LASERS & MATERIAL PROCESSING | OPTICAL SYSTEMS | INDUSTRIAL METROLOGY | TRAFFIC SOLUTIONS | DEFENSE & CIVIL SYSTEMS

JENOPTIK

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Interim Financial Report of the Jenoptik Group (UNAUDITED)

JANUARY TO SEPTEMBER 2014

At a glance – Jenoptik Group

in million euros	Jan. - Sept. 2014	Jan. - Sept. 2013	Change in %	July - Sept. 2014	July - Sept. 2013	Change in %
Revenue	420.1	432.5	-2.9	136.9	148.9	-8.0
Lasers & Optical Systems	172.2	160.4	7.4	54.1	56.0	-3.4
Metrology	127.7	140.8	-9.3	43.1	50.3	-14.3
Defense & Civil Systems	117.3	128.6	-8.8	37.2	40.3	-7.5
Others[1]	2.9	2.7	7.1	2.4	2.3	6.7
EBIT	37.8	37.5	0.7	13.8	14.0	-1.5
Lasers & Optical Systems	20.4	16.8	21.5	5.1	7.1	-29.0
Metrology	14.7	17.2	-14.4	5.6	6.4	-13.3
Defense & Civil Systems	0.4	6.6	-93.5	-0.0	1.7	-102.7
Others[1]	2.2	-3.1	170.4	3.2	-1.2	360.5
EBIT margin	9.0%	8.7%		10.1%	9.4%	
Lasers & Optical Systems	11.9%	10.5%		9.4%	12.7%	
Metrology	11.5%	12.2%		12.9%	12.8%	
Defense & Civil Systems	0.4%	5.1%		-0.1%	4.2%	
Earnings before tax	33.1	33.6	-1.7	12.3	13.3	-7.4
Earnings after tax	28.2	29.1	-3.0	10.4	11.6	-10.6
Order intake	446.7	415.4	7.6	132.2	132.6	-0.3
Lasers & Optical Systems	186.0	165.1	12.7	60.7	51.0	19.2
Metrology	126.2	125.1	0.9	41.3	38.4	7.6
Defense & Civil Systems	130.9	124.2	5.3	27.8	40.7	-31.7
Others[1]	3.7	0.9	305.0	2.4	2.6	-9.1

in million euros	Sept. 30, 2014	Dec. 31, 2013	Sept. 30, 2013
Order backlog	436.9	411.4	430.2
Lasers & Optical Systems	107.2	94.3	108.8
Metrology	71.8	72.8	72.8
Defense & Civil Systems	259.7	246.9	251.9
Others[1]	-1.8	-2.6	-3.4
Employees (incl. trainees)	3,532	3,433	3,424
Lasers & Optical Systems	1,391	1,391	1,385
Metrology	987	907	903
Defense & Civil Systems	899	907	911
Others[1]	255	228	225

[1] Others includes holding, SSC, 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 September 2014

- Group revenue in a challenging economic and political environment slightly below prior year at 420.1 million euros (prior year 432.5 million euros). Significant growth in Asia. Good development in the medical technology sector. Subdued demand from the machine construction, automotive and semiconductor equipment industries, particularly in the third quarter.
  See Development of the economy as a whole and the Jenoptik sectors – page 5.

- Gross margin increased to 35.2 percent. Group income from operations (EBIT) of 37.8 million euros at same level as in prior year (prior year 37.5 million euros). EBIT margin rises from 8.7 percent to 9.0 percent.
  See Earnings and order situation – page 7.

- Stable asset situation. Strong cash flows from operating activities of 24.3 million euros were generated in the third quarter. Net debt further reduced in the course of the year, to 67.1 million euros. Equity ratio improved to 55.2 percent.
  See Financial and asset situation – page 9.

- Good order situation after nine months: at 446.7 million euros, the order intake significantly exceeded the prior year figure (prior year 415.4 million euros). Book-to-bill ratio increased from 0.96 to 1.06.
  See Earnings and order situation – page 7.

- Lasers & Optical Systems segment: marked revenue and earnings growth in the first nine months of 2014. Further increase in order intake.
  Below-average development in the Metrology segment: export regulations for dual-use goods negatively impact business performance in the area of industrial metrology. Customer capital spending still declining, particularly in the American market.
  Defense & Civil Systems segment: revenue and earnings remain below prior-year levels due to project postponements and tightened export restrictions. Well-filled order pipeline for 2015.
  See Segment reporting – page 11.

- The Executive Board revised its 2014 guidance in mid October in view of current economic conditions. Providing that a major international order for defense technology can still be completed by year-end and ongoing uncertainties in the defense business do not further intensify, the Executive Board is now expecting Group revenue at the same level as the prior year. Group EBIT is due to come in at around 50 million euros.
  See Forecast report – page 16.

1 Business and framework conditions

1.1 Group structure and business activity

As an integrated optoelectronics group, Jenoptik's operational business is divided into the following three segments

- Lasers & Optical Systems
- Metrology
- Defense & Civil Systems.

Jenoptik is a globally operating integrated optoelectronics group and a supplier of high-quality capital goods. The Group is thus primarily a partner for industrial companies. In the Metrology and Defense & Civil Systems segments, Jenoptik is also a supplier to the public sector, in part indirectly through system integrators.

The product portfolio comprises components, modules and subsystems, and extends to cover complex systems and production facilities. The range also includes full-service solutions and operator models, comprising the integration of systems and facilities and their corresponding networks as well as project management, data processing and after-sales.

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

1.2 Development of the capital market and the Jenoptik share

The capital markets reacted apprehensively to the tightening of US monetary policy at the beginning of the year, while developments in the emerging economies put the markets under additional pressure. Conflicts in Crimea, Ukraine and the Middle East, together with stricter export controls for German companies, caused further instability on the stock markets. Following a sharp downturn in prices in the summer, the European equity markets only regained their breath on the ECB's announcement of a new expansive monetary policy. After hitting an annual low of 9,009 points in August, this helped the Dax to climb to almost 9,800 points. The index closed the third quarter at 9,474 points, well below its annual high of 10,029 points. The TecDax fared somewhat better, moving from an initial 1,167 points to a new record high in the period covered by the report of 1,332 points on June 20. At the end of trading on September 30, the index was at 1,249 points, a year-to-date increase of 7.0 percent.

In the first half of the year, the Jenoptik share developed in line with the overall market. On reaching its annual high of 13.61 euros on June 9, 2014, however, the share subsequently lost ground at a faster rate than the Dax or the TecDax and was at 8.91 euros at the end of trading on September 30, 2014. The share hit its lowest point of 8.82 euros on September 26, 2014, equating to a fall in price over the first nine months of the year of 27.0 percent. In the following month, the share slid further down to the lowest share price of 8.26 euros on October 20, 2014 due to the announcement of revised guidance and the postponement of medium-term planning targets. Then the share recovered a bit and closed Xetra trading on October 31, 2014 at 9.12 euros.

EARNINGS PER SHARE

	1/1/ to 30/9/2014	1/1/ to 30/9/2013
Net profit in thousand euros	28,207	29,125
Weighted average number of outstanding shares	57,238,115	57,238,115
Earnings per share in euros	0.49	0.51

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

At the start of the second quarter 2014, ERGO Versicherungsgruppe sold its approximately 8.5 percent stake in Jenoptik. Deutsche Asset & Wealth Management Investment GmbH purchased company shares in April, thereby increasing its existing stake to 3.38 percent. It subsequently increased its shareholdings in August 2014, bringing its stake up to 5.20 percent.

The liquidity of the Jenoptik share on the German stock markets showed a slight year-on-year improvement in the period covered by the report. In the first nine months of 2014, a total of 133,049 shares were traded on average, some 2,800 more per day than in the comparable prior year period (prior year 130,275). In the TecDax ranking of the Deutsche Börse of September 30, 2014, Jenoptik was in 22nd place in terms of market capitalization based on a free float of 74.99 percent (prior year 19th place). With regard to stock turnover, the company fell from 22nd to 23rd place. Market capitalization decreased in line with price movements from 661.7 million euros on September 30, 2013, to 510.0 million euros at the end of the third quarter 2014.

In August, the Executive Board presented the figures for the first half-year 2014 in a conference call and at an analyst conference in Frankfurt/Main. The management also reported on the company and its business performance at banking conferences in New York, Zürich and Munich and at roadshows in Cologne, Düsseldorf, London and Edinburgh in the third quarter.

