Interim Financial Report of the Jenoptik Group

(unaudited)

January to March 2017

At a glance – Jenoptik Group

in million euros	January - March 2017	January - March 2016	Change in %
Revenue	163.7	158.2	3.5
Optics & Life Science	59.0	52.2	13.0
Mobility	54.8	52.1	5.1
Defense & Civil Systems	50.2	54.4	-7.7
Other[1]	-0.3	-0.6	
EBITDA	17.7	16.6	6.5
Optics & Life Science	11.7	7.2	63.4
Mobility	2.9	4.4	-33.8
Defense & Civil Systems	4.3	4.3	0.0
Other[1]	-1.2	0.7	
EBIT	11.0	9.7	13.0
Optics & Life Science	9.7	5.2	87.1
Mobility	0.9	2.3	-59.7
Defense & Civil Systems	3.2	3.2	0.0
Other[1]	-2.8	-1.0	
EBIT margin	6.7%	6.1%	
Optics & Life Science	16.5%	10.0%	
Mobility	1.7%	4.4%	
Defense & Civil Systems	6.3%	5.8%	
Earnings after tax	8.3	6.4	29.3
Earnings per share in euros	0.15	0.11	29.4
Free cash flow	10.2	12.0	-15.0
Order intake	221.3	158.4	39.7
Optics & Life Science	77.1	59.1	30.5
Mobility	74.5	64.8	15.0
Defense & Civil Systems	69.8	37.6	85.7
Other[1]	-0.1	-3.0	

	March 31, 2017	December 31, 2016	March 31, 2016
Order backlog (in million euros)	461.0	405.2	368.5
Optics & Life Science	97.2	80.7	75.7
Mobility	128.1	108.3	104.6
Defense & Civil Systems	237.1	217.8	192.7
Other[1]	-1.3	-1.6	-4.4
Contracts (in million euros)	156.5	160.9	57.1
Optics & Life Science	14.1	14.5	6.4
Mobility	80.8	79.1	12.6
Defense & Civil Systems	61.6	67.4	38.1
Employees (incl. trainees)	3,574	3,539	3,492
Optics & Life Science	1,110	1,123	1,132
Mobility	1,268	1,229	1,200
Defense & Civil Systems	888	881	879
Other[1]	308	306	281

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

Figures on the earnings position were calculated on the basis of the continuing operations, if not otherwise indicated.
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 March 2017

- Successful start to the year: Revenue up 3.5 percent to 163.7 million euros (prior year 158.2 million euros), with particularly strong growth in the Americas. Increase in share of international revenue to 69 percent (prior year 65 percent).
  See Earnings Position – page 7.

- The Group boosted its EBIT to 11.0 million euros (prior year 9.7 million euros), an increase of 13.0 percent, and posted an EBIT margin of 6.7 percent (prior year 6.1 percent). EBITDA rose at a faster rate than revenue, to 17.7 million euros (prior year 16.6 million euros). Earnings after tax increased by 29.3 percent to 8.3 million euros (prior year 6.4 million euros).
  See Earnings Position – page 7.

- The order intake saw a significant increase of 39.7 percent to 221.3 million euros (prior year 158.4 million euros). The book-to-bill ratio of 1.35 was considerably up on the prior-year figure of 1.00.
  See Earnings Position – page 8.

- Financial strength further boosted. Due to higher capital expenditure, free cash flow was below the good level seen in the prior year and came to 10.2 million euros (prior year 12.0 million euros). Net debt amounted to minus 21.8 million euros.
  See Financial and Asset Position – page 9.

- Segment highlights:
  Optics & Life Science: strong growth – revenue, EBIT and order intake considerably up on prior year.
  Mobility: increase in revenue and order intake. Book-to-bill ratio reached 1.36. Revenue mix and start-up costs for new projects resulted in an expected drop in earnings.
  Defense & Civil Systems: more profitable revenue mix – EBIT margin improved to 6.3 percent (prior year 5.8 percent). Significant rise in order intake due to several major international projects.
  See Segment Report – from page 11.

- Outlook 2017: Following a positive development of business as expected in the first quarter of 2017 and on the basis of a very good order and project pipeline, the Executive Board has confirmed the guidance it published in March 2017. Group revenue is expected to come in at between 720 and 740 million euros. Depending on the development of revenue, the EBIT margin is forecast within the range of 9.5 to 10.0 percent.
  See Forecast Report – page 15.

Business and Framework Conditions

Group Structure and Business Activity

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

Jenoptik is a globally operating integrated photonics group and a supplier of high-quality and innovative capital goods. The Group is thus primarily a partner for 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.

Our key markets primarily include the semiconductor equipment industry, medical technology, automotive, machine construction, traffic, aviation as well as security and defense technology.

Targets and Strategies

Pushing on with our course of lastingly profitable growth, we are continuing to make further headway on the Jenoptik Group's core strategic themes of internationalization, innovation and operational excellence. We have consistently aligned the Group with our growth markets and are benefiting from the global trends of the digital world, health, mobility and efficiency, infrastructure and security. We are positioning ourselves as a strategic systems partner for international customers and together with them helping to shape forward-looking solutions.

To successfully continue on with our growth strategy,
- we pushed ahead with our efforts, commenced in 2016, to align our segments with growth markets and megatrends,
- we are continuing to work on our process of internationalization, together with greater vertical integration in the growth regions of the Americas and Asia/Pacific,
- we are expanding our systems and applications expertise, looking to broaden our forward-integrated business models,
- we are extending our excellence program into new areas and
- we are boosting our financial strength.

Beyond this, we want to enhance our organic growth with acquisitions.

Within the framework of its internationalization strategy, Jenoptik is investing around 14 million euros in the US location in Rochester Hills, Michigan, where a modern technology campus for metrology and laser machines will be completed by the summer of 2017.

For more information on the strategic trajectory of the Jenoptik Group, we refer to the 2016 Annual Report published in March 2017 and the details given in the "Targets and Strategies" section from page 58 on.

Structure of the Jenoptik Group

Corporate Center

Segment	Optics & Life Science		Mobility		Defense & Civil Systems
Division	Optical Systems	Healthcare & Industry	Automotive	Traffic Solutions	Defense & Civil Systems

Shared Service Center

The Jenoptik Share

Economic figures revealed a good start to 2017 for the global economy, even though the mood on the international capital markets was still dominated by expansionary monetary policies. After in part considerable share price rises in recent months, the upward trend on the stock exchanges began to stagnate at the end of the first quarter. The buoyant mood on the stock exchanges was primarily strained by doubts regarding the viability of the Trump administration's fiscal measures, but significant rises in stock valuations may also have contributed to a wave of profit taking. The Dax ended trading at 12,313 points on March 31, 2017, equating to growth of 6.2 percent in the first quarter. The TecDax ended the quarter at 2,047 points, up 11.2 percent.

In the first three months of the year, the Jenoptik share performed considerably better than the overall market, opening trading at 16.77 euros on January 2, 2017, before rising to a value of 23.24 euros at the end of the first quarter, corresponding to market capitalization of 1.33 billion euros. In the period covered by the report, the Jenoptik share thus grew 38.6 percent in value. By the end of trading on April 28, 2017, the share rose further, to reach a price of 24.71 euros.

On the TecDax, Jenoptik improved to 15th place (prior year 19th) in terms of free float market capitalization (89.0 percent) as of March 31, 2017, and was 25th in stock exchange turnover (prior year 22nd).

