33,580 | 22,714 |
| Weighted average number of outstanding shares | 57,238,115 | 57,238,115 |
| Earnings per share in euros | 0.59 | 0.40 |

Earnings per share are the earnings attributable to shareholders divided by the weighted average number of shares outstanding.

In the first six months of 2018, the Jenoptik management presented the company to investors and analysts at conferences in Berlin, Frankfurt/Main, Lyon, and Warsaw, as well as at roadshows in Geneva, London, Milan, New York, Paris, and Zurich. At our 6th Capital Market Day in Jena at the beginning of the year, we also provided information on the Group's new strategy and medium-term objectives.

At the present time, a total of 13 research companies and banks regularly report on Jenoptik. In late July, at the time this report was prepared, two analysts recommended buying the stock, nine advised investors to hold, and two recommended selling. The average price target across all recommendations was 31.50 euros.

Jenoptik Key Share Figures

| | 1/1 to 30/6/2018 | 1/1 to 30/6/2017 |
|---|---|---|
| Closing share price (Xetra) on 30/6/ in euros | 33.58 | 22.97 |
| Highest share price (Xetra) in euros | 39.48 | 26.60 |
| Lowest share price (Xetra) in euros | 26.44 | 16.11 |
| Market capitalization (Xetra) on 30/6/ in million euros | 1,922.1 | 1,314.8 |
| Average daily trading volume in shares[1] | 185,909 | 173,473 |

[1] Source: Deutsche Börse

## Development of the Economy as a Whole and of the Individual Sectors

Increasing protectionism and the threat of trade barriers, geopolitical uncertainties, and the forthcoming Brexit all influenced the global economy in the first six months of 2018. At the end of June an escalation of the transatlantic trade dispute was averted for the moment. The EU and the US intend to hold talks over the abolition of tariffs on industrial goods. As long as these negotiations will continue, there will be no new tariffs on cars and car parts. At the beginning of July the EU signed a free trade agreement with Japan.

In the US, economic growth remained buoyed by tax reforms and private consumtion. As announced by the US Department of Commerce annualized GDP grew by 2.2 percent in the first quarter, in the second quarter by 4.1 percent according to preliminary calculations.

In the second quarter of 2018, China's economic output rose 6.7 percent on the prior-year period, a minor decrease on the prior quarter (6.8 percent), according to figures released by the Chinese National Bureau of Statistics, which also states that the trade dispute with the US and recently imposed punitive tariffs worth 34 billion US dollars are not impacting on growth at the present time.

In Germany, a long period of economic growth is slowing down: in the first quarter, gross domestic product increased just 0.3 percent on the prior quarter and thus at only half the rate seen at year-end 2017, according to the Federal Statistical Office. Foreign trade was weaker, and public spending fell for the first time in around five years. The ifo Business Climate Index also recently pointed to a cooling-off in the country's business climate.

The industry association for the German photonics industry, Spectaris, published its finalized figures in mid-May 2018: German companies in the optical industry boosted their revenues by 12 percent, to over 34.8 billion euros, in 2017. This strong growth was primarily attributable to the foreign business, which accounted for 24.9 billion euros of revenue. The EU, Asia, and North America accounted for the majority of exports. To assess the current development Spectaris uses revenues of 16 international companies to calculate the global market index "Optical technologies". In the first quarter 2018 the index reached 165.5, the second highest value for a first quarter. Compared with the same quarter in the prior year, it increased by 9.5 percent. More up-to-date figures were not yet available at the time this report was prepared.

The global semiconductor industry saw strong growth in the first half-year 2018, according to the Semiconductor Industry Association (SIA). Through the end of June, revenue increased by over 20 percent on the respective prior-year period for 15 months in succession.

In the first few months of 2018, the German mechanical and plant engineering industry remained on path for growth, which was reflected in production and export figures: production grew 4.2 percent on the prior year, exports by 3.4 percent in real terms. Mechanical engineering companies profited most from a good economic situation for capital goods exports to the US. After a short breather at the beginning the second quarter, the order intake in Germany increased by 7 percent in the first half-year compared to the previous year, according to VDMA. This fully met the positive expectations for the current year.

In 2018, the machine tool industry continued to ride on the good performance seen in the prior year, according to the German VDW industry association. In the first quarter, the order intake rose 22 percent on the prior-year quarter, with domestic orders chiefly responsible for this growth.

The robotics and automation industry achieved record revenue volumes in the last year, as reported by the VDMA Robotics & Automation Association in early June 2018. German manufacturers generated revenues of 14.5 billion euros, 13 percent more than in 2016, with growth mainly driven by exports to Asia. In North America, too, demand for robotics in the automotive industry and for non-automotive applications remained robust in the first few months of 2018.

According to the German Association of the Automotive Industry (VDA), the major international automobile markets have seen sustained growth in the number of new car registrations. Europe and the US were slightly up on the prior year, while the Asian markets (except Japan) grew significantly.

A new traffic safety report issued by the European Transport Safety Council reveals stagnation in efforts over the past four years to reduce the number of road deaths by half within this decade. The Council found that 25,250 people died on the EU's roads in 2017, a figure only marginally down on the prior year.

In Germany, the truck toll system was expanded to cover the 39,000 kilometers of federal highways on July 1, 2018. The toll monitoring system uses pillars manufactured by Jenoptik.

Within the aviation industry, the major aircraft manufacturers have boosted their duopoly. Airbus recently acquired a majority stake in the C-Series airliner program made by Canadian company Bombardier, while Boeing is establishing a joint venture for passenger airplanes with Brazilian manufacturer Embraer. Their respective alliances give Airbus and Boeing access to new markets for regional aircraft.

In June, the German Federal Ministry for Economic Affairs and Energy published its Annual Armaments Export report for the German security and defense technology industry in the past year. According to the report, 2017 saw fewer individual export licenses granted than in 2016, their value dropping from 6.85 to 6.24 billion euros. By contrast, export licenses for third countries saw a rise. In the interim report published in July, the decreasing trend continued in the first six months. Armament exports with a volume of 2.57 billion euros were approved, about one third less than in the prior year which is attributed to the long time of forming a government.

No important new reports were published for other sectors relevant to Jenoptik at the time these financial statements were prepared. We therefore refer to pages 83ff. of the 2017 Annual Report and the interim report on the first quarter 2018.

# Earnings, Financial and Asset Position

The tables in the Management Report, which show a breakdown of the key indicators by segment, include the holding company, the Shared Service Center, centrally administered real estate, and consolidation effects under "Other".

## Earnings Position

As expected, Jenoptik significantly boosted its revenue, by 10.4 percent to 384.7 million euros (prior year: 348.4 million euros), in the first six months of 2018, with growth seen in all three segments. This increase was due to good demand for optical systems in the semiconductor equipment industry, as well as for systems from the Healthcare & Industry area. The Traffic Solutions area also contributed significantly to this growth.

In the first half-year 2018, Jenoptik primarily generated growth in Germany, in particular with deliveries of the toll monitoring systems for a major traffic safety project. Revenue in Europe, the Americas, and the Middle East/Africa region also rose further, but saw a decline in the Asia/Pacific region in the first half-year of 2018. The share of revenue generated abroad consequently fell to 67.4 percent (prior year: 71.7 percent). At 126.5 million euros, revenue in the growth regions of the Americas and Asia/Pacific was down on the prior year (prior year: 135.1 million euros). It was also down in percentage terms, accounting for 32.9 percent of group revenue (prior year: 38.8 percent). By contrast, revenue in Germany increased by a total of 27.4 percent to 125.5 million euros (prior year: 98.6 million euros), with growth in the Mobility segment proving particularly robust. A strong revenue increase of 15.7 percent was also achieved in Europe. A summary of revenue distribution by region can be found on page 23.

The cost of sales increased at a marginally higher rate than revenue, by 10.6 percent to 249.4 million euros (prior year: 225.5 million euros). The gross margin consequently remained at the prior-year level, at 35.2 percent (prior year: 35.3 percent).

A step-up in group research and development activities (R+D) led to a minor increase in R+D expenses to 22.9 million euros in the first half-year of 2018 (prior year: 22.1 million euros). The development costs on behalf of customers included in the cost of sales came to 9.6 million euros in the period covered by the report (prior year: 10.0 million euros). At 33.4 million euros, the R+D total output was slightly up on the prior-year figure (prior year: 32.2 million euros) and equated to 8.7 percent of group revenue (prior year: 9.3 percent). The indicator includes R+D expenses, development costs on behalf of customers, and capitalized development costs that are included in assets.

Primarily due to the expansion of international activities, the selling expenses increased to 42.4 million euros in the first six months of 2018 (prior year: 39.6 million euros). At 11.0 percent, the selling expenses ratio was, however, slightly down on the prior year level of 11.4 percent. Administrative expenses fell to 27.3 million euros in the period covered by the report (prior year: 29.0 million euros). In the prior year, they had includes expenses in connection with a change on the Executive Board. The administrative expenses ratio fell accordingly to 7.1 percent (prior year: 8.3 percent).

In the first half-year 2018, other operating income was above the prior-year figure, while other operating expenses were down on the prior year. Of particular note here are the positive currency effects worth a total of 0.4 million euros (prior year: minus 2.1 million euros) and expenses for process optimization. The account balance from both items increased to 0.2 million euros (prior year: minus 2.8 million euros).

Revenue

| in million euros | 1/1 to 30/6/2018 | 1/1 to 30/6/2017 | Change in % |
|---|---|---|---|
| Group | 384.7 | 348.4 | 10.4 |
| Optics & Life Science | 139.5 | 124.9 | 11.7 |
| Mobility | 138.5 | 117.8 | 17.6 |
| Defense & Civil Systems | 108.2 | 105.4 | 2.7 |
| Other | -1.5 | 0.3 | |

R+D Output

| in million euros | 1/1 to 30/6/2018 | 1/1 to 30/6/2017 | Change in % |
|---|---|---|---|
| R+D output | 33.4 | 32.2 | 3.7 |
| R+D expenses | 22.9 | 22.1 | 3.6 |
| Capitalized development costs | 0.9 | 0.1 | |
| Developments on behalf of customers | 9.6 | 10.0 | -4.0 |

Revenue growth combined with a more favorable product mix and a low increase in functional costs produced a strong increase in EBIT, which at 42.8 million euros exceeded the prior-year figure by 46.1 percent (prior year: 29.3 million euros). This positive development was mainly attributable to contributions from the Mobility and Optics & Life segments. The EBIT margin increased to 11.1 percent (prior year: 8.4 percent).

