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JENOPTIK

Interim Financial Report of the Jenoptik Group

(unaudited)

January to March 2018

At a glance – Jenoptik Group

in million euros	1/1 to 31/3/2018	1/1 to 31/3/2017	Change in %
Revenue	189.9	163.7	16.0
Optics & Life Science	68.8	59.0	16.6
Mobility	72.3	54.8	31.9
Defense & Civil Systems	49.7	50.2	– 1.1
Other[1]	– 0.8	– 0.3	
EBITDA	27.7	17.8	55.9
Optics & Life Science	15.9	11.7	35.9
Mobility	8.3	2.9	187.5
Defense & Civil Systems	4.9	4.3	13.7
Other[1]	– 1.4	– 1.2	
EBITDA margin	14.6%	10.9%	
Optics & Life Science	23.2%	19.9%	
Mobility	11.5%	5.3%	
Defense & Civil Systems	9.8%	8.6%	
EBIT	20.8	11.0	88.7
Optics & Life Science	14.1	9.7	45.1
Mobility	6.1	0.9	550.4
Defense & Civil Systems	3.8	3.2	20.4
Other[1]	– 3.1	– 2.8	
EBIT margin	11.0%	6.7%	
Earnings after tax	15.6	8.4	86.3
Earnings per share in euros	0.27	0.15	86.7
Free cash flow	13.3	10.2	30.7
Order intake	199.2	221.3	– 10.0
Optics & Life Science	87.1	77.1	12.9
Mobility	68.7	74.5	– 7.8
Defense & Civil Systems	44.1	69.8	– 36.8
Other[1]	– 0.6	– 0.1	

	March 31, 2018	December 31, 2017	March 31, 2017
Order backlog (in million euros)	453.0	453.5	461.0
Optics & Life Science	124.0	109.1	97.2
Mobility	140.7	144.7	128.1
Defense & Civil Systems	191.0	202.6	237.1
Other[1]	– 2.8	– 2.9	– 1.3
Contracts (in million euros)	82.0	87.6	156.5
Employees (incl. trainees)	3,697	3,680	3,574
Optics & Life Science	1,173	1,149	1,110
Mobility	1,304	1,326	1,268
Defense & Civil Systems	908	897	888
Other[1]	312	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 March 2018

- Good start to the year as expected – group revenue rose sharply, by 16.0 percent to 189.9 million euros (prior year: 163.7 million euros). All regions contributed to growth.
  See Earnings Position – Page 7

- Strong increase in earnings – EBITDA grew to 27.7 million euros (prior year: 17.8 million euros). Income from operations (EBIT) increased by 88.7 percent to 20.8 million euros (prior year: 11.0 million euros). EBIT margin rose to 11.0 percent (prior year: 6.7 percent).
  See Earnings Position – Page 8

- Order intake down on prior year – with a book-to-bill ratio of 1.05, the order intake in the first quarter exceeded revenue (prior year: 1.35). Jenoptik received new orders worth 199.2 million euros (prior year: 221.3 million euros). In the prior year, several major orders were included in order intake.
  See Earnings Position – Page 8

- Strong financial power – good free cash flow of 13.3 million euros in the first quarter (prior year: 10.2 million euros). At 59.5 percent, the equity ratio remained at a high level (31/12/2017: 59.6 percent).
  See Financial and Asset Position – Page 9

- Segment highlights:
  Optics & Life Science: strong growth in all areas – revenue, EBIT, and order intake were markedly up.
  Mobility: good performance over the quarter and scheduled settlements in the field of traffic safety technology – revenue and earnings were significantly increased.
  Defense & Civil Systems: earnings improved – stable volume of business with higher earnings. First-quarter order intake was still below the very high prior-year level.
  See Segment Report – Page 11

- 2018 guidance confirmed – following a good start to the fiscal year, the Executive Board confirmed its guidance and is aiming for revenue to come in at between 790 and 810 million euros. The EBITDA margin is expected to be between 14.5 and 15.0 million euros, the EBIT margin between 10.5 and 11.0 percent.
  See Forecast Report – Page 15

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. The majority of our products and services are provided 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 intensity its focus on its core competencies, and thus focus more on photonic growth markets. The aim is to transform Jenoptik into a global and focused photonics company over the next few years. The stronger concentration on the core competencies should simultaneously help to optimize the use of existing capacities and thus contribute to 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”. We want to increase our R+D output to around 10 percent of revenue by 2022. International diversity will also characterize Jenoptik more than ever before. That means international teams and also more local decision-making. In this context, the Executive Board of Jenoptik has now expanded its operating management team to include international managers. Ultimately, at least one division will have its headquarters abroad by the year 2022.

To implement the Strategy 2022, we will
- 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,
- drive an active cultural change 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.

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 and on the Jenoptik homepage.

The Jenoptik Share

At the beginning of the year the mood on the international capital markets was positive. Good economic data and an optimistic outlook continued to bolster share prices across the board. Over the first three months of the new year, however, many indices did not reach the high levels seen at the end of 2017. The Dax closed at 12,097 points on March 29, 2017, to end the quarter down 6.0 percent. On the last day of trading in March, the TecDax was down 2.4 percent, at 2,494 points.

The Jenoptik share saw a more robust development in the first quarter. In January 2018, the price rose from an initial 27.80 euros to a temporary high of 33.66 euros, but was unable to maintain its high level. On the last trading day in March 2018, the Jenoptik share closed at 28.72 euros, an increase of 3.3 percent since the beginning of the year. By the end of trading on April 30, 2018, the share rose again to reach a price of 30.20 euros. As of the end of March, Jenoptik's market capitalization was 1,643.9 million euros.

In February 2018, the Oppenheim International Small-Mid Company Fund informed us that it had increased its stake in Jenoptik from 2.92 percent to 3.16 percent.

The Jenoptik boards will propose a 20 percent increase in the dividend to 0.30 euros per share (prior year: 0.25 euros) to the Annual General Meeting on June 5, 2018. Subject to shareholder approval, the payout ratio based on earnings attributable to shareholders will be 23.7 percent for a dividend payment of 17.2 million euros (prior year 24.9 percent).

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

At present, a total of twelve research companies and banks regularly report on Jenoptik. In late April, at the time this report was prepared, three analysts recommended buying the stock, seven advised investors to hold, and two recommended selling. The average target price across all recommendations was 29.46 euros.