As of March 31, 2017, 13 research institutes and banks regularly reported on Jenoptik. Following the sharp increase in the Jenoptik share price since the start of the year and on the basis of the price level attained, a number of analysts changed their investment advice from "buy" to "hold," with three analysts recommending buying the share and ten advising investors to hold their shares at the end of the quarter. The average price target issued by all analysts at this time was 20.63 euros.

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

The global economy maintained the momentum it had built up in the 4th quarter of the prior year in the first quarter of 2017, as reported by the International Monetary Fund (IMF) in its "World Economic Outlook" for April 2017. This good news was bolstered by robust financial markets and long-awaited cyclical recovery in production and trading. By contrast, the first few months of the year saw geopolitical conflict flare up, particularly following recent missile tests in North Korea. In the Middle East, the war in Syria and related military strikes have further strained diplomatic relations between the US and Russia.

In the first quarter of this year the US economy grew by the lowest figure in the last three years. According to a first estimate by the US Department of Commerce the gross domestic product (GDP) rose by an annualized figure of 0.7 percent between January and March.

China's economy grew at a surprisingly strong rate in the first quarter of 2017. Gross domestic product increased 6.9 percent on the same period in the prior year, according to China's National Bureau of Statistics, which also states that global demand has improved and infrastructure investment to boost the economy has been effective. Industrial production grew 6.8 percent in the first three months; business capital

Earnings per share

	1/1/ to 31/3/2017	1/1/ to 31/3/2016
Earnings attributable to shareholders in thousand euros	8,387	6,479
Weighted average number of outstanding shares	57,238,115	57,238,115
Earnings per share in euros	0.15	0.11

Earnings per share are the net profit divided by the weighted average number of shares outstanding.

Jenoptik Key Share Figures

	1/1/ to 31/3/2017	1/1/ to 31/3/2016
Closing share price (Xetra) on 31/3/ in euros	23.24	14.05
Highest share price (Xetra) in euros	23.50	14.59
Lowest share price (Xetra) in euros	16.11	11.14
Market capitalization (Xetra) on 31/3/ in million euros	1,330.1	804.2
Average daily trading volume in shares[1]	176,166	126,347

[1] Source: Deutsche Börse

spending increased 9.2 percent, a fifth of which was for real estate. Economic experts, however, have warned of rising debt and uncertainty due to conflicts with North Korea and the US.

The industry and service sector in the euro zone grew strongly in the first three months, according to the monthly purchasing managers' indices released by IHS Markit. Driven by the single market, the index rose to its highest level in six years.

According to the spring report issued by German economic research institutes, the German economy stepped up a gear in the first quarter of 2017, primarily driven by consumer spending and less by capital expenditure. According to the German Federal Ministry for Economic Affairs and Energy, industrial orders, production and exports rose considerably in February compared to the prior month.

In March 2017, the Semiconductor Equipment and Materials International (SEMI) trade association published its finalized 2016 figures for the semiconductor equipment industry. Compared to the prior year, the equipment manufacturers' global revenue rose 13 percent to 41.2 billion US dollars.

According to the German Engineering Federation (VDMA) a strong January 2017 was followed by a stagnation in order intakes in February and a minus of 4 percent in March. In total, orders received increased by just 1 percent compared with the prior year, which, however, was marked by major orders. The result corresponds to the expected slight rise in production in the current year.

The German Association of the Automotive Industry (VDA) delivered a positive assessment of the first quarter of 2017: The major automobile markets of China and Western Europe saw an increase in new registrations compared to the prior year, while sales volumes also grew in India and Japan. By contrast, the light vehicle market in the US was slightly below the prior-year level. In Russia and Brazil, demand increased recently following weak prior months.

For the security and defense industries, the Swedish International Peace Research Institute (SIPRI) published a report on global armaments exports in April 2017. In 2016, these exports increased 0.4 percent on the prior year, to just under 1.6 trillion euros. Significant differences were seen on a regional basis: growth was reported in Asia, Central and Eastern Europe, and North Africa, while spending declined in Central and South America and in the Middle East, including Saudi Arabia. SIPRI considers the latter situation as attributable to lower oil revenues. The US spent the most on armaments, followed by China and Russia, with Germany 9th on the list.

No important new reports were published for other sectors relevant to Jenoptik at the time this financial statement was prepared. We therefore refer to the details from page 69 on of the 2016 Annual Report.

Earnings, Financial and Asset Position

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

Earnings Position

In the first three months of the 2017 fiscal year, Jenoptik achieved a slight and expected increase in revenue of 3.5 percent to 163.7 million euros (prior year 158.2 million euros). Growth was seen in the Optics & Life Science as well as Mobility segments due to strong demand for optical systems from the information and communication technology and the semiconductor equipment industries, for medical technology, for traffic solutions and for metrology from the automotive industry.

Compared to the prior-year quarter, revenue increased most strongly in the Americas by 38.8 percent to 34.9 million euros (prior year 25.1 million euros), due to good development of all segments. In the regions of the Middle East/Africa and Europe, revenues also increased slightly, to 6.7 million euros (prior year 6.2 million euros) and 49.0 million euros (prior year 48.3 million euros) respectively. Revenue in Germany fell by a total of 6.2 percent to 51.5 million euros (prior year 54.8 million euros). The Asia/Pacific region also generated less revenue, its figure of 21.7 million euros coming in at 8.3 percent less than in the prior year. The share of revenue for the two growth regions of the Americas and Asia/Pacific combined, however, increased to 34.6 percent of group revenue (prior year 30.8 percent). The share of revenue generated abroad also rose to 68.6 percent (prior year 65.3 percent). A summary of revenue distribution by region can be found on page 22.

The cost of sales rose at a slower rate than revenue, by 0.5 percent to 106.2 million euros (prior year 105.7 million euros). The gross margin consequently improved to 35.1 percent (prior year 33.1 percent).

Research and development (R+D) expenses again reached a comparatively high level also in the first quarter of 2017, at 10.6 million euros coming at the same level as in the prior year (prior year 10.6 million euros). The development costs on behalf of customers included in the cost of sales fell in the period covered by the report to 2.3 million euros (prior year 3.7 million euros). The R+D total output came to 12.9 million euros following 14.4 million euros in the same period of the prior year, equating to 7.9 percent of revenue (prior year 9.1 percent). The indicator includes R+D expenses, development costs on behalf of customers and capitalized development costs that are included in assets.

In the first quarter of 2017, selling expenses rose slightly to 19.3 million euros (prior year 18.4 million euros). At 11.8 percent, the selling expenses ratio was almost at the same level as in the prior year (prior year 11.6 percent). In the period covered by this report administrative expenses increased to 15.8 million euros (prior year 13.0 million euros). This was mainly attributable to expenses in connection with the change in the Executive Board, the higher valuation of share-based remuneration (LTI) for the Executive Board and parts of the top management as well as adjustments to the pay scales and salaries.

Other operating income and other operating expenses were both lower than in the prior year. At minus 0.8 million euros (prior year minus 0.7 million euros), the account balance from both items was at the prior-year level.

