Interim Financial Report of the Jenoptik Group (UNAUDITED)

JANUARY TO JUNE 2016

At a glance – Jenoptik Group

in million euros	Jan. - June 2016	Jan. - June 2015	Change in %	April - June 2016	April - June 2015	Change in %
Revenue	326.8	316.1	3.4	168.7	170.4	-1.0
Optics & Life Science	108.1	105.1	2.8	55.9	53.8	3.9
Mobility	109.0	113.0	-3.5	56.8	61.3	-7.2
Defense & Civil Systems	111.6	99.7	11.9	57.2	57.0	0.4
Other[1]	-1.8	-1.6		-1.2	-1.6	
EBITDA	41.0	38.7	5.9	24.3	22.9	6.4
Optics & Life Science	17.3	14.4	20.5	10.1	7.1	43.4
Mobility	11.1	11.7	-5.1	6.7	7.5	-10.1
Defense & Civil Systems	11.5	8.5	35.4	7.2	6.5	11.1
Other[1]	1.1	4.1		0.3	1.9	
EBIT	27.3	26.6	2.8	17.6	17.8	-1.6
Optics & Life Science	13.3	10.3	29.2	8.1	5.1	60.4
Mobility	7.1	7.5	-4.7	4.8	5.3	-9.8
Defense & Civil Systems	9.2	6.1	52.1	6.1	5.3	14.8
Other[1]	-2.4	2.7		-1.4	2.2	
EBIT margin	8.4%	8.4%		10.4%	10.5%	
Optics & Life Science	12.3%	9.8%		14.5%	9.4%	
Mobility	6.5%	6.6%		8.5%	8.7%	
Defense & Civil Systems	8.3%	6.1%		10.6%	9.3%	
Earnings before tax	25.9	24.7	4.8	18.3	14.9	22.7
Earnings after tax	22.1	20.1	9.9	15.7	11.9	31.8
Earnings per share in euros	0.39	0.35	11.2	0.27	0.21	31.8
Free cash flow	21.5	8.4	154.5	9.5	11.8	-19.0
Order intake	319.4	333.7	-4.3	160.9	166.9	-3.6
Optics & Life Science	113.6	96.0	18.3	54.5	46.9	16.2
Mobility	128.0	142.5	-10.1	63.3	73.9	-14.4
Defense & Civil Systems	80.2	97.4	-17.7	42.6	46.7	-8.8
Other[1]	-2.4	-2.2		0.6	-0.6	

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Order backlog (in million euros)	360.2	373.4	432.7
Optics & Life Science	74.2	73.7	76.7
Mobility	111.1	92.7	116.2
Defense & Civil Systems	178.0	209.7	242.9
Other[1]	-3.2	-2.6	-3.1
Employees (incl. trainees)	3,512	3,512	3,531
Optics & Life Science	1,149	1,144	1,163
Mobility	1,214	1,207	1,207
Defense & Civil Systems	862	881	880
Other[1]	287	280	281

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

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

Summary of the months January to June 2016

- Revenue was up on prior year at 326.8 million euros (prior year 316.1 million euros). It boosted in Germany, Europe and the Asia/Pacific region. In the prior year, revenue was influenced by positive currency effects.
  See Earnings Position – page 8.

- EBITDA rose disproportionately by 5.9 percent to 41.0 million euros (prior year 38.7 million euros). EBIT came to 27.3 million euros (prior year 26.6 million euros). Earnings after tax increased 9.9 percent to 22.1 million euros (prior year 20.1 million euros).
  See Earnings Position – page 8.

- At 319.4 million euros, order intake was below the prior-year figure of 333.7 million euros. The book-to-bill ratio was at 0.98 (prior year 1.06). In addition, the Group has contracts worth 25.9 million euros. The project pipeline is well filled.
  See Earnings Position – page 9.

- Net debt was down to 39.1 million euros. Free cash flow rose by more than 150 percent to 21.5 million euros. Equity ratio improved to 57.4 percent.
  See Financial and Asset Position – page 10.

- Segment highlights:
  Optics & Life Science: strong improvement in earnings and higher order intake.
  Mobility: fall in revenue and earnings, but growth in strategic focus regions; good order backlog – larger-scale projects at tendering stage.
  Defense & Civil Systems: as anticipated, strong growth in revenue and earnings.
  See Segment Report – from page 12.

- Following good development of business as scheduled in the first half-year 2016, the Jenoptik Executive Board has firmed up the guidance it published in March on the basis of current economic conditions. For 2016, it expects group revenue of between 680 and 700 million euros and an EBIT margin of between 9.0 and 9.5 percent.
  See Forecast Report – page 17.

1 Business and Framework Conditions

1.1 Group Structure and Business Activity

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

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

Our product range comprises OEM and standard components, modules and subsystems, and extends to cover complex systems and production lines. It 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, automotive, machinery engineering, transport, aviation as well as security and defense technology.

Since January 1, 2016 and the launch of a new organizational structure, we have been aligning our business more closely with market requirements and have thus increased our customer reach. Business operations have been reorganized and thus better targeted at growth markets such as the medical technology, automotive and semiconductor equipment sectors.

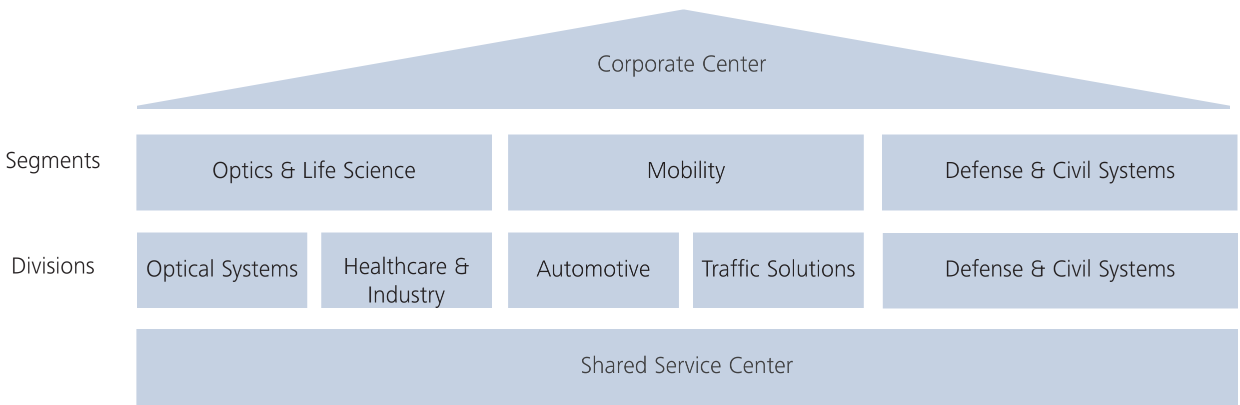
1.2 Targets and Strategies

To promote sustainable and profitable growth, we have continued to make further headway on the Jenoptik Group's core strategic themes of internationalization, innovation and operational excellence. We are increasingly establishing ourselves as a strategic systems partner for international customers and together with them helping to shape forward-looking solutions.
We are working to achieve our growth strategy by
• harmonizing our segments with growth markets and megatrends,
• continuing to work on our process of internationalization, together with greater vertical integration in the growth regions of the Americas and Asia/Pacific,
• expanding our systems expertise,
• extending our excellence program into new areas and
• boosting our financial strength.

We want to enhance our organic growth with acquisitions.

Within the framework of its internationalization strategy, Jenoptik is currently investing around 15 million US dollars in the US location in Rochester Hills, near Detroit, where a new, modern technology campus for metrology and laser systems is being built.

For more information on the strategic alignment of the Jenoptik Group, we refer to the 2015 Annual Report published in March 2016 and the details given in the "Targets and Strategies" section from page 65 on.



1.3 Development of the Capital Market and the Jenoptik Share

The first half-year 2016 was marked by considerable uncertainty on the capital markets. Alongside continuing geopolitical conflicts, the refugee crisis in Europe, recent terrorist attacks, the current situation in Turkey and the Brexit debate, sluggish demand in the euro zone and an economic slowdown in emerging countries were key grounds for unrest on the stock markets. To help boost growth in the euro zone, the European Central Bank (ECB) reduced interest rates to zero percent for the first time in March, while increasing the scale of its bond purchase program to 80 billion euros a month. The most serious watershed moment in the first six months of 2016, however, was the withdrawal of the United Kingdom from the EU, decided by a referendum in late June. "Brexit" produced considerable turmoil on the international financial and currency markets.