Earnings per share

	1/1 to 31/3/2018	1/1 to 31/3/2017
Earnings attributable to shareholders in thousand euros	15,659	8,387
Weighted average number of outstanding shares	57,238,115	57,238,115
Earnings per share in euros	0.27	0.15

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

Jenoptik Key Share Figures

	1/1 to 31/3/2018	1/1 to 31/3/2017
Closing share price (Xetra) on 31/3/ in euros	28.72	23.24
Highest share price (Xetra) in euros	33.66	23.50
Lowest share price (Xetra) in euros	26.78	16.11
Market capitalization (Xetra) on 31/3/ in million euros	1,643.9	1,330.1
Average daily trading volume in shares[1]	195,578	176,166

[1] Source: Deutsche Börse

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

The International Monetary Fund (IMF) sees the global economy in a state of sustained economic recovery: According to the World Economic Outlook of April 2018, this was mainly due to the momentum generated by the tax reform in the US. International trade conflicts, especially between the US and China, gave cause for concern. The trend toward protectionism has already had an impact on the business climate in Germany: in March, the Ifo index for the country's current and future business outlook fell, albeit less sharply than analysts had expected. Industrial production in the euro zone and Germany has recently declined compared to previous months, while industrial orders increased only marginally. The trade dispute and the strong euro put a strain on German foreign trade in February, with exports falling unexpectedly and more sharply than at any time in the last two and a half years.

In 2017, the German photonics industry exceeded expectations with revenue of 33.9 billion euros – 12 percent more than in the prior year –, according to the Spectaris industry association in its industry report issued in late March 2018. The report sees foreign business as the driving force behind this good performance. The EU accounted for the majority of exports, followed by Asia and North America.

Growth in the semiconductor industry continued in the first quarter of 2018, according to the Semiconductor Industry Association (SIA). With 111.1 billion US dollars 20 percent more revenue was generated than in the same quarter of the prior year which in total was a record year for the industry. IT analyst Gartner confirmed its 2017 annual figures in April: at 420.4 billion US dollars, the industry generated 21.6 percent more revenue worldwide than in 2016, exceeding the 400 billion US dollar mark for the first time.

In early April 2018, the Semiconductor Equipment and Materials International (SEMI) trade association published its final 2017 figures for the semiconductor equipment industry. Compared to the prior year, the equipment manufacturers' global revenue rose by 37 percent to 56.6 billion US dollars. For the first time, South Korea was the largest market for semiconductor equipment, ahead of Taiwan and China. In the first quarter, the US adopted a restrictive stance with regard to M&A activities in the industry, blocking the acquisition of a major US chip manufacturer by an Asian competitor on grounds of national security.

In the German mechanical and plant engineering industry, continuing good demand at the beginning of the year led to double-digit order intake growth rates, according to the VDMA industry association. In total, 7 percent more orders were received in the first quarter than in the prior-year period. With a view to global developments, the VDMA published its (estimated) annual figures for 2017 at the end of March: in its opinion, the economic upturn in Europe has also impacted on the mechanical engineering sector, with revenue 6 percent up on the prior year at 777 billion euros, while the global machinery market grew by only 1 percent to 2.6 trillion euros in 2017. China was once again the world's largest machine manufacturer, with total revenue of 910 billion euros.

The German Association of the Automotive industry (VDA) made a positive assessment of the first quarter of 2018: the major automotive markets of Europe, the US, and China recorded year-on-year growth in new registrations. Russia and Brazil managed to post double-digit growth rates after weak prior years. By contrast, the European manufacturers' association ACEA reported a significant decline in Europe's key automotive markets in March – the first since March 2014.

The EU Commission has made little progress toward its goal of increasing road safety and significantly reducing the number of road deaths: in 2017, just under 1.2 percent fewer people died on Europe's roads; the total was 25,300. In addition, 135,000 people were seriously injured, bringing the total social costs of medical care, rehabilitation, and lost working hours to 120 billion euros per year.

For the security and defense industries, the Swedish International Peace Research Institute (SIPRI) published a report on armaments in April 2018. In the face of ongoing conflicts, the countries of the Middle East doubled their arms imports between 2013 and 2017 compared to the five-year period before. Worldwide trade in armaments increased by 10 percent during this period. The largest exporter was the US, followed by Russia, France, and Germany.

No major new reports had been published for the other sectors at the time these financial statements were prepared. We refer to pages 83 f. of the 2017 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 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 16.0 percent to 189.9 million euros in the first three months of 2018 (prior year: 163.7 million euros). Growth was seen in the Optics & Life Science and Mobility segments. This increase was due to strong demand for optical systems in the semiconductor equipment industry, as well as for systems from the Healthcare & Industry area. Scheduled deliveries of toll monitoring pillars in the Traffic Solutions area also made a significant contribution to this growth.

Jenoptik achieved growth in all regions in the first quarter. The share of revenue generated abroad came to 66.8 percent (prior year: 68.6 percent). Revenue in the two growth regions of the Americas and Asia/Pacific rose to 61.2 million euros (prior year: 56.6 million euros), in absolute terms. In percentage terms, however, they accounted for 32.2 percent of group revenue, slightly down on the prior year (prior year: 34.6 percent). By contrast, revenue in Germany increased by a total of 22.4 percent to 63.0 million euros (prior year: 51.5 million euros). Thanks to the delivery of toll monitoring pillars, growth in the Mobility segment was particularly strong. A significant revenue increase of 16.8 percent was also achieved in Europe. A summary of revenue distribution by region can be found on page 21 of this report.

The cost of sales rose by 16.7 percent to 124.0 million euros (prior year 106.2 million euros) and thus at a slightly stronger rate than revenue. The gross margin, at 34.7 percent, consequently fell short of the prior-year figure (prior year: 35.1 percent), due to temporary impacts in the project business in the Automotive area.