In the first nine months of 2014, 16 research institutes and banks regularly reported on Jenoptik. Steubing AG started to cover the share in September. At the time the report was compiled, twelve equity analysts recommended investors "buy" Jenoptik shares, while four issued a recommendation to "hold". The average price target stated by the analysts was 11.25 euros.

JENOPTIK SHARE KEY FIGURES

Closing share price (Xetra) on 30.09. in euros	8.91
Highest share price (Xetra) Jan. - Sept. 2014 in euros	13.61
Lowest share price (Xetra) Jan. - Sept. 2014 in euros	8.82
Market capitalization on 30.09. in million euros	510.0
Average daily trading volume in shares [1]	133,049

[1] Source Deutsche Börse

1.3 Development of the economy as a whole and the Jenoptik sectors

The **global economy** remained dominated by geopolitical tensions in the third quarter 2014, primarily in Ukraine and the Middle East. According to the International Monetary Fund (IMF), these conflicts have weakened global demand and put a brake on economic activity.

Contrary to the global pattern of economic slowdown, the second quarter growth forecast in the **US** was revised upward. Gross domestic product (GDP) rose at an annualized rate of 4.6 percent in the April-to-June period (prior rate 4.0 percent). In the third quarter, the economy grew about 3.5 percent according to initial estimates issued by the US Department of Commerce on the back of strong exports, high consumer spending and capital spending by the state and corporations.

In the **Euro-zone,** GDP in the second quarter 2014 remained unchanged on the prior quarter according to the statistical office of the European Union. The economic mood deteriorated more seriously in August than originally expected. The Purchasing Manager Index compiled by analysts at Markit fell for both industry and service providers. Markit forecasts economic growth of 0.25 percent in the third quarter.

Germany, too, has seen a downturn recently. In the second quarter, German economic output fell for the first time since early 2013; gross domestic product shrank 0.2 percent. The Federal Statistical Office of Germany reported that key indicators dropped more sharply in August than at any time since January 2009. Month-on-month exports declined by 5.8 percent, industrial orders by 5.7 percent, with a particularly marked fall of 8.5 percent in capital goods such as plant and machinery. Industrial production also saw a 4.0 percent slump across all sectors. The ifo Business Climate Index fell for the fifth time in succession in September: both the current situation and future prospects were downgraded. Economists are, however, assuming stagnation in German industry for the third quarter.

China's economy grew more slowly in the third quarter 2014 than in the last five years, but at 7.3 percent compared to the same prior-year period was stronger than expected. Industrial production increased at an annualized rate of 8.0 percent in September; exports and imports also rose compared to the prior month. The real estate market remained weak, also causing a loss of momentum in capital investments.

In the **Optical Technologies** Global Market Index, the German industry association Spectaris analyzes the development of revenue of 15 international photonics companies, including Jenoptik. In the second quarter 2014, this index reached its highest level in almost two years of 131.6 points. In the last three years, however, it has been relatively steady around the 130-point mark.

Spectaris also analyzes the development of revenue of 14 international manufacturers in the **medical technology sector** in its Medical Technology Global Index. In the second quarter 2014, the index was almost at the prior-year level, while it showed a rise of 4.6 percent on the prior quarter.

To date, the Semiconductor Equipment and Materials International (SEMI) trade association has only published revenue figures for the **semiconductor equipment industry** for the second quarter 2014: at 9.6 billion US dollars, global revenue was 5 percent below the figure in the first quarter but 28 percent above the same quarter in the prior year.

According to the Semiconductor Industry Association (SIA), the global **semiconductor industry** generated 87 billion US dollars in the third quarter 2014, 5.7 percent more than in the prior quarter.

According to the **German Engineering Federation (VDMA)** order intakes stagnated in July and August. German exports to Russia fell around 20 percent in the first half-year, a trend which the VDMA sees as exacerbated by EU sanctions.

In the first half of 2014, the **machine tool industry** maintained production at the same high level as in the prior year, according to figures released by the Association of German Machine Tool Manufacturers (VDW) in September. Key stimuli came from abroad, e.g. from the reindustrialization in the US. By contrast, orders from Russia fell 40 percent; business with Asia was also still below expectations.

According to the German Association of the **Automotive Industry (VDA)** the major automotive markets in Western Europe, the US and China showed varying rates of growth up to the end of September: more than 12 percent more new registrations in China, some 5 percent more in Western Europe and the US, the latter primarily on the back of demand for commercial vehicles. The Brazilian and Russian markets were considerably weaker than in 2013.

The German **security and defense technology industry** was very much in the public eye in the third quarter. The armed services status report brought procurement mismanagement and the poor combat readiness of the German armed forces to public attention. A study by auditing company KPMG and commissioned by the Federal Ministry of Defence also listed weaknesses in the procurement and management of key projects in the German armed forces. In addition, the more restrictive policy regarding armaments put the sector under pressure. In the first half-year, individual export authorizations worth a total of 2.2 billion euros were granted, 60 percent of this amount for naval ships and submarines. The sum was thus by around 700 million euros lower than the figure in the same period of the prior year.

No important new reports were published for the other sectors in the third quarter 2014. We therefore refer to the details from page 76 of the 2013 Annual Report on and to the interim reports for 2014.

2 Earnings, financial and asset position

The tables in the Management Report, which show a break-down of the key indicators by segment, include the Corporate Center, the Shared Service Center, real estate and consolidation effects under “Others”.

2.1 Earnings and order situation

Development of revenue In a challenging economic and political environment, the Jenoptik Group generated revenue of 420.1 million euros in the first nine months of 2014, slightly below the figure in the prior year (prior year 432.5 million euros). The Lasers & Optical Systems segment grew, while the other two segments reported a drop in revenue due to customers’ reluctance to invest and project postponements.

At the end of the third quarter 2014, the share of revenue generated abroad was 63.8 percent (prior year 63.6 percent) and thus at the same level as in the prior year. Compared to the first nine months of 2013, revenue in Asia/Pacific grew strongly by approximately 46 percent to 60.2 million euros (prior year 41.3 million euros), also due to the transfer of projects from America to this region. Not only the Lasers & Optical Systems segment doubled its revenue there; the Metrology segment also grew. In America, by contrast, all three segments reported a fall in revenue which was project-related or due to subdued demand.

Development of results. Despite lower revenue, Group income from operations (EBIT) in the first nine months of 2014 came to 37.8 million euros, the same level as in the prior year (prior year 37.5 million euros). The EBIT margin thus improved from 8.7 percent to 9.0 percent. In the third quarter, the EBIT margin rose even further, to 10.1 percent (prior year 9.4 percent). In the first nine months of 2014, the Group generated an EBITDA of 54.1 million euros, compared with 53.7 million euros in the same period of the prior year. In the period covered by the report the result was influenced by both a changed revenue mix and more efficient operational processes. Group EBIT includes earnings of approximately 1.7 million euros originating in the partial reversal of an obligation relating to the sale of a former business unit (a positive one-off effect in the Defense & Civil Systems segment in the prior year).

Due to a lower interest result, the financial result remained below the prior-year level, at minus 4.7 million euros (prior year minus 3.9 million euros).

Earnings before tax (EBT) remained virtually constant compared to the first nine months of 2013, at 33.1 million euros (prior year 33.6 million euros). Income tax expense totaled 4.2 million euros (prior year 4.3 million euros). The cash effective tax rate was thus 12.8 percent (prior year 12.8 percent). Due to somewhat higher deferred taxes, earnings after tax (EAT) came to 28.2 million euros, following 29.1 million euros in the prior year.

Order situation. At 446.7 million euros, the order intake of the Jenoptik Group in the first nine months of 2014 was 7.6 percent higher than the prior-year figure (prior year 415.4 million euros). All three segments reported growth in new orders, most significantly in the Lasers & Optical Systems segment.

Due to the considerably higher order intake, the book-to-bill ratio, i.e. that of order intake to revenue, improved to 1.06 (prior year 0.96).