Irrespective of these events, the German economy managed to sustain moderately stable growth rates in the first half-year. The Dax started at 10,283 points on January 4, 2016 and fell, in an atmosphere of great volatility, to a low of 8,752 points on February 11. By April 21, 2016, Germany's benchmark index had recovered to reach a high of 10,435 points for the first half-year. In the wake of the Brexit vote, however, the Dax again slumped. At the end of trading on June 30, 2016, it had again climbed to 9,680 points, thus closing a volatile first half-year with a loss of 5.9 percent. The TecDax took a similarly volatile course. In the reporting period, its value fell 10.8 percent from its opening figure of 1,794 points, closing at 1,601 points on June 30, 2016.

Up to the end of June, the Jenoptik share price was consistent with the unsettled development of the overall market. The share price fell from 14.59 euros on January 4 to its lowest level of 11.14 euros on February 11, 2016, before gaining ground to reach 14.80 euros on June 30 and thus close the first half-year with a minor increase of 1.4 percent. In the period covered by the report, the total shareholder return was 3.0 percent (prior year 4.0 percent). In the first six months, the Jenoptik share achieved its highest Xetra closing price of 14.89 euros on June 7. The Jenoptik share closed trading at 15.32 euros on June 29, 2016, representing an increase of 5.0 percent in the current year.

In January 2016, Oddo Asset Management reduced its stake in Jenoptik from 3.02 percent to 2.97 percent. Templeton Investment reduced its shareholdings from 5.09 percent to 4.69 percent in February 2016.

In the last twelve months, the liquidity of TecDax stocks, and thus also the Jenoptik share, decreased sharply on the equivalent prior period: through the end of June 2016, an average of 157,969 shares were traded per day on the German stock exchanges, a drop of 31.9 percent (prior year 231,865). On the TecDax, Jenoptik was in 19th place (prior year 18th) in terms of free float market capitalization (89.0 percent) as of June 30, 2016, and was 22nd in stock-exchange turnover (prior year 20th).

At the 18th Annual General Meeting, held in Weimar on June 8, 2016, the Executive Board reported on the 2015 fiscal year, the first quarter of 2016 and the Group's ongoing strategic development. The shareholders agreed to pay out a dividend of 0.22 euros per share (prior year 0.20 euros). On the basis of the total dividend in the sum of 12.6 million euros, the payout ratio comes to 25.4 percent of the shareholder equity achieved in 2015 (prior year 27.5 percent).

EARNINGS PER SHARE

	1/1/ to 30/6/2016	1/1/ to 30/6/2015
Earnings attributable to shareholders in thousand euros	22,171	19,944
Weighted average number of outstanding shares	57,238,115	57,238,115
Earnings per share in euros	0.39	0.35

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 30/6/2016	1/1/ to 30/6/2015
Closing share price (Xetra) at 30/6/ in euros	14.80	10.82
Highest share price (Xetra) Jan. – June in euros	14.89	13.43
Lowest share price (Xetra) Jan. – June in euros	11.14	10.22
Market capitalization (Xetra) at 30/6/ in million euros	847.1	619.3
Average daily trading volume in shares[1]	157,969	231,865

[1] Source: Deutsche Börse

In the first half-year 2016, the Jenoptik management presented the company to investors and analysts at conferences in Berlin, Frankfurt/Main, Lyon and Warsaw, and at eight roadshows at key European financial centers as well as in Boston and New York.

A total of 16 research institutes or banks regularly reported on Jenoptik. At the end of July, ten analysts recommended buying the share, while six advised investors to hold their shares. The average price target issued by all analysts was 15.08 euros.

1.4 Development of the Economy as a whole and of the individual Jenoptik Sectors

The International Monetary Fund (IMF) reports that the **global economy** grew better than expected in the first half-year 2016. The recovery on the financial and oil markets largely continued prior to the Brexit referendum. In the first quarter, production growth was slightly higher than expected in the developing and emerging economies; in industrialized nations it was generally in line with the forecast. Growth in the euro zone – stronger than predicted – was chiefly responsible for mitigating weaker growth in the US. Global trade and industry grew only moderately in view of China's economic restructuring and generally lower capital expenditure in commodities exports. Up until the Brexit referendum in late June, however, overall growth was in line with the most recent forecasts from April 2016, according to the IMF. The attempted coup and the protectionist measures of the government in Turkey caused uncertainties for foreign investment in July. According to the Organization for Economic Cooperation and Development (OECD) Turkey is vulnerable to volatile international capital flows and exchange rate fluctuations.

In the second quarter the gross domestic product in the **US** rose by an annualized growth rate of just 1.2 percent according the statements by the US Department of Commerce and thus slower than expected. While private consumer spending and export supported the development, corporate investments declined.

As in the first quarter, **China** ended the second quarter of 2016 with economic growth of 6.7 percent. Nevertheless, a number of key indicators were far weaker than in the prior quarter. In addition to the Purchasing Managers' Index for the manufacturing sector, both capital spending and retail revenues showed a decline. Growth in industrial production also remained sluggish. Experts are therefore doubting the sustainability of the growth figures.

In the first quarter of 2016, the **German economy** grew more strongly than initially expected, according to figures released by the Federal Statistical Office in late May, primarily on the back of strong consumer and government spending, GDP increased 0.7 percent on the prior quarter. The following months, however, saw signs of a slight down-turn: contrary to expectations, exports and industrial production both fell on the prior month, while industrial orders stagnated. Experts are therefore anticipating GDP to have grown just 0.3 percent in the second quarter. Although the ifo Business Climate Index has improved considerably recently in terms of its assessment of both the current and future situations, the figures reflect sentiment prior to the Brexit vote.

The Spectaris industry association published its figures for the German **photonics industry** in the past fiscal year. In 2015, revenue of German manufacturers increased 7.1 percent to 31.5 billion euros (prior year 29.4 billion euros). Based on revenues of 16 international photonics companies, Spectaris calculates a World Market Index for photonics to determine the current state of business development. In the first quarter of 2016, the index fell 6.5 percent on the prior quarter – a trend that was seen in every first quarter of recent years. By contrast, the index rose 4 percent compared to the prior year. More recent figures were not yet available at the time the report was drawn up.

Spectaris also announced the results of the past fiscal year for the **medical technology** market. In 2015, German medical technology manufacturers generated revenue of 27.6 billion euros, an increase of around 9 percent on the prior year. The World Market Index for medical technology, which reflects current revenue growth at 12 international companies in the sector, saw a first-quarter fall – similarly to prior years – of 8.7 percent compared to the prior quarter.

In June, the Semiconductor Equipment and Materials International (SEMI) trade association published its figures for the **semiconductor equipment industry** in the first quarter of 2016. At 8.3 billion US dollars, global revenue in the industry was 3.0 percent above that for the prior quarter, but 13.0 percent below the figure in the prior-year quarter. The **semiconductor industry** also got off to a weak start in 2016, as reported by the Semiconductor

Industry Association (SIA): through the end of June, global semiconductor revenues were nearly 6 percent down on the prior-year figure. According to the SIA, this was due to weak demand and unfavorable macroeconomic factors. The semiconductor equipment industry is currently going through a period of consolidation, reflected in a high number of takeovers.

Consolidation was indeed seen in the German **plant and machinery engineering sector**. According to auditing company Ernst & Young, Chinese investors bought or acquired an interest in 164 European companies in the first half-year; 37 of these were in Germany, including major robotics and specialty machinery engineering companies. The development of business within the industry was assessed by the German Engineering Federation (VDMA) on the basis of monthly order intakes, which in the second quarter of 2016 rose by 2.0 percent on the prior-year figure and by a total 3.0 percent in the first half-year. Only demand from the euro zone declined in the first six months.

The VDMA's **lasers and laser systems** for material processing working committee published its 2015 annual results at the end of May: Germany manufactured laser-based production systems worth some 962 million euros, 12.0 percent more than in the prior year. The order intake also surpassed the prior-year figure by 8.0 percent and was worth 1.14 billion euros at the end of 2015.

The **machine tool industry** reported a solid and balanced set of half-year results. According to the Association of German Machine Tool Manufacturers (VDW), order intake grew 12.0 percent in the first half-year compared to the same period in the prior year and thus substantially stronger than had been expected at the beginning of the year. The higher demand was mainly attributable to good domestic business and automotive projects in China and Mexico.