A step-up in group research and development activities (R+D) led to an increase in the R+D expenses to 11.1 million euros in the first quarter of 2018 (prior year: 10.6 million euros). The development costs on behalf of customers included in the cost of sales also rose in the period covered by the report, to 5.2 million euros (prior year: 2.3 million euros). The R+D output, at 16.8 million euros, was significantly above the prior-year figure (prior year: 12.9 million euros) and equated to 8.8 percent of revenue (prior year: 7.9 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 three months of 2018 selling expenses increased to 21.0 million euros (prior year: 19.3 million euros), primarily due to the expansion of international activities. The selling expenses ratio came to 11.1 percent (prior year: 11.8 percent). A sharp fall was seen in the administrative expenses, which were reduced to 12.6 million euros in the period covered by the report (prior year: 15.8 million euros). The prior year also included expenses in connection with the change on the Executive Board and the increased valuation of share-based payments for the Executive Board and some members of the top management. The administrative expenses ratio fell to 6.7 percent (prior year: 9.6 percent).

Revenue

in million euros	1/1 to 31/3/2018	1/1 to 31/3/2017	Change in %
Group	189.9	163.7	16.0
Optics & Life Science	68.8	59.0	16.6
Mobility	72.3	54.8	31.9
Defense & Civil Systems	49.7	50.2	-1.1
Other	-0.8	-0.3	

R+D Output

in million euros	1/1 to 31/3/2018	1/1 to 31/3/2017	Change in %
R+D output	16.8	12.9	30.4
R+D expenses	11.1	10.6	5.1
Capitalized development costs	0.4	0.0	
Developments on behalf of customers	5.2	2.3	129.8

Both other operating income and other operating expenses were below the prior-year figures. The balance from both items amounted to minus 0.3 million euros (prior year: minus 0.8 million euros).

Revenue growth and a slight reduction in functional costs produced a stronger rise in EBIT compared to revenue. At 20.8 million euros, EBIT was 88.7 percent up on the prior-year figure (prior year: 11 0 million euros). This positive development was mainly attributable to contributions from the Mobility and Optics & Life Science segments. EBIT margin rose to 11.0 percent (prior year: 6.7 percent).

In the first three months of 2018, and for the reasons mentioned above, EBITDA (earnings before interest, taxes and depreciation/amortization, incl. impairment losses and reversals) also increased, by 55.9 percent to 27.7 million euros (prior year: 17.8 million euros). EBIT margin rose to 14.6 percent (prior year: 10.9 percent).

Over the reporting period, the financial result came to minus 1.6 million euros (prior year: minus 1.0 million euros), in part due to higher currency losses. At 19.3 million euros (prior year 10.0 million euros), the Group posted improved earnings before tax compared with the same quarter in the prior year. Income tax expenses came to 2.7 million euros (prior year: 1.5 million euros), equating to a cash effective tax rate of 14.0 percent (prior year: 15.2 percent). The decrease is mainly due to the tax reform in the US and the resulting reduction in the tax rate. Group earnings after tax rose by 86.3 percent to 15.6 million euros (prior year: 8.4 million euros). Group earnings per share totaled 0.27 euros (prior year: 0.15 euros).

Compared to the prior year, the Jenoptik Group's order intake fell 10.0 percent to 199.2 million euros by the end of March 2018 (prior year: 221.3 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. The book-to-bill ratio came to 1.05 (prior year: 1.35), i.e. the order intake in the first three months of 2018 thus exceeded revenue.

At 453.0 million euros, the order backlog remained at the 2017 year-end level (31/12/2017: 453.5 million euros). Of this order backlog, 74.6 percent (prior year: 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 82.0 million euros (31/12/2017: 87.6 million euros). Frame contracts are contracts or framework agreements where the exact sum and probability of occurrence cannot yet be specified precisely.

Employees & management. The number of Jenoptik employees increased to 3,697 in the first three months of 2018 (31/12/2017: 3,680 employees). This was due to a rise in employee numbers in Germany. At the end of March 2018, 789 people were employed at the foreign locations (31/12/2017: 802 employees).

Jenoptik had a total of 88 trainees as of March 31, 2018 (31/12/2017: 109 trainees). In Germany, the Group had 117 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 11 on.

EBIT

in million euros	1/1 to 31/3/2018	1/1 to 31/3/2017	Change in %
Group	20.8	11.0	88.7
Optics & Life Science	14.1	9.7	45.1
Mobility	6.1	0.9	550.4
Defense & Civil Systems	3.8	3.2	20.4
Other	-3.1	-2.8	

EBITDA

in million euros	1/1 to 31/3/2018	1/1 to 31/3/2017	Change in %
Group	27.7	17.8	55.9
Optics & Life Science	15.9	11.7	35.9
Mobility	8.3	2.9	187.5
Defense & Civil Systems	4.9	4.3	13.7
Other	-1.4	-1.2	

Financial and Asset Position

At the end of the first three 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).

Net debt improved to minus 75.9 million euros (31/12/2017: minus 69.0 million euros).

In the first quarter of 2018, the Group invested 5.9 million euros in property, plant, and equipment and intangible assets, less than in the prior-year period (prior year: 9.8 million euros), which 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 4.6 million euros, the largest share of capital expenditure was on property, plant, and equipment (prior year: 9.4 million euros), primarily to support continued growth, to meet new customer orders, and for new technical equipment and the expansion of production capacities. Primarily due to higher capitalized development expenses, capital expenditure for intangible assets exceeded the prior-year level, coming to 1.3 million euros (prior year: 0.4 million euros). Scheduled depreciation/amortization totaled 6.9 million euros (prior year 6.7 million euros).

Cash flows from operating activities were chiefly influenced by an increase in working capital due to higher business volumes and upfront expenditure. Despite improved earnings before tax, they therefore fell to 16.9 million euros as of March 31, 2018 (prior year: 18.4 million euros).

As of March 31, 2018, cash flows from investing activities came to 3.8 million euros (prior year: minus 34.7 million euros). Over the reporting period, cash outflows were particularly affected by proceeds from sale of financial assets within the framework of short-term disposition. Capital expenditure and payments for financial assets within the framework of short-term disposition were lower than in the prior year.

The free cash flow (cash flows from operating activities before interest and taxes, minus expenditure for and proceeds from intangible assets and property, plant, and equipment) increased to 13.3 million euros in the period covered by the report (prior year: 10.2 million euros). Both, the revenue-related increase in expenditure for working capital and the lower capital expenditure had an impact on the free cash flow.

As in the prior year, cash flows from financing activities amounted to minus 1.9 million euros, and were mainly influenced by repayments of loans.

As of March 31, 2018, the total assets for the Jenoptik Group were up on the 2017 year-end figure, at 913.5 million euros (31/12/2016: 889.1 million euros).