In the first six months of 2018, and for the reasons mentioned above, the EBITDA (earnings before interest, taxes, depreciation and amortization incl. impairment losses and reversals) increased substantially, by 31.4 percent to 56.3 million euros (prior year: 42.8 million euros). The EBITDA margin improved to 14.6 percent (prior year: 12.3 percent).

Over the reporting period, the financial result came to minus 1.6 million euros (prior year: minus 2.1 million euros), in part improving due to positive currency effects. At 41.2 million euros (prior year: 27.2 million euros), the Group thus achieved considerably better earnings before tax than in the prior year. Income tax expense came to 7.9 million euros (prior year: 4.5 million euros), equating to a cash-effective tax rate of 14.2 percent (prior year: 15.3 percent). The decrease is mainly due to tax reforms in the US and the resulting reduction in the tax rate. Group earnings after tax rose by 47.1 percent to 33.4 million euros (prior year: 22.7 million euros). Group earnings per share (EPS) rose to 0.59 euros (prior year: 0.40 euros).

Compared to the prior year, the Jenoptik Group's order intake fell 2.0 percent to 397.2 million euros by the end of June 2018 (prior year: 405.3 million euros). This expected decline was mainly attributable to the Defense & Civil Systems segment, which had a particularly high order intake in the first quarter of the prior year due to several major orders. In the second quarter of 2018, however, this situation saw significant improvement, and 7.2 percent more orders, worth 197.9 million euros, were posted than in the prior-year quarter (prior year: 184.7 million euros). The book-to-bill ratio came to 1.03 (prior year: 1.16), i.e. the order intake marginally exceeded revenue in the first six months of 2018.

At 454.7 million euros, the order backlog remained at the 2017 year-end level (31/12/2017: 453.5 million euros). Of this order backlog, 66.0 percent (prior year: 57.8 percent) is due to be converted to revenue in the present fiscal year and help to support scheduled growth.

As of June 30, 2018, there were also frame contracts worth 79.8 million euros (31/12/2017: 87.6 million euros). Frame contracts are contracts or framework agreements where the exact sum and time of occurrence cannot yet be specified precisely.

Employees & management. In the first six months of 2018, the number of Jenoptik employees remained virtually unchanged, at 3,684 (31/12/2017: 3,680 employees). At the end of June 2018, 755 people were employed at the foreign locations (31/12/2017: 802 employees). This reduction was primarily the result of project-related staff cutbacks in the Asia/Pacific region.

Jenoptik had a total of 85 trainees as of June 30, 2018 (31/12/2017: 109 trainees). In Germany, the Group had 123 agency employees (31/12/2017: 114 agency employees).

Detailed information on the development of the segments can be found in the Segment Report from page 12 on.

EBIT

| in million euros | 1/1 to 30/6/2018 | 1/1 to 30/6/2017 | Change in % |
|---|---|---|---|
| Group | 42.8 | 29.3 | 46.1 |
| Optics & Life Science | 28.7 | 22.4 | 28.3 |
| Mobility | 11.8 | 2.4 | 394.2 |
| Defense & Civil Systems | 9.5 | 9.0 | 5.7 |
| Other | -7.3 | -4.5 | |

EBITDA

| in million euros | 1/1 to 30/6/2018 | 1/1 to 30/6/2017 | Change in % |
|---|---|---|---|
| Group | 56.3 | 42.8 | 31.4 |
| Optics & Life Science | 32.4 | 26.5 | 22.4 |
| Mobility | 16.1 | 6.3 | 155.8 |
| Defense & Civil Systems | 11.7 | 11.3 | 3.0 |
| Other | -3.9 | -1.3 | |

## Financial and Asset Position

At the end of the first six months of 2018, the debt-to-equity ratio, that of borrowings to equity, came to 0.68 and was unchanged from the figure at the end of 2017 (31/12/2017: 0.68).

Despite a higher dividend payment, net debt came to minus 65.3 million euros (31/12/2017: minus 69.0 million euros).

In the first half-year 2018, the Group invested 14.2 million euros in property, plant, and equipment and intangible assets, less than in the prior-year period (prior year: 17.9 million euros). The 2017 figure included investment for the new building at the US site in Rochester Hills. For the year as a whole, Jenoptik continues to expect a higher level of capital expenditure than in 2017. At 11.2 million euros, the largest share of capital expenditure was on property, plant, and equipment (prior year: 16.5 million euros), primarily to support continued growth, to meet new customer orders, as well as for new technical equipment and the expansion of production capacities. Primarily due to higher license fees and capitalized development expenses, capital expenditure for intangible assets exceeded the prior-year level, coming to 2.9 million euros (prior year: 1.4 million euros). As in the prior year, scheduled depreciation and amortization totaled 13.5 million euros.

Cash flows from operating activities rose marginally to 36.6 million euros as of June 30, 2018 (prior year: 36.0 million euros), mostly due to higher earnings before tax. They were negatively influenced primarily by the working capital, which increased due to higher upfront expenditure arising from the greater volume of business.

At the end of June 2018, cash flows from investing activities came to 5.8 million euros (prior year: minus 33.6 million euros). Over the reporting period, they were particularly affected by proceeds from sale of financial asstes within the framework of short-term disposition. Investments and capital expenditure for financial asstes within the framework of short-term disposition were lower than in the prior year. Not yet included are payments for the acquisition of Prodomax, which were made in the third quarter.

The free cash flow (cash flows from operating activities before interest and taxes, minus inflows and outflows of funds for intangible assets and property, plant, and equipment increased in the period covered by the report to 28.8 million euros (prior year: 22.1 million euros). Despite the revenue-related increase in payments for working capital, the impact of lower capital expenditure had an impact here.

The cash flows from financing activities amounted to minus 20.2 million euros (prior year: minus 13.1 million euros), and were particularly influenced by the dividend payment of 17.2 million euros (prior year: 14.3 million euros).

As of June 30, 2018, the total assets for the Jenoptik Group were up on the 2017 year-end figure, at 914.7 million euros (31/12/2017: 889.1 million euros).

An increase in property, plant, and equipment, and in financial investments, which rose following the at-equity valuation of a stake in an enterprise, resulted in the non-current assets growing to a value of 386.1 million euros (31/12/2017: 376.2 million euros). There were only minor changes in the remaining items under non-current assets.

Order situation

| in million euros | 1/1 to 30/6/2018 | 1/1 to 30/6/2017 | Change in % |
|---|---|---|---|
| Order intake | 397.2 | 405.3 | -2.0 |
| | 30/6/2018 | 31/12/2017 | Change in % |
| Order backlog | 454.7 | 453.5 | 0.3 |
| Contracts | 79.8 | 87.6 | -8.9 |

Employees (incl. trainees)

| | 30/6/2018 | 31/12/2017 | Change in % |
|---|---|---|---|
| Group | 3,684 | 3,680 | 0.1 |
| Optics & Life Science | 1,177 | 1,149 | 2.4 |
| Mobility | 1,253 | 1,326 | -5.5 |
| Defense & Civil Systems | 904 | 897 | 0.8 |
| Other | 350 | 308 | 13.6 |

The current assets rose by 15.7 million euros to 528.6 million euros (31/12/2017: 512.9 million euros). Cash and cash equivalents increased sharply to 154.3 million euros (31/12/2017: 132.3 million euros). This rise is due to the improved free cash flow and receipts from mature securities, which more than compensated for the effect of the dividend payment. Due to the first-time application of IFRS 15, the item "Contract assets" was posted for the first time with a value of 22.0 million euros. Primarily as a result of this item, current trade receivables fell to 124.5 million euros (31/12/2017: 136.0 million euros). Inventories rose slightly to 173.5 million euros (31/12/2017: 168.6 million euros), as the increase due to operating activities (15.9 million euros) more than compensated for the effect of first-time application of IFRS 15 (minus 11.1 million euros). Current financial investments were paid out on reaching maturity and thus fell.

Chiefly due to higher operating receivables (trade receivables and contract assets) and inventories, the working capital increased to 227.1 million euros as of June 30, 2018 (31/12/2017: 214.8 million euros / 30/6/2017: 212.8 million euros). The working capital ratio, that of working capital to revenue based on the last twelve months, accordingly increased to 29.0 percent compared to year-end 2017 (31/12/2017: 28.7 percent), but remained below the value in the prior-year period (30/6/2017: 30.1 percent).

The substantial increase in earnings after tax posted at the end of the reporting period, minus the dividend payment, primarily resulted in equity growing to 543.5 million euros (31/12/2017: 529.9 million euros). The equity ratio, at 59.4 percent, was at the same good level as at year-end 2017 (31/12/2017: 59.6 percent).

A slight increase in both other non-current provisions and non-current financial debt compared to the end of December 2017 led to an increase in non-current liabilities to 168.7 million euros (31/12/2017: 162.1 million euros). Non-current liabilities primarily include debenture loans placed in 2011 and 2015, currently totaling 114 million euros and with original terms of five and seven years.

Current liabilities increased to 202.6 million euros from year-end 2017 (31/12/2017: 197.1 million euros). Other current non-financial liabilities increased due to higher advances received for customer orders and liabilities for employee vacation entitlements throughout the year. By contrast, the other current provisions reduced following the payment of variable salary components to employees. Current trade accounts payable also fell.

There were no significant purchases or sales of companies in the first six months of 2018. Information on the acquisition of Prodomax Automation Ltd., which was made following the balance sheet date, can be found in the Report on Post-Balance Sheet Events, on page 15, and in the Notes, on page 27.