The higher order intake also resulted in an increase in the Group order backlog, which at 436.9 million euros exceeded the 2013 year-end value by 6.2 percent (31/12/2013:

REVENUE

in million euros	1/1/ to 30/9/2014	1/1/ to 30/9/2013	Change in %
Total	420.1	432.5	-2.9
Lasers & Optical Systems	172.2	160.4	7.4
Metrology	127.7	140.8	-9.3
Defense & Civil Systems	117.3	128.6	-8.8
Others	2.9	2.7	7.1

INCOME FROM OPERATIONS (EBIT)

in million euros	1/1/ to 30/9/2014	1/1/ to 30/9/2013	Change in %
Total	37.8	37.5	0.7
Lasers & Optical Systems	20.4	16.8	21.5
Metrology	14.7	17.2	-14.4
Defense & Civil Systems	0.4	6.6	-93.5
Others	2.2	-3.1	170.4

411.4 million euros). This has created good conditions for growth in the coming fiscal year.

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

2.2 Development of the key performance indicators

The **cost of sales** fell by 3.8 percent to 272.1 million euros (prior year 282.8 million euros) and thus at a higher rate than revenue. The gross margin consequently improved to 35.2 percent (prior year 34.6 percent). The cost of sales was influenced by the changed revenue mix and improvements in efficiency resulting from projects of the Jenoptik Excellence program.

Research and development expenses, key indicators of the Group's future performance and competitiveness, remained at a high level. The R+D total output came to 36.4 million euros following 37.9 million euros in the comparable period of the prior year, equating to 8.7 percent of revenue (prior year 8.8 percent). The indicator includes the R+D costs, development costs on behalf of customers and the changes in the capitalized development costs which are included in assets. The costs are apportioned according to the contract structure and are thus dependent upon individual orders or projects. The development costs on behalf of customers in the period covered by the report totaled 8.1 million euros (prior year 9.3 million euros) and are included in the cost of sales. Group R+D expenses totaled 28.5 million euros at the end of the third quarter and were thus slightly below the figure for the prior year (prior year 29.4 million euros).

Jenoptik has consistently pursued its internationalization strategy in recent months. At 50.4 million euros, however, **selling expenses** remained at the same level as in the prior year (prior year 50.2 million euros); the selling expenses ratio rose slightly from 11.6 percent to 12.0 percent. **Administrative expenses** have increased as scheduled with the expansion of key Group functions, the implementation of the JOE project (Jenoptik One ERP) and as a result of first-time consolidations.

Both other operating income and other operating expenses increased in comparison with the prior year. The account balance from both items showed a year-on-year rise to 4.1 million euros (prior year 1.2 million euros) which is attributable, among other things, to positive currency effects and higher government grants.

Employees & management. As of September 30, 2014, the number of employees in the Jenoptik Group rose by 2.9 percent to 3,532 (31/12/2013: 3,433 employees). The number of employees abroad increased by approximately 18 percent as a result of the expansion of companies abroad as well as first-time consolidations. At the end of September 2014, 560 people were employed at the foreign locations (31/12/2013: 475 employees).

As of September 30, 2014, the Jenoptik Group had a total of 140 trainees (31/12/2013: 137 trainees). The Group had 133 agency employees (prior year 140 agency employees).

Jenoptik announced a future change on the Executive Board in late April 2014. Chief Financial Officer Rüdiger Andreas Günther will not be extending his contract beyond March 2015.

ORDER INTAKE

in million euros	1/1/ to 30/9/2014	1/1/ to 30/9/2013	Change in %
Total	446.7	415.4	7.6
Lasers & Optical Systems	186.0	165.1	12.7
Metrology	126.2	125.1	0.9
Defense & Civil Systems	130.9	124.2	5.3
Others	3.7	0.9	305.0

ORDER BACKLOG

in million euros	30/9/2014	31/12/2013	Change in %
Total	436.9	411.4	6.2
Lasers & Optical Systems	107.2	94.3	13.7
Metrology	71.8	72.8	-1.3
Defense & Civil Systems	259.7	246.9	5.2
Others	-1.8	-2.6	31.0

2.3 Financial and asset position

An equity ratio of 55.2 percent on September 30, 2014, the debenture loans granted in 2011 and the syndicated loan taken out in April 2013 give Jenoptik a sound financing structure and sufficient scope to finance its future growth.

A better equity position coupled with a reduction in borrowings resulted in the debt ratio, that of borrowings to equity, improving from 0.89 as at the end of 2013 to 0.81 on September 30, 2014.

Due to the excellent free cash flow, particularly in the fourth quarter 2013, Jenoptik reduced its net debt to 44.1 million euros as at December 31, 2013. The working capital was built up in the first nine months of 2014, partly in preparation for future customer projects and due to delayed deliveries and postponed projects. As expected, this resulted in an increased **net debt** as of September 30, 2014, to 67.1 million euros. Compared to September 30, 2013, however, net debt was far below the prior-year figure (30/09/2013: 82.0 million euros). Net debt continued to reduce during the year 2014, by 17.3 million euros from the end of June (30/06/2014: 84.4 million euros).

Capital expenditure. At the end of September 2014, the Group had invested 18.4 million euros in property, plant and equipment and intangible assets (prior year 18.3 million euros). At 15.0 million euros, the largest share of the resources went into property, plant and equipment (prior year 12.6 million euros), including technical systems relating to capacity expansion for customer projects. In the first nine months, investments in intangible assets, at 3.4 million euros, fell below the figure for the same period in the prior year (prior year 5.7 million euros). Scheduled depreciation in the Jenoptik Group totaled 17.6 million euros (prior year 16.2 million euros).

As of September 30, 2014, the **balance sheet total** of the Jenoptik Group exceeded at 699.7 million euros the figure at the end of 2013 (31/12/2013: 692.4 million euros).

The increase in intangible assets and property, plant and equipment resulted in the rise in **non-current assets** to 335.7 million euros (31/12/2013: 329.8 million euros).

Current assets showed a marginal increase to 364.0 million euros (31/12/2013: 362.6 million euros). This was due to a rise in inventories of 24.3 million euros to 189.3 million euros (31/12/2013: 165.1 million euros). By contrast, cash and cash equivalents fell to 53.0 million euros, in part due to the dividend payment and payment of variable salary components in the second quarter (31/12/2013: 71.6 million euros). Trade and other receivables fell slightly, by 4.0 million euros to 121.4 million euros (31/12/2013: 125.3 million euros).

Primarily on the back of increased inventories, the **working capital** saw a sharp rise to 228.7 million euros at the end of the third quarter 2014 (31/12/2013: 195.6 million euros/ 30.09.2013: 227.3 million euros). In addition, trade accounts payable were reduced in early 2014. The working capital ratio, that of working capital to revenue, was 37.6 percent and thus below the level at the end of September 2013 (30/09/2013: 38.4 percent).

The earnings after tax posted at the end of September 2014 resulted in **equity** increasing to 386.2 million euros (31/12/2013: 367.1 million euros). This allowed the equity ratio to improve further to 55.2 percent (31/12/2013: 53.0 percent).

R+D OUTPUT

in million euros	1/1/ to 30/9/2014	1/1/ to 30/9/2013	Change in %
R+D output	36.4	37.9	-4.1
R+D expenses	28.5	29.4	-3.0
Capitalized development costs	0.4	0.1	217.6
Depreciation and impairment on capitalized development costs	-0.7	-0.9	24.9
Developments on behalf of customers	8.1	9.3	-13.0

EMPLOYEES (INCL. TRAINEES)

	30/9/2014	31/12/2013	Change in %
Total	3,532	3,433	2.9
Lasers & Optical Systems	1,391	1,391	0.0
Metrology	987	907	8.8
Defense & Civil Systems	899	907	-0.9
Others	255	228	11.8

Compared to the end of December 2013, **non-current liabilities** were virtually unchanged at 173.9 million euros (31/12/2013: 173.1 million euros). There were also almost no changes in the items included, such as non-current financial liabilities and pension provisions. Non-current liabilities include debenture loans placed in the fiscal year 2011, totaling 90 million euros and with terms of five and seven years.

As of September 30, 2014, **current liabilities** reduced to 139.7 million euros and were thus 12.6 million euros below the figure at the end of 2013 (31/12/2013: 152.3 million euros). This was primarily due to lower trade accounts payable, which fell from 46.4 million euros to 35.0 million euros. Current financial assets increased to 4.7 million euros (31/12/2013: 1.2 million euros). There were virtually no changes in the individual items included in current liabilities.

Cash flows from operating activities were mainly influenced by higher payments for the working capital than in the comparable prior-year period, and at 10.8 million euros as of September 30, 2014, were below the prior year's figure of 15.1 million euros. In the third quarter 2014 the Group generated cash flows from operating activities of 24.3 million euros.