Non-current assets slightly grew to 378.9 million euros (31/12/2017: 376.2 million euros). This development was primarily attributable to financial investments, which increased as a result of the equity valuation of a shareholding. There were only minor changes in the remaining items under non-current assets.

Current assets saw a rise of 21.7 million euros to 534.6 million euros (31/12/2017: 512.9 million euros). Cash and cash equivalents increased sharply to 150.1 million euros (31/12/2017: 132.3 million euros). Due to the first-time application of IFRS 15, the item “Contract assets” was reported for the first time with a value of 27.4 million euros. Current trade receivables

Order situation

in million euros	1/1 to 31/3/2018	1/1 to 31/3/2017	Change in %
Order intake	199.2	221.3	-10.0
	31/3/2018	31/12/2017	Change in %
Order backlog	453.0	453.5	-0.1
Contracts	82.0	87.6	-6.4

Employees (incl. trainees)

	31/3/2018	31/12/2017	Change in %
Total	3,697	3,680	0.5
Optics & Life Science	1,173	1,149	2.1
Mobility	1,304	1,326	-1.7
Defense & Civil Systems	908	897	1.2
Other	312	308	1.3

decreased to 121.5 million euros (31/12/2017: 136.0 million euros) primarily due to the disclosure of contract assets. Compared to year-end 2017, inventories remained virtually unchanged at 169.3 million euros (31/12/2017: 168.6 million euros), as the increase based on operating activities (11.8 million euros) was largely offset by the effect of first-time application of IFRS 15 (minus 11.1 million euros). Current financial investments fell as they were paid out on maturity.

As at March 31, 2018 the working capital was 227.4 million euros (31/12/2017: 214.8 million euros; 31/3/2017: 218.9 million euros), primarily due to higher operating receivables (trade receivables and contract assets). The working capital ratio, that of working capital to revenue based on the last twelve months, was above the figure at year-end 2017, at 29.4 percent (31/12/2017: 28.7 percent), but down on the figure in the prior-year period (31/3/2017: 31.7 percent).

In particular, the earnings after tax posted at the end of the period covered by the report resulted in equity increasing to 543.4 million euros (31/12/2017: 529.9 million euros). The equity ratio, at 59.5 percent, was at the same good level as at year-end 2017 (31/12/2017: 59.6 percent).

The rise in non-current liabilities to 164.8 million euros was attributable to a slight increase in both other non-current provisions and non-current financial debt compared to the end of December 2017 (31/12/2017: 162.1 million euros). Non-current liabilities primarily include the debenture loans placed in 2011 and 2015, at present totaling 114 million euros and with original terms of five and seven years.

Since year-end 2017 current liabilities increased to 205.4 million euros (31/12/2017: 197.1 million euros). Other current non-financial liabilities rose in particular due to higher accruals for future revenues and liabilities for employee vacation entitlements during the year. In addition, other current provisions increased, while current trade accounts payable fell in the first quarter.

There were no significant purchases or sales of companies in the first three months of 2018. Information on the acquisition of a limited partner's share in a property management company can be found in the Notes on page 24.

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 three months of 2018, the Optics & Life Science segment posted a strong increase in revenue of 16.6 percent to 68.8 million euros (prior year: 59.0 million euros). As in the prior quarters of 2017, this development was driven by a continuing 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 36.2 percent (prior year: 36.0 percent). Revenue in Europe (excluding Germany) rose sharpest, coming to 28.0 million euros (prior year: 21.7 million euros). Revenue growth was also seen in the regions of Asia/Pacific and the Americas.

Income from operations (EBIT) improved significantly by 45.1 percent to 14.1 million euros (prior year: 9.7 million euros). This was attributable in particular to the positive product mix and the high degree of capacity utilization. Over the three-month period, the segment thus increased its EBIT margin by 20.5 percent compared to the prior year (prior year: 16.5 percent). Income from operations before depreciation/amortization (EBITDA) also grew significantly by 35.9 percent to 15.9 million euros compared with the prior year (prior year: 11.7 million euros).

The order intake increased 12.9 percent to 87.1 million euros (prior year: 77.1 million euros), with both units – Optical Systems and Healthcare & Industry – contributing to this growth. Set against revenue, this results in a book-to-bill ratio of 1.27 (prior year: 1.31).

The segment's order backlog was above the level on December 31, 2017, and at the end of March 2018 came to 124.0 million euros (31/12/2017: 109.1million euros). There were also frame contracts worth 12.5 million euros (31/12/2017: 11.1 million euros).

As a result of good business performance, the free cash flow (before interest and taxes) also improved to 3.6 million euros (prior year: 1.7 million euros).

To better meet the growing demands of our international customers, Jenoptik opened a new application center in Fremont, located in California's Silicon Valley, at the beginning of the new fiscal year. As a leading supplier of high-performance optical systems and healthcare and industrial solutions, Jenoptik's established its new location on the US West Coast in close proximity to its customers. The company can thus address the region's particular needs, especially in the areas of 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	31/3/2018	31/3/2017	Change in %
Revenue	68.8	59.0	16.6
EBITDA	15.9	11.7	35.9
EBITDA margin in %	23.2	19.9	
EBIT	14.1	9.7	45.1
EBIT margin in %	20.5	16.5	
Capital expenditure	1.9	1.2	62.8
Free cash flow	3.6	1.7	117.4
Order intake	87.1	77.1	12.9
Order backlog[1]	124.0	109.1	13.6
Frame contracts[1]	12.5	11.1	12.5
Employees[1]	1,173	1,149	2.1

Prior year´s figures refer to December 31, 2017

Mobility Segment

In the first three months of 2018, revenue in the Mobility segment grew 31.9 percent on the prior-year quarter, to 72.3 million euros (prior year: 54.8 million euros). Both areas, applications for the automotive industry and traffic safety technology, saw successful growth, in particular due to the delivery of toll monitoring pillars. From a regional perspective revenue grew particularly strongly in Germany due to the on-schedule start of deliveries for the major project in the Traffic Solutions area mentioned above. The segment's share of group revenue increased to 38.1 percent (prior year: 33.5 percent).