According to German Association of the **Automotive Industry** (VDA), the industry displayed good growth in the first half-year of 2016. The three major automotive markets that together account for two thirds of the global market remained on course for growth: New car registrations increased 9.0 percent on the same prior-year period in Western Europe, with growth of 1.0 percent in the US and – thanks to tax incentives – 12.0 percent in China. Automotive sales in Russia and Brazil were considerably below the prior-year figures.

The German Federal Ministry for Economic Affairs and Energy published its 2015 Armaments Export Report for the German **security and defense technology industry** in July. Individual export licenses for armaments worth 7.86 billion euros were granted, almost double the figure in the prior year. A large proportion of the export licenses were granted for tanker aircraft for the UK and military vehicles for Qatar.

No major new reports had been published for the other sectors at the time these financial statements were prepared. We therefore refer to the details on pages 85 ff. of the 2015 Annual Report.

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 "Other".

2.1 Earnings Position

Development of revenue. In the first half-year 2016, Jenoptik increased its revenue as scheduled by 3.4 percent to 326.8 million euros (prior year 316.1 million euros). These were the highest figures the company reported in the last years in a first half-year. Growth was seen in the Optics & Life Science and Defense & Civil Systems segments. In contrast to the prior year, revenue in the period covered by the report was not influenced by positive currency effects (prior year approx. 11 million euros).

Compared to the first half-year 2015, revenue in Europe (including Germany) grew 9.8 percent to 214.1 million euros (prior year 194.9 million euros). The Asia/Pacific region also saw significant revenue growth of 21.1 percent. In the Americas, by contrast, revenue was 15.3 percent down on the high prior-year figures, which in 2015 was primarily the result of major orders in the Defense & Civil Systems segment. The share of revenue for the two growth regions of the Americas and Asia/Pacific combined thus came to 31.5 percent of group revenue (prior year 33.3 percent). Due to above-average growth on the German market, the share of revenue generated abroad, at 65.0 percent, was below the prior-year figure (prior year 68.5 percent). The regional split of revenue can be found on page 23.

The **cost of sales** showed a slightly above-average rise of 4.0 percent, to 215.1 million euros (prior year 206.8 million euros), and was particularly influenced by a changed product mix. The gross margin consequently fell marginally to 34.2 percent (prior year 34.6 percent).

Research and development (R+D) expenses are of key relevance to the Group's future performance and competitiveness, and were at a comparatively high level in the first half-year of 2016. The **R+D total output** came to 23.4 million euros following 25.8 million euros in the same period of the prior year, equating to 7.2 percent of revenue (prior year 8.2 percent). The indicator includes R+D expenses, development costs on behalf of customers and amortization of the capitalized development costs that are included in assets. In the reporting period, the development costs on behalf of customers that are included in the cost of sales fell to 3.1 million euros (prior year 5.1 million euros); R+D expenses amounted to 20.5 million euros (prior year 21.2 million euros).

In the first half-year 2016, **selling expenses** were virtually unchanged on the prior year, at 37.7 million euros (prior year 38.1 million euros). At 11.5 percent, the selling expenses ratio was down on the prior-year figure of 12.1 percent. **Administrative expenses** of 27.2 million euros were also slightly reduced from the prior year (prior year 28.1 million euros).

Both **other operating income and other operating expenses** fell sharply on the prior year. The account balance from both items amounted to 0.8 million euros (prior year 4.6 million euros). The prior-year account balance was chiefly influenced by positive currency effects and reversals of impairment losses on real estate sold.

REVENUE

in million euros	1/1/ to 30/6/2016	1/1/ to 30/6/2015	Change in %
Total	326.8	316.1	3.4
Optics & Life Science	108.1	105.1	2.8
Mobility	109.0	113.0	-3.5
Defense & Civil Systems	111.6	99.7	11.9
Other	-1.8	-1.6	

EBIT

in million euros	1/1/ to 30/6/2016	1/1/ to 30/6/2015	Change in %
Total	27.3	26.6	2.8
Optics & Life Science	13.3	10.3	29.2
Mobility	7.1	7.5	-4.7
Defense & Civil Systems	9.2	6.1	52.1
Other	-2.4	2.7	

Development of earnings. In the first six months of 2016, the Group reported a disproportionate increase in EBITDA of 5.9 percent to 41.0 million euros (prior year 38.7 million euros). In the prior year, the abovementioned reversal of impairment losses reduced EBITDA.

Income from operations (EBIT) rose by 2.8 percent to 27.3 million euros (prior year 26.6 million euros). Alongside the decline in the gross margin, EBIT was, compared to the prior year, particularly influenced by a lower other operating result due to the abovementioned currency effects and reversals of impairment losses, as well as savings in functional costs. The EBIT margin remained stable at 8.4 percent compared to the prior year (prior year 8.4 percent).

Despite minor currency losses, the financial result in the first half-year 2016 was above the prior-year figure, at minus 1.4 million euros (prior year minus 1.9 million euros). Due to dividend payments received, investment income improved significantly to 1.7 million euros (prior year 0.3 million euros). At 25.9 million euros (prior year 24.7 million euros), the Group thus achieved higher earnings before tax than in the prior year. Income taxes came to 3.7 million euros (prior year 4.0 million euros), equating to a cash effective tax rate of 14.2 percent (prior year 16.0 percent). Earnings after tax came to 22.1 million euros, following 20.1 million euros in the prior year, resulting in earnings per share of 0.39 euros (prior year 0.35 euros).

Order situation. At 319.4 million euros, the Jenoptik Group's order intake in the first six months of 2016 was 4.3 percent down on the prior-year figure (prior year 333.7 million euros). The book-to-bill ratio, that of order intake to revenue, was also below the prior-year figure, at 0.98 (prior year 1.06). Numerous orders are still presently at the tendering stage, and the Group has a well-filled project pipeline. In addition, the order intake in the prior year was affected by a major order for energy systems in the Defense & Civil Systems segment.

As a whole, the lower order intake resulted in a slight fall in the group order backlog, which at 360.2 million euros was 3.5 percent below the comparative figure (31/12/2015: 373.4 million euros). Of this order backlog, 65.5 percent will be converted to revenue in the present fiscal year and help to support scheduled growth in subsequent quarters. Furthermore, the 2016 order backlog does not include contracts worth 25.9 million euros. These are long-term framework contracts with variable conditions.

Employees & management. As of June 30, 2016, the number of employees in the Jenoptik Group remained constant compared to the end of 2015, at 3,512 (31/12/2015: 3,512 employees). The number of employees abroad rose slightly in the course of the international expansion of business. At the end of June 2016, 660 people were employed at the foreign locations (31/12/2015: 629 employees).

Jenoptik had a total of 100 trainees as of June 30, 2016 (31/12/2015: 125 trainees). In Germany, the Group had 130 agency employees (31/12/2015: 101 agency employees).

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

ORDER INTAKE

in million euros	1/1/ to 30/6/2016	1/1/ to 30/6/2015	Change in %
Total	319.4	333.7	-4.3
Optics & Life Science	113.6	96.0	18.3
Mobility	128.0	142.5	-10.1
Defense & Civil Systems	80.2	97.4	-17.7
Other	-2.4	-2.2	

ORDER BACKLOG

in million euros	30/6/2016	31/12/2015	Change in %
Total	360.2	373.4	-3.5
Optics & Life Science	74.2	73.7	0.7
Mobility	111.1	92.7	19.9
Defense & Civil Systems	178.0	209.7	-15.1
Other	-3.2	-2.6	

2.2 Financial and Asset Position

With a sound equity ratio, the debenture loans and the syndicated loan, the Group has a viable financing structure for organic growth and potential acquisitions.

The improved equity position was chiefly responsible for the **debt ratio**, that of borrowings to equity, increasing further from 0.77 as at the end of 2015 to 0.74 on June 30, 2016.

Following a significant reduction in **net debt** to 43.9 million euros on December 31, 2015, the very good free cash flow allowed this indicator to fall to 39.1 million euros as of June 30, 2016. The reduction was achieved despite the dividend payment and payment of variable salary components to employees in the second quarter.

Capital expenditure. In the first six months, the Group invested 12.0 million euros in property, plant and equipment and intangible assets (prior year 10.0 million euros). At 11.0 million euros, the largest share of capital expenditure was on property, plant and equipment (prior year 8.7 million euros). Areas of investment included new technical equipment and an expansion in production capacities, as well as initial project work in connection with the purchase of land and construction of a new building at the Rochester Hills location in the US. Investments in intangible assets, at 1.0 million euros in the first half-year, fell slightly below the figure for the same period in the prior year (prior year 1.2 million euros). Scheduled depreciation totaled 13.7 million euros (prior year 14.1 million euros).