There were also no changes to assets and liabilities not included on the balance sheet; for more information on this, we refer to the details on page 96 of the 2017 Annual Report and the details on contingent liabilities on page 184.

# Segment Report

## Optics & Life Science Segment

In the first six months of 2018, the Optics & Life Science segment posted a strong increase in revenue of 11.7 percent to 139.5 million euros (prior year: 124.9 million euros). As in the prior quarters, this development was driven by a continuation of very good business with solutions for the semiconductor equipment industry and a very positive revenue development in the Healthcare & Industry area. Overall, the segment's share of group revenue was 36.3 percent (prior year: 35.9 percent). Revenue in Europe (excluding Germany) grew more than anywhere else, to 55.0 million euros (prior year: 45.8 million euros). Except for Asia/Pacific, revenue increased in all other regions.

Income from operations (EBIT) improved significantly due to a positive product mix and good capacity utilization, by 28.3 percent to 28.7 million euros (prior year: 22.4 million euros). Over the first half-year, the segment thus increased its EBIT margin to 20.6 percent compared to the prior year (prior year: 17.9 percent). Income from operations before depreciation and amortization (EBITDA) also increased significantly on the prior year, by 22.4 percent to 32.4 million euros (prior year: 26.5 million euros).

In the first six months of 2018, the order intake rose 5.7 percent to 157.5 million euros (prior year: 149.1 million euros), with both areas – Optical Systems and Healthcare & Industry – contributing to this growth. Set against revenue, this resulted in a book-to-bill ratio of 1.13 (prior year: 1.19).

With a value of 124.9 million euros, the segment's order backlog at the end of June 2018 was above the value on December 31, 2017 (31/12/2017: 109.1 million euros). There were also frame contracts worth 12.5 million euros (31/12/2017: 11.1 million euros).

Due to a significant increase in capital expenditure and despite good business performance, the free cash flow (before interest and taxes) remained virtually at the same level as in the prior year, coming to 10.6 million euros (prior year: 10.9 million euros). Investment was made in both areas, in particular for new production systems and thus in expanding production capacities.

To better meet the growing demands of our international customers, Jenoptik opened a new location in Fremont, in California's Silicon Valley, at the beginning of the 2018 fiscal year, in close proximity to its customers on the west coast of the US. Jenoptik can thus address the region's particular needs, especially in the areas of application engineering and product development, and further accelerate its own growth, particularly in the US.

The Optics & Life Science Segment at a Glance

| in million euros | 30/6/2018 | 30/6/2017 | Change in % |
|---|---|---|---|
| Revenue | 139.5 | 124.9 | 11.7 |
| EBITDA | 32.4 | 26.5 | 22.4 |
| EBITDA margin in % | 23.2 | 21.2 | |
| EBIT | 28.7 | 22.4 | 28.3 |
| EBIT margin in % | 20.6 | 17.9 | |
| Capital expenditure | 8.4 | 2.0 | 319.7 |
| Free cash flow | 10.6 | 10.9 | -2.2 |
| Order intake | 157.5 | 149.1 | 5.7 |
| Order backlog[1] | 124.9 | 109.1 | 14.5 |
| Frame contracts[1] | 12.5 | 11.1 | 11.9 |
| Employees[1] | 1,177 | 1,149 | 2.4 |

Prior year's figures refer to December 31, 2017

## Segment Mobility

In the first six months of 2018, revenue in the Mobility segment grew 17.6 percent on the prior-year period, to 138.5 million euros (prior year: 117.8 million euros). Both areas, systems and machines for the automotive industry and traffic safety technology, saw successful growth, in particular due to deliveries of toll monitoring systems. On a regional level, revenue particularly grew in Germany as a result of the major traffic safety project referred to above. For project-related reasons, revenue in the Americas and Asia saw a slight decline. The segment's share of group revenue increased to 36.0 percent (prior year: 33.8 percent).

On the basis of a good revenue performance, the segment, as expected, again posted a significantly improved quality of earnings in the first six months, with income from operations (EBIT) of 11.8 million euros (prior year: 2.4 million euros). In the prior year, one-off costs for the project mentioned above were included. The EBIT margin improved to 8.6 percent (prior year: 2.0 percent). Income from operations before depreciation and amortization (EBITDA) also increased a substantial 155.8 percent to 16.1 million euros (prior year: 6.3 million euros). The EBITDA margin was 11.6 percent, compared to 5.4 percent in the prior year.

The Mobility Segment at a Glance

| in million euros | 30/6/2018 | 30/6/2017 | Change in % |
|---|---|---|---|
| Revenue | 138.5 | 117.8 | 17.6 |
| EBITDA | 16.1 | 6.3 | 155.8 |
| EBITDA margin in % | 11.6 | 5.4 | |
| EBIT | 11.8 | 2.4 | 394.2 |
| EBIT margin in % | 8.6 | 2.0 | |
| Capital expenditure | 2.7 | 12.9 | -79.2 |
| Free cash flow | 15.1 | -0.1 | |
| Order intake | 140.2 | 144.4 | -2.9 |
| Order backlog[1] | 143.7 | 144.7 | -0.7 |
| Frame contracts[1] | 22.8 | 30.1 | -24.4 |
| Employees[1] | 1,253 | 1,326 | -5.5 |

[1] Prior year's figures refer to December 31, 2017

The Mobility segment's order intake was down on the prior-year figure, at 140.2 million euros, due to the development in the Traffic Solutions area (prior year: 144.4 million euros). The segment reported an order for 120 speed measurement systems from Qatar in the first quarter. Business with the automotive industry was further expanded. As the order intake in the Mobility segment was marginally higher than revenue in the reporting period, the book-to-bill ratio in the first six months of 2018 reached a figure of 1.01 (prior year: 1.23).

The segment's order backlog was worth 143.7 million euros at the end of June (31/12/2017: 144.7 million euros). There were also frame contracts worth 22.8 million euros (31/12/2017: 30.1 million euros).

Following extensive investment in the prior year, e.g. in internally manufactured equipment for a Canadian traffic safety project and the technology campus at the Rochester Hills US location, the segment significantly reduced its capital expenditure to 2.7 million euros in the first half-year 2018 (prior year: 12.9 million euros).

Lower capital expenditure and higher earnings were key reasons for the significant improvement in the free cash flow (before interest and taxes) to 15.1 million euros (prior year: minus 0.1 million euros).

Jenoptik continues to invest in the expansion and modernization of own development and production facilities. Cutting-edge development, production, and office spaces for the Industrial Metrology unit are being built at the Villingen-Schwenningen site at a cost of around 11 million euros. Construction will commence in the spring of 2019, operations are scheduled to start at the new location one year later.

## Segment Defense & Civil Systems

In the first six months of 2018, the Defense & Civil Systems segment generated revenue of 108.2 million euros (prior year: 105.4 million euros), with the second quarter outperforming the first quarter. Revenue growth was seen in Europe, the Americas, the Middle East, and Africa. In Germany, however, revenue fell to 43.8 million euros due to project-related factors (prior year: 46.1 million euros). The segment's share of group revenue fell to 28.1 percent (prior year: 30.2 percent).

Despite generating revenue that was only slightly higher than in the prior year, income from operations (EBIT) grew to 9.5 million euros (prior year: 9.0 million euros), in part due to a changed product mix. Over the reporting period, the EBIT margin rose accordingly to 8.8 percent (prior year: 8.5 percent), reaching even 9.7 percent in the second quarter. In the first six months of 2018, the segment generated income from operations before depreciation and amortization (EBITDA) of 11.7 million euros (prior year: 11.3 million euros). The margin here also improved slightly, from 10.7 percent in the prior year to a current 10.8 percent.

An order intake worth 100.4 million euros in the current reporting period was 10.2 percent down on the prior year (prior year: 111.8 million euros). Particularly in the first quarter of 2017, Jenoptik had received several major orders for energy and sensor systems, both for defense purposes and civilian applications. As expected, the order intake rose in the second quarter, compared to the prior-year quarter, from 42.0 million euros to 56.3 million euros. Good growth is also expected over the further course of 2018. The book-to-bill ratio accordingly fell to 0.93, compared with 1.06 in the prior year.

On the basis of a lower order intake than in the prior year, the segment's order backlog also fell, by 14.2 million euros to 188.4 million euros in absolute terms (31/12/2017: 202.6 million euros). There were also frame contracts worth 44.6 million euros (31/12/2017: 46.3 million euros).

The free cash flow (before interest and taxes) amounted to 15.8 million euros and was thus slightly higher than in the prior year (prior year: 15.2 million euros), primarily due to changes in working capital.

The Defense & Civil Systems Segment at a Glance

| in million euros | 30/6/2018 | 30/6/2017 | Change in % |
|---|---|---|---|
| Revenue | 108.2 | 105.4 | 2.7 |
| EBITDA | 11.7 | 11.3 | 3.0 |
| EBITDA margin in % | 10.8 | 10.7 | |
| EBIT | 9.5 | 9.0 | 5.7 |
| EBIT margin in % | 8.8 | 8.5 | |
| Capital expenditure | 2.3 | 1.8 | 23.9 |
| Free cash flow | 15.8 | 15.2 | 4.0 |
| Order intake | 100.4 | 111.8 | -10.2 |
| Order backlog[1] | 188.4 | 202.6 | -7.0 |
| Frame contracts[1] | 44.6 | 46.3 | -3.8 |
| Employees[1] | 904 | 897 | 0.8 |

Prior year's figures refer to December 31, 2017

# Report on Post-Balance Sheet Events

With the signing of the agreement on July 10, 2018 and closing on July 23, 2018, Jenoptik acquired a 100 percent stake in Prodomax Automation Ltd., Barrie (Ontario), Canada, through its US company JENOPTIK North America Inc. The company specializes in process automation for the automotive industry. With the acquisition the Group strengthens its position as a full-service turnkey provider of automated production solutions, Jenoptik has embarked on with the acquisition of Five Lakes Automation in 2017. The combination of automation solutions and laser processing machines enables the Jenoptik Group to tap into further potential for growth in the field of advanced manufacturing.