Due to good revenue development, the segment returned to a better profitability in the three-month period with an income from operations (EBIT) of 6.1 million euros (prior year: 0.9 million euros). The EBIT margin consequently improved to 8.4 percent (prior year: 1.7 percent). Income from operations before depreciation/amortization (EBITDA) increased by 187.5 percent to 8.3 million euros (prior year: 2.9 million euros). The EBITDA margin was 11.5 percent, compared to 5.3 percent in the prior year.

As the order intake in the Mobility segment was below the level of revenue in the period covered by the report, the book-to-bill ratio came to 0.95 in the first three months of 2018 (prior year: 1.36). At 68.7 million euros, the order intake was predominantly down on the prior year due to the development in the Traffic Solutions area (prior year: 74.5 million euros). The segment reported an order for 120 speed measurement systems from Qatar in the first quarter.

At the end of March, the segment's order backlog was worth 140.7 million euros (31/12/2017: 144.7 million euros). There were also frame contracts worth 24.7 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 reduced its expenditure to just 0.8 million euros at the beginning of 2018 (prior year: 6.4 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 6.8 million euros (prior year: 1.0 million euros).

The Mobility Segment at a Glance

in million euros	31/3/2018	31/3/2017	Change in %
Revenue	72.3	54.8	31.9
EBITDA	8.3	2.9	187.5
EBITDA margin in %	11.5	5.3	
EBIT	6.1	0.9	550.4
EBIT margin in %	8.4	1.7	
Capital expenditure	0.8	6.4	-87.9
Free cash flow	6.8	1.0	584.7
Order intake	68.7	74.5	-7.8
Order backlog[1]	140.7	144.7	-2.7
Frame contracts[1]	24.7	30.1	-18.0
Employees[1]	1,304	1,326	-1.7

Prior year's figures refer to December 31, 2017

Defense & Civil Systems Segment

In the first three months of 2018, the Defense & Civil Systems segment reported revenue of 49.7 million euros. As expected, revenue was thus at the same level as in the prior-year period (prior year: 50.2 million euros). The segment's share of group revenue fell to 26.2 percent (prior year: 30.7 percent). Revenue growth was seen in Europe, the Americas, the Middle East, and Africa. In Germany, however, revenue fell to 20.5 million euros for project-related reasons (prior year: 26.6 million euros).

Despite generating revenue at virtually the same level as in the prior year, income from operations (EBIT) grew to 3.8 million euros (prior year: 3.2 million euros), in part due to a positive product mix. Over the reporting period, the EBIT margin rose accordingly to 7.7 percent (prior year: 6.3 percent). In the first quarter of 2018, the segment generated income from operations before depreciation/amortization (EBITDA) of 4.9 million euros (prior year 4.3 million euros). The margin here also improved, from 8.6 percent in the prior year to a current 9.8 percent.

In the current reporting period, the order intake was worth 44.1 million euros and a significant 36.8 percent down on the prior year (prior year: 69.8 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 civil applications. An improvement in the order intake is, however, expected in the further course of 2018. The book-to-bill ratio accordingly fell to 0.89, compared with 1.39 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 11.6 million euros to 191.0 million euros in absolute terms (31/12/2017: 202.6 million euros). There were also frame contracts worth 44.7 million euros (31/12/2017: 46.3 million euros).

The free cash flow (before interest and taxes) amounted to 12.2 million euros and was thus higher than in the prior year (prior year: 8.4 million euros). This was primarily due to changes in the working capital.

The Defense & Civil Systems Segment at a Glance

in million euros	31/3/2018	31/3/2017	Change in %
Revenue	49.7	50.2	-1.1
EBITDA	4.9	4.3	13.7
EBITDA margin in %	9.8	8.6	
EBIT	3.8	3.2	20.4
EBIT margin in %	7.7	6.3	
Capital expenditure	1.1	1.0	7.2
Free cash flow	12.2	8.4	45.9
Order intake	44.1	69.8	-36.8
Order backlog[1]	191.0	202.6	-5.7
Frame contracts[1]	44.7	46.3	-3.4
Employees[1]	908	897	1.2

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

Report on Post-Balance Sheet Events

At the time this report was prepared, there were no events after the balance sheet date of March 31, 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 108 ff. of the 2017 Annual Report published at the end of March 2018. There were no major changes in the opportunities and risks described in the report during the course of the first three months of 2018.

Forecast Report

Outlook for the Economy as a Whole and the Jenoptik Sectors

Despite the current upturn in the global economy, the International Monetary Fund (IMF) sees major risks to the global growth of 3.9 percent projected for this year and 2019. Protectionism and trade conflicts could weaken market confidence and lead to a decline in investment.

According to the Spectaris industry association, the outlook is good for the German photonics industry: compared to the prior year, revenue is expected to grow by around 9 percent in 2018. Key growth drivers include topics such as "Industry 4.0" and smart factories, where large numbers of optical sensors, image capture and processing systems are required. The association also sees the automotive industry adopting a key role with regard to autonomous or semi-autonomous driving.

In the German mechanical engineering industry, the growth seen in recent months is expected to continue, both nationally and internationally, despite many uncertainties. On the occasion of the Hannover Messe, the VDMA therefore raised its production forecast for 2018, from 3 to 5 percent compared to the prior year. Further growth will be seen in exports to EU countries and the US, even though the specter of a trade war represents a not inconsiderable risk. The association is only expecting a sharper decline than in 2017 for business with Great Britain.

In the automotive industry, China is opening up its market, but details are as yet sketchy: the country wants to reduce tariffs on car imports and in general enable greater market access and better investment conditions for foreign companies. The German Association of the Automotive Industry

Growth Forecast of Gross Domestic Product

in percent / in percentage points	2018	Change to forecast of January 2018	2019
World	3.9	0.0	3.9
USA	2.9	0.2	2.7
Euro zone	2.4	0.2	2.0
Germany	2.5	0.2	2.0
China	6.6	0.0	6.4
Emerging economies	4.9	0.0	5.1

Source: International Monetary Fund, April 2018

(VDA) welcomed these announcements in April 2018, as China is an important export market and production location for German manufacturers and suppliers. By contrast, the threat of a trade war with the US, or between the US and China, is giving cause for concern. Digitization is becoming increasingly important, as recently concluded cooperation agreements between German automotive and Chinese technology companies relating to autonomous driving and artificial intelligence have shown.