Revenue

in million euros	1/1/ to 31/3/2017	1/1/ to 31/3/2016	Change in %
Total	163.7	158.2	3.5
Optics & Life Science	59.0	52.2	13.0
Mobility	54.8	52.1	5.1
Defense & Civil Systems	50.2	54.4	-7.7
Other	-0.3	-0.6	

R+D Output

in million euros	1/1/ to 31/3/2017	1/1/ to 31/3/2016	Change in %
R+D output	12.9	14.4	-10.6
R+D expenses	10.6	10.6	0.0
Capitalized development costs	0.0	0.0	0.0
Developments on behalf of customers	2.3	3.7	-39.1

EBIT improved at a faster rate than revenue due to a more profitable revenue mix. At 11.0 million euros, it exceeded the prior-year figure by 13.0 percent (prior year 9.7 million euros) due to a strong contribution from the Optics & Life Science segment. The EBIT margin of 6.7 percent significantly exceeded the prior-year figure (prior year 6.1 percent).

For the reasons set out above, the Group also increased its EBITDA (earnings before interest, taxes, depreciation and amortization, incl. impairment losses and reversals) at a faster rate than revenue in the first three months of 2017, by 6.5 percent to 17.7 million euros (prior year 16.6 million euros).

Over the period covered by the report, the financial result improved to minus 1.0 million euros, among other things due to lower currency losses (prior year minus 2.1 million euros). At 10.0 million euros (prior year 7.6 million euros), the Group achieved higher earnings before tax than in the prior-year quarter. Income taxes came to 1.5 million euros (prior year 1.2 million euros), equating to a cash effective tax rate of 15.2 percent (prior year 15.7 percent). Group earnings after tax thus rose significantly, by 29.5 percent, to 8.4 million euros (prior year 6.5 million euros). Earnings per share increased to 0.15 euros (prior year 0.11 euros).

By the end of March 2017, the order intake in the Jenoptik Group had reached a record high for a first quarter, and at 221.3 million euros was 39.7 percent up on the prior-year figure of 158.4 million euros. The book-to-bill ratio, that of order intake to revenue, was consequently also sharply up on the prior year at 1.35 (prior year 1.00). At 461.0 million euros, the order backlog was 13.8 percent above the comparative figure (31/12/2016: 405.2 million euros). Of this order backlog, 67.2 percent is due to be converted to revenue in the present fiscal year and help to support scheduled growth.

There were also frame contracts worth 156.5 million euros (31/12/2016: 160.9 million euros). Frame contracts are contracts or framework agreements where the exact extent and probability of occurrence cannot yet be specified precisely.

Employees & management. As of March 31, 2017, the number of employees in the Jenoptik Group increased slightly compared to year-end 2016, to 3,574 (31/12/2016: 3,539 employees). The number of employees abroad grew in the course of the international expansion of business and due to initial consolidations. At the end of March 2017, 730 people were employed at the foreign locations (31/12/2016: 686 employees).

Jenoptik had a total of 97 trainees as of March 31, 2017 (31/12/2016: 123 trainees). In Germany, the Group had 103 agency employees (31/12/2016: 64 agency employees).

Since May 1, 2017, Dr. Stefan Traeger has been the new President & CEO of the Jenoptik Group. The 49-year-old succeeded Dr. Michael Mertin, who relinquished his position as President & CEO at the company after almost ten years of service.

Detailed information on the development of the segments can be found in the Segment Report from page 11 on.

EBIT

in million euros	1/1/ to 31/3/2017	1/1/ to 31/3/2016	Change in %
Total	11.0	9.7	13.0
Optics & Life Science	9.7	5.2	87.1
Mobility	0.9	2.3	-59.7
Defense & Civil Systems	3.2	3.2	-0.6
Other	-2.8	-1.0	

Order Situation

in million euros	1/1/ to 31/3/2017	1/1/ to 31/3/2016	Change in %
Order intake	221.3	158.4	39.7
	31/3/2017	31/12/2016	Change in %
Order backlog	461.0	405.2	13.8
Contracts	156.5	160.9	-2.8

Financial and Asset Position

With a sound equity ratio, the debenture loans and the syndicated loan, the Group has a viable financing structure for further organic growth and value-adding strategic acquisitions.

At the end of the first quarter of 2017, the debt ratio, that of borrowings to equity, increased from 0.71 at year-end 2016 to 0.73, as borrowings rose more strongly than equity.

As of March 31, 2017, the Jenoptik Group remained free of net debt. Net debt came to minus 21.8 million euros (31/12/2016: minus 17.9 million euros).

The Group spent 9.8 million euros on property, plant and equipment and intangible assets in the first three months of 2017, more than in the same prior-year period (prior year 5.5 million euros). At 9.4 million euros, the largest share of capital expenditure was on property, plant and equipment (prior year 5.1 million euros). Areas of investment included supporting ongoing growth, in part for new customer orders, financing new technical equipment, expanding production capacities and constructing the new building at the Rochester Hills, Michigan, location in the US. Investments in intangible assets were at 0.4 million euros as of March 31, 2017, and thus at the same level as in the prior year (prior year 0.4 million euros). Scheduled depreciation came to 6.7 million euros (prior year 6.9 million euros), and were thus below overall capital expenditure.

Alongside the rise in earnings and positive effects from the change in other assets and liabilities, cash flows from operating were primarily influenced by higher payments for working capital, and at 18.4 million euros as of March 31, 2017 were above the prior year's figure of 15.4 million euros.

Employees (incl. trainees)

	31/3/2017	31/12/2016	Change in %
Total	3,574	3,539	1.0
Optics & Life Science	1,110	1,123	-1.2
Mobility	1,268	1,229	3.2
Defense & Civil Systems	888	881	0.9
Other	308	306	0.7

Cash flows from investing activities were negatively influenced in particular by higher capital expenditure for property, plant and equipment, payments for the acquisition of the British traffic technology specialist ESSA Technology and payments due to financial investments in the amount of 20.2 million euros. The outflow of funds for investing activities amounted to 34.7 million euros as of March 31, 2017 (prior year 3.9 million euros).

In the period covered by the report, the free cash flow (cash flows from operating activities before interest and taxes, minus capital expenditure for and proceeds from intangible assets and property, plant and equipment) came to 10.2 million euros, and was down on the prior-year figure due to higher capital expenditure (prior year 12.0 million euros).

Cash flows from financing activities amounted to 1.9 million euros (prior year minus 1.3 million euros), and were positively influenced by proceeds from the issuing of loans for the construction of the technology campus in Rochester Hills, Michigan.

At 839.4 million euros as of March 31, 2017, the total assets of the Jenoptik Group were up on the 2016 year-end figure (31/12/2016: 813.1 million euros). This increase is chiefly due to higher inventories and current liabilities.

The rise in intangible assets and property, plant and equipment resulted in a minor increase in non-current assets to 375.5 million euros (31/12/2016: 371.9 million euros), mainly attributable to the acquisition of the British company ESSA Technology and higher capital expenditure on property, plant and equipment.

Current assets saw a rise of 22.7 million euros to 463.9 million euros (31/12/2016: 441.2 million euros). There were distinct developments within this balance sheet item. Inventories rose to 178.8 million euros (31/12/2016: 159.3 million euros) as, similarly to prior years, order-related prepayments were made for future revenues. Trade receivables, at 126.2 million euros, were below the figure at the end of 2016 (31/12/2016: 129.8 million euros). In addition, current financial investments increased to 70.8 million euros (31/12/2016: 50.5 million euros), as further short-term cash investments were made. By contrast, cash and cash equivalents fell to 77.9 million euros (31/12/2016: 92.0 million euros), chiefly due to the above-mentioned cash investments.