Cash flows from operating activities were mainly boosted by lower payments for the working capital, and at 29.4 million euros as of June 30, 2016 were considerably above the prior year's figure of 12.3 million euros.

Proceeds from sale of financial assets and from non-operational investment income (dividend payment) were chiefly responsible for the improved **cash flows from investing activities** compared to the prior year. These were offset by higher capital expenditure for property, plant and equipment. The outflow of funds for investing activities in the first half-year 2016 amounted to 8.7 million euros (prior year 10.4 million euros).

In the period covered by the report, the **free cash flow** (cash flows from operating activities before interest and tax, minus payments for operational investing activities) was primarily influenced by the lower increase in working capital mentioned above. It rose sharply, by more than 150 percent to 21.5 million euros (prior year 8.4 million euros).

The **cash flows from financing activities** amounted to minus 15.9 million euros (prior year minus 41.6 million euros). In the prior year, they were largely influenced by the issue and repayment of bonds and loans, together with changes in group financing, above all due to the payment made to the last remaining silent real estate investor.

At 768.3 million euros, the **balance sheet total** of the Jenoptik Group as of June 30, 2016 was practically unchanged from the figure at the end of 2015 (31/12/2015: 769.2 million euros).

The fall in intangible assets, property, plant and equipment and financial assets resulted in lower **non-current assets** of 371.0 million euros (31/12/2015: 382.8 million euros), mainly due to scheduled depreciation and currency effects.

Inventories rose to 176.9 million euros (31/12/2015: 167.1 million euros), as, similarly to in prior years, order-related prepayments were made for future revenues. This, together with an increase in cash and cash equivalents to 88.5 million

R+D OUTPUT

in million euros	1/1/ to 30/6/2016	1/1/ to 30/6/2015	Change in %
R+D output	23.4	25.8	-9.2
R+D expenses	20.5	21.2	-3.2
Capitalized development costs	0.0	0.1	-98.9
Depreciation and impairment on capitalized development costs	-0.2	-0.6	67.0
Developments on behalf of customers	3.1	5.1	-39.2

EMPLOYEES (INCL.TRAINEES)

	30/6/2016	31/12/2015	Change in %
Total	3,512	3,512	0.0
Optics & Life Science	1,149	1,144	0.4
Mobility	1,214	1,207	0.6
Defense & Civil Systems	862	881	-2.2
Other	287	280	2.5

euros (31/12/2015: 83.8 million euros) produced by the very good free cash flow, resulted in the value of **current assets** rising to 397.3 million euros compared to the end of 2015 (31/12/2015: 386.3 million euros). Based on the cut-off date, trade receivables, at 131.0 million euros, were below the figure at the end of 2015 (31/12/2015: 135.0 million euros).

At the end of the first half-year 2016, the **working capital** increased marginally to 220.6 million euros (31/12/2015: 215.5 million euros), but was below the figure in the comparable prior-year period (30/06/2015: 239.0 million euros), in part due to improved receivables management. The working capital ratio, that of working capital to revenue based on the last twelve months, remained at the 2015 year-end level, at 32.5 percent (31/12/2015: 32.2 percent) and considerably below the figure in the prior-year period (30/06/2015: 35.4 percent).

The earnings after tax posted at the end of June, reduced by the dividend payment and currency effects from the conversion of consolidated accounts, resulted in **equity** increasing to 441.1 million euros (31/12/2015: 435.1 million euros). The **equity ratio** thereby improved to 57.4 percent (31/12/2015: 56.6 percent).

Compared to the end of December 2015, **non-current liabilities** were virtually unchanged at 168.0 million euros (31/12/2015: 169.5 million euros). There were also no significant changes in the items included, such as non-current financial assets and pension provisions. Non-current liabilities primarily include debenture loans placed in 2011 and 2015, totaling 125 million euros and with original terms of five and seven years.

Compared to year-end 2015, **current liabilities** fell to 159.2 million euros (31/12/2015: 164.5 million euros). This drop is primarily attributable to lower current provisions, which decreased due to the periodic reduction in personnel provisions following the payment of variable salary components. Overall, there were only minor changes in the other items

Purchases and sales of companies. There were no purchases or sales of companies in the first half-year 2016.

For details of **assets and liabilities not included in the balance sheet**, we refer to the information on page 98 of the 2015 Annual Report and the details on contingent liabilities on page 186.

3 Segment Report

3.1 Optics & Life Science

In the first six months of 2016, the Optics & Life Science segment generated **revenue** of 108.1, a minor increase of 2.8 percent (prior year 105.1 million euros). Key driver of this growth was in particular the business with solutions for the IT and communications industry and in part for the semiconductor equipment industry. In addition, the segment introduced new products on the market. After six months, sales of laser systems for the medical technology market still remained weaker than in the prior year. Overall, the segment's share of group revenue was 33.1 percent (prior year 33.2 percent). Revenue in Germany fell from 24.7 million euros to 22.6 million euros, while revenue in Europe (excluding Germany) increased to 37.7 million euros (prior year 29.7 million euros). In the Asia/Pacific region, too, revenue grew. By contrast, the segment reported a drop in revenue in the Americas.

Earnings before interest, taxes, depreciation and amortization (EBITDA) of 17.3 million euros were 20.5 percent above the prior-year figure (prior year 14.4 million euros). **Income from operations (EBIT)** grew even more on the prior year, by 29.2 percent to 13.3 million euros (prior year 10.3 million euros), and by 60.4 percent on the prior-year quarter. The EBIT margin came to 12.3 percent (prior year 9.8 percent).

The segment **order intake** increased by 18.3 percent to 113.6 million euros (prior year 96.0 million euros). Set against revenue, this results in a book-to-bill ratio of 1.05 (prior year 0.91). This growth in order intake predominantly originated in the Healthcare & Industry division, which in June received an order to supply lasers for medical use to a US customer worth over 11 million dollars. The order is included in the segment's order intake and in the contracts.

The segment **order backlog** was at the same level as in the prior year and came to 74.2 million euros at the end of June 2016 (31/12/2015: 73.7 million euros). In addition, there are contracts worth 17.2 million euros.

At 7.9 million euros, the segment doubled the **free cash flow** generated in the reporting period compared to the prior year (prior year 3.9 million euros), mainly due improved earnings and lower payments for working capital.

In the first half-year of 2016, the number of **employees** was just above the figure as at year-end 2015, at 1,149 (31/12/2015: 1,144 employees).

THE OPTICS & LIFE SCIENCE SEGMENT AT A GLANCE

in million euros	30/6/2016	30/6/2015	Change in %
Revenue	108.1	105.1	2.8
EBITDA	17.3	14.4	20.5
EBITDA margin	16.0	13.7	
EBIT	13.3	10.3	29.2
EBIT margin	12.3	9.8	
Free cash flow	7.9	3.9	103.0
Order intake	113.6	96.0	18.3
Order backlog[1]	74.2	73.7	0.7
Employees[1]	1,149	1,144	0.4

[1] Prior year's figures refer to December 31, 2015

3.2 Mobility Segment

In the first six months of 2016, **revenue** in the segment came to 109.0 million euros, down on the prior-year figure (prior year 113.0 million euros). The Automotive division saw good growth, particularly in the field of laser machines. Business with traffic safety technology remained below the prior-year level in the first half-year of 2016, due to a lack of investment by oil-exporting countries and, as expected, a still sluggish US market. While the segment's revenue grew in Germany, it fell sharply in Europe (excluding Germany). In the Americas and Asia/Pacific, the two divisions developed at different rates but overall managed to increase revenues. The segment's share of group revenue fell from 35.7 percent in the prior year to 33.3 percent.

In the period covered by the report, **earnings before interest, taxes, depreciation and amortization (EBITDA)** decreased 5.1 percent to 11.1 million euros (prior year 11.7 million euros). The segment's **income from operations (EBIT)** fell by 4.7 percent to 7.1 million euros (prior year 7.5 million euros). This development was primarily attributable to weaker revenue figures. The EBIT margin accordingly came to 6.5 percent (prior year 6.6 percent).

As the **order intake** in the Mobility segment was above revenue in the period covered by the report, the book-to-bill ratio in the first six months of 2016 reached a figure of 1.17 (prior year 1.26). At 128.0 million euros the order intake was below the prior-year figure (prior year 142.5 million euros).