Further information on the acquisition can be found in the Notes, on page 27.

At the time this report was prepared, there were no other events after the balance sheet date of June 30, 2018 that were of significance to the Group or had a significant influence on Jenoptik's earnings, financial or asset positions.

# Opportunity and Risk Report

Within the framework of the reporting on the Opportunity and Risk Report, we refer to the details on pages 108ff. of the 2017 Annual Report published at the end of March 2018. During the course of the first six months of 2018, there were no major changes in the opportunities and risks described in the report. All the same, we continue to analyze the potential effects of the trade policies enacted by the present US administration.

# Forecast Report

## Outlook for the Economy as a Whole and the Jenoptik Sectors

The IMF updated its forecasts for global economic growth in July. While the overall forecast for the global economy this year has not changed, it sees global gross domestic product growing by 3.9 percent. There have, however, been changes to the spread and risks. For European countries such as Germany, for example, the IMF has marginally revised down its forecast. In Germany, it warns that impacts relating to Brexit, protectionist policies, above all in the US, and a redistribution of burden-sharing in the euro zone could adversely affect the investment climate, put pressure on exports, and thus result in an economic downturn. Several economic research institutes in Germany have already drastically reduced their forecasts for 2018. The ifo Institute, for example, cut its forecast from 2.6 to 1.8 percent.

The IMF forecast for the US remained unchanged, with the country still currently profiting from tax cuts. By contrast, the outlook for a number of emerging countries, especially oil exporting nations that can benefit from increased commodity prices, was marginally boosted.

The transatlantic trade conflict, should it escalate further, will particularly impact on the outlook for global growth. It could reduce global economic output by some 0.5 percent, or 500 billion US dollars, by 2020.

In July the US and the EU agreed on negotiations aimed at dismantling tariffs on industrial goods. Time, scope and effects cannot yet be predicted. Industry associations warn that import tariffs could result e.g in higher prices, loss of revenue, an investment backlog, and job losses in production, the supplier chain, and trade, for example in the automotive industry.

At the time this report was prepared, the economic outlook caused by Brexit was still uncertain, particularly in the event that Great Britain leaves the single market and the customs union with no transition agreement in place.

The booming semiconductor industry is encouraging capital investment among semiconductor equipment manufacturers. In order to expand production capacities, Bosch, for example, began construction of a new chip factory for 300 mm wafers in Dresden in June. In May 2018, Infineon also announced that it will build new production facilities for power semiconductors in Austria starting in 2019. This level of industry growth is also reflected in the latest “World Fab Forecast” published by the SEMI trade association for the semiconductor equipment industry in June 2018. The industry is looking to its third year of growth in succession and is expected to generate 14 percent more revenue in 2018 than in the prior year. For 2019, SEMI is anticipating revenue growth of 9 percent. Korea and China are the growth leaders, but investment is also expected to increase by 12 percent in Europe and the Middle East in 2018.

The VDMA Robotics & Automation Association is forecasting further revenue growth, by 9 percent to 15.8 billion euros, for the German robotics and automation industry in 2018. The global trend toward digitization and automation in production is creating growth momentum, primarily in the automotive and automotive supplier industries. For example, components for electric and hybrid drives will require new production systems, preferably employing robotic solutions. In addition to the large robots deployed in the automotive industry, the International Federation of Robotics is also expecting increased demand for “cobots”, smaller collaborative robots that enable close cooperation between man and machine.

The Association of German Machine Tool Manufacturers (VDW) is still expecting the global economy to provide a sound environment for industrial investment. In May, the VDW therefore increased its 2018 production forecast from 5 to 7 percent growth compared to the prior year.

Growth Forecast of Gross Domestic Product

| in percent / in percentage points | 2018 | Change to forecast of April 2018 | 2019 |
|---|---|---|---|
| World | 3.9 | 0.0 | 3.9 |
| USA | 2.9 | 0.0 | 2.7 |
| Euro zone | 2.2 | -0.2 | 1.9 |
| Germany | 2.2 | -0.3 | 2.1 |
| China | 6.6 | 0.0 | 6.4 |
| Emerging economies | 4.9 | 0.0 | 5.1 |

Source: International Monetary Fund, July 2018

The VDA anticipates slight growth of 2 percent for the automotive industry, to 86 million new cars worldwide, in 2018. While there will be a slight drop in light vehicles in the US, China and Europe remain on course for growth. The market is also recovering well in Russia and Brazil. German manufacturers are expected to increase production by 1 percent. The "Global Automotive Outlook" study, published by consultants AlixPartners in July 2018, is forecasting a bleaker outlook for manufacturers and suppliers: on the one hand, growth in the global car market will contract through 2025, while at the same there is a need to make necessary investment, particularly in electric drive systems and autonomous driving concepts.

Increasing consolidation in the defense industry could result in European companies forming an alliance for military aviation. The European aircraft manufacturer Airbus was open to a potential merger on a fighter jet project, with the aim of countering strong competition from North America. More money is due to be spent on the German armed forces: according to the draft budget for 2019, the defense budget will increase to 42.9 billion euros, 675 million euros more than previously earmarked. In addition, the German government, responding to demands from the US and other NATO partners, plans to commit to spending 1.5 percent of gross domestic product on defense by the year 2024. In 2018, Germany is spending 1.24 percent, or 38.5 billion euros, on defense.

No new major forecasts have been issued for the other sectors. We therefore refer to pages 119ff. of the 2017 Annual Report and the interim report on the first quarter 2018 published in May.

## Future Development of Business

The Jenoptik Group will continue to pursue its objective of ensuring profitable growth in 2018. This will be aided by an expansion of the international business, the resultant economies of scale, higher margins from an optimized product mix, increasing service business, and improved cost discipline. By purchasing Prodomax Automation Ltd., Jenoptik in recent weeks successfully completed an acquisition which will already contribute to growth this year. Further acquisitions will be very closely scrutinized. A good asset position and a viable financing structure give Jenoptik sufficient room for maneuver to finance both organic and inorganic growth.

On the basis of the acquisition referred to above and continuing good demand in key markets, the Executive Board increased its revenue forecast to between 805 and 820 million euros (previously 790 to 810 million euros) in mid-July and has now confirmed this guidance. Better than originally anticipated profitability in its ongoing business, driven mainly by favorable mix effects, enables management to also raise profit targets for the year. The Executive Board now expects the EBIT margin to be around 11 percent (previously between 10.5 and 11.0 percent) and the EBITDA margin to be around 15 percent (previously 14.5 to 15.0 percent) on the combined businesses. The new profit targets already include effects from purchase price allocation in connection with the acquisition of Prodomax of around 5 million euros in the Group's EBIT, and around 1.5 million euro in the EBITDA, according to preliminary calculations.

We refer to the 2017 Annual Report, from page 121 on, for details of the outlook for other key indicators for the development of business and the development of the segments in the 2018 fiscal year.

All statements on the future development of the business situation have been made on the basis of current information available at the time the report was prepared. They are given on the assumption that the economic situation develops in line with economic and industry forecasts stated in this report, the report on the first quarter, and the 2017 Annual Report, beginning on page 119.

# Consolidated Statement of Comprehensive Income

## Consolidated Statement of Income

| in thousand euros | 1/1 to 30/6/2018 | 1/1 to 30/6/2017 | 1/4 to 30/6/2018 | 1/4 to 30/6/2018 |
|---|---|---|---|---|
| Revenue | 384,682 | 348,394 | 194,782 | 184,677 |
| Cost of sales | 249,400 | 225,496 | 125,407 | 119,254 |
| Gross profit | 135,281 | 122,897 | 69,375 | 65,424 |
| Research and development expenses | 22,914 | 22,126 | 11,796 | 11,548 |
| Selling expenses | 42,425 | 39,642 | 21,390 | 20,320 |
| General administrative expenses | 27,347 | 29,020 | 14,715 | 13,250 |
| Other operating income | 9,275 | 8,168 | 5,135 | 4,049 |
| Other operating expenses | 9,080 | 10,993 | 4,663 | 6,114 |
| EBIT | 42,790 | 29,284 | 21,945 | 18,239 |
| Result from other investments | 79 | 55 | 78 | 131 |
| Financial income | 1,884 | 789 | 1,225 | 613 |
| Financial expenses | 3,515 | 2,952 | 1,271 | 1,839 |
| Financial result | -1,552 | -2,108 | 33 | -1,095 |
| Earnings before tax | 41,237 | 27,176 | 21,978 | 17,145 |
| Income taxes | -7,883 | -4,494 | -4,231 | -2,839 |
| Earnings after tax | 33,354 | 22,682 | 17,747 | 14,306 |
| Results from non-controlling interests | -226 | -32 | -174 | -21 |
| Earnings attributable to shareholders | 33,580 | 22,714 | 17,921 | 14,327 |
| | | | | |
| Earnings per share in euros (diluted = undiluted) | 0.59 | 0.40 | 0.31 | 0.25 |

## Comprehensive Income

| in thousand euros | 1/1 to 30/6/2018 | 1/1 to 30/6/2017 | 1/4 to 30/6/2018 | 1/4 to 30/6/2018 |
|---|---|---|---|---|
| Earnings after tax | 33,354 | 22,682 | 17,747 | 14,306 |
| Items that will never be reclassified to profit or loss | -66 | 235 | 195 | 19 |
| Actuarial gains/losses arising from the valuation of pensions and similar obligations | -66 | 235 | 195 | 19 |
| Items that are or may be reclassified to profit or loss | -1,474 | 1,343 | -676 | 1,085 |
| Available-for-sale financial assets | 0 | 5,896 | 0 | 5,804 |
| Cash flow hedges | -3,812 | 3,344 | -4,615 | 2,556 |
| Foreign currency exchange differences | 1,209 | -4,971 | 2,557 | -4,585 |
| Deferred taxes | 1,129 | -2,926 | 1,382 | -2,690 |
| Total other comprehensive income | -1,540 | 1,578 | -481 | 1,104 |
| Total comprehensive income | 31,814 | 24,260 | 17,266 | 15,410 |
| Thereof attributable to: | | | | |
| Non-controlling interests | -239 | -1 | -149 | -23 |
| Shareholders | 32,053 | 24,261 | 17,415 | 15,433 |