Capital expenditure in property, plant and equipment and intangible assets, together with minor proceeds from sale of property, plant and equipment and financial assets were reflected in the **cash flows from investing activities,** which, at minus 19.9 million euros in the first nine months of 2014, fell short of the prior year value (prior year minus 10.6 million euros). The acquisition of consolidated entities includes the purchase of shares in Robot Nederland B.V. Payments for the acquisition of JENOPTIK Australia Pty Ltd. were made in the first half-year of 2013.

The **free cash flow** (cash flows from operating activities before interest and tax minus payments for operating investing activities) fell in the period covered by the report to minus 2.7 million euros (prior year plus 5.2 million euros), primarily due to the increase in working capital.

The cash flows from financing activities came to minus 14.1 million euros, and was chiefly influenced by dividend payments worth 11.4 million euros, the issue of bonds and loans and changes in the Group financing.

Purchases and sales of companies. There were two company acquisitions in the first nine months.

In late April 2014, Jenoptik acquired a 100 percent interest in the Dutch company Robot Nederland B.V. The Group had previously held a 30 percent stake.

In May 2014, Jenoptik increased its stake in the joint venture HOMMEL-ETAMIC Metrology India Pvt. Ltd. in India from 51 to 100 percent. The existing joint venture was dissolved.

Neither of the two acquisitions had any material impact on the Jenoptik Group's financial and asset position.

For details on assets and liabilities not included in the balance sheet, we refer to the information on page 90 of the 2013 Annual Report and the details on contingent liabilities on page 165.

3 Segment reporting

3.1 Lasers & Optical Systems segment

The Lasers & Optical Systems segment reported a solid course of business in the first nine months of 2014. Stable demand and excellent operating performance were also reflected in the segment's cash flow development.

At 172.2 million euros, **revenue in the segment** showed a sharp increase of 7.4 percent on the same period in the prior year (prior year 160.4 million euros). Consistent demand for laser systems for plastics processing and successful project start-ups in the medical technology and life sciences markets helped to bolster development in the period covered by the report, although business with the semiconductor equipment industry slowed unexpectedly and noticeably in the third quarter. At 41.0 percent, the segment enjoyed the greatest share of Group revenue (prior year 37.1 percent). Revenue in Europe (including Germany) rose from 93.6 million euros to 95.5 million euros. In Asia/Pacific, the Middle East and Africa, revenue almost rose by almost 50 percent from 30.2 million euros in the prior year to 43.6 million euros. The business in America reported a slight fall in revenue from 36.6 million euros to 33.1 million euros, chiefly due to some US customers transferring their projects from America to Asia.

Robust development of revenue in conjunction with an improved product mix in the segment contributed to a significant increase of 21.5 percent in **income from operations (EBIT).** EBIT in the nine-month period totaled 20.4 million euros, compared with 16.8 million euros in the prior year. The EBIT margin greatly improved to 11.9 percent (prior year 10.5 percent).

At 186.0 million euros, the **order intake** in the segment exceeded the figure of 165.1 in the prior year by 12.7 percent. One example was the major order received by the Lasers & Material Processing division from a prestigious German manufacturer of medical technology in the third quarter. Jenoptik will produce so-called multicolor thin-disk lasers worth 4 million euros for this customer, primarily for use in ophthalmology. The division also took several orders from automotive suppliers – including new customers in Asia and North America – to deliver laser systems for plastics processing with a total value of over 10 million euros. Order intake was higher than revenue in the period covered by the report, resulting in a book-to-bill ratio of 1.08 (prior year 1.03).

The **order backlog** in the Lasers & Optical Systems segment consequently also grew. It came to 107.2 million euros at the end of September 2014, 13.7 percent higher than at the end of 2013 (31/12/2013: 94.3 million euros).

In the first nine months of 2014, the **number of employees** remained at exactly the same level as at year-end 2013, with 1,391 employees.

Key events in the first nine months of 2014: In the period covered by the report, the Lasers & Material Processing division presented a new series of laser systems for cutting metals and plastics. The division also expanded its range of laser systems used for ultra-precise cutting and drilling of microparts such as medical implants, injection nozzles and watch components.

In early July, the Lasers & Optical Systems segment's German locations commissioned the new ERP system, part of the Group-wide JOE program, to schedule.

THE SEGMENT AT A GLANCE

in million euros	30/9/2014	30/9/2013	Change in %
Revenue	172.2	160.4	7.4
EBIT	20.4	16.8	21.5
Order intake	186.0	165.1	12.7
Order backlog[1]	107.2	94.3	13.7
Employees[1]	1,391	1,391	0.0

[1] Prior year's figures refer to December 31, 2013

3.2 Metrology segment

The prevailing general reluctance to invest – as already reported in the first half-year – and uncertainties relating to the sanctions imposed on Russia together with stricter export controls resulted in a further weakening of demand in the area of metrology in the third quarter.

Revenue in the Metrology segment accordingly fell by 9.3 percent to 127.7 million euros (prior year 140.8 million euros). Although revenue in Europe (including Germany) and Asia/Pacific grew by 5.5 percent and 8.5 percent respectively, figures in America and both the Middle East and Africa dropped by 23.8 percent and 47.3 percent. The segment's share of total revenue fell slightly from 32.6 percent in the prior year to 30.4 percent.

Income from operations (EBIT) in the segment fell by 14.4 percent to 14.7 million euros (prior year 17.2 million euros). This development is primarily attributable to weaker revenue figures in the reporting period. The EBIT margin was down slightly, from 12.2 percent to 11.5 percent. Despite a somewhat bleak economic outlook, the order intake in the Metrology segment remained slightly above the level of the prior year, at 126.2 million euros (prior year 125.1 million euros). One of the orders Jenoptik secured in the first nine months of 2014 came from Kuwait: the Traffic Solutions division will deliver speed and red light monitoring technology to the Emirate. The division received two other orders from Singapore and the Netherlands. The project in Singapore encompasses the delivery, installation and commissioning of digital red light monitoring systems, while the order from the Netherlands comprises the delivery of over 80 stationary systems for speed and red light monitoring. They are all due to be installed by early 2015. Jenoptik will be responsible for operation and maintenance of the systems in the coming years.

THE SEGMENT AT A GLANCE

in million euros	30/9/2014	30/9/2013	Change in %
Revenue	127.7	140.8	-9.3
EBIT	14.7	17.2	-14.4
Order intake	126.2	125.1	0.9
Order backlog[1]	71.8	72.8	-1.3
Employees[1]	987	907	8.8

[1] Prior year's figures refer to December 31, 2013

The order intake in the first nine months of 2014 was at the level of revenue in this period, resulting in a book-to-bill ratio of 0.99 (prior year 0.89). At 71.8 million euros, the order backlog in the segment was slightly below the figure at the end of 2013 (31/12/2013: 72.8 million euros).

As of September 30, 2014, the segment had 987 **employees,** 8.8 percent or 80 persons more than at year-end 2013 (31/12/2013: 907 employees). New employees were predominantly taken on in connection with major international projects such as the expansion of Traffic Service Provision (TSP) for Australia in the Traffic Solutions division.

Key events in the first nine months of 2014: In May, Jenoptik increased its stake in the Dutch traffic technology specialist Robot Nederland B.V. from 30 to 100 percent. In June, the Group also increased its stake in HOMMEL-ETAMIC Metrology India Pvt. Ltd. in India from 51 to 100 percent. The Bangalore-based company will in future operate on the Indian market as JENOPTIK India Pvt. Ltd., a subsidiary of Jenoptik's Asian holding company, and represent all of the Group's segments.

In spring 2014, the Traffic Solutions division presented a series of product highlights at Intertraffic trade fair in Amsterdam, including an innovative flexible system based on radar and laser scanning technology which, as a non-invasive system, is suitable for both stationary and mobile use.

Since the start of the year, the Industrial Metrology division has been successfully pioneering the new ERP system at three German locations.

3.3 Defense & Civil Systems segment

The Defense & Civil Systems segment's business is geared toward the long term and is characterized by order intakes for and revenue recognition of major projects. It is therefore subject to certain fluctuations on a quarterly basis which impact mainly on a period's order-related indicators.