The volume of new orders in the field of traffic safety declined. Not yet included in the order intake are the already published multi-year major orders, each in the mid double-digit million euro range, in Canada and Australia. Other larger-scale projects are currently still at the tendering stage, and contracts are due to be awarded in the further course of the year.

At 111.1 million euros, the **order backlog** in the segment was 19.9 percent above the 2015 year-end figure (31/12/2015: 92.7 million euros). In addition, there are contracts worth 8.7 million euros.

As of June 30, 2016, the segment had 1,214 **employees** (31/12/2015: 1,207 employees).

The Jenoptik Group is investing a total of some 15 million US dollars in its Rochester Hills, Michigan, location in the US, where a new, modern technology campus for metrology and laser machines for the North American automotive industry is being built. The project currently represents the Group's largest single investment.

THE MOBILITY SEGMENT AT A GLANCE

in million euros	30/6/2016	30/6/2015	Change in %
Revenue	109.0	113.0	-3.5
EBITDA	11.1	11.7	-5.1
EBITDA margin	10.2	10.4	
EBIT	7.1	7.5	-4.7
EBIT margin	6.5	6.6	
Free cash flow	0.9	10.1	-91.1
Order intake	128.0	142.5	-10.1
Order backlog[1]	111.1	92.7	19.9
Employees[1]	1,214	1,207	0.6

[1] Prior year's figures refer to December 31, 2015

3.3 Defense & Civil Systems Segment.

Revenue in the Defense & Civil Systems segment increased sharply, as predicted, in the first half-year 2016. At 111.6 million euros, a rise of 11.9 percent, this was the highest revenue generated in a six-month period (prior year 99.7 million euros). A figure of 57.2 million euros was also the highest revenue posted for a single quarter. This development is predominantly due to business with energy and aviation systems as well as the service business. The segment's share of group revenue grew to 34.1 percent (prior year 31.5 percent). In Germany – the segment's largest sales market –, revenue increased to 65.0 million euros on the back of good business with domestic systems companies (prior year 52.7 million euros). Growth was also seen in Europe and Asia/Pacific. In the Americas, by contrast, revenue fell; part of a major order (see order intake) had been settled in the prior year.

In the first half-year 2016, the segment generated **earnings before interest, taxes, depreciation and amortization (EBITDA)** of 11.5 million euros (prior year 8.5 million euros). **Income from operations (EBIT)** improved from 6.1 million euros in the prior year to 9.2 million euros, an increase of 52.1 percent. This was mainly due to good revenue growth and a high-margin product mix. The EBIT margin came to 8.3 percent in the first six months, even reaching 10.6 percent in a single quarter (prior year 6.1 percent and 9.3 percent).

In the reporting period, the **order intake** fell 17.7 percent to 80.2 million euros (prior year 97.4 million euros). In the prior year, this item included a major order to deliver mobile power generating units for the Patriot missile defense system to the US company Raytheon. A number of larger-scale projects are currently still at the tendering stage. The segment's book-to-bill ratio was 0.72, compared with 0.98 in the prior year.

The segment's order **backlog** fell by a total of 31.6 million euros to 178.0 million euros (31/12/2015: 209.7 million euros), essentially due to the execution of major long-term projects.

With good development of business, a good earnings position and optimized receivables and liquidity management, the segment's **free cash flow** improved significantly from 0.3 million euros to 15.2 million euros.

As of June 30, 2016, the segment had 862 **employees** (31/12/2015: 881 employees).

THE DEFENSE & CIVIL SYSTEMS SEGMENT AT A GLANCE

in million euros	30/6/2016	30/6/2015	Change in %
Revenue	111.6	99.7	11.9
EBITDA	11.5	8.5	35.4
EBITDA margin	10.3	8.5	
EBIT	9.2	6.1	52.1
EBIT margin	8.3	6.1	
Free cash flow	15.2	0.3	5,404.9
Order intake	80.2	97.4	-17.7
Order backlog[1]	178.0	209.7	-15.1
Employees[1]	862	881	-2.2

[1] Prior year's figures refer to December 31, 2015

4 Report on Post-Balance Sheet Events

There were no events of special importance occurring after the balance sheet date of June 30, 2016.

5 Risk and Opportunity Report

Within the framework of the reporting on the Risk and Opportunity Report, we refer to the details on pages 110 to 121 of the 2015 Annual Report published at the end of March 2016.

There have been no major changes in the risks and opportunities described in the report during the course of the first six months of 2016 up to the editorial closing date for this report. At the same time, the possible impact Brexit may have on the company is continuously analyzed.

6 Forecast Report

6.1 Outlook for the Economy as a whole and the Jenoptik Sectors

In the light of the Brexit vote, the International Monetary Fund (IMF) reduced its growth forecasts, particularly for Europe's industrialized nations, in July. For the current year, it expects **global growth** of just 3.1 percent, 0.1 percentage points less than in the last forecast issued in April 2016. The outlook for the United Kingdom, in particular, is bleak: the IMF is expecting the British economy to grow just 1.7 percent in 2016, a drop of 0.2 percentage points. In 2017, the IMF predicts growth of 1.3 percent, well below the forecast 2.2 percent prior to the Brexit decision. China, which has minimal trade links with the United Kingdom, is unlikely to suffer any significant drop in economic growth, according to the IMF. In the US, too, the downgraded forecast is not related to Brexit but rather unexpectedly poor growth in the first quarter.

The IMF believes that Brexit has considerably increased economic, political and institutional uncertainty; the impact on individual countries is still very difficult to estimate. Negative consequences are expected above all by export-oriented companies in the electrical industry, the automotive industry, the metal industry and in machinery engineering, according to the results of a survey conducted by the ifo Institute.

Political unrest and emergency legislation in Turkey cause uncertainty and could burden economic relations, according to the German Council of Economic Experts. Exports and direct foreign investments might shrink, orders could be put on ice. As a result Turkey may face a strong devaluation of the national currency, inflation as well as financial instability, says the Federation of German Wholesale and Foreign Trade (BGA).

GROWTH FORECAST OF GROSS DOMESTIC PRODUCT

in percent / in percentage points	2016	Change to forecast of April 2016	2017
World	3.1	-0.1	3.4
US	2.2	-0.2	2.5
Euro zone	1.6	0.1	1.4
Germany	1.6	0.1	1.2
China	6.6	0.1	6.2
Emerging economies	4.1	0.0	4.6

Source: International Monetary Fund, July 2016

The IMF sees further risks to the global economy in the continuing banking crises in Southern Europe, a lack of structural reform, increasing protectionism and geopolitical unrest and terrorism.

Following the Brexit referendum, the EU Commission also cut its growth forecast. Initial estimates point to 0.2 to 0.5 percent less growth in the euro zone for 2017.

The German Federal Government has not yet adjusted the economic growth forecast it published in April, and is still expecting growth of 1.7 percent in the current year and 1.5 percent in 2017.

According to a survey conducted by the Spectaris industry association, German **photonics** companies have positive expectations, with the potential to achieve revenue growth of 5.6 percent, to 33.3 billion euros, in the current year. Domestic business is due to make a major contribution to this growth.

Despite uncertainties, Germany's **medical technology manufacturers** are generally optimistic about 2016, according to Spectaris: further revenue growth, albeit weaker than in the prior year, is expected. Foreign business, especially in North America, is due to increase the most. China's market development may possibly slow down.

The SEMI trade association is forecasting only a minimal increase in revenue for **semiconductor equipment manufacturers** in the current year, of 1.1 percent to 36.9 billion US dollars. Following a weak start to 2016, the market for semiconductor equipment is only expected to pick up in the second half of the year. This growth is due to be maintained into the new year, making an increase of 11 percent, to 41.1 billion dollars, possible in 2017. IT analyst Gartner marginally upped its annual forecast in July but is still anticipating a minor downturn in expenditure on semiconductor equipment for 2016.

In an initial assessment of the Brexit vote, German **machinery engineering companies** are expecting imports and exports to take a hit, negatively affecting their balance sheets in both the short and medium term. Capital expenditure and employee numbers at German companies in the UK will fall following the Brexit decision, according to the VDMA industry association. Investment and employee levels in Germany, however, are unlikely to be seriously affected. The VDMA sees the greatest risks in an increase in trade barriers, devaluation of the pound or exchange rate risks, political and legal uncertainty and a slowdown in British economic growth lasting several years.