According to the EU Commission, it will be difficult to halve the number of road deaths to around 16,000 between 2010 and 2020. In order to increase traffic safety, the EU Commission intends to adopt new measures in May 2018. These aim to ensure that there will be no road deaths on Europe's roads by the year 2050. Examples include strategies for networked and automated mobility, improved vehicle technology, or intelligent speed assistant systems that aid compliance with speed limits. In July 2018, the truck toll system will be expanded to cover the entire network of federal highways in Germany. Jenoptik is supplying the toll monitoring pillars. A transport infrastructure report published in April forecasts additional revenue for the German government of some 36 billion euros by 2022.

In the aviation industry, Airbus announced a further step to ensure production of its A380 aircraft: a major order from the Middle East will be expanded by 16 planes earlier than scheduled. From 2020 on, however, the company will reduce its production of A380 aircrafts from twelve to six per year. This drop will impact on its locations and employee numbers.

In the midst of discussions about future harmonized procurement programs in the European security and defense industry, Great Britain announced its return to an armored vehicle engineering project dominated by two German systems companies. The German Federal Office of Economics and Export Control (BAFA) is proposing to limit export licenses for armaments to one year instead of the current two years. In addition, the Office advocates close Franco-German cooperation on arms exports, while the German defense industry welcomes a possible change of strategy in procurement procedures: in the future, the federal government wants to award major contracts primarily on a national level. According to plans at the German Ministry of Defense, the German armed forces will receive new equipment worth at least 450 million euros in the coming years. Improvements are also planned for the Puma infantry fighting vehicle and a maintenance program for the NH90 helicopter.

No new major forecasts have been issued for the other sectors. We therefore refer to the details on pages 119 ff. of the 2017 Annual Report.

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. We will intensively examine opportunities for acquisitions. A good asset position and a viable financing structure give Jenoptik sufficient room for maneuver to finance both organic and inorganic growth.

As expected, the Jenoptik Group got off to a good start in the 2018 fiscal year. For the year as a whole, the Executive Board is confirming its guidance and expects revenue to come in at between 790 and 810 million euros. The EBITDA margin is expected to be between 14.5 and 15.0 million euros, the EBIT margin between 10.5 and 11.0 percent.

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 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 the economic and sector forecasts stated in this report and from page 119 on in the 2017 Annual Report.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

in thousand euros	1/1 to 31/3/2018	1/1 to 31/3/2017
Revenue	189,899	163,716
Cost of sales	123,993	106,243
Gross profit	**65,907**	**57,474**
Research and development expenses	11,118	10,578
Selling expenses	21,035	19,322
General administrative expenses	12,632	15,770
Other operating income	4,140	4,120
Other operating expenses	4,416	4,879
EBIT	**20,845**	**11,044**
Result from other investments	0	-76
Financial income	658	176
Financial expenses	2,244	1,113
Financial result	**-1,586**	**-1,013**
Earnings before tax	**19,259**	**10,031**
Income taxes	-3,652	-1,655
Earnings after tax	**15,607**	**8,376**
Results from non-controlling interests	-51	-11
Earnings attributable to shareholders	15,659	8,387
Earnings per share in euros (diluted = undiluted)	**0.27**	**0.15**

Comprehensive Income

in thousand euros	1/1 to 31/3/2018	1/1 to 31/3/2017
Earnings after tax	**15,607**	**8,376**
Items that will never be reclassified to profit or loss	-261	216
Actuarial gains/losses arising from the valuation of pensions and similar obligations	-261	216
Items that are or may be reclassified to profit or loss	-798	280
Available-for-sale financial assets	0	92
Cash flow hedges	803	788
Foreign currency exchange differences	-1,348	-364
Deferred taxes	-253	-236
Total other comprehensive income	**-1,058**	**496**
Total comprehensive income	**14,549**	**8,872**
Thereof attributable to:		
Non-controlling interests	-90	22
Shareholders	14,639	8,850

Consolidated Statement of Financial Position

Assets in thousand euros	31/3/2018	31/12/2017	Change	31/3/2017
Non-current assets	**378,926**	**376,225**	**2,702**	**375,550**
Intangible assets	120,284	120,931	-646	115,048
Property, plants and equipment	165,605	164,730	875	160,662
Investment property	4,327	4,350	-23	4,420
Financial investments	6,356	4,408	1,948	17,383
Non-current trade receivables	0	0	0	1,544
Other non-current financial assets	2,399	2,319	80	1,698
Other non-current non-financial assets	677	586	90	1,020
Deferred tax assets	79,278	78,900	378	73,774
Current assets	**534,574**	**512,901**	**21,672**	**463,867**
Inventories	169,338	168,625	713	178,779
Current trade receivables	121,547	136,017	-14,470	126,163
Contract assets	27,474	0	27,474	0
Other current financial assets	4,277	5,307	-1,030	938
Other current non-financial assets	6,926	6,067	860	9,279
Current financial investments	54,929	64,577	-9,648	70,817
Cash and cash equivalents	150,083	132,310	17,773	77,891
Total assets	**913,500**	**889,126**	**24,374**	**839,417**

Equity and liabilities in thousand euros	31/3/2018	31/12/2017	Change	31/3/2017
Equity	**543,368**	**529,932**	**13,436**	**484,306**
Share capital	148,819	148,819	0	148,819
Capital reserve	194,286	194,286	0	194,286
Other reserves	200,230	186,704	13,527	141,510
Non-controlling interests	33	123	-91	-308
Non-current liabalities	**164,769**	**162,105**	**2,664**	**176,602**
Pension provisions	37,010	37,066	-55	37,144
Other non-current provisions	16,966	15,909	1,058	12,077
Non-current financial debt	110,307	108,573	1,733	122,798
Non-current trade payables	0	0	0	666
Other non-current financial liabilities	449	420	29	2,758
Other non-current non-financial liabilities	0	0	0	865
Deferred tax liabilities	36	137	-101	294
Current liabilties	**205,363**	**197,089**	**8,274**	**178,508**
Tax provisions	9,412	8,938	475	3,578
Other current provisions	54,383	51,250	3,133	49,150
Current financial debt	18,794	19,337	-543	4,072
Current trade payables	58,295	61,657	-3,362	52,179
Other current financial liabilities	9,714	8,654	1,060	4,990
Other current non-financial liabilities	54,764	47,253	7,511	64,539
Total equity and liabilities	**913,500**	**889,126**	**24,374**	**839,417**