In the first nine months, **revenue** in the Defense & Civil Systems segment came to 117.3 million euros, 8.8 percent below the prior-year figure (prior year 128.6 million euros). This is primarily attributable to the postponement and extended time frames of projects and tighter armaments export restrictions imposed by the German government, in part following sanctions against Russia. The segment's share of Group revenue continued to fall from the prior year and is currently 27.9 percent (prior year 29.7 percent).

Cumulatively, the segment **income from operations (EBIT)** was 0.4 million euros due to only a moderate development of revenue, and consequently far below the figure for the prior year (prior year 6.6 million euros). Reasons included a lesser ability to finance fixed costs and a project-related lower-margin product mix. In addition, EBIT was positively influenced in the prior year by a one-off effect.

Despite the challenging environment, the **order intake** increased by 5.3 percent in the period covered by the report, and at 130.9 million euros exceeded order intake in the prior year (prior year 124.2 million euros) but was below the segment's expectations. The segment's book-to-bill ratio improved from 0.97 in the same period of the prior year to 1.12. In the first quarter, the segment received an order from Krauss-Maffei Wegmann for electrical turret and weapons stabilization systems for military ground vehicles worth over 15 million euros. This order is due to be completed by 2016. In addition, the segment secured two orders from Rheinmetall in April with a total value of 13.5 million euros. By the end of 2015, Jenoptik will supply turret and weapons stabilization systems and auxiliary power units to upgrade Leopard 2 tanks. Jenoptik's Defense & Civil Systems segment was commissioned to supply 124 gensets to Hyundai Rotem, a South Korean rolling stock manufacturer, at the start of the fourth quarter. The sets will be used for passenger train on-board power supplies and are destined for the Turkish State Railways. The order will be carried out between 2015 and 2017, and is valued in the high single-digit million euro range.

THE SEGMENT AT A GLANCE

in million euros	30/9/2014	30/9/2013	Change in %
Revenue	117.3	128.6	-8.8
EBIT	0.4	6.6	-93.5
Order intake	130.9	124.2	5.3
Order backlog[1]	259.7	246.9	5.2
Employees[1]	899	907	-0.9

[1] Prior year's figures refer to December 31, 2013

The segment's **order backlog** increased by a total of 12.8 million euros to 259.7 million euros (31/12/2013: 246.9 million euros).

As of September 30, 2014, the Defense & Civil Systems segment had 899 **employees** (31/12/2013: 907 employees).

Key events in the first nine months of 2014: The Defense & Civil Systems segment implemented a new organizational structure at the beginning of the year. The former areas of business were restructured in four new business units: Energy & Drive, Aviation, Sensors and Power Systems.

The segment demonstrated its commitment to the promising railway technology market with the launch of a last mile diesel-driven genset for locomotives. In an initial phase, the aim is to expand sales in the growth regions of Central and Eastern Europe. With its electrical system solutions, the Defense & Civil Systems segment is meeting growing demand from rail operators for more efficient and greener drive technology in rail vehicles.

Beyond this, the third quarter saw the signing of a cooperation arrangement to generate commercial opportunities for air defense systems with the US company Raytheon. The two companies have been partners on the PATRIOT missile defense program for 30 years and now plan to push the use of state-of-the-art power generation technology from Jenoptik on current international projects.

4 Report on post-balance sheet events

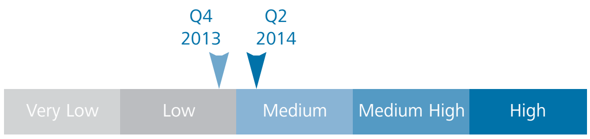
There were no events of special importance occurring after the balance sheet date of September 30, 2014.

5 Risk report

Within the framework of the reporting on the Risk Report, we refer to the details on pages 96 to 107 of the 2013 Annual Report published at the end of March 2014.

As noted in the Group Management Report as of December 31, 2013, Jenoptik's business performance will be influenced, among other things, by political decisions regarding export licenses for both military and dual-use goods. Increasing regulation at both national and European level adversely affects the framework conditions for industrial companies. It also concerns, in particular, restrictions on the export of items subject to authorization requirements, which have been tightened up further and have already resulted in noticeable reluctance on part of the international customers to place orders. In view of these developments, the risk for the Group was assessed as being "medium", i.e. slightly increased within the framework of the semi-annual risk reporting in the second quarter of 2014. This risk has in part already materialized, primarily due to export restrictions; the rating is therefore retained for the third quarter.

There were no other major changes in the risks described in the 2013 Annual Report during the course of the first nine months of 2014 and up to the editorial closing date for this report.



6 Forecast report

6.1 Outlook for the economy as a whole and the Jenoptik sectors

The International Monetary Fund (IMF) revised its forecasts for the third time this year in October. At present, it is expecting **global economic** growth of 3.3 percent in the current year. Following unexpectedly weak growth in the first half-year 2014, the level of risk has been increasing since the spring. The conflicts in Ukraine and the Middle East are showing no signs of abating, major national economies are investing too little and many countries are not meeting the need for structural reform. Potential overheating on the financial markets, which do not reflect the current economic slowdown, also represents a risk.

A further reason for skepticism is the danger of stagnation in the **euro zone.** Instead of the hoped-for recovery, economic output in the euro zone will grow by no more than 0.8 percent in 2014, according to the IMF.

Its forecast for **Germany** has also taken a downturn: the IMF is now projecting growth of just 1.4 percent this year and is calling for increased capital expenditure, for example in infrastructure. The German Federal Government has also reduced its growth forecasts for 2014 to 1.2 percent and for 2015 to 1.3 percent, pointing to the poor underlying conditions in the global economy. In their joint fall reports, leading economic research institutes also criticized German economic policy, which they see as contributing to the downturn in economic growth.

According to the IMF, the **US** is the only country in which the outlook has improved: it now expects economic output 2.2 percent higher than in the prior year (previous forecast: 1.7 percent).

GROWTH FORECAST OF GROSS DOMESTIC PRODUCT

in %	2014	Change to forecast of July 2014	2015
World	3.3	-0.1	3.8
US	2.2	0.5	3.1
Euro zone	0.8	-0.3	1.3
Germany	1.4	-0.5	1.5
China	7.4	0.0	7.1
Emerging economies	4.4	-0.1	5.0

Source: International Monetary Fund, October 2014

No change was made to the forecast for **China.** It remains unclear, however, if the Chinese government's growth forecast of 7.5 percent for 2014 (IMF: 7.4 percent) can still be achieved in view of the relatively low rate of expansion seen recently. China wants to transform its economy and become less dependent on its own exports and foreign investment. It will focus on consumer goods and services to drive growth.

For 2014, the German Engineering Federation (VDMA) is still forecasting a 1 percent increase in production and revenue of 210 billion euros in the German **machine construction industry.** This would be the highest annual revenue in the industry to date. A 2 percent increase in production is possible next year if a stable polical framework for capital expenditure in innovation, modernization, education as well as research and development is created. The VDMA is expecting a reduction in political uncertainties for 2015. Companies in Germany, Europe and the US would then step up their capital expenditure in equipment and facilities.

The German **machine tool industry** still sees opportunities for growth in the years ahead. Despite this, the Association of German Machine Tool Manufacturers (VDW) has admitted that the production forecast of 3 percent growth in 2014 now appears ambitious.

Manufacturers in the **automotive industry** are looking to enter new global markets outside the BRIC growth economies, because China is becoming a "normal" market while demand is falling in Brazil and Russia or stagnating in India. The new target markets are South East Asia and Africa.

In the light of the increasing automation of industry, the **automation industry** can expect strong growth in the coming years, according to the "World Robotics 2014" report released by the International Federation of Robotics (IFR). The IFR is forecasting annual growth of 12 percent to 2017. The automotive industry will remain the key customer, but electronics, chemical, food and pharmaceutical companies are also increasingly using industrial robots and efficient automation solutions.

In view of budget cuts in **security and defense technology,** the industry still faces pressure in Europe. This is being exacerbated by ongoing discussions regarding the future of the German armaments industry. The German Federal Ministry of Defence is calling for an increase in defense budgets no later than 2016 to ease the German armed forces' equipment problems. The ministry has also set out only a few selected areas of industry as key technologies which must be preserved for procurement from national companies. These include technologies for network-enabled operations and encryption, sensors for reconnaissance systems and protective equipment. Germany may be the global market leader for submarine and armored vehicle production, but it can in future also purchase their components abroad under the plans released by the ministry. German companies in the sector are concerned about a loss of competitiveness and both quality and security of supply. In view of the current security situation, coalition politicians are calling for Germany to purchase significantly more tanks than previously planned. Existing vehicles need to be modernized and a development program for a new generation of tanks ("Leopard 3") launched.