According to the VDW industry association, the German **machine tool industry** is facing several challenges: in view of substantial shifts in the export structure, there is a need to access new growth markets. Reindustrialization in the US, with high capital expenditure on production technology, has not yet fully materialized. By contrast, the outlook for South-East Asia and India is especially promising. Beyond this, new customer benefits could be created with improved networking and automation solutions.

For 2016, the German Association of the **Automotive Industry** is expecting the global market to grow 3.0 percent, which would allow new registrations to exceed the 80 million mark for the first time. The industry intends to allay market fears elicited by the emissions scandal by introducing a raft of measures such as new type approval procedures. It is currently going through a phase of "automotive disruption", driven by the megatrends of alternative drive technologies and digitization, which are associated with huge investments in research and development.

The European Parliament wants to boost the competitiveness of the continent's **railway industry** and passed a corresponding resolution in June that aims to create an improved regulatory framework and better research funding. To date, Europe has been largely open to suppliers from third countries, while European manufacturers face numerous obstacles in third countries.

In the **aviation industry**, aircraft manufacturer Boeing has raised its long-term forecast and is now estimating that 39,620 passenger and transport aircraft, worth a total of 5.9 trillion US dollars, will be sold across the industry by 2035. Boeing's expectations are thus 4.1 percent above the prior market forecast. Airbus is anticipating 33,000 new aircraft worth 5.2 trillion US dollars. Industry experts see 2016 as a year of consolidation for aircraft construction; the times of record order numbers are past. Due to reduced demand for its wide-body aircraft, Airbus announced its plans to cut their production by more than half: from 2018, only twelve A380 aircrafts are due to leave the factories every year. The figure was 27 aircraft in 2015.

In June 2016, the German government announced a greater increase in spending on **defense** in coming years than was previously scheduled. In the context of geopolitical conflicts and the risk of terrorism in Europe, the expectations of its allies are also growing, such that more than 1.2 percent of gross domestic product is due to be spent on defense in the future.

No new major forecasts have been issued for the other sectors. We therefore refer to the details on pages 122 ff. of the 2015 Annual Report.

6.2 Long-term Forecasts and Targets

For information on the medium to long-term outlook, we refer to the 2015 Annual Report published in March 2016, in particular the details in the "Targets and Strategies" section from page 65 on and in the Forecast Report from page 122 on.

Jenoptik anticipates annual revenue of around 800 million euros with an average EBIT margin of 9 to 10 percent over the market cycles, and including smaller acquisitions, to be achieved by the end of 2018. In order to reach these goals, the company is aiming for exceptional growth abroad, particularly in the Americas and Asia/Pacific. More than 40 percent of revenue (2015: 32.7 percent) is due to be generated in these target regions by 2018.

This presupposes that political and economic conditions do not worsen. These include the presently uncertain effects of Brexit and the development in Turkey, regulations at European level, export restrictions, further developments in China, in the Middle East and the conflict between Russia and Ukraine.

6.3 Future Development of Business

The Jenoptik Group will continue to pursue its strategic agenda with the aim of achieving profitable growth in all its segments. Revenue growth, the resulting economies of scale, cost discipline and higher margins from the growing systems and service business together with the expansion of international sales structures is expected to produce an increase in and sustainability of results. Process optimization measures and the Group development projects will also continue in the current fiscal year. Jenoptik closely reviews value-adding acquisitions.

The good asset position and a viable financing structure give Jenoptik sufficient room for maneuver to finance further growth and acquisitions.

Following good development of business as scheduled in the first half-year of 2016, the Jenoptik Executive Board has firmed up the guidance in published in March. It anticipates group revenue of between 680 and 700 million euros for 2016 (prior year 668.6 million euros). Group EBIT is also due to rise moderately; the EBIT margin shall come in at between 9.0 and 9.5 percent (prior year 9.2 percent). Earnings before tax are expected to develop similarly to EBIT in 2016. Depending on the future tax burden, this will also be reflected in the earnings after tax.

All statements on the future development of the business situation have been made on the basis of current information. They are given on the assumption that the economic situation develops within the framework of the economic and industry forecasts stated in this report and in the 2015 Annual Report from page 122 on, and that Brexit or the development in Turkey do not produce any significant negative impacts in the short term.

We refer to the 2015 Annual Report, from page 125 on, for details of the outlook for other key indicators for the development of business and the development of the segments in 2016.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

in thousand euros	1/1/ to 30/6/2016	1/1/ to 30/6/2015	1/4/ to 30/6/2016	1/4/ to 30/6/2015
Revenue	326,828	316,139	168,662	170,363
Cost of sales	215,052	206,783	109,308	111,184
Gross profit	111,776	109,356	59,354	59,179
Research and development expenses	20,488	21,159	9,856	10,003
Selling expenses	37,667	38,136	19,277	18,862
General and administrative expenses	27,196	28,063	14,236	14,717
Other operating income	8,681	15,428	4,549	6,715
Other operating expenses	7,917	10,848	3,053	4,469
EBIT – continuing operations	27,189	26,579	17,482	17,844
EBIT – discontinued operations	125	0	75	0
EBIT – Group	27,314	26,579	17,557	17,844
Result from other investments	1,741	305	1,811	362
Financial income	3,211	5,457	1,053	-338
Financial expenses	6,360	7,614	2,165	2,986
Financial result	-1,407	-1,852	699	-2,962
Earnings before tax – continuing operations	25,782	24,727	18,181	14,882
Earnings before tax – discontinued operations	125	0	75	0
Earnings before tax – Group	25,907	24,727	18,256	14,882
Income taxes	-3,772	-4,592	-2,589	-2,997
Earnings after tax – continuing operations	22,011	20,135	15,592	11,884
Earnings after tax – discountinued operations	125	0	75	0
Earnings after tax – Group	22,136	20,135	15,667	11,884
Results from non-controlling interests	-35	191	25	-24
Earnings attributable to shareholders	22,171	19,944	15,692	11,860
Earnings per share in euro – continuing operations	0.38	0.35	0.27	0.21
Earnings per share in euros - Group (diluted = undiluted)	0.39	0.35	0.27	0.21

Other Comprehensive Income

in thousand euros	1/1/ to 30/6/2016	1/1/ to 30/6/2015	1/4/ to 30/6/2016	1/4/ to 30/6/2015
Earnings after tax	22,136	20,135	15,667	11,884
Items that will never be reclassified to profit or loss	-533	-2	-533	-2
Remeasurements	-533	-101	-533	-101
Deferred taxes	0	99	0	99
Items that are or may be reclassified to profit or loss	-3,037	6,622	-2,934	7,003
Available-for-sale financial assets	-210	787	-210	787
Cash flow hedges	342	1,274	342	1,274
Foreign currency exchange differences	-3,066	4,942	-3,066	4,942
Deferred taxes	-103	-381		
Total of the profit/loss recognized in equity	-3,570	6,621	-3,467	7,001
Total other comprehensive income	18,565	26,756	12,200	18,885
Thereof attributable to:				
Non-controlling interest	172	49	25	-24
Shareholders	18,394	26,707	12,174	18,909

Consolidated Statement of Financial Position

Assets in thousand euros	30/6/2016	31/12/2015	Change	30/6/2015
Non-current assets	371,030	382,827	-11,797	387,085
Intangible assets	114,949	122,737	-7,788	125,848
Property, plant and equipment	153,310	155,659	-2,349	150,222
Investment property	4,490	4,536	-46	10,041
Financial assets	19,700	21,745	-2,045	23,231
Other non-current assets	5,436	4,548	887	1,989
Deferred tax assets	73,145	73,602	-457	75,754
Current assets	397,251	386,340	10,910	374,731
Inventories	176,897	167,132	9,765	190,525
Trade and other receivables	130,955	134,966	-4,011	142,729
Securities	535	418	117	338
Cash and cash equivalents	88,528	83,824	4,704	32,787
Assets held for sale	336	0	336	8,352
Total assets	768,281	769,167	-887	761,817

Equity and liabilities in thousand euros	30/6/2016	31/12/2015	Change	30/6/2015
Equity	441,106	435,132	5,973	401,901
Share capital	148,819	148,819	0	148,819
Capital reserve	194,286	194,286	0	194,286
Other reserves	98,910	93,108	5,802	60,075
Non-controlling interests	-909	-1,081	172	-1,279
Non-current liabilities	167,950	169,513	-1,563	206,523
Pension provisions	36,151	36,095	56	40,846
Other non-current provisions	9,713	10,275	-562	10,224
Non-current financial liabilities	113,338	113,243	95	143,655
Other non-current liabilities	7,065	7,915	-850	10,161
Deferred tax liabilities	1,684	1,986	-302	1,637
Current liabilities	159,224	164,521	-5,297	153,393
Tax provisions	2,786	3,281	-495	5,174
Other current provisions	37,220	42,745	-5,525	33,788
Current financial liabilities	14,776	14,850	-74	5,354
Other current liabilities	104,442	103,646	796	109,077
Total equity and liabilities	768,281	769,167	-887	761,817