Compared to the end of 2016, the working capital increased to 218.9 million euros as of March 31, 2017 (31/12/2016: 209.9 million euros), but was practically at the same level as in the prior-year period (31/3/2016: 218.0 million euros). The working capital ratio, that of working capital to revenue based on the last twelve months, was above the figure at year-end 2016, at 31.7 percent (31/12/2016: 30.7 percent), but below the figure in the prior-year period (31/3/2016: 32.0 percent).

The earnings after tax posted at the end of March in particular resulted in equity increasing to 484.3 million euros (31/12/2016: 476.4 million euros). The equity ratio of 57.7 percent was below the figure at the end of 2016 (31/12/2016: 58.6 percent), as borrowings and thus also the total equity and liabilities rose more strongly in the first three months.

Compared to the end of December 2016, non-current liabilities were virtually unchanged at 176.6 million euros (31/12/2016: 175.4 million euros). Non-current liabilities primarily include the debenture loans placed in 2011 and 2015, totaling 125 million euros and with original terms of five and seven years. There were only minor changes in the other items included in non-current liabilities.

Compared to year-end 2016, current liabilities rose to 178.5 million euros (31/12/2016: 161.3 million euros). This increase is primarily due to higher other current non-financial liabilities resulting from increased deferrals and accruals for future revenue and liabilities for employee vacation entitlements which are due within the year. Other current provisions and current trade accounts payable also increased. Overall, there were only minor changes in the other items.

Purchases and sales of companies. In January, the Jenoptik Group acquired all shares in the British company ESSA Technology (Domestic and Commercial Security Limited), a specialist in software for traffic monitoring and back-office solutions, particularly automatic number plate recognition (ANPR) applications for the police. The company generated revenue in the low single-digit million euro range in the last year and will be integrated within Jenoptik's Mobility segment.

There were no other purchases or sales of companies in the first three months of 2017.

There were also no changes to assets and liabilities not included on the balance sheet, for more information on this, we refer to the information on page 83 of the 2016 Annual Report and the details on contingent liabilities on page 178.

Segment Report

Optics & Life Science Segment

In the first three months of 2017, the Optics & Life Science segment generated revenue of 59.0 million euros, an increase of 13.0 percent (prior year 52.2 million euros). The key driver of this growth was business with solutions for the information and communication technology and for the semiconductor equipment industries. Sales in the medical technology and life sciences markets also saw good development. Overall, the segment's share of group revenue was 36.0 percent (prior year 33.0 percent). Revenue in Germany increased from 9.2 million euros to 11.8 million euros, while revenue in Europe (excluding Germany) grew to 21.7 million euros (prior year 18.1 million euros). Revenue in the Americas saw a significant rise of 26.2 percent to 11.6 million euros (prior year 9.2 million euros).

Income from operations (EBIT) improved significantly, particularly due to strong demand for optical system solutions and good business in the lasers area following completion of restructuring measures, by 87.1 percent to 9.7 million euros (prior year 5.2 million euros). In the first three months of 2017, the segment thus achieved an EBIT margin of 16.5 percent (prior year 10.0 percent). Income from operations before depreciation and amortization (EBITDA) also increased significantly on the prior year, by 63.4 percent to 11.7 million euros (prior year 7.2 million euros).

The order intake saw a very good rise of 30.5 percent to 77.1 million euros (prior year 59.1 million euros). Set against revenue, this results in a book-to-bill ratio of 1.31 (prior year 1.13).

The segment order backlog was above the level on December 31, 2016, and at the end of March 2017 came to 97.2 million euros (31/12/2016: 80.7 million euros). There were also frame contracts worth 14.1 million euros (31/12/2016: 14.5 million euros).

The Optics & Life Science Segment at a Glance

in million euros	31/3/2017	31/3/2016	Change in %
Revenue	59.0	52.2	13.0
EBITDA	11.7	7.2	63.4
EBITDA margin in %	19.9	13.8	
EBIT	9.7	5.2	87.1
EBIT margin in %	16.5	10.0	
Capital expenditure	1.2	1.0	20.1
Free cash flow	1.7	-0.3	
Order intake	77.1	59.1	30.5
Order backlog[1]	97.2	80.7	20.4
Frame contracts[1]	14.1	14.5	-2.5
Employees[1]	1,110	1,123	-1.2

[1] Prior year's figures refer to December 31, 2016

Mobility Segment

In the first three months of 2017, revenue in the Mobility segment came to 54.8 million euros, slightly up on the prior-year figure (prior year 52.1 million euros). The automotive area developed at a stable rate in the first quarter. Business with traffic safety technology saw slight growth. The segment boosted its revenues in Europe, the Americas and the Middle East/Africa. In Germany and the Asia/Pacific region, however, revenue fell. The segment's share of group revenue increased slightly from 33.0 percent in the prior year to 33.5 percent.

Income from operations (EBIT) in the segment fell by 59.7 percent to 0.9 million euros (prior year 2.3 million euros), mainly due to the market entry into new business fields and start-up costs for customer-specific projects. These include, for example, the toll monitoring project which Jenoptik was awarded in 2016 and for which it will supply as development and technology partner new systems for monitoring truck toll payments on German federal highways until 2018. The EBIT margin in the first quarter accordingly decreased to 1.7 percent (prior year 4.4 percent). In the period covered by the report, income from operations before depreciation and amortization (EBITDA) fell 33.8 percent to 2.9 million euros (prior year 4.4 million euros).

As the order intake in the Mobility segment was considerably higher than revenue in the reporting period, the book-to-bill ratio in the first three months 2017 reached a figure of 1.36 (prior year 1.24). At 74.5 million euros, the order intake was above the prior-year figure (prior year 64.8 million euros).

The order backlog in the segment grew by 18.3 percent by the end of the first quarter, to 128.1 million euros (31/12/2016: 108.3 million euros). There were also frame contracts worth 80.8 million euros (31/12/2016: 79.1 million euros).

Capital expenditure in the Mobility segment rose substantially to 6.4 million euros in the first quarter 2017 (prior year 0.8 million euros. On the one hand, this was attributable to systems which were already produced as part of the Canadian traffic safety project. On the other hand, the Jenoptik Group continued to invest in the construction of its technology campus at the US location in Rochester Hills, Michigan. Completion of and move-in to the new company building is scheduled for the second quarter of 2017.

This capital expenditure and the declining result were key reasons for the drop in free cash flow to 1.0 million euros (prior year 3.7 million euros).

The Mobility Segment at a Glance

in million euros	31/3/2017	31/3/2016	Change in %
Revenue	54.8	52.1	5.1
EBITDA	2.9	4.4	-33.8
EBITDA margin in %	5.3	8.4	
EBIT	0.9	2.3	-59.7
EBIT margin in %	1.7	4.4	
Capital expenditure	6.4	0.8	
Free cash flow	1.0	3.7	-73.3
Order intake	74.5	64.8	15.0
Order backlog[1]	128.1	108.3	18.3
Frame contracts[1]	80.8	79.1	2.2
Employees[1]	1,268	1,229	3.2

[1] Prior year's figures refer to December 31, 2016

Defense & Civil Systems Segment

At the end of the first three months, the Defense & Civil Systems segment had achieved revenue in the amount of 50.2 million euros, as scheduled 7.7 percent below the comparative prior-year quarter (prior year 54.4 million euros). The comparative quarter in the prior year saw particularly strong revenues due to the settlement of several major projects in the field of energy and sensor systems. The segment's share of group revenue fell to 30.7 percent (prior year 34.4 percent). Growth was seen in the Americas, in particular due to the scheduled execution of orders for the Patriot missile defense system.