In the **aviation industry,** aircraft manufacturer Airbus is expecting a sharp increase in global air traffic in the next 20 years, in particular due to rising demand in Asia, Latin America, Africa and the Middle East. Airbus is projecting an additional demand of around 31,400 aircraft to 2033 with a total value of 4.6 trillion US dollars. In the prior year, the forecast for this period was still at 29,000 aircraft.

No new major forecasts have been issued for the other sectors. We therefore refer to the details from page 108 of the 2013 Annual Report on and the interim reports for 2014.

6.2 Long-term forecasts and targets

For information on the long-term forecasts and targets, we refer to the 2013 Annual Report published in March 2014, together with the comprehensive details in the "Targets and Strategies" section from page 57 on and in the "Forecast Report" from page 108 on.

Tighter armaments export restrictions imposed by the German government following the Russia/Ukraine crisis may result in further lost revenue in the Group, particularly in the Defense & Civil Systems segment, and thus in weaker growth in the medium to long term.

The Jenoptik Group will continue to consistently pursue its established strategy. Due to the adverse development of business in 2014 resulting from external circumstances, however, the Executive Board is extending its planning horizon for the Group's medium-term forecast. The company accordingly now anticipates annual revenue of around 800 million euros, including smaller corporate acquisitions, with an average EBIT margin of 9 to 10 percent over the market cycles to be achieved in 2018, one year later than originally planned.

Jenoptik sees good sales opportunities for its own products and services over the long term – independently of how the economy develops in the medium term. The main attention of the Executive Board is focused on continued sustained and profitable growth in all segments.

6.3 Future development of the business situation

The details are given on the assumption that the economic situation develops within the framework of the economic and sector forecasts stated in this report and in the 2013 Annual Report from page 108 on, and that the situation does not significantly deteriorate. All statements on the future development of the business situation have been made on the basis of current information.

In our opinion, increasing regulation at both national and European level adversely affects the framework conditions for industrial companies. It also concerns, for example, restrictions on the export of items subject to authorization requirements, which have been further tightened up.

The Jenoptik Executive Board revised its 2014 revenue and earnings guidance in mid-October 2014. On the condition that a major international order in the Defense & Civil Systems segment can still be completed by year-end, the Executive Board is now expecting Group revenue for the current fiscal year to come in at around 600 million euros (prior year 600.3 million euros). Group operating result (EBIT) is due to total approximately 50 million euros (prior year 52.7 million euros). This is also contingent on uncertainties in the defense business not intensifying in the coming weeks. The prior guidance for 2014 included revenue growth of around 5 percent and Group EBIT of approximately 55 million euros.

The more modest forecast for the 2014 annual targets is particularly the result of a deterioration in external circumstances: significantly weaker demand than expected by Jenoptik from the machine construction, semiconductor equipment and automotive industries in recent weeks has had a negative impact on the course of business in the Lasers & Optical Systems and Metrology segments. This situation is exacerbated by project postponements on the part of customers. Tighter armaments export restrictions imposed by the German government following the sanctions against Russia have also resulted in lost revenue in the Group, in particular in the Defense & Civil Systems segment.

The **Lasers & Optical Systems segment** anticipates a growth in revenue of between 5 and 10 percent for 2014. This increase is supported by more stable development in the semiconductor equipment business in the first half-year 2014, followed however by a marked slowdown in the second half-year, as well as the expansion in the medical technology and life sciences markets. Compared with revenue, we expect a sharper increase in EBIT.

The **Metrology segment** is expecting revenue and EBIT to come in slightly below the prior-year level in 2014 due to subdued demand from the automotive industry. The timing of project settlements in Traffic Solutions plays an fundamentally important role in this segment.

Revenue at the same level and income from operations (EBIT) below the level of the prior year is forecast for the **Defense & Civil Systems segment** in 2014, on condition that the major international order referred to above can still be completed by the end of the year. In addition, international business and revenue from civil systems will be boosted and initiatives launched to reduce costs and increase efficiency will be continued.

In 2014, the Jenoptik Group is again investing heavily in the expansion of its international sales structures and in the development of innovative products. In addition, the measures for internal process optimization and Group development projects were and will also continue as scheduled.

For details of the outlook for other key indicators for the development of business in 2014, we refer to the 2013 Annual Report, from page 111 on.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

in thousand euros	1/1/ to 30/9/2014	1/1/ to 30/9/2013	1/7/ to 30/9/2014	1/7/ to 30/9/2013
Revenue	420,108	432,503	136,907	148,876
Cost of sales	272,079	282,773	88,512	96,451
Gross profit	148,030	149,730	48,394	52,426
Research and development expenses	28,525	29,394	9,489	9,607
Selling expenses	50,418	50,165	16,401	16,623
General and administrative expenses	37,044	33,857	12,137	10,723
Other operating income	16,356	9,670	5,529	2,789
Other operating expenses	12,253	8,459	3,731	4,235
EBIT – continuing operations	36,146	37,525	12,165	14,028
EBIT – discontinued operations	1,658	0	1,658	0
EBIT – Group	37,804	37,525	13,823	14,028
Investment result	74	249	164	701
Interest income	357	694	96	212
Interest expenses	5,159	4,828	1,742	1,617
Financial result	-4,728	-3,885	-1,482	-704
Earnings before tax – continuing operations	31,418	33,641	10,683	13,324
Earnings before tax – discontinued operations	1,658	0	1,658	0
Earnings before tax – Group	33,076	33,641	12,341	13,324
Income tax expense	-4,237	-4,321	-1,771	-1,546
Deferred taxes	-606	-214	-211	-194
Earnings after tax – continuing operations	26,575	29,106	8,701	11,584
Earnings after tax – discontinued operations	1,658	0	1,658	0
Earnings after tax – Group	28,233	29,106	10,358	11,584
Results from non-controlling interests	26	-19	48	-1
Earnings attributable to shareholders	28,207	29,125	10,310	11,585
Earnings per share in euros – continuing operations	0.46	0.51	0.15	0.20
Earnings per share in euros – Group (undiluted = diluted)	0.49	0.51	0.18	0.20

Other Comprehensive Income

in thousand euros	1/1/ to 30/9/2014	1/1/ to 30/9/2013	1/7/ to 30/9/2014	1/7/ to 30/9/2013
Earnings after tax	28,233	29,106	10,358	11,584
Items that will never be reclassified to profit or loss	-548	-186	-80	-7
Remeasurements	-548	-186	-80	-7
Items that are or may be reclassified to profit or loss	4,020	-1,259	3,471	-1,366
Available-for-sale financial assets	351	379	-140	-146
Cash flow hedges	-1,205	167	-700	356
Foreign currency exchange differences	4,874	-1,805	4,311	-1,576
Total of the profit/loss recognized in equity	3,472	-1,445	3,391	-1,373
Total other comprehensive income	31,705	27,661	13,749	10,211
Thereof attributable to:				
Non-controlling interests	26	-19	48	-1
Shareholders	31,679	27,680	13,701	10,212

Consolidated Statement of Financial Position

Assets in thousand euros	30/9/2014	31/12/2013	Change	30/9/2013
Non-current assets	335,735	329,799	5,936	328,608
Intangible assets	77,759	75,346	2,413	75,853
Property, plant and equipment	142,741	140,632	2,109	140,503
Investment property	20,015	19,107	908	19,226
Financial assets	20,950	20,058	891	19,409
Other non-current assets	3,329	4,398	-1,068	5,529
Deferred tax assets	70,941	70,259	683	68,087
Current assets	363,996	362,642	1,354	343,108
Inventories	189,329	165,058	24,271	184,767
Trade and other receivables	121,359	125,338	-3,979	123,051
Securities	337	681	-344	530
Cash and cash equivalents	52,971	71,565	-18,594	34,760
Total assets	699,731	692,441	7,290	671,716