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			8,387		
Other earnings after tax				92	552
Total result			8,387	92	552
Other adjustments			-944		
Balance at 31/3/2017	148,819	194,286	162,459	607	-1,025
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			15,659		
Other earnings after tax					554
Total result			15,659	0	554
Other adjustments			3,047		
Balance at 31/3/2018	148,819	194,286	226,569	213	2,108

[1] Adjusted of 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
		8,387	-11	8,376	Net profit for the period
-386	205	463	33	496	Other earnings after tax
-386	205	8,850	22	8,872	Total result
		-944		-944	Other adjustments
7,722	-28,252	484,616	-309	484,307	Balance at 31/3/2017
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]
		15,659	-51	15,607	Net profit for the period
-1,328	-245	-1,020	-39	-1,058	Other earnings after tax
-1,328	-245	14,639	-90	14,549	Total result
		3,047		3,047	Other adjustments
-1,031	-27,627	543,336	32	543,368	Balance at 31/3/2018

Consolidated Statement of Cash Flows

in thousand euros	1/1 to 31/3/2018	1/1 to 31/3/2017
Earnings before tax	**19,259**	**10,031**
Financial income and financial expenses	1,586	937
Depreciation and amortization	6,895	6,739
Impairment losses and reversals of impairment losses	-10	76
Profit/loss from asset disposals	15	13
Other non-cash income/expenses	74	-28
Operating profit before adjusting working capital and further items of the statement of financial position	**27,818**	**17,769**
Change in provisions	3,730	2,283
Change in working capital	-16,942	-6,657
Change in other assets and liabilities	4,430	6,169
Cash flows from operating activities before income tax payments	**19,036**	**19,565**
Income tax payments	-2,156	-1,175
Cash flows from operating activities	**16,881**	**18,389**
Proceeds from sale of intangible assets	0	3
Capital expenditure for intangible assets	-1,258	-365
Proceeds from sale of property, plant and equipment	122	374
Capital expenditure for property, plant and equipment	-4,613	-9,406
Capital expenditure for financial investments	0	-87
Acquisition of consolidated entitites	-5	-5,089
Proceeds from sale of investment companies	281	0
Proceeds from sale for financial assets within the framework of short-term disposition	19,108	0
Capital expenditure for financial assets within the framework of short-term disposition	-10,000	-20,204
Interest received	122	97
Cash flows from investing activities	**3,758**	**-34,676**
Proceeds from issuing bonds and loans	339	2,354
Repayments of bonds and loans	-1,586	-31
Payments for finance leases	-54	-40
Change in group financing	-180	-59
Interest paid	-437	-288
Cash flows from financing activities	**-1,917**	**1,936**
Change in cash and cash equivalents	**18,722**	**-14,351**
Effects of movements in exchange rates on cash held	-722	193
Change in cash and cash equivalents due to valuation adjustments	-454	0
Change in cash and cash equivalents due to changes in the scope of consolidation	227	89
Cash and cash equivalents at the beginning of the period	132,310	91,961
Cash and cash equivalents at the end of the period	**150,083**	**77,891**

Disclosures on Segment Reporting

January 1 to March 31, 2018

in thousand euros	Optics & Life Science	Mobility	Defense & Civil Systems	Other	Consolidation	Group
Revenue	68,755	72,294	49,665	11,405	-12,221	189,899
	(58,968)	(54,824)	(50,221)	(9,460)	(-9,756)	(163,716)
thereof intragroup revenue	1,383	6	68	10,763	-12,221	0
	(1,026)	(22)	(16)	(8,692)	(-9,756)	(0)
thereof exernal revenue	67,372	72,288	49,597	642	0	189,899
	(57,942)	(54,802)	(50,205)	(767)	(0)	(163,716)
Germany	12,570	29,314	20,498	613	0	62,995
	(11,762)	(12,390)	(26,616)	(683)	(0)	(51,452)
Europe	27,997	15,580	13,680	0	0	57,257
	(21,725)	(16,557)	(10,732)	(0)	(0)	(49,014)
Americas	12,441	14,387	11,636	2	0	38,466
	(11,555)	(13,463)	(9,870)	(0)	(0)	(34,888)
Middle East / Africa	2,974	2,314	3,156	0	0	8,443
	(3,021)	(2,460)	(1,199)	(0)	(0)	(6,680)
Asia / Pacific	11,389	10,694	628	27	0	22,737
	(9,880)	(9,932)	(1,787)	(84)	(0)	(21,683)
EBITDA	15,945	8,337	4,890	-1,445	3	27,729
	(11,735)	(2,900)	(4,300)	(-1,089)	(-63)	(17,784)
EBIT	14,093	6,051	3,801	-3,105	5	20,845
	(9,716)	(930)	(3,156)	(-2,696)	(-61)	(11,044)
Research and development expenses	4,152	3,882	3,177	44	-136	11,118
	(3,757)	(4,316)	(2,387)	(127)	(-9)	(10,578)
Free cash flow (before interest and income taxes)	3,631	6,774	12,250	-9,207	-160	13,288
	(1,670)	(989)	(8,395)	(-905)	(20)	(10,170)
Working capital	70,271	74,946	86,429	-4,135	-97	227,414
	(55,808)	(68,915)	(96,179)	(-6,035)	(-98)	(214,769)
Order intake	87,054	68,674	44,130	11,405	-12,042	199,222
	(77,122)	(74,457)	(69,828)	(9,378)	(-9,455)	(221,330)
Frame contracts	12,521	24,724	44,744	0	0	81,989
	(11,128)	(30,150)	(46,334)	(0)	(0)	(87,612)
Total assets	201,799	251,831	182,857	770,885	-493,872	913,500
	(181,248)	(241,019)	(179,056)	(779,719)	(-491,916)	(889,126)
Total liabilities	60,386	185,676	129,839	172,838	-178,607	370,132
	(53,913)	(183,062)	(125,838)	(174,647)	(-178,265)	(359,194)
Additions to intangible assets and property, plant and equipment	1,905	779	1,064	515	0	4,263
	(1,170)	(6,413)	(993)	(395)	(0)	(8,970)
Scheduled depreciation and amortization	1,862	2,286	1,088	1,660	-2	6,895
	(2,020)	(1,970)	(1,144)	(1,608)	(-2)	(6,739)
Number of employees on average (without trainees)	1,135	1,295	850	310	0	3,590
	(1,087)	(1,226)	(830)	(304)	(0)	(3,446)

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 Three 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 March 31, 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. 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 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 fiscal year2018:

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 Jenoptik's 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 profit or loss for equity instruments which are currently valued as available-for-sale assets. Consequently 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, no material change is expected 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 the simplified approach and records the expected-credit-loss over the entire term arising from all trade receivables.

c) Accounting for hedging transactions
The Group has determined that all hedging transactions currently 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 are no material changes with regard to the accounting of hedging relationships in the consolidated financial statements.