Despite a weaker development of revenue income from operations (EBIT) of 3.2 million euros remained stable at the prior-year level (prior year 3.2 million euros), primarily the result of good service business and a changed product mix. Consequently, the EBIT margin in the reporting period improved to 6.3 percent (prior year 5.8 percent). In the first three months of 2017, the segment generated income from operations before depreciation and amortization (EBITDA) of 4.3 million euros (prior year 4.3 million euros).

The Defense & Civil System segment reported a number of major international projects that were recognized eighter in the order intake or in frame contracts in the first quarter. On the one hand, the Group was awarded a contract to supply on-board gensets for passenger trains. On the other hand, Jenoptik received a follow-up order as part of the Polish program to update Leopard 2 tanks. This includes the delivery of auxiliary power units worth around 11 million euros. The order intake increased by 85.7 percent to 69.8 million euros (prior year 37.6 million euros), and the book-to-bill ratio accordingly rose considerably to 1.39, compared with 0.69 in the prior year.

On the basis of this very good order intake, the segment order backlog grew by 19.2 million euros to 237.1 million euros (31/12/2016: 217.8 million euros). There were also frame contracts worth 61.6 million euros (31/12/2016: 67.4 million euros).

The Defense & Civil Systems Segment at a Glance

in million euros	31/3/2017	31/3/2016	Change in %
Revenue	50.2	54.4	-7.7
EBITDA	4.3	4.3	0.0
EBITDA margin in %	8.6	8.0	
EBIT	3.2	3.2	0.0
EBIT margin in %	6.3	5.8	
Capital expenditure	1.0	0.9	9.9
Free cash flow	8.4	9.3	-9.9
Order intake	69.8	37.6	85.7
Order backlog[1]	237.1	217.8	8.8
Frame contracts[1]	61.6	67.4	-8.7
Employees[1]	888	881	0.9

[1] Prior year's figures refer to December 31, 2016

Report on Post-Balance Sheet Events

In the course of the current take-over of an US American company Jenoptik received an offer to intervene in the proceedings and to sell its minority shareholding in this company acquired in 2011. The offer is currently being examined.

In addition, there were no events after the balance sheet date of March 31, 2017 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.

Opportunity and Risk Report

Within the framework of the reporting on the Opportunity and Risk Report, we refer to the details on pages 101 to 110 of the 2016 Annual Report published at the end of March 2017.

There were no major changes in the opportunities and risks described in the report during the course of the first three months of 2017.

Forecast Report

Outlook for the Economy as a Whole and the Sectors

In its World Economic Outlook published in April 2017, the International Monetary Fund (IMF) marginally increased its growth forecast for the global economy (see table) and is expecting global growth of 3.5 percent in 2017, compared with 3.1 percent in the prior year. This situation is facilitated by a renewed rise in Chinese economic output, rising consumer and oil prices and robust financial markets. The IMF sees risks in the increasing danger of geopolitical tensions, protectionism in global trading and rising interest rates in the US.

For the US, the IMF expects gross domestic product (GDP) to show, at 2.3 percent, stronger growth than in the prior year, while economies in the euro zone are due to remain at prior-year levels with 1.7 percent growth.

China reduced its growth target for 2017 to around 6.5 percent in early March and is thus within the boundaries of its own five-year plan that anticipates average GDP growth of 6.5 percent until 2020.

In Germany, the IMF raised its GDP forecast by 0.1 percentage points to 1.6 percent, a rate of growth slightly above the figure given in the spring report issued by German economic research institutes. Their joint forecast of 1.5 percent is primarily dependent on consumer spending. The institutes' report sees a considerable risk for export-oriented German industry in the protectionist trade policy planned by the US administration. Other risks include political developments in Europe and the outcomes of Brexit negotiations and the French national elections.

Growth Forecast of Gross Domestic Product

in percent / in percentage points	2017	Change to forecast of January 2017	2018
World	3.5	0.1	3.6
USA	2.3	0.0	2.5
Euro zone	1.7	0.1	1.6
Germany	1.6	0.1	1.5
China	6.6	0.1	6.2
Emerging economies	4.5	0.0	4.8

Source: International Monetary Fund, April 2017

According to the "World Fab Forecast" published by the SEMI trade association for the semiconductor equipment industry in March 2017, this industry will achieve record revenue in 2017: after generating 41.2 billion US dollars in 2016, global revenue is due to rise to 46 billion US dollars. Following numerous modernization efforts, this figure could again be exceeded and reach almost 50 billion US dollars in 2018. Particularly in China, SEMI is anticipating high expenditure for semiconductor equipment, as several new chip factories are due to be built or equipped by 2018.

IT analyst Gartner is expecting similarly strong momentum in the semiconductor industry and thus increased its revenue forecast: according to a press release issued in mid-April, global revenue will rise 12.3 percent to 386 billion US dollars in 2017. Gartner previously anticipated a figure of 364 billion US dollars in January 2017.

No new major forecasts have been issued for the other sectors. We therefore refer to the details from page 111 on of the 2016 Annual Report.

Medium and long-term forecasts

At the heart of Jenoptik's strategic development is the desire to continue on our adopted course of profitable growth. To ensure the viability of this in the medium to long term, we have realigned our Group structure to serve global megatrends and both market and customer requirements, and are focusing our efforts on internationalization, innovation and operational excellence. We also aim to enhance our organic growth with suitable acquisitions and further improve profitability.

This positive outcome presupposes that political and economic conditions do not worsen. At present, these include the effects of Brexit, which cannot yet be assessed, other regulations at European level, export and trading restrictions, ongoing developments in Turkey, the US and China, and conflicts in the Middle East.

For more information on the medium to long-term outlook, we refer to the 2016 Annual Report published in March 2017, in particular the details in the "Targets and Strategies" section from page 58 on and in the Forecast Report from page 111 on.

Future Development of Business

Revenue growth, the resulting economies of scale, cost discipline and higher margins from the growing systems and service business together with the expansion of international sales structures are expected to again produce an increase in and sustainability of results in 2017. Process optimization measures and the Group development projects will also continue in the current fiscal year. The Jenoptik Group is thus fully committed to its objective to ensure profitable growth in all segments. Value-adding acquisitions will be subject to close scrutiny.

Following a positive development of business as expected in the first quarter of the present fiscal year and on the basis of a very good order and project pipeline, the Executive Board has firmed up the guidance it published in March 2017. It is anticipating organic growth in revenue and earnings for 2017. Group revenue is expected to come in at between 720 and 740 million euros. All three segments will contribute toward the growth in revenue. Jenoptik is also expecting EBIT – on the basis of continuing operations – to rise in 2017. Depending on the development of revenue, the EBIT margin is forecast within the range of 9.5 to 10.0 percent.

The good asset position and a viable financing structure give Jenoptik sufficient room for maneuver to finance further growth and acquisitions. The Group still anticipates annual revenue of around 800 million euros with an average EBIT margin of around 10 percent, and including smaller acquisitions, to be achieved by the end of 2018. In order to achieve these goals, the company is aiming for exceptional growth abroad, particularly in the Americas and Asia/Pacific. More than 40 percent of revenue (2016: 34.4 percent) is due to be generated in these focus regions by 2018.

We refer to the 2016 Annual Report, from page 114 on, for details of the outlook for other key indicators for the development of business and the development of the segments in the 2017 and 2018 fiscal years.