Equity and liabilities in thousand euros	30/9/2014	31/12/2013	Change	30/9/2013
Equity	386,155	367,056	19,099	348,763
Share capital	148,819	148,819	0	148,819
Capital reserve	194,286	194,286	0	194,286
Other reserves	42,909	23,702	19,207	5,404
Non-controlling interests	140	249	-109	254
Non-current liabilities	173,877	173,067	809	178,417
Pension provisions	28,287	28,227	59	30,904
Other non-current provisions	9,660	10,972	-1,312	11,511
Non-current financial liabilities	115,643	115,235	409	115,832
Other non-current liabilities	18,242	16,865	1,377	17,143
Deferred tax liabilities	2,045	1,769	276	3,027
Current liabilities	139,700	152,318	-12,618	144,536
Tax provisions	3,765	4,762	-997	4,937
Other current provisions	38,321	37,426	895	41,130
Current financial liabilities	4,747	1,154	3,594	1,434
Other current liabilities	92,866	108,976	-16,110	97,034
Total equity and liabilities	699,731	692,441	7,290	671,716

Statement of Changes in Equity

in thousand euros	Share capital	Capital reserve	Cumulative profit
Balance at 1/1/2013	148,819	194,286	11,635
Dividends			-10,303
Remeasurement of financial instruments			
Remeasurement loss			
Foreign currency exchange differences			-1,368
Earnings after tax			29,125
Other adjustments			1,080
Balance at 30/9/2013	148,819	194,286	30,168
Balance at 1/1/2014	148,819	194,286	47,674
Dividends			-11,447
Remeasurement of financial instruments			
Remeasurement loss			
Foreign currency exchange differences			
Earnings after tax			28,207
Other adjustments			-1,022
Balance at 30/9/2014	148,819	194,286	63,412

Available-for-sale financial assets	Cash flow hedges	Cumulative exchange differences	Remeasurements	Non-controlling interests	Total
119	-22	663	-25,448	273	330,325
					-10,303
379	167				546
			-186		-186
21		-458			-1,805
				-19	29,106
					1,080
519	145	205	-25,634	254	348,763
470	-42	-1,663	-22,737	249	367,056
					-11,447
351	-1,205				-854
			-548		-548
-40		4,912		2	4,874
				26	28,233
				-136	-1,159
781	-1,247	3,249	-23,285	140	386,155

Consolidated Statement of Cash Flows

in thousand euros	1/1/ to 30/9/2014	1/1/ to 30/9/2013	1/7/ to 30/9/2014	1/7/ to 30/9/2013
Earnings before tax	33,076	33,641	12,341	13,324
Interest income	4,802	4,134	1,646	1,405
Depreciation and amortization	17,553	16,211	6,012	5,426
Impairment losses and reversals of impairment losses	-1,089	-20	64	-665
Profit/loss from asset disposals	63	-320	98	-80
Other non-cash income/expenses	-1,914	143	-934	332
Operating profit before adjusting working capital	52,491	53,789	19,227	19,743
Change in provisions	-2,914	-12,069	3,501	381
Change in working capital	-31,786	-23,051	3,317	-12,387
Change in other assets and liabilities	-2,753	1,881	83	1,268
Cash flows from operating activities before income tax	15,038	20,549	26,127	9,004
Income tax expense	-4,242	-5,414	-1,792	-4,044
Cash flows from operating activities	10,796	15,135	24,336	4,960
Proceeds from sale of intangible assets	225	19	27	7
Capital expenditure for intangible assets	-3,429	-5,668	-359	-2,253
Proceeds from sale of property, plant and equipment	510	2,970	-214	697
Capital expenditure for property, plant and equipment	-15,011	-12,646	-3,568	-3,474
Proceeds from sale of financial assets	2	7,119	-85	574
Capital expenditure for financial assets	-338	-223	-190	-71
Proceeds from sale of consolidated entities	500	0	500	0
Acquisition of consolidated entities	-2,742	-2,876	-342	-27
Interest received	340	695	89	212
Cash flows from investing activities	-19,944	-10,610	-4,142	-4,335
Dividends paid	-11,447	-10,303	0	0
Proceeds from issuing bonds and loans	3,733	3	3,732	1
Repayments of bonds and loans	-455	-3,332	-15	-317
Payments for finance leases	-35	-71	-15	-27
Change in Group financing	-4,329	-1,448	-2,969	-937
Interest paid	-1,560	-1,338	-426	-326
Cash flows from financing activities	-14,092	-16,489	306	-1,607
Change in cash and cash equivalents	-23,240	-11,965	20,500	-982
Effects of movements in exchange rate on cash held	1,516	-420	1,352	-390
Change in cash and cash equivalents due to changes in the scope of consolidation	3,130	1,790	-257	0
Cash and cash equivalents at the beginning of the period	71,565	45,355	31,376	36,132
Cash and cash equivalents at the end of the period	52,971	34,760	52,971	34,760

Segment Reporting

January 1 – September 30, 2014

in thousand euros	Lasers & Optical Systems	Metrology	Defense & Civil Systems	Others	Consolidation	Group
Revenue	172,201	127,700	117,350	25,140	-22,283	420,108
	(160,406)	(140,787)	(128,644)	(21,768)	(-19,101)	(432,503)
Germany	47,880	34,483	66,761	24,068	-20,924	152,268
	(48,688)	(36,934)	(68,944)	(21,517)	(-18,813)	(157,269)
Europe	47,589	29,169	34,265	66	-66	111,024
	(44,956)	(23,389)	(44,567)	(69)	(-69)	(112,912)
Americas	33,099	29,960	10,552	751	-1,027	73,336
	(36,595)	(39,339)	(11,166)	(142)	(-181)	(87,061)
Middle East and Africa	9,117	9,921	4,249	0	-0	23,288
	(12,503)	(18,843)	(2,572)	(0)	(0)	(33,918)
Asia/Pacific	34,515	24,166	1,523	255	-265	60,193
	(17,664)	(22,282)	(1,396)	(40)	(-38)	(41,344)
EBIT	20,446	14,740	428	2,185	5	37,804
	(16,828)	(17,227)	(6,578)	(-3,099)	(-9)	(37,525)
EBITDA	26,853	17,724	4,183	5,313	5	54,077
	(23,838)	(19,043)	(10,390)	(472)	(-9)	(53,734)
Investment income	-158	0	227	800	-795	74
	(-128)	(199)	(192)	(-14)	(0)	(249)
Research and development expenses	11,966	12,502	4,146	420	-510	28,525
	(12,144)	(11,840)	(5,270)	(304)	(-164)	(29,394)
Free cash flow (before income taxes)	12,885	866	-8,756	-6,716	-948	-2,668
	(2,159)	(14,617)	(-2,288)	(-9,303)	(38)	(5,223)
Working capital[1]	65,095	66,889	99,402	-2,624	-39	228,724
	(54,557)	(56,286)	(92,624)	(-7,864)	(-44)	(195,558)
Order intake	186,001	126,214	130,856	25,143	-21,490	446,724
	(165,113)	(125,106)	(124,231)	(21,768)	(-20,866)	(415,353)
Total assets[1]	214,673	148,733	177,080	299,322	-140,077	699,731
	(195,804)	(125,338)	(178,598)	(309,292)	(-116,592)	(692,441)
Total liabilities[1]	65,437	84,630	129,804	173,740	-140,034	313,576
	(67,393)	(75,151)	(128,437)	(171,001)	(-116,597)	(325,385)
Investments	6,554	4,193	3,258	4,440	0	18,446
	(6,892)	(2,519)	(3,270)	(5,634)	(0)	(18,315)
Depreciation and amortization	6,407	2,983	3,755	4,409	0	17,553
	(7,012)	(1,815)	(3,813)	(3,571)	(0)	(16,211)
Number of employees on average	1,347	929	850	239	0	3,364
without trainees	(1,322)	(835)	(857)	(204)	(0)	(3,217)

Prior year figures are in parentheses

[1] Prior year's figures refer to December 31, 2013

Notes to the interim consolidated financial statements for the first nine months of 2014

Parent company

The parent company 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 publicly listed on the German Stock Exchange in Frankfurt and, among others, listed on the TecDax index.

Accounting in accordance with International Financial Reporting Standards (IFRS)

The same accounting policies applied in preparing the 2013 consolidated financial statements were also applied in preparing the interim consolidated financial statements as at September 30, 2014, 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 IFRS as adopted by the European Union. These policies were published and individually described in detail in the Notes to the 2013 Annual Report. The Annual Report is available on the internet under www.jenoptik.com using the path Investors/Reports and Presentations/Annual Reports.