# Consolidated Statement of Financial Position

| Assets in thousand euros | 30/6/2018 | 31/12/2017 | Change | 30/6/2017 |
|---|---|---|---|---|
| **Non-current assets** | **386,136** | **376,225** | **9,912** | **376,071** |
| Intangible assets | 119,997 | 120,931 | -933 | 112,285 |
| Property, plants and equipment | 172,165 | 164,730 | 7,435 | 161,001 |
| Investment property | 4,304 | 4,350 | -47 | 4,397 |
| Financial investments | 6,929 | 4,408 | 2,521 | 21,462 |
| Non-current trade receivables | 0 | 0 | 0 | 1,290 |
| Other non-current financial assets | 2,157 | 2,319 | -162 | 2,444 |
| Other non-current non-financial assets | 743 | 586 | 157 | 742 |
| Deferred tax assets | 79,841 | 78,900 | 941 | 72,449 |
| **Current assets** | **528,576** | **512,901** | **15,675** | **454,127** |
| Inventories | 173,456 | 168,625 | 4,831 | 180,286 |
| Current trade receivables | 124,503 | 136,017 | -11,514 | 118,086 |
| Contract assets | 21,964 | 0 | 21,964 | 0 |
| Other current financial assets | 1,643 | 5,307 | -3,664 | 2,774 |
| Other current non-financial assets | 8,015 | 6,067 | 1,948 | 9,320 |
| Current financial investments | 44,729 | 64,577 | -19,848 | 62,901 |
| Cash and cash equivalents | 154,266 | 132,310 | 21,956 | 80,761 |
| **Total assets** | **914,712** | **889,126** | **25,586** | **830,198** |

| Equity and liabilities in thousand euros | 30/6/2018 | 31/12/2017 | Change | 30/6/2017 |
|---|---|---|---|---|
| **Equity** | **543,462** | **529,932** | **13,530** | **485,385** |
| Share capital | 148,819 | 148,819 | 0 | 148,819 |
| Capital reserve | 194,286 | 194,286 | 0 | 194,286 |
| Other reserves | 200,473 | 186,704 | 13,769 | 142,612 |
| Non-controlling interests | -116 | 123 | -239 | -331 |
| **Non-current liabilities** | **168,677** | **162,105** | **6,571** | **173,787** |
| Pension provisions | 36,620 | 37,066 | -446 | 36,794 |
| Other non-current provisions | 18,073 | 15,909 | 2,164 | 11,791 |
| Non-current financial debt | 112,528 | 108,573 | 3,955 | 120,432 |
| Other non-current financial liabilities | 1,290 | 420 | 869 | 1,701 |
| Other non-current non-financial liabilities | 0 | 0 | 0 | 1,055 |
| Deferred tax liabilities | 166 | 137 | 29 | 2,014 |
| **Current liabilties** | **202,573** | **197,089** | **5,485** | **171,026** |
| Tax provisions | 9,044 | 8,938 | 107 | 3,765 |
| Other current provisions | 48,550 | 51,250 | -2,700 | 40,594 |
| Current financial debt | 21,170 | 19,337 | 1,833 | 7,178 |
| Current trade payables | 58,234 | 61,657 | -3,423 | 51,154 |
| Other current financial liabilities | 8,824 | 8,654 | 170 | 4,238 |
| Other current non-financial liabilities | 56,750 | 47,253 | 9,497 | 64,096 |
| **Total equity and liabilities** | **914,712** | **889,126** | **25,586** | **830,198** |

# Consolidated Statement of Changes in Equity

| in thousand euros | Share capital | Capital reserve | Retained earnings | Available-for-sale financial assets | Cash flow hedges |
|---|---|---|---|---|---|
| Balance at 1/1/2017 | 148,819 | 194,286 | 155,016 | 515 | -1,577 |
| | | | | | |
| Net profit for the period | | | 22,714 | | |
| Other earnings after tax | | | | 3,886 | 2,367 |
| Total comprehensive income | | | 22,714 | 3,886 | 2,367 |
| Dividends | | | -14,310 | | |
| Other adjustments | | | -944 | | |
| | | | | | |
| Balance at 30/6/2017 | 148,819 | 194,286 | 162,476 | 4,401 | 790 |
| | | | | | |
| Balance at 1/1/2018 | 148,819 | 194,286 | 212,022 | 213 | 1,554 |
| Changes in accounting policies | | | -4,158 | | |
| Balance at 1/1/2018[1] | 148,819 | 194,286 | 207,864 | 213 | 1,554 |
| | | | | | |
| Net profit for the period | | | 33,580 | | |
| Other earnings after tax | | | | | -2,689 |
| Total comprehensive income | | | 33,580 | 0 | -2,689 |
| Dividends | | | -17,171 | | |
| Other adjustments | | | 3,047 | | |
| | | | | | |
| Balance at 30/6/2018 | 148,819 | 194,286 | 227,319 | 213 | -1,135 |

[1] Adjusted due to initial application of IFRS 9 and IFRS 15

| Cumulative exchange differences | Actuarial effects | Equity attributable to shareholders of JENOPTIK AG | Non-controlling interests | Total | in thousand euros |
|---|---|---|---|---|---|
| 8,108 | -28,457 | 476,710 | -331 | 476,379 | Balance at 1/1/2017 |
| | | | | | |
| | | 22,714 | -32 | 22,682 | Net profit for the period |
| -4,987 | 281 | 1,547 | 31 | 1,578 | Other earnings after tax |
| -4,987 | 281 | 24,261 | -1 | 24,260 | Total comprehensive income |
| | | -14,310 | | -14,310 | Dividends |
| | | -944 | | -944 | Other adjustments |
| | | | | | |
| 3,121 | -28,176 | 485,717 | -332 | 485,385 | Balance at 30/6/2017 |
| | | | | | |
| 297 | -27,382 | 529,809 | 123 | 529,932 | Balance at 1/1/2018 |
| | | -4,158 | -1 | -4,159 | Changes in accounting policies |
| 297 | -27,382 | 525,651 | 122 | 525,773 | Balance at 1/1/2018[1] |
| | | | | | |
| | | 33,580 | -226 | 33,354 | Net profit for the period |
| 1,256 | -94 | -1,527 | -13 | -1,540 | Other earnings after tax |
| 1,256 | -94 | 32,053 | -239 | 31,814 | Total comprehensive income |
| | | -17,171 | | -17,171 | Dividends |
| | | 3,047 | | 3,047 | Other adjustments |
| | | | | | |
| 1,553 | -27,476 | 543,579 | -117 | 543,462 | Balance at 30/6/2018 |

# Consolidated Statement of Cash Flows

| in thousand euros | 1/1 to 30/6/2018 | 1/1 to 30/6/2017 | 1/4 to 30/6/2018 | 1/4 to 30/6/2018 |
|---|---|---|---|---|
| Earnings before tax | 41,237 | 27,176 | 21,978 | 17,145 |
| Financial income and financial expenses | 1,631 | 2,163 | 45 | 1,225 |
| Depreciation and amortization | 13,523 | 13,532 | 6,628 | 6,793 |
| Impairment losses and reversals of impairment losses | -35 | 154 | -25 | 77 |
| Profit/loss from asset disposals | 66 | -214 | 51 | -228 |
| Other non-cash income/expenses | -1,351 | 727 | -1,425 | 755 |
| Operating profit before adjusting working capital and further items of the statement of financial position | 55,071 | 43,537 | 27,253 | 25,768 |
| Change in provisions | -987 | -6,512 | -4,717 | -8,795 |
| Change in working capital | -15,003 | -2,902 | 1,939 | 3,755 |
| Change in other assets and liabilities | 3,665 | 5,449 | -764 | -720 |
| Cash flows from operating activities before income tax payments | 42,747 | 39,572 | 23,711 | 20,008 |
| Income tax payments | -6,195 | -3,599 | -4,039 | -2,423 |
| Cash flows from operating activities | 36,552 | 35,973 | 19,672 | 17,584 |
| Proceeds from sale of intangible assets | 0 | 10 | 0 | 7 |
| Capital expenditure for intangible assets | -2,926 | -1,395 | -1,668 | -1,030 |
| Proceeds from sale of property, plant and equipment | 202 | 488 | 80 | 114 |
| Capital expenditure for property, plant and equipment | -11,232 | -16,546 | -6,619 | -7,140 |
| Proceeds from sale of financial investments | 204 | 970 | 204 | 969 |
| Capital expenditure for financial investments | 0 | -175 | 0 | -88 |
| Acquisition of consolidated entitites | -5 | -5,089 | 0 | 0 |
| Proceeds from sale of investment companies | 281 | 0 | 0 | 0 |
| Proceeds from sale of financial assets within the framework of short-term disposition | 29,108 | 8,000 | 10,000 | 8,000 |
| Capital expenditure for financial assets within the framework of short-term disposition | -10,000 | -20,204 | 0 | 0 |
| Interest received | 185 | 298 | 63 | 201 |
| Cash flows from investing activities | 5,818 | -33,642 | 2,060 | 1,034 |
| Dividends paid | -17,171 | -14,310 | -17,171 | -14,310 |
| Proceeds from issuing bonds and loans | 2,484 | 3,868 | 2,145 | 1,514 |
| Repayments of bonds and loans | -2,462 | -501 | -876 | -470 |
| Payments for finance leases | -252 | -45 | -198 | -5 |
| Change in group financing | -885 | -215 | -706 | -156 |
| Interest paid | -1,895 | -1,865 | -1,459 | -1,577 |
| Cash flows from financing activities | -20,182 | -13,067 | -18,266 | -15,003 |
| Change in cash and cash equivalents | 22,188 | -10,736 | 3,466 | 3,615 |
| Effects of movements in exchange rates on cash held | 98 | -553 | 820 | -745 |
| Changes in cash and cash equivalents due to valuation adjustments | -557 | 0 | -103 | 0 |
| Changes in cash and cash equivalents due to changes in the scope of consolidation | 227 | 89 | 0 | 0 |
| Cash and cash equivalents at the beginning of the period | 132,310 | 91,961 | 150,083 | 77,891 |
| Cash and cash equivalents at the end of the period | 154,266 | 80,761 | 154,266 | 80,761 |