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 the economic and sector forecasts stated in this report and in the 2016 Annual Report from page 114 on.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

in thousand euros	1/1/ to 31/3/2017	1/1/ to 31/3/2016
Continuing operations		
Revenue	163,716	158,167
Cost of sales	106,243	105,744
Gross profit	57,474	52,422
Research and development expenses	10,578	10,632
Selling expenses	19,322	18,389
General administrative expenses	15,770	12,961
Other operating income	4,045	4,132
Other operating expenses	4,879	4,865
EBIT	10,969	9,708
Result from other investments	-76	-70
Financial income	176	2,159
Financial expenses	1,113	4,195
Financial result	-1,013	-2,106
Earnings before tax	9,956	7,602
Income taxes	-1,655	-1,182
Earnings after tax	8,301	6,419
Discontinued operations		
Other operating income	75	50
EBIT	75	50
Earnings before tax	75	50
Earnings after tax	75	50
Group		
Earnings after tax	8,376	6,469
Results from non-controlling interests	-11	-10
Earnings attributable to shareholders	8,387	6,479
Earnings per share in euros – continuing operations	0.15	0.11
Earnings per share in euros – discontinued operations	0.00	0.00
Earnings per share in euros – Group (diluted = undiluted)	0.15	0.11

Comprehensive Income

in thousand euros	1/1/ to 31/3/2017	1/1/ to 31/3/2016
Earnings after tax	8,376	6,469
Items that will never be reclassified to profit or loss	216	-436
Actuarial gains/losses arising from the valuation of pensions and similar obligations	216	-436
Items that are or may be reclassified to profit or loss	258	-2,945
Available-for-sale financial assets	92	-211
Cash flow hedges	788	803
Foreign currency exchange differences	-386	-3,293
Deferred taxes	-236	-244
Total other comprehensive income	474	-3,381
Total comprehensive income	8,850	3,088
Thereof attributable to:		
Non-controlling interests	22	123
Shareholders	8,828	2,965

Consolidated Statement of Financial Position

Assets in thousand euros	31/3/2017	31/12/2016	Change	31/3/2016
Non-current assets	375,550	371,891	3,658	372,820
Intangible assets	115,048	111,352	3,696	117,785
Property, plant and equipment	160,662	157,882	2,780	152,288
Investment property	4,420	4,444	-23	4,514
Financial investments	17,383	19,034	-1,651	19,677
Non-current trade receivables	1,544	1,923	-380	2,617
Other non-current financial assets	1,698	1,926	-228	1,386
Other non-current non-financial assets	1,020	1,108	-88	1,385
Deferred tax assets	73,774	74,223	-448	73,168
Current assets	463,867	441,159	22,708	393,489
Inventories	178,779	159,324	19,455	173,628
Current trade receivables	126,163	129,821	-3,659	114,576
Other current financial assets	938	2,422	-1,484	2,448
Other current non-financial assets	9,279	7,091	2,188	8,702
Current financial investments	70,817	50,540	20,277	397
Cash and cash equivalents	77,891	91,961	-14,070	93,738
Total assets	839,417	813,051	26,366	766,309

Equity and liabilities in thousand euros	31/3/2017	31/12/2016	Change	31/3/2016
Equity	484,306	476,379	7,927	438,220
Share capital	148,819	148,819	0	148,819
Capital reserve	194,286	194,286	0	194,286
Other reserves	141,510	133,604	7,905	96,073
Non-controlling interests	-308	-330	22	-958
Non-current liabilities	176,602	175,358	1,243	170,281
Pension provisions	37,144	37,630	-486	36,253
Other non-current provisions	12,077	12,339	-262	10,491
Non-current financial debt	122,798	120,479	2,319	113,285
Non-current trade payables	666	680	-13	1,183
Other non-current financial liabilities	2,758	3,485	-728	3,224
Other non-current non-financial liabilities	865	655	209	3,951
Deferred tax liabilities	294	90	203	1,894
Current liabilities	178,508	161,313	17,195	157,807
Tax provisions	3,578	3,380	198	2,264
Other current provisions	49,150	46,152	2,998	45,999
Current financial debt	4,072	4,129	-57	14,258
Current trade payables	52,179	48,402	3,777	44,411
Other current financial liabilities	4,990	5,642	-651	5,218
Other current non-financial liabilities	64,539	53,609	10,930	45,656
Total equity and liabilities	839,417	813,051	26,366	766,309

Consolidated Statement of Cash Flows

in thousand euros	1/1/ to 31/3/2017	1/1/ to 31/3/2016
Earnings before tax – continuing operations	9,956	7,602
Earnings before tax – discontinued operations	75	50
Earnings before tax	10,031	7,652
Interest income	937	2,036
Depreciation and amortization	6,739	6,916
Impairment losses and reversals of impairment losses	76	72
Profit/loss from asset disposals	13	87
Other non-cash income/expenses	-28	-343
Operating profit before adjusting working capital and further items of the statement of financial position	17,769	16,419
Change in provisions	2,283	3,231
Change in working capital	-6,657	-4,615
Change in other assets and liabilities	6,169	2,351
Cash flows from operating activities before income tax	19,565	17,387
Income tax expense	-1,175	-2,031
Cash flows from operating activities	18,389	15,356
thereof discontinued operations	75	50
Proceeds from sale of intangible assets	3	23
Capital expenditure for intangible assets	-365	-437
Proceeds from sale of property, plant and equipment	374	83
Capital expenditure for property, plant and equipment	-9,406	-5,097
Proceeds from sale of financial investments	0	1,500
Capital expenditure for financial investments	-87	-107
Acquisition of consolidated entities	-5,089	0
Capital expenditure for financial investments within the framework of short-term disposition	-20,204	0
Interest received	97	118
Cash flows from investing activities	-34,676	-3,918
Proceeds from issuing bonds and loans	2,354	0
Repayments of bonds and loans	-31	-465
Payments for finance leases	-40	-8
Change in group financing	-59	-419
Interest paid	-288	-376
Cash flows from financing activities	1,936	-1,268
Change in cash and cash equivalents	-14,351	10,171
thereof discontinued operations	75	50
Effects of movements in exchange rates on cash held	193	-257
Consolidation-scope related changes in cash and cash equivalents	89	0
Cash and cash equivalents at the beginning of the period	91,961	83,824
Cash and cash equivalents at the end of the period	77,891	93,738

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 1/1/2016	148,819	194,286	111,508	802	-399
Measurement of financial instruments				-211	563
Measurement of pension obligations					
Foreign currency exchange differences					
Earnings after tax			6,479		
Balance at 31/3/2016	148,819	194,286	117,987	591	164
Balance at 1/1/2017	148,819	194,286	155,016	515	-1,577
Measurement of financial instruments				92	552
Measurement of pension obligations					
Foreign currency exchange differences					
Earnings after tax			8,387		
Other adjustments			-944		
Balance at 31/3/2017	148,819	194,286	162,459	607	-1,025

Cumulative exchange differences	Actuarial effects	Equity attributable to shareholders of JENOPTIK AG	Non-controlling interests	Total	in thousand euros
9,273	-28,076	436,213	-1,081	435,132	Balance at 1/1/2016
		352		352	Measurement of financial instruments
	-436	-436		-436	Measurement of pension obligations
-3,453	23	-3,430	133	-3,297	Foreign currency exchange differences
		6,479	-10	6,469	Earnings after tax
5,820	-28,489	439,178	-958	438,220	Balance at 31/3/2016
8,108	-28,457	476,710	-331	476,379	Balance at 1/1/2017
		644		644	Measurement of financial instruments
	216	216		216	Measurement of pension obligations
-386	-11	-397	33	-364	Foreign currency exchange differences
		8,387	-11	8,376	Earnings after tax
		-944		-944	Other adjustments
7,722	-28,252	484,616	-309	484,307	Balance at 31/3/2017