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 so that a true and fair view of the Group's business performance has been presented in the period under review.

The following changes were made that deviate from the consolidated financial statements as at December 31, 2013:

IFRS 10 "Consolidated Financial Statements". With this standard the concept of control has been newly and comprehensively defined. If an entity controls another entity, the parent company is to consolidate the subsidiary. According to this new concept, control exists if a potential parent company has power over a potential subsidiary on the basis of voting rights or other rights that have positive or negative variable returns from its involvement with the subsidiary and these returns can influence its power. In accordance with the transition specifications of IFRS 10 (2011) Jenoptik analyzed the control concept for its subsidiaries as of January 1, 2014. There are no effects stemming from this amendment.

IFRS 11 "Joint Arrangements". With IFRS 11 the accounting for joint arrangements has been newly regulated. According to this new concept, it needs to be determined if a joint operation or a joint venture exists. A joint operation exists if the parties having joint control have direct rights to the assets, liabilities and obligations. The individual rights and obligations are accounted for proportionately in the consolidated financial statements. In contrast, the parties having joint control in a joint venture have the right to net assets. This right is shown by using the equity method in preparing the consolidated financial statements; consequently the option of a proportionate inclusion has thus been eliminated. When analyzing the joint arrangements Jenoptik included the structure of the agreements, the legal status of all separate vehicles, the content of the legal agreements and other facts and circumstances. In the past the analysis of the joint arrangement was primarily done based on the structure of the arrangement.

Jenoptik evaluated its engagement in its single joint arrangement and concluded that there are no effects stemming from this amendment.

The Group of entities consolidated

The consolidated financial statements of JENOPTIK AG contain 31 fully consolidated subsidiaries (prior year: 29). Thereof 14 (prior year: 14) have their legal seat in Germany and 17 (prior year: 15) have theirs abroad. The Jenoptik Group has proportionately consolidated one joint operation (prior year: 1).

As at June 30, 2014, JENOPTIK Korea Corp. Ltd., Pyeongtaek (Republic of Korea), JENOPTIK Japan Co. Ltd., Yokohama (Japan) and ROBOT Nederland B.V., Niel (Netherlands) were included in the interim consolidated financial statements for the first time. The following additions to assets and liabilities resulted from the first-time inclusion in the consolidation.

ADDITIONS FROM FIRST-TIME CONSOLIDATION

in thousand euros	Additions
Non-current assets	2,924
Current assets	5,800
Non-current liabilities	1,760
Current liabilities	3,296

The inclusion of ROBOT Nederland B.V. in accordance with IFRS 3 is based on preliminary amounts. The finalization will take place by the end of the measurement period.

The consolidated interim financial statements include the revenue of the newly consolidated entities amounting to EUR 7,754 thousand and earnings after tax of EUR 248 thousand. On a consolidated basis the revenue amounts to EUR 1,362 thousand and the earnings after tax to EUR 1,031 thousand. The earnings after tax on a consolidated basis reflect the impact on earnings from revaluation of the already held shares in ROBOT Nederland B.V. of 30 percent.

The shares in the legal entity Electroop S.A., Madrid (Spain) of the Defense & Civil Systems business division of 75 percent were sold to a minority shareholder as at August 29, 2014. The company was deconsolidated. The loss from deconsolidation in the amount of EUR 40.5 thousand is included in other operating expenses.

Material transactions

An obligation in association with the sale of a former operation was partly dissolved with effect on profit and loss due to new insights. The income is separately disclosed as discontinued operations within the consolidated statement of income.

Beyond this, transactions with a significant influence on the interim consolidated financial statements of Jenoptik in the third quarter or cumulative up to September 30, 2014 did not occur.

Classifications of material financial statement items

PROPERTY, PLANT AND EQUIPMENT

in thousand euros	30/9/2014	31/12/2013
Land and buildings	77,391	79,654
Investment properties	20,015	19,107
Technical equipment and machines	34,346	35,621
Other equipment, operating and office equipment	22,741	21,581
Payments on-account and assets under construction	8,263	3,776
Total	162,756	159,739

INVENTORIES

in thousand euros	30/9/2014	31/12/2013
Raw materials, consumables and supplies	62,536	54,733
Work in progress	97,304	85,262
Finished goods and merchandise	25,285	19,557
Payments on-account made	4,204	5,507
Total	189,329	165,058

TRADE RECEIVABLES AND OTHER ASSETS

in thousand euros	30/9/2014	31/12/2013
Trade receivables	101,396	104,944
Receivables from unconsolidated associates	2,413	3,483
Receivables from entities in which investments are held	566	565
Other assets	13,302	12,778
Receivables from construction contracts	3,682	3,568
Total	121,359	125,338

NON-CURRENT FINANCIAL LIABILITIES

in thousand euros	30/9/2014	31/12/2013
Non-current bank liabilities	115,591	115,144
Non-current liabilities from finance leases	53	91
Total	115,643	115,235

CURRENT FINANCIAL LIABILITIES

in thousand euros	30/9/2014	31/12/2013
Bank liabilities	4,693	1,116
Liabilities from finance leases	54	38
Total	4,747	1,154

OTHER CURRENT LIABILITIES

in thousand euros	30/9/2014	31/12/2013
Trade payables	35,032	46,427
Liabilities from advanced payments received	30,621	31,048
Liabilities from construction contracts	31	537
Liabilities to unconsolidated associates	3,317	4,945
Liabilities to entities in which investments are held	71	98
Other current liabilities	23,793	25,921
Total	92,866	108,976

Financial instruments

The following carrying amounts of the financial assets and liabilities correspond to market values.

in thousand euros	Carrying amount 30/9/2014	Carrying amount 31/12/2013
Financial assets	169,197	191,865
Cash and cash equivalents	52,971	71,565
Available for sale		
Measured at fair value	2,112	1,706
Measured at purchase price	338	683
Finance lease receivables	2,444	1,426
Loans granted and receivables	110,994	115,623
Hedged derivatives	338	862
Financial liabilities	187,881	197,509
Trade payables	35,032	46,427
Liabilities to banks and other financial liabilities	120,284	116,260
Finance lease liabilities	107	128
Other non-derivative financial liabilities		
Contingent liabilities	531	832
Other	29,275	33,371
Hedged derivatives	2,652	490

In the chart above the shares in unconsolidated associates and investments are not included in the item of available-for-sale financial assets because they were measured at purchase price. Thus, these shares are part of the financial assets within the non-current assets. The carrying amounts for these financial instruments are assumed to be at fair value.

The following chart shows the fair value hierarchy for finan-cial assets and liabilities measured at fair value:

in thousand euros	Carrying amount 30/9/2014	Level 1	Level 2	Level 3
Available for sale, measured at fair value	2,112	1,878	0	234
	(1,706)	(1,507)	(0)	(199)
Hedged derivatives (assets)	338	0	338	0
	(862)	(0)	(862)	(0)
Contingent liabilities	531	0	0	531
	(832)	(0)	(0)	(832)
Hedged derivatives (liabilities)	2,652	0	2,652	0
	(490)	(0)	(490)	(0)

Prior year figures are in parentheses

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

The development of financial assets 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, measured at fair value	Contingent liabilities
Balance at 1/1/2014	199	832
Additions	223	0
Disposals	0	-342
Gains and losses recognized in financial result	-188	0
Foreign currency exchange effects	0	41
Balance at 30/9/2014	234	531

Related party disclosures

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

German Corporate Governance Code

The current statements 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 have been made permanently available to shareholders on the JENOPTIK AG website. The statements can also be viewed on site at JENOPTIK AG.

Legal disputes

JENOPTIK AG and its Group entities are involved in several court or arbitration proceedings. In the case that these may have any substantial influence on the Group's economic situation, these proceedings were described in the 2013 consolidated financial statements. As at September 30, 2014 no further litigation arose that could have a material effect on the financial position of the Group.

Events after the reporting period

No significant events occurred after the interim reporting period ending on September 30, 2014.

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, November 6, 2014

Dr. Michael Mertin
President & CEO

Rüdiger Andreas Günther
Chief Financial Officer

Dates 2014

November 12, 2014
Publication of the interim report
January to September 2014

January 29, 2015
Publication of the preliminary figures
for the fiscal year 2014

March 26, 2015
Publication of the annual report for 2014

In cases of differences of opinion the German text shall prevail.

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