Statement of Changes in Equity

in thousand euros	Share capital	Capital reserve	Cumulative profit	Available-for-sale financial assets	Cash flow hedges
Balance at 1/1/2015	148,819	194,286	73,442	600	-945
Dividends			-11,447		
Remeasurement of financial instruments				787	893
Remeasurement gain					
Foreign currency exchange differences					
Earnings after tax			19,944		
Balance at 30/6/2015	148,819	194,286	81,939	1,387	-52
Balance at 1/1/2016	148,819	194,286	111,508	802	-399
Dividends			-12,592		
Remeasurement of financial instruments				-210	240
Remeasurement loss					
Foreign currency exchange differences					
Earnings after tax			22,171		
Balance at 30/6/2016	148,819	194,286	121,087	592	-159

Cumulative exchange differences	Remeasurements	Equity attributable to shareholders of JENOPTIK AG	Non-controlling interests	Total	in thousand euros
4,042	-32,322	387,922	-1,329	386,593	Balance at 1/1/2015
		-11,447		-11,447	Dividends
		1,680		1,680	Remeasurement of financial instruments
	534	534		534	Remeasurement gain
5,085	-536	4,549	-142	4,407	Foreign currency exchange differences
		19,944	191	20,135	Earnings after tax
9,126	-32,324	403,182	-1,280	401,901	Balance at 30/6/2015
9,273	-28,076	436,213	-1,081	435,132	Balance at 1/1/2016
		-12,592		-12,592	Dividends
		30		30	Remeasurement of financial instruments
	-533	-533		-533	Remeasurement loss
-3,282	8	-3,274	207	-3,067	Foreign currency exchange differences
		22,171	-35	22,136	Earnings after tax
5,991	-28,601	442,015	-909	441,106	Balance at 30/6/2016

Consolidated Statement of Cash Flows

in thousand euros	1/1/ to 30/6/2016	1/1/ to 30/6/2015	1/4/ to 30/6/2016	1/4/ to 30/6/2015
Earnings before tax	25,907	24,727	18,256	14,882
Financial income and financial expenses	3,148	2,157	1,112	3,324
Non-operating income from investments	-1,693	0	-1,693	0
Depreciation and amortization	13,688	14,120	6,772	7,008
Impairment losses and reversals of impairment losses	-35	-1,854	-107	-1,919
Profit/loss from asset disposals	76	87	-10	49
Other non-cash income/expenses	-671	-1,080	-328	732
Operating profit before adjusting working capital	40,421	38,157	24,002	24,076
Change in provisions	-6,664	-4,674	-9,895	-8,368
Change in working capital	-4,898	-18,947	-283	-2,716
Change in other assets and liabilities	4,486	3,714	2,135	2,728
Cash flows from operating activities before income tax	33,346	18,250	15,959	15,720
Income tax expense	-3,941	-5,958	-1,911	-2,667
Cash flows from operating activities	29,405	12,292	14,048	13,053
Thereof discontinued operations	125	0	75	0
Proceeds from sale of intangible assets	25	22	2	22
Capital expenditure for intangible assets	-1,005	-1,250	-568	-549
Proceeds from sale of property, plant and equipment	140	149	57	118
Capital expenditure for property, plant and equipment	-11,025	-8,732	-5,927	-3,550
Proceeds from sale of financial assets	1,502	0	2	0
Capital expenditure for financial assets	-182	-156	-75	-81
Acquisition of consolidated entities	0	-644	0	-232
Proceeds from non-operating income from investments	1,693	0	1,693	0
Interest received	184	227	67	16
Cash flows from investing activities	-8,667	-10,384	-4,749	-4,257
Dividends paid	-12,592	-11,447	-12,592	-11,447
Proceeds from issuing bonds and loans	541	103,000	541	103,000
Repayments of bonds and loans	-504	-114,091	-39	-114,042
Payments for finance leases	-17	-33	-9	-17
Change in group financing	-1,449	-13,748	-1,031	512
Interests paid	-1,866	-5,328	-1,490	-3,879
Cash flows from financing activities	-15,887	-41,647	-14,620	-25,871
Change in cash and cash equivalents	4,850	-39,739	-5,320	-17,075
Thereof discontinued operations	125	0	75	0
Effects of movements in exchange rates on cash held	-146	3,030	111	-1,148
Cash and cash equivalents at the beginning of the period	83,824	69,495	93,738	51,010
Cash and cash equivalents at the end of the period	88,528	32,787	88,528	32,787

Segment Report

January 1 – June 30, 2016

in thousand euros	Optics & Life Science	Mobility	Defense & Civil Systems	Other	Consolidation	Group
Revenue	108,053	108,993	111,611	17,244	-19,072	326,828
	(105,070)	(112,986)	(99,697)	(16,063)	(-17,677)	(316,139)
Germany	22,616	28,187	64,995	15,662	-17,119	114,340
	(24,652)	(22,483)	(52,690)	(14,748)	(-14,955)	(99,617)
Europe	37,733	31,204	30,837	61	-78	99,757
	(29,728)	(38,841)	(26,736)	(55)	(-50)	(95,309)
Americas	19,897	27,911	9,009	1,227	-1,237	56,806
	(23,366)	(26,238)	(17,491)	(990)	(-1,001)	(67,084)
Middle East and Africa	6,103	2,106	1,571	0	0	9,781
	(7,068)	(7,172)	(1,787)	(0)	(0)	(16,027)
Asia / Pacific	21,704	19,585	5,200	294	-638	46,145
	(20,256)	(18,252)	(994)	(270)	(-1,671)	(38,101)
EBITDA	17,298	11,108	11,526	1,057	15	41,005
	(14,359)	(11,699)	(8,513)	(4,203)	(-60)	(38,714)
EBIT	13,302	7,133	9,235	-2,372	15	27,314
	(10,297)	(7,488)	(6,073)	(2,781)	(-60)	(26,579)
Investment income	41	1,693	0	7	0	1,741
	(-105)	(51)	(351)	(902)	(-894)	(305)
Research and development expenses	7,074	10,179	3,174	210	-149	20,488
	(7,708)	(10,380)	(2,961)	(268)	(-159)	(21,159)
Free cash flow (before interest and income taxes)	7,912	899	15,185	-2,544	30	21,481
	(3,897)	(10,090)	(276)	(-1,325)	(-4,498)	(8,439)
Working capital[1]	60,569	64,052	101,264	-5,219	-28	220,638
	(56,152)	(58,351)	(106,026)	(-4,961)	(-31)	(215,537)
Order intake	113,557	128,020	80,180	17,231	-19,631	319,357
	(96,023)	(142,464)	(97,378)	(16,063)	(-18,261)	(333,667)
Total assets[1]	196,766	216,331	179,443	648,847	-473,106	768,281
	(188,948)	(212,848)	(187,544)	(676,953)	(-497,125)	(769,167)
Total liabilities[1]	51,832	141,978	119,847	167,816	-154,298	327,175
	(56,622)	(142,374)	(143,208)	(171,323)	(-179,493)	(334,035)
Increase in intangible assets and	2,255	4,232	2,099	1,131	0	9,717
property, plant and equipment	(2,899)	(2,844)	(2,480)	(1,834)	(0)	(10,057)
Depreciation and amortization	3,994	3,974	2,291	3,429	0	13,688
	(4,063)	(4,211)	(2,439)	(3,407)	(0)	(14,120)
Numbers of employees on average	1,112	1,179	826	278	0	3,396
without trainees	(1,143)	(1,181)	(839)	(271)	(0)	(3,433)

Prior year figures in parentheses

[1] Prior year's figures refer to December 31, 2015

Notes to the Interim Consolidated Financial Statements for the first six months of 2016

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 2015 consolidated financial statements were also applied in preparing the interim consolidated financial statements as at June 30, 2016, which were prepared on the basis of the International Accounting Standard (IAS) 34 "Interim Financial Reporting". These interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. These policies were published and individually described in detail in the Notes to the 2015 Annual Report. The Annual Report is available on the internet at www.jenoptik.com at 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 2016:

IFRS Improvements (2012 – 2014). As part of the IASB Annual Improvements Project, amendments were made to four standards. Along with clarifying existing regulations, amendments impacting the statement of financial position and the required disclosures were adopted. The standards affected are IAS 19, IAS 34, IFRS 5 and IFRS 7. The amendments became effective as of January 1, 2016. These improvements have no material effects on the consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements". These amendments affect various disclosure issues. It was clarified that disclosures in the notes are only then required when their content is not immaterial. This is explicitly to be applied when an IFRS requires a list of minimum disclosures. In addition, explanations have been added regarding aggregating and disaggregating items in the statement of financial position and the statement of comprehensive income. Furthermore, it has been clarified how interests in entities stated at equity are to be disclosed in other comprehensive income in the statement of comprehensive income. Finally a sample structure for the notes was removed in order to take relevant content specific to an entity into account. These amendments became effective as of January 1, 2016. These improvements have no material effects on the consolidated financial statements.

Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". With this amendment further guidelines were made available for determining which measurement methods are to be applied for depreciating tangible assets and for amortizing intangible assets. Depreciation methods for property, plant and equipment based on revenue are not to be applied, whereas revenue-based amortization methods may be applied in certain cases as an exception for intangible assets. This amendment became effective as of January 1, 2016 and has no effect on the consolidated financial statements.

Amendment to IFRS 11 "Joint Arrangements". With this amendment the IASB regulates the accounting treatment for investing in a joint operation as defined by IFRS 3 (a joint operation constituting a business). In such cases the acquirer uses the accounting principles given in IFRS 3 for business combinations. Moreover, the disclosure requirements specified in IFRS 3 shall also be applied. This amendment became effective as of January 1, 2016 and has no effect on the consolidated financial statements.

The Group of Entities Consolidated

The consolidated financial statements of JENOPTIK AG contain 31 fully consolidated subsidiaries (31/12/2015: 33). Thereof 12 (31/12/2015: 14) have their legal seat in Germany and 19 (31/12/2015: 19) abroad. The reduction of the number of fully consolidated subsidiaries is due to a simplification in the holding structure of the Group. The companies to be consolidated within the Jenoptik Group still contain one joint operation.

Since January 1, 2016 Jenoptik has aligned its organizational structure more consequently with market requirements. The business activities were newly structured and more targeted at growth markets such as medical technology, automotive and semiconductor equipment. The segment reporting follows this new organizational structure. Prior year figures were adjusted accordingly.

Material Transactions

A dividend payment of 0.22 euros per share was agreed at the JENOPTIK AG Annual General Meeting on June 8, 2016. The pay-out reduced cash flows from financing activities by EUR 12.592 thousand.

In the current fiscal year an investment paid a dividend to Jenoptik amounting to EUR 1.693 thousand. The earnings are included in the investment result and belong to the Mobility segment. The cash flows from investing activities were affected positively by the same amount.

The book value of another investment was subject to reversal of impairment losses amounting to EUR 175 thousand, because the reasons for the impairment were no longer applicable. Further information is included in the section "Assets held for sale".

Beyond this, transactions with a significant influence on the interim consolidated financial statements of Jenoptik in the second quarter or cumulative in the first half-year of 2016 did not occur.

Assets held for sale

Due to a scheduled sale within a twelve-month period an investment was classified as held for sale according to IFRS 5. After the initial recognition as asset held for sale, neither impairments nor reversals of impairments were recorded in the income statement. Measurement was made at carrying amount.

The sale of the investment took place within the period in which this report was being prepared. The asset held for sale is belonging to Optics & Life Sciences segment.

In the prior fiscal year this position contained two investment properties and associated movable assets. The sale took place in the course of the fiscal year 2015 as planned.

Classifications of Material Financial Statement Items

PROPERTY, PLANT AND EQUIPMENT

in thousand euros	30/6/2016	31/12/2015
Land and buildings	85,440	85,385
Technical equipment and machines	40,462	42,894
Other equipment, operating and office equipment	22,207	23,418
Payments on-account and assets under construction	5,201	3,962
Total	153,310	155,659

INVENTORIES

in thousand euros	30/6/2016	31/12/2015
Raw materials, consumables and supplies	62,059	57,753
Work in progress	91,491	89,007
Finished goods and merchandise	22,014	18,004
Payments on-account made	1,333	2,369
Total	176,897	167,132

TRADE RECEIVABLES AND OTHER ASSETS

in thousand euros	30/6/2016	31/12/2015
Trade receivables	116,779	120,009
Receivables from unconsolidated associates	1,066	1,847
Receivables from construction contracts	2,164	1,359
Receivables from entities in which investments are held	469	405
Other assets	10,477	11,346
Total	130,955	134,966

NON-CURRENT FINANCIAL LIABILITIES

in thousand euros	30/6/2016	31/12/2015
Non-current bank liabilities	113,287	113,173
Non-current liabilities from finance leases	52	70
Total	113,338	113,243

CURRENT FINANCIAL LIABILITIES

in thousand euros	30/6/2016	31/12/2015
Bank liabilities	14,728	14,802
Liabilities from finance leases	49	48
Total	14,776	14,850

OTHER CURRENT LIABILITIES

in thousand euros	30/6/2016	31/12/2015
Trade payables	51,424	47,801
Liabilities from advance payments received	23,547	25,162
Liabilities to unconsolidated associates	1,810	2,874
Liabilities from construction contracts	223	0
Liabilities to entities in which investments are held	68	177
Other current liabilities	27,370	27,632
Total	104,442	103,646

Financial Instruments

The carrying amounts listed below for cash and cash equivalents, available for sale financial assets, contingent liabilities and derivatives held for hedging purposes correspond to their fair value. The carrying amounts of the remaining items represent an appropriate approximation of their fair value.

in thousand euros	Carrying amount 30/6/2016	Carrying amount 31/12/2015
Financial assets	224,823	222,142
Loans granted and receivables	131,152	135,389
Cash and cash equivalents	88,528	83,824
Available for sale	2,407	2,585
Finance lease receivables	1,047	0
Hedged derivatives	1,690	343
Financial liabilities	197,452	196,254
Liabilities to bank and other financial liabilities	128,014	127,975
Trade payables	51,424	47,897
Finance lease liabilities	100	118
Other non-derivative financial liabilities		
Contingent liabilities	1,802	1,423
Other	14,847	15,400
Hedged derivatives	1,265	3,441

The following chart shows the fair value hierarchy for financial assets and liabilities measured at fair value:

in thousand euros	Carrying amount 30/6/2016	Level 1	Level 2	Level 3
Available for sale	2,407	2,076	0	331
	(2,585)	(2,286)	(0)	(299)
Hedged derivatives (assets)	1,690	0	1,690	0
	(343)	(0)	(343)	(0)
Contingent liabilities	1,802	0	0	1,802
	(1,423)	(0)	(0)	(1,423)
Hedged derivatives (liabilities)	1,265	0	1,265	0
	(3,441)	(0)	(3,441)	(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.

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

The fair values of derivatives with hedging relations were determined by using standard measurements methods. In doing so current market data were opposed to those parameters underlying the derivatives. The used market data were taken from leading information systems such as Reuters. If an interpolation of market data is applied, it is done straight-line.

The fair value of contingent liabilities was measured by taking the expected and discounted payment outflows at the reporting date into consideration. The put option, agreed upon in conjunction with the acquisition of the British Vysionics Group, for the purchase of the remaining non-controlling interests in the amount of EUR 1,802 thousand was recognized at the present value of the expected exercise price. In the first quarter the expected cash outflows were revalued based on current information and discounted in consideration of the term with interest rates between 0.62 and 0.71 percent. These postings negatively affected the financial result in the amount of EUR 553 thousand. The effect on the operating result in the amount of EUR 174 thousand is due to the revaluation of this foreign currency liability.

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	Contingent liabilities
Balance at 1/1/2016	299	1,423
Additions	172	0
Gains and losses recognized in operating result	0	-174
Gains and losses recognized in financial result	-140	553
Balance at 30/6/2016	331	1,802

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/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. In the case that these may have any substantial influence on the Group's economic situation, these proceedings were described in the 2015 consolidated financial statements. As at June 30, 2016 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 June 30, 2016.

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, August 4, 2016

Dr. Michael Mertin
President & CEO

Hans-Dieter Schumacher
Chief Financial Officer

Dates

November 10, 2016
Publication of the interim report
January to September 2016

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

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