Segment Report

January 1 to March 31, 2017

in thousand euros	Optics & Life Science	Mobility	Defense & Civil Systems	Other	Consolidation	Group
Revenue	58,968	54,824	50,221	9,460	-9,756	163,716
	(52,175)	(52,146)	(54,436)	(8,548)	(-9,138)	(158,167)
thereof intragroup revenue	1,026	22	16	8,692	-9,756	0
	(1,253)	(39)	(87)	(7,760)	(-9,138)	(0)
thereof external revenue	57,942	54,802	50,205	767	0	163,716
	(50,922)	(52,107)	(54,350)	(788)	(0)	(158,167)
Germany	11,762	12,390	26,616	683	-0	51,452
	(9,223)	(13,477)	(31,359)	(766)	(0)	(54,825)
Europe	21,725	16,557	10,732	0	0	49,014
	(18,073)	(14,830)	(15,417)	(0)	(0)	(48,319)
Americas	11,555	13,463	9,870	0	0	34,888
	(9,155)	(11,904)	(4,080)	(0)	(0)	(25,138)
Middle East / Africa	3,021	2,460	1,199	0	0	6,680
	(3,692)	(1,684)	(871)	(0)	(0)	(6,247)
Asia / Pacific	9,880	9,932	1,787	84	0	21,683
	(10,779)	(10,212)	(2,624)	(22)	(0)	(23,637)
EBITDA	11,735	2,900	4,300	-1,164	-63	17,709
	(7,182)	(4,381)	(4,334)	(709)	(20)	(16,626)
EBIT	9,716	930	3,156	-2,771	-61	10,969
	(5,192)	(2,310)	(3,175)	(-990)	(20)	(9,708)
Investment result	-76	0	0	0	0	-76
	(-70)	(0)	(0)	(0)	(0)	(-70)
Research and development expenses	3,757	4,316	2,387	127	-9	10,578
	(3,763)	(5,187)	(1,680)	(96)	(-94)	(10,632)
Free cash flow (before interest and income taxes)	1,670	989	8,395	-905	20	10,170
	(-324)	(3,710)	(9,320)	(-1,027)	(280)	(11,959)
Working capital[1]	65,530	65,363	91,439	-3,288	-144	218,900
	(56,563)	(64,668)	(93,514)	(-4,717)	(-111)	(209,917)
Order intake	77,122	74,457	69,828	9,378	-9,455	221,330
	(59,076)	(64,750)	(37,606)	(7,969)	(-10,988)	(158,413)
Frame contracts[1]	14,118	80,824	61,556	0	0	156,498
	(14,480)	(79,054)	(67,408)	(0)	(0)	(160,942)
Total assets[1]	205,664	237,708	184,704	719,073	-507,732	839,417
	(190,624)	(225,286)	(176,851)	(718,487)	(-498,198)	(813,051)
Total liabilities[1]	53,901	158,197	134,089	197,534	-188,612	355,110
	(48,058)	(146,245)	(129,538)	(193,311)	(-180,479)	(336,672)
Capital expenditure	1,170	6,413	993	395	0	8,970
	(974)	(819)	(903)	(481)	(0)	(3,178)
Scheduled depreciation and amortization	2,020	1,970	1,144	1,608	-2	6,739
	(1,988)	(2,071)	(1,158)	(1,698)	(0)	(6,916)
Number of employees on average	1,087	1,226	830	304	0	3,446
without trainees	(1,108)	(1,174)	(830)	(276)	(0)	(3,388)

Prior year figures are in parentheses.

[1] Prior year figures refer to December 31, 2016

Notes to the interim consolidated financial statements for the first three months of 2017

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 2016 consolidated financial statements were also applied in preparing the interim consolidated financial statements as at March 31, 2017, which were prepared on the basis of the International Accounting Standard (IAS) 34 "Interim Financial Reporting". These interim 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 2016 Annual Report. The Annual Report is available on the internet 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 2017:

Amendment to IAS 12 "Recording of deferred tax claims for non realized losses". The amendment makes it clear that an entity must consider whether tax laws restrict the sources for future taxable income, against which it can use deductions from the reversal of the corresponding, deductible temporary differences. In addition, the amendment contains guidelines on how an entity has to determine future taxable income and explains the circumstances in which future taxable income can include amounts arising from the realization of assets above their carrying amount. This amendment became effective as of January 1, 2017 and has no material impact on the con-solidated financial statements.

Changes to IAS 7: Disclosure initiative. The amendment to IAS 7 Cash Flow Statements, is part of the IASB's disclosure initiative and obligates entities to provide information that enables addressees of financial statements to keep track of the changes to the debts arising from financing activities. When applying the amendments for the first time, entities do not have to give any comparison information for prior periods. This amendment became effective as of January 1, 2017. As a result of applying the amendments the Group will provide the additional information required in the Annual Report 2017.

The Group of Entities Consolidated

The consolidated financial statements of JENOPTIK AG contain 34 fully consolidated subsidiaries (31/12/2016: 32). Thereof 12 (31/12/2016: 12) have their legal seat in Germany and 22 (31/12/2016: 20) abroad. The companies to be consolidated within the Jenoptik Group still contain one joint operation.

On signing the agreement on January 19, 2017 Jenoptik acquired 100 percent of the shares in Domestic and Commercial Security Limited (in the following: ESSA Technology), Saltash (Great Britain) via the British entity JENOPTIK Traffic Solutions UK Ltd. ESSA Technology specializes in software for traffic monitoring and associated back office solutions, particularly automatic number plate recognition (ANPR) applications for the police. The acquisition expands the Jenoptik Group's traffic safety portfolio and promotes its ongoing transformation into a supplier of integrated solutions for public safety and "smart cities".

As Jenoptik holds 94.64 percent of the shares in the acquiring entity JENOPTIK Traffic Solutions UK Ltd., 5.36 percent of the results of ESSA Technology have been attributed to non-controlling interests from the time of the acquisition.

The information below is based on provisional figures. Their provisional nature concerns determination of the acquired net assets, in particular in terms of acquired intangible assets, and determination of the purchase price with regard to finalization of the completion which influence the calculation of the purchase price and thus the purchase price allocation and the amount of goodwill to be capitalized. The provisional aspect also concerns the information regarding off-balance sheet contingent liabilities. The initial consolidation will be finalized by the end of the measurement period.

The purchase price comprises a fixed cash component of 4,610 thousand pounds sterling (5,354 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	1,528
Current assets	1,117
Non-current liabilities	264
Current liabilities	402

The acquired assets include receivables with a gross value of 808 thousand euros, corresponding to the full fair value. There is no expectation that the acquired receivables will be unrecoverable.

Cash and cash equivalents amounting to 265 thousand euros are also included in the acquired assets.

In connection with the acquisition of shares in ESSA Technology, the main items identified as intangible assets were a customer base, technologies, trademark rights and an order backlog. The intangible assets are depreciated over periods of between three and ten years. Goodwill in the sum of 3,376 thousand euros was also recorded for the acquisition of skilled personnel and synergy effects arising from the expansion of the range of services through to integrated solutions. The goodwill is to be allocated to the cash-generating unit Traffic Solutions and is not tax-deductible.