# Disclosures on Segment Reporting

## January 1 to June 30, 2018

| in thousand euros | Optics & Life Science | Mobility | Defense & Civil Systems | Other | Consolidation | Group |
|---|---|---|---|---|---|---|
| Revenue | 139,509 | 138,475 | 108,237 | 23,286 | -24,826 | 384,682 |
| | (124,933) | (117,776) | (105,381) | (19,069) | (-18,765) | (348,394) |
| thereof intragroup revenue | 2,577 | 32 | 288 | 21,929 | -24,826 | 0 |
| | (1,954) | (13) | (100) | (16,699) | (-18,765) | (0) |
| thereof exernal revenue | 136,932 | 138,443 | 107,950 | 1,357 | 0 | 384,682 |
| | (122,979) | (117,763) | (105,281) | (2,370) | (0) | (348,394) |
| Germany | 26,037 | 54,445 | 43,767 | 1,293 | 0 | 125,542 |
| | (23,203) | (26,993) | (46,097) | (2,263) | (0) | (98,557) |
| Europe | 54,968 | 32,208 | 28,472 | 0 | 0 | 115,648 |
| | (45,806) | (31,762) | (22,408) | (0) | (0) | (99,976) |
| Americas | 26,670 | 27,571 | 28,251 | 4 | 0 | 82,497 |
| | (22,949) | (32,302) | (26,582) | (1) | (0) | (81,833) |
| Middle East / Africa | 6,952 | 3,748 | 6,330 | 0 | 0 | 17,030 |
| | (5,906) | (3,163) | (5,700) | (0) | (0) | (14,769) |
| Asia / Pacific | 22,305 | 20,469 | 1,130 | 60 | 0 | 43,964 |
| | (25,116) | (23,543) | (4,495) | (106) | (0) | (53,259) |
| EBITDA | 32,400 | 16,128 | 11,661 | -3,922 | 11 | 56,278 |
| | (26,475) | (6,304) | (11,324) | (-1,291) | (4) | (42,816) |
| EBIT | 28,711 | 11,849 | 9,510 | -7,294 | 14 | 42,790 |
| | (22,381) | (2,398) | (8,993) | (-4,496) | (8) | (29,284) |
| Research and development expenses | 8,460 | 8,296 | 6,323 | 66 | -231 | 22,914 |
| | (7,437) | (8,819) | (5,553) | (334) | (-17) | (22,126) |
| Free cash flow (before interest and income taxes) | 10,617 | 15,073 | 15,797 | -11,181 | -1,515 | 28,791 |
| | (10,855) | (-56) | (15,192) | (-4,104) | (243) | (22,129) |
| Working capital | 72,493 | 67,266 | 87,572 | 378 | -631 | 227,079 |
| | (55,808) | (68,915) | (96,179) | (-6,035) | (-98) | (214,769) |
| Order intake | 157,540 | 140,199 | 100,406 | 23,489 | -24,464 | 397,171 |
| | (149,090) | (144,373) | (111,797) | (18,963) | (-18,920) | (405,304) |
| Frame contracts | 12,455 | 22,781 | 44,578 | 0 | 0 | 79,814 |
| | (11,128) | (30,150) | (46,334) | (0) | (0) | (87,612) |
| Total assets | 221,727 | 246,655 | 177,748 | 753,581 | -484,999 | 914,712 |
| | (181,248) | (241,019) | (179,056) | (779,719) | (-491,916) | (889,126) |
| Total liabilities | 66,809 | 174,193 | 122,157 | 172,755 | -164,665 | 371,250 |
| | (53,913) | (183,062) | (125,838) | (174,647) | (-178,265) | (359,194) |
| Additions to intangible assets and property, plant and equipment | 8,448 | 2,691 | 2,259 | 1,981 | 0 | 15,379 |
| | (2,013) | (12,944) | (1,824) | (937) | (0) | (17,717) |
| Scheduled depreciation and amortization | 3,724 | 4,279 | 2,152 | 3,372 | -4 | 13,523 |
| | (4,094) | (3,907) | (2,331) | (3,204) | (-4) | (13,532) |
| Number of employees on average (without trainees) | 1,141 | 1,275 | 854 | 323 | 0 | 3,593 |
| | (1,089) | (1,237) | (835) | (304) | (0) | (3,466) |

EBITDA = Earnings before interest, taxes, depreciation and amortization

EBIT = Earnings before interest and taxes

Prior year figures are in parentheses.

Prior year figures refer to December 31, 2017

# Notes to the Interim Consolidated Financial Statements for the First Six Months of 2018

## Parent Company

The parent company of Jenoptik Group is JENOPTIK AG headquartered in Jena with its legal seat registered in the Jena Commercial Register under the number HRB 200146. JENOPTIK AG is a stock corporation listed on the German Stock Exchange in Frankfurt and, among others, included in the TecDax index.

## Accounting in accordance with International Financial Reporting Standards (IFRS)

The accounting policies applied in preparing the 2017 consolidated financial statements were also applied in preparing the interim consolidated financial statements as at June 30, 2018, which were prepared on the basis of the International Accounting Standard (IAS) 34 “Interim Financial Reporting”, with the exemption of the standards applied for the first time in fiscal year 2018. The 2017 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. These policies were published and individually described in detail in the Notes to the 2017 Annual Report. The Annual Report is available on the Jenoptik website under www.jenoptik.com using the path Investors/Reports and Presentations.

The interim consolidated financial statements were prepared in euros, the currency used in the Group, and figures are shown in thousand euros, if not otherwise stated. It is to be noted that there may be rounding differences as compared to the mathematically exact values (monetary units, percentages, etc.).

Management considers the interim consolidated financial statements to include all standard adjustments to be made on an ongoing basis to present a true and fair view of the Group’s business performance in the period under review.

The following IFRS have been applied for the first time in 2018:

IFRS 9 „Financial Instruments“. This standard replaces all earlier versions of IAS 39 for the classification and valuation of financial assets and liabilities as well as for the accounting treatment for hedging instruments. This new version of the standard contains revised guidelines for the classification and valuation of financial instruments. These include a new model for anticipated credit defaults for calculating the impairment loss to financial assets as well as the new general accounting regulations for hedging transactions. This standard also adopts the IAS 39 guidelines for the recognition and derecognition of financial instruments. IFRS 9 is to be adopted in fiscal years beginning on or after January 1, 2018. With the exception of the accounting for hedging transactions, the standard is to be applied retrospectively but there is no requirement for the disclosure of comparison information. Apart from a few exceptions, the regulations for the accounting treatment of hedging transactions must be applied in general prospectively.

Overall, the following impacts were identified on Jenoptiks balance sheet, income statement and equity:

a) Classification and valuation: The Group will essentially exercise the case-by-case option of applying a valuation at fair values outside of profit or loss for equity instruments which were valued as available-for-sale assets. Henceforth all changes in fair value will be recognized directly in other comprehensive income without any effect on profit or loss and without any later possibility of reclassifications through profit or loss. With regard to assets valued at amortized procurement costs, there was no material change under IFRS 9 as well. Loans and trade receivables are held in order to collect the contractual cash flows which exclusively represent redemption of and interest payments on the outstanding nominal amounts. Jenoptik analyzed the contractual cash flows and came to the conclusion that the cash flow requirement is being met and no reclassification is necessary.

b) Impairment losses: As a result of non-secured short-term securities and bank deposits, a provision for risks amounting to 0.6 million euros was recognized for the first time at the date of initial application. Furthermore the Group applies for all trade receivables the simplified approach to determine the Expected-Credit-Loss over the entire term.

c) Accounting for hedging transactions: The Group has determined that all hedging transactions previously designated as effective hedging relationships also meet the criteria provided for under IFRS 9 for hedge accounting. Since IFRS 9 does not provide for any change in the general principles for the accounting of effective hedging relationships, there were no material changes with regard to the accounting of hedging relationships in the consolidated financial statements.

Changes in the classification and measurement of financial assets led to the following effects as at the date of first-time application:

Transition of financial assets from IAS 39 to IFRS 9

| in thousand euros | Valuation category according to IAS 38 [1] | Carrying amounts according to IAS 39 as at 31/12/2017 | Revaluation according to the application of the expected-loss model | Carrying amounts according to IFRS 9 as at 1/1/2018 | Valuation category according to I FRS 9 [1] |
|---|---|---|---|---|---|
| Financial investments | | | | | |
| Securities | LAR | 64,169 | -214 | 63,955 | AC |
| Shares in unconsolidated associates and investments | AFS | 2,812 | | 2,812 | FVTOCI |
| Available-for-sale financial assets | AFS | 867 | | 867 | AC |
| Loans granted | LAR | 730 | | 730 | AC |
| Financial assets held to maturity | HTM | 408 | | 408 | AC |
| Trade receivables | LAR | 136,017 | | 136,017 | AC |
| Other financial assets | | | | | |
| Receivables from lease agreements | - | 340 | | 340 | - |
| Derivatives with hedging relations | - | 2,962 | | 2,962 | - |
| Derivatives without hedging relations | FVTPL | 2,003 | | 2,003 | FVTPL |
| Miscellaneous financial assets | LAR | 2,322 | | 2,322 | AC |
| Cash and cash equivalents | LAR | 132,310 | -368 | 131,942 | AC |

1) LAR = Loans and receivables
AFS = Available for sale
HTM = Held to maturity
AC = Amortized costs
FVTPL = Fair value through Profit & Loss
FVTOCI = Fair value through other comprehensive income

There were no effects on financial liabilities.