The Group recorded the transition effects as at January 1, 2018 on a cumulative basis in equity. Overall, the following changes in balance sheet items resulted from the first-time application of IFRS 9:

in thousand euros	1/1/2018
Non-current assets	173
Deferred tax assets	173
Current assets	-582
Current financial investments	-214
Cash and cash equivalents	-368
Total assets	**-409**
Equity	-409
Other reserves	-409
Total equity and liabilities	**-409**

The application of IFRS 9 had only an insignificant impact on the income statement for the first quarter 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 classified as separate performance obligation over the period of development and are recognized 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 income statement for the first quarter of 2018 was 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 table:

in thousand euros	1/1 to 31/3/2018
Revenue	1,423
Cost of sales	1,184
Gross profit	**239**
EBIT	**239**
Earnings before tax	**239**
Income taxes	-67
Earnings after tax	**172**
Results from non-controlling interests	1
Earnings attributable to shareholders	171
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.

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

As of January 1, 2018 TELSTAR-HOMMEL CORPORATION, Ltd. of Pyeongtaek, Korea, was also 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 and other comprehensive income are not shown separately in the Statement of Total Other 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.

No companies were sold.

Material Transactions

Transactions with a significant influence on the interim consolidated financial statements of Jenoptik as at March 31, 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 21. 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	31/3/2018	31/12/2017
Land and buildings	94,617	92,105
Technical equipment and machinery	38,124	39,905
Other equipment, operating and office equipment	22,134	23,034
Payments on-account and assets under construction	10,730	9,686
Total	165,605	164,730

Inventories

in thousand euros	31/3/2018	31/12/2017
Raw materials, consumables and supplies	68,203	67,406
Unfinished goods and work in progress	82,084	80,706
Finished goods and merchandise	16,770	18,244
Payments on-account	2,280	2,269
Total	169,338	168,625

Current trade receivables

in thousand euros	31/3/2018	31/12/2017
Trade receivables from third parties	121,283	120,978
Receivables from construction contracts	0	14,859
Trade receivables from unconsolidated accociates and joint operations	199	94
Trade receivables from investment companies	65	86
Total	121,547	136,017

Non-current financial debt

in thousand euros	31/3/2018	31/12/2017
Non-current liabilities to banks	109,389	107,883
Non-current liabilities from finance leases	917	690
Total	110,307	108,573

Current financial debt

in thousand euros	31/3/2018	31/12/2017
Liabilities to banks	18,558	19,157
Liabilities from finance leases	236	180
Total	18,794	19,337

Current trade payables

in thousand euros	31/3/2018	31/12/2017
Trade payables towards third parties	58,238	61,523
Trade payables towards unconsolidated associates and joint operations	53	116
Trade payables towards investment companies	4	18
Total	58,295	61,657

Other current non-financial liabilities

in thousand euros	31/3/2018	31/12/2017
Liabilities from advance payments received	31,144	28,169
Liabilities to employees	11,529	8,287
Liabilities from other taxes	4,488	5,362
Accruals	3,895	1,440
Contract liabilities	1,299	0
Miscellaneous current non-financial liabilities	2,409	3,994
Total	54,764	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 31/3/2018	Carrying amounts 31/12/2017
Financial investments			
Securities	AC	54,804	64,169
Shares in unconsolidated associates and investments	FVTOCI	1,584	2,812
Investments accounted for using the equity method	-	4,762	0
Available-for-sale financial assets	AC	0	867
Loans granted	AC	10	730
Financial assets held to maturity	AC	125	408
Trade receivables	AC	121,547	136,017
Other financial assets			
Receivables from lease agreements	-	213	340
Derivatives with hedging relations	-	3,942	2,962
Derivatives without hedging relations	FVTPL	1,807	2,003
Miscellaneous financial assets	AC	714	2,322
Cash and cash equivalents	AC	150,083	132,310

1) AC = Amortised 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 31/3/2018	Carrying amounts 31/12/2017
Financial debt			
Liabilities to banks	AC	127,947	127,040
Liabilities from finance leases	-	1,153	871
Trade payables	AC	58,295	61,657
Other financial liabilities			
Contingent liabilities	FVTPL	3,070	3,128
Derivatives with hedging relations	-	632	486
Derivatives without hedging relations	FVTPL	273	194
Miscellaneous financial liabilities	AC	6,188	5,266

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

As part of capital management, new cash investments are made regularly and payments are collected on scheduled due dates. In the course of these transactions, securities decreased in value by a total of 9,365 thousand euros over the reporting period.

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

in thousand euros	Carrying amounts 31/3/2018	Level 1	Level 2	Level 3
Shares in unconsolidated associates and investments	1,584	0	0	1,584
	(0)	(0)	(0)	(0)
Available-for-sale financial assets	0	0	0	0
	(867)	(0)	(0)	(867)
Derivatives with hedging relations (assets)	3,942	0	3,942	0
	(2,962)	(0)	(2,962)	(0)
Derivatives without hedging relations (assets)	1,807	0	1,807	0
	(2,003)	(0)	(2,003)	(0)
Contingent liabilities	3,070	0	0	3,070
	(3,128)	(0)	(0)	(3,128)
Derivatives with hedging relations (liabilities)	632	0	632	0
	(486)	(0)	(486)	(0)
Derivatives without hedging relations (liabilities)	273	0	273	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 associates 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 636 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 2,435 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	9
Currency effect	-2	0	-67
Balance at 31/3/2018	1,584	0	3,070

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 March 31, 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

There were no events after the balance sheet date of March 31, 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 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 8, 2018

Dr. Stefan Traeger
President & CEO

Hans-Dieter Schumacher
Chief Financial Officer

Dates

August 9, 2018
Publication of Interim Report
January to June 2018

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

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