Contingent liabilities were not included in the company acquisition.

Costs of 46 thousand euros (prior year 148 thousand euros) were incurred for the acquisition of ESSA Technology in the 2017 fiscal year and are included in the other operating expenses.

The interim financial statements as of March 31, 2017 contain revenue amounting to 269 thousand euros and earnings after tax amounting to 21 thousand euros resulting from the incorporation of ESSA Technology. In case the acquisition would have taken place on January 1, 2017 the group revenue would have been 163,821 thousand euros and the earnings after tax would have amounted to 8,419 thousand euros. In order to prepare this information we assumed that the fair values of the intangibles assets identified during the purchase price allocation are identical with those identified at time of initial consolidation. These pro forma figures were prepared exclusively for the purpose of comparison. These figures do not provide information neither on the operating result that would have been achieved in case the acquisition would have taken place on January 1, 2017 nor future results.

Since January 1, 2017, JENOPTIK India Private Limited, Bangalore, India, was included in the consolidated financial statements for the first time. At the time of first-time consolidation the following assets and liabilities were included:

in thousand euros	Additions
Non-current assets	16
Current assets	529
Current liabilities	276

The interim financial statements contain revenues of 65 thousand euros and earnings after tax amounting to 62 thousand euros for the newly consolidated company.

No companies were sold.

Material transactions

Transactions with a significant influence on the interim consolidated financial statements of Jenoptik as at March 31, 2017 did not occur.

Classifications of material financial statement items

Property, plant and equipment

in thousand euros	31/3/2017	31/12/2016
Land and buildings	83,570	84,396
Technical equipment and machines	38,506	39,730
Other equipment, operating and office equipment	22,057	21,546
Payments on-account and assets under construction	16,529	12,210
Total	160,662	157,882

Inventories

in thousand euros	31/3/2017	31/12/2016
Raw materials, consumables and supplies	62,595	54,924
Unfinished goods and work in progress	93,082	84,400
Finished goods and merchandise	21,943	18,738
Payments on-account made	1,159	1,261
Total	178,779	159,324

Current trade receivables

in thousand euros	31/3/2017	31/12/2016
Trade receivables from third parties	120,081	124,608
Receivables from construction contracts	5,457	4,419
Trade receivables from unconsolidated associates and joint operations	583	562
Trade receivables from entities in which investments are held	42	232
Total	126,163	129,821

Non-current financial liabilities

in thousand euros	31/3/2017	31/12/2016
Non-current bank liabilities	122,722	120,434
Non-current liabilities from finance leases	76	45
Total	122,798	120,479

Current financial liabilities

in thousand euros	31/3/2017	31/12/2016
Bank liabilities	4,051	4,088
Liabilities from finance leases	21	41
Total	4,072	4,129

Current trade payables

in thousand euros	31/3/2017	31/12/2016
Trade payables towards third parties	51,585	48,020
Trade payables towards unconsolidated associates and joint operations	94	293
Trade payables towards entities in which investments are held	500	89
Total	52,179	48,402

Other current non-financial liabilities

in thousand euros	31/3/2017	31/12/2016
Liabilities from advance payments received	33,284	29,461
Liabilities to employees	14,030	12,816
Accruals	9,022	3,295
Liabilities from other taxes	6,134	4,183
Miscellaneous current financial liabilities	2,069	3,854
Total	64,539	53,609

Financial instruments

The carrying amounts listed below for cash and cash equivalents, available for sale financial assets, 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 IAS 39 [1]	Carrying amounts 31/3/2017	Carrying amounts 31/12/2016
Financial investments			
Securities	LAR	69,950	49,746
Shares in unconsolidated associates and investments	AFS	14,934	16,598
Available-for-sale financial assets	AFS	1,757	1,656
Loans granted	LAR	1,280	1,294
Financial assets held to maturity	HTM	280	280
Trade receivables	LAR	127,706	131,745
Other financial assets			
Receivables from lease agreements	-	720	845
Derivatives with hedging relations	-	64	43
Derivatives without hedging relations	FVTPL	1,510	1,599
Miscellaneous financial assets	LAR	342	1,862
Cash and cash equivalents	LAR	77,891	91,961

1) LAR = Loans and receivables
HTM = Held to maturity
AFS = Available for sale
FVTPL = Fair value through Profit & Loss

Financial liabilities

in thousand euros	Valuation category according to IAS 39 [1]	Carrying amounts 31/3/2017	Carrying amounts 31/12/2016
Financial debt			
Liabilities to banks	FLAC	126,773	124,521
Liabilities from finance lease agreements	-	97	86
Trade payables	FLAC	52,846	49,082
Other financial liabilities			
Contingent liabilities	FVTPL	1,287	1,284
Derivatives with hedging relations	-	1,741	2,770
Derivatives without hedging relations	FVTPL	574	567
Miscellaneous financial liabilities	FLAC	4,147	4,506

1) LAR = Loans and receivables
HTM = Held to maturity
AFS = Available for sale
FVTPL = Fair value through Profit & Loss

In line with the capital management a further cash investment of 20,204 thousand euros was conducted in the first quarter of 2017 which is disclosed as current financial investments in the category securities.

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

in thousand euros	Carrying amounts 31/3/2017	Level 1	Level 2	Level 3
Available-for-sale financial assets	1,757 (1,656)	1,387 (1,295)	0 (0)	370 (361)
Derivates with hedging relations (assets)	64 (43)	0 (0)	64 (43)	0 (0)
Derivates without hedging relations (assets)	1,510 (1,599)	0 (0)	1,510 (1,599)	0 (0)
Contingent liabilities	1,287 (1,284)	0 (0)	0 (0)	1,287 (1,284)
Derivates with hedging relations (liabilities)	1,741 (2,770)	0 (0)	1,741 (2,770)	0 (0)
Derivates without hedging relations (liabilities)	574 (567)	0 (0)	574 (567)	0 (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.

Fair values of available-for-sale financial assets are determined on the basis of stock exchange prices (level 1), respectively, discounted cash flows (level 3).

The fair values of all derivatives are determined using the generally recognized measurement methods. 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 present value of the estimated exercise price amounting to 1,287 thousand euros using a discount rate of 0.47 percent. The financial result was negatively influenced due to the recording of the compounded interest of 2 thousand euros. The losses of 1 thousand euros recognized in the operating result are attributable to the measurement of that liability held in foreign currency.

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	Available-for-sale	Contingent liabilities
Balance at 1/1/2017	361	1,284
Additions	87	0
Gains and losses recognized in operating result	0	1
Gains and losses recognized in financial result	-76	2
Balance at 31/3/2017	370	1,287

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 statements 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 2016. As at March 31, 2017 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 the course of the current take-over of an US American company Jenoptik received an offer to intervene in the proceedings and to sell its minority shareholding in this company acquired in 2011. The offer is currently being examined.
In addition, there were no events after the balance sheet date of March 31, 2017 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 result and the position of the Group, together with a description of the significant opportunities and risks associated with the anticipated development of the Group.

Jena, May 9, 2017

Dr. Stefan Traeger
President & CEO

Hans-Dieter Schumacher
Chief Financial Officer

Dates

June 7, 2017
Annual General Meeting 2017
of JENOPTIK AG

August 9, 2017
Publication of Interim Report
January to June 2017

November 10, 2017
Publication of Interim Report
January to September 2017

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