The Group recorded the transition effects as at January 1, 2018 on a cumulative basis in equity. Taking into account an increase of deferred tax assets amounting to 173 thousand euros the other reserves decreased by 409 thousand euros.

The application of IFRS 9 had only an insignificant impact on the financial statements for the first half-year of 2018. There were also no significant impacts on the cash flow statement.

IFRS 15 „Revenue from Contracts with Customers“. IFRS introduces a five-stage model for accounting for revenue from contracts with customers. Under IFRS 15, revenue is recorded in the amount of the consideration in return which an entity can expect for the transfer of goods or services to a customer (the transaction price). The new standard replaces all existing guidelines for recording revenues such as IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. For fiscal years commencing on or after January 1, 2018, the regulation stipulates either the full retrospective application or a modified retrospective application.

Clarifications on IFRS 15 "Revenue from Contracts with Customers".
The clarifications explain implementation issues which were addressed by the Joint Transition Group for Revenue Recognition. These questions relate to the identification of performance obligations, the application guidelines for principal-agent relationships and licenses for intellectual property, as well as the transitional provisions. In addition, the aim of the amendments is to ensure a more consistent approach in the implementation

of IFRS 15 and to reduce the costs and complexity associated with its application. The changes came into effect on January 1, 2018 and mainly affect the following topics at Jenoptik:

a) Customer-specific development projects, followed by volume production: In the past, revenues were recognized after delivery of the product, unless IAS 11 applied (successive contracts to supply). The Group concludes that development services under IFRS 15 are recognized as separate performance obligation over the period of development as revenue and no longer through volume production, which tends to result in revenues being recognized earlier. According to provisional knowledge, in the fiscal year 2018, the changes will lead to a reduction in revenue ranging between approx. 1.5 million euros and 2.5 million euros and a reduction in cost of sales of between approx. 4.5 million euros and 5.5 million euros with the effects not being recognized continuosly.

b) Customer-specific volume production: Up to and including the fiscal year 2017, revenue was recognized with the transfer of risk after delivery or acceptance by the customer. Under IFRS 15, Jenoptik concludes that these contracts are to be accounted for in accordance with the requirements of IFRS 15.35 (c) in the specific period, leading to revenue being recognized earlier. An impact on the level of sales in fiscal year 2018 will depend on the continuity of this business, although this is not anticipated based on the current revenue forecast.

In addition, the application of IFRS 15 leads in individual cases to a change in revenue recognition for customer contracts previously recognized as construction contracts in accordance with IAS 11, which are now recognized on a given date. This will not result in any significant increase in revenues or costs of sales in the 2018 fiscal year.

The Group recognized the transition effects as of January 1, 2018 cumulatively in equity for all customer orders not yet completed at that date (modified retrospective method). In total, the following changes in balance sheet items resulted from the first-time application of IFRS 15:

| in thousand euros | 1/1/2018 |
|---|---|
| Non-current assets | 1,584 |
| Deferred tax assets | 1,584 |
| Current assets | -4,399 |
| Inventories | -11,087 |
| Current trade receivables | -14,859 |
| Contract assets | 21,548 |
| **Total assets** | **-2,815** |
| | |
| Equity | -3,750 |
| Other reserves | -3,749 |
| Non-controlling interests | -1 |
| Current liabilities | 935 |
| Other current provisions | 145 |
| Other current non-financial liabilities | 790 |
| **Total equity and liabilities** | **-2,815** |

The balance sheet and income statement for the first half-year of 2018 were influenced by the application of IFRS 15 compared to the accounting and valuation methods applied in the 2017 fiscal year as shown in the following tables:

| in thousand euros | 30/6/2018 |
|---|---|
| Non-current assets | 1,485 |
| Deferred tax assets | 1,485 |
| Current assets | -4,960 |
| Inventories | -12,647 |
| Current trade receivables | -14,277 |
| Contract assets | 21,964 |
| **Total assets** | **-3,475** |
| | |
| Equity | -3,505 |
| Other reserves | -3,505 |
| Current liabilities | 29 |
| Other current non-financial liabilities | 29 |
| **Total equity and liabilities** | **-3,475** |

| in thousand euros | 1/1 to 30/6/2018 |
|---|---|
| Revenue | 1,904 |
| Cost of sales | 1,560 |
| **Gross profit** | **345** |
| **EBIT** | **345** |
| **Earnings before tax** | **345** |
| Income taxes | -99 |
| **Earnings after tax** | **246** |
| Results from non-controlling interests | 1 |
| Earnings attributable to shareholders | 245 |
| **Earnings per share in euros (diluted=undiluted)** | **0.00** |

There were no significant impacts on the cash flow statement.

Furthermore, the initial application of IFRS 15 results in the need for Jenoptik to disclose clearly more information in the Notes concerning the nature, amount and timing of the revenue and cash flows arising from contracts with customers as defined in IFRS 15.

## The Group of Entities Consolidated

The consolidated financial statements of JENOPTIK AG contain 37 fully consolidated subsidiaries (31/12/2017: 35). Thereof 14 (31/12/2017: 12) have their legal seat in Germany and 23 (31/12/2017: 23) abroad. The companies to be consolidated within the Jenoptik Group still contain one joint operation.

As of January 1, 2018 RADARLUX Radar Systems GmbH, Leverkusen, Germany (hereinafter referred to as Radarlux) was included in the Consolidated Financial Statements for the first time. This did not have any significant effects on the Group.

Also as of January 1, 2018 TELSTAR-HOMMEL CORPORATION, Ltd. of Pyeongtaek, Korea, was included in the Consolidated Financial Statements as an associated company using the at-equity method. The difference between the proportionate net assets to which Jenoptik is entitled and the carrying amount of the shareholding at the time of the initial at-equity consolidation was offset outside of profit or loss in the amount of 3,614 thousand euros against the retained earnings. Jenoptik's shares in current earnings after tax (EAT) and other comprehensive income are not shown separately in the Statement of Total Comprehensive Income on grounds of materiality.

In addition, under an agreement dated February 13, 2018, JENOPTIK Optical Systems GmbH, Jena, Germany, acquired 94 percent of the limited partnership interest in ASAM Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, Germany (hereinafter: ASAM). The company is the owner of the production and administration building used by JENOPTIK Polymer Systems GmbH at the Triptis site. The fixed cash purchase price was 5 thousand euros. Since the acquired company has no business operations, this does not represent a business combination as defined in IFRS 3 but rather an acquisition of the individual assets and liabilities of the company. There were the following additions to assets and liabilities at the time of initial consolidation:

| in thousand euros | Additions |
|---|---|
| Non-current assets | 3,452 |
| Current assets | 36 |
| Non-current liabilities | 3,000 |
| Current liabilities | 482 |

The Group Income Statement and the Consolidated Statement of Cash Flows were not materially affected.

After the balance sheet date, on signing the agreement on July 10, 2018 and on fulfillment of the condition precedent on July 23, 2018, Jenoptik acquired a 100 percent stake in Prodomax Automation Ltd., Barrie (Ontario), Canada, through its US company JENOPTIK North America Inc. The entity acquired is specialized in process automation for the automotive industry. With the acquisition Jenoptik strengthens its position as a full-service turnkey provider of complex automated manufacturing solutions the company has embarked on with the acquisition of Five Lakes Automation in 2017.

The information below are based on provisional figures. The provisional nature concerns determination of the acquired net assets, valuation of the intangible assets identified in the process of purchase price allocation, and determination of the purchase price with a view to finalizing the completion accounts. The first-time consolidation will be finalized by the end of the valuation period. The purchase price comprises a fixed cash component in the amount of 119,572 thousand Canadian dollars (77,710 thousand euros). In turn, we acquired the following identified net assets at the point of first-time consolidation:

| in thousand euros | Additions |
|---|---|
| Non-current assets | 37,189 |
| Current assets | 31,674 |
| Non-current liabilities | 31,615 |
| Current liabilities | 13,614 |

The acquired assets include receivables with a gross value of 13,980 thousand euros, corresponding to the full fair value. There is no expectation that the acquired receivables will be unrecoverable. Also included in the acquired net assets are cash and cash equivalents amounting to 3,194 thousand euros and bank loans assumed by Jenoptik amounting to 22,870 thousand euros.

In connection with the acquisition of shares in Prodomax Automation Ltd., as part of the purchase price allocation the main items identified as intangible assets were a customer base, order backlog, as well as trademark rights and favorable contracts, in addition to the remeasurement of work in progress. The intangible assets are depreciated over periods of between six months and ten years. Goodwill in the sum of 54,076 thousand euros was also recorded for the acquisition of skilled personnel and synergies arising from the combination of automation solutions and laser processing machines, an expansion of the customer base as well as the development of new markets. The goodwill is to be allocated to the "Automotive" group of cash-generating units and is not tax-deductible.

No contingent liabilities were recognized in the acquisition.

Costs of 358 thousand euros for the acquisition of Prodomax Automation Ltd. arose in the first half-year 2018 and were shown in other operating expenses.

No companies were sold.

## Material transactions

The JENOPTIK AG Annual General Meeting agreed on June 5, 2018, a dividend payment of 0.30 euros per share. The payment of the dividend led to a reduction of 17,171 thousand euros in cash flows from financing activities.

Beyond this, transactions with a significant influence on the interim consolidated financial statements of Jenoptik in the second quarter or cumulative up to June 30, 2018 did not occur.

## Classifications of material financial statement items

Revenue. A breakdown of revenues from contracts with customers by segments and geographical regions is set out in the segment reporting on page 23. Most of the revenues were recognized on a given date. In addition to services, including customer-specific development projects, in particular in the Optics & Life Science and Defense & Civil Systems segments, revenues recognized in a given period also include revenues from customer-specific volume production.

Property, plant and equipment

| in thousand euros | 30/6/2018 | 31/12/2017 |
| --- | --- | --- |
| Land and buildings | 95,148 | 92,105 |
| Technical equipment and machinery | 40,805 | 39,905 |
| Other equipment, operating and office equipment | 21,716 | 23,034 |
| Payments on-account and assets under construction | 14,496 | 9,686 |
| Total | 172,165 | 164,730 |

Inventories

| in thousand euros | 30/6/2018 | 31/12/2017 |
| --- | --- | --- |
| Raw materials, consumables and supplies | 69,519 | 67,406 |
| Unfinished goods and work in progress | 83,282 | 80,706 |
| Finished goods and merchandise | 18,767 | 18,244 |
| Payments on-account | 1,888 | 2,269 |
| Total | 173,456 | 168,625 |

Current trade receivables

| in thousand euros | 30/6/2018 | 31/12/2017 |
| --- | --- | --- |
| Trade receivables from third parties | 123,883 | 120,978 |
| Receivables from construction contracts | 0 | 14,859 |
| Trade receivables from unconsolidated accociates and joint operations | 316 | 94 |
| Trade receivables from investment companies | 304 | 86 |
| Total | 124,503 | 136,017 |

Non-current financial debt

| in thousand euros | 30/6/2018 | 31/12/2017 |
| --- | --- | --- |
| Non-current liabilities to banks | 109,159 | 107,883 |
| Non-current liabilities from finance leases | 3,369 | 690 |
| Total | 112,528 | 108,573 |

Current financial debt

| in thousand euros | 30/6/2018 | 31/12/2017 |
| --- | --- | --- |
| Liabilities to banks | 20,500 | 19,157 |
| Liabilities from finance leases | 670 | 180 |
| Total | 21,170 | 19,337 |

Current trade payables

| in thousand euros | 30/6/2018 | 31/12/2017 |
| --- | --- | --- |
| Trade payables towards third parties | 58,115 | 61,523 |
| Trade payables towards unconsolidated associates and joint operations | 89 | 116 |
| Trade payables towards investment companies | 31 | 18 |
| Total | 58,234 | 61,657 |

Other current non-financial liabilities

| in thousand euros | 30/6/2018 | 31/12/2017 |
| --- | --- | --- |
| Liabilities from advance payments received | 33,643 | 28,169 |
| Liabilities to employees | 12,415 | 8,287 |
| Liabilities from other taxes | 3,721 | 5,387 |
| Accruals | 3,397 | 2,816 |
| Contract liabilities | 966 | 0 |
| Miscellaneous current non-financial liabilities | 2,608 | 2,594 |
| Total | 56,750 | 47,253 |

# Financial instruments

The carrying amounts listed below for available-for-sale financial assets, shares in unconsolidated associates and investment companies, cash and cash equivalents, contingent liabilities and derivatives with and without hedging relations correspond to their fair value. The carrying amounts of the remaining items represent an appropriate approximation of their fair value. In the following presentation the non-current and current portion of each item of the statement of financial position was aggregated.

Financial assets

| in thousand euros | Valuation category according to IFRS 9 [1)] | Carrying amounts 30/6/2018 | Carrying amounts 31/12/2017 |
|---|---|---|---|
| Financial investments | | | |
| Securities | AC | 44,729 | 64,169 |
| Shares in unconsolidated associates and investments | FVTOCI | 1,589 | 2,812 |
| Investments accounted for using the equity method | - | 5,330 | 0 |
| Available-for-sale financial assets | AC | 0 | 867 |
| Loans granted | AC | 10 | 730 |
| Financial assets held to maturity | AC | 0 | 408 |
| Trade receivables | AC | 124,503 | 136,017 |
| Other financial assets | | | |
| Receivables from lease agreements | - | 85 | 340 |
| Derivatives with hedging relations | - | 1,067 | 2,962 |
| Derivatives without hedging relations | FVTPL | 1,835 | 2,003 |
| Miscellaneous financial assets | AC | 813 | 2,322 |
| Cash and cash equivalents | AC | 154,266 | 132,310 |

1) AC = Amortized costs
FVTPL = Fair value through Profit & Loss
FVTOCI = Fair value through other comprehensive income

Financial liabilities

| in thousand euros | Valuation category according to IFRS 9 [1)] | Carrying amounts 30/6/2018 | Carrying amounts 31/12/2017 |
|---|---|---|---|
| Financial debt | | | |
| Liabilities to banks | AC | 129,659 | 127,040 |
| Liabilities from finance leases | - | 4,039 | 871 |
| Trade payables | AC | 58,234 | 61,657 |
| Other financial liabilities | | | |
| Contingent liabilities | FVTPL | 3,201 | 3,128 |
| Derivatives with hedging relations | - | 2,456 | 486 |
| Derivatives without hedging relations | FVTPL | 138 | 194 |
| Miscellaneous financial liabilities | AC | 4,319 | 5,266 |

1) AC = Amortized costs
FVTPL = Fair value through Profit & Loss

As part of capital management, new cash investments are regularly made and payments are collected on scheduled due dates. In the course of these transactions, securities decreased in value by a total of 19,440 thousand euros over the reporting period.

The classification of fair values is shown in the following overview of financial assets and liabilities measured at fair value:

| in thousand euros | Carrying amounts 30/6/2018 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Shares in unconsolidated associates and investments | 1,589 | 0 | 0 | 1,589 |
| | (0) | (0) | (0) | (0) |
| Available-for-sale financial assets | 0 | 0 | 0 | 0 |
| | (867) | (0) | (0) | (867) |
| Derivatives with hedging relations (assets) | 1,067 | 0 | 1,067 | 0 |
| | (2,962) | (0) | (2,962) | (0) |
| Derivatives without hedging relations (assets) | 1,835 | 0 | 1,835 | 0 |
| | (2,003) | (0) | (2,003) | (0) |
| Contingent liabilities | 3,201 | 0 | 0 | 3,201 |
| | (3,128) | (0) | (0) | (3,128) |
| Derivatives with hedging relations (liabilities) | 2,456 | 0 | 2,456 | 0 |
| | (486) | (0) | (486) | (0) |
| Derivatives without hedging relations (liabilities) | 138 | 0 | 138 | 0 |
| | (194) | (0) | (194) | (0) |

Prior year figures are in parentheses

Fair values which are available as quoted market prices at all times, are allocated to level 1. Fair values determined on the basis of direct or indirect observable parameters, are allocated to level 2. Level 3 is based on measurement parameters that are not based upon observable market data.

The fair values of shares in non-consolidated affiliated companies and participations are determined on the basis of discounted cash flows (level 3).

The fair values of all derivatives are determined using the generally recognized measurement method. In this context, the future cash flows determined via the agreed forward rate or interest rate are discounted using current market data. The market data used in this context is taken from leading financial information systems, such as, for example, Reuters. If an interpolation of market data is applied, this is done on a straight-line basis.

The fair value of contingent liabilities was measured by taking the expected and discounted payment outflows at the reporting date into consideration. As part of the acquisition of the Vysionics Group the agreed put option for acquiring the remaining non-controlling interests was recorded with the fair value of the estimated exercise price amounting to 628 thousand euros. In connection with the acquisition of Five Lakes Automation LLC, contingent liabilities were agreed with the sellers and accounted for at the fair value of 2,573 thousand euros. Discounting for the long-term component was not applied on grounds of materiality.

The development of financial assets and liabilities measured at fair value through profit and loss and allocated to level 3 is shown in the following chart:

| in thousand euros | Shares in unconsolidated associates and investments | Available-for-sale financial assets | Contingent liabilities |
|---|---|---|---|
| Balance at 1/1/2018 | 0 | 867 | 3,128 |
| Change in valuation category according to IFRS 9 | 2,812 | -867 | 0 |
| Change of the consolidation status | -1,225 | 0 | 0 |
| Gains and losses recognized in operating result | 0 | 0 | 1 |
| Currency effect | 3 | 0 | 72 |
| Balance at 30/6/2018 | 1,589 | 0 | 3,201 |

## Related party disclosures

For the period under review no material business transactions were performed with related parties.

## German Corporate Governance Code

The current statement given by the Executive Board and Supervisory Board pursuant to § 161 of the German Stock Corporation Act [Aktiengesetz (AktG)] regarding the German Corporate Governance Code has been made permanently available to shareholders on the Jenoptik website www.jenoptik.com using the path Investors/Corporate Governance. Furthermore, the statement can also be viewed on site at JENOPTIK AG.

## Litigations

JENOPTIK AG and its group entities are involved in several court or arbitration proceedings. Provisions for litigation risks, respectively litigation expenses, were set up in the appropriate amounts in order to meet any possible financial burdens resulting from any court decisions or arbitration proceedings. In case of a material impact on the economic situation of the Group these litigations are described in the Annual Report 2017. As at June 30, 2018 no further litigations arose that based on current assessment could have a material effect on the financial position of the Group.

## Events after the Reporting Period

In July 2018 Jenoptik acquired all shares in the Canadian company Prodomax Automation Ltd., Barrie (Ontario), Canada. For further information we refer to the information on the group of entities consolidated from page 27 on.

In addition, there were no other events after the balance sheet date of June 30, 2018 that were of significance to the Group or had a significant influence on Jenoptik's earnings, financial or asset positions at the time this report was prepared.

# Responsibility Statement by the Legal Representatives

To the best of our knowledge, we assure that the interim consolidated financial statements prepared in accordance with the applicable principles for the interim financial reporting give a true and fair view of the net assets, financial position and result of operations of the Group and that the interim group management report presents a fair view of the performance of the business including the operating resultand the position of the Group, together with a description of the significant opportunities and risks associated with the anticipated development of the Group.

Jena, August 7, 2018

Dr. Stefan Traeger
President & CEO

Hans-Dieter Schumacher
Chief Financial Officer

## Dates

November 13, 2018
Publication of Interim Report
January to September 2018

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