JENOPTIK

Q1

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Q3

Interim Financial Report of the Jenoptik Group (UNAUDITED)

JANUARY TO SEPTEMBER 2016

At a glance – Jenoptik Group

in million euros	Jan. – Sept. 2016	Jan. – Sept. 2015	Change in %	July – Sept. 2016	July – Sept. 2015	Change in %
Revenue	492.6	487.7	1.0	165.7	171.5	-3.4
Optics & Life Science	164.5	157.4	4.5	56.4	52.3	7.8
Mobility	169.0	176.2	-4.1	60.0	63.2	-5.0
Defense & Civil Systems	162.2	154.7	4.9	50.6	55.0	-8.0
Other[1]	-3.2	-0.6		-1.3	1.0	
EBITDA	67.5	63.8	5.8	26.5	25.1	5.7
Optics & Life Science	30.6	20.6	48.7	13.4	6.3	113.3
Mobility	18.5	22.2	-16.7	7.4	10.5	-29.7
Defense & Civil Systems	16.7	16.3	2.6	5.2	7.8	-33.3
Other[1]	1.7	4.8		0.6	0.6	
EBIT	47.1	44.3	6.2	19.8	17.7	11.4
Optics & Life Science	24.5	14.3	71.6	11.2	4.0	180.9
Mobility	12.7	15.9	-20.1	5.6	8.4	-33.8
Defense & Civil Systems	13.2	12.4	6.5	4.0	6.4	-37.0
Other[1]	-3.4	1.7		-1.0	-1.0	
EBIT margin	9.6%	9.1%		11.9%	10.3%	
Optics & Life Science	14.9%	9.1%		19.9%	7.6%	
Mobility	7.5%	9.0%		9.3%	13.3%	
Defense & Civil Systems	8.2%	8.0%		7.9%	11.6%	
Earnings before tax	45.6	41.3	10.6	19.7	16.5	19.3
Earnings after tax	39.2	34.1	15.0	17.0	13.9	22.2
Earnings per share in euros	0.69	0.59	15.7	0.30	0.24	22.2
Free cash flow	43.1	28.6	50.7	21.6	20.2	7.1
Order intake	547.7	479.0	14.3	228.3	145.3	57.1
Optics & Life Science	172.2	145.1	18.7	58.6	49.1	19.4
Mobility	196.9	195.7	0.6	68.9	53.2	29.5
Defense & Civil Systems	181.1	138.7	30.6	100.9	41.3	144.3
Other[1]	-2.5	-0.5		-0.1	1.7	

	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2015
Order backlog (in million euros)	415.0	373.4	396.9
Optics & Life Science	75.6	73.7	67.9
Mobility	117.5	92.7	103.2
Defense & Civil Systems	223.9	209.7	228.1
Other[1]	-2.0	-2.6	-2.3
Frame contracts (in million euros)	144.0	59.2	67.5
Optics & Life Science	14.6	5.5	6.7
Mobility	78.3	11.5	16.7
Defense & Civil Systems	51.1	42.1	44.2
Employees (incl. trainees)	3,545	3,512	3,542
Optics & Life Science	1,149	1,144	1,164
Mobility	1,230	1,207	1,208
Defense & Civil Systems	870	881	890
Other[1]	296	280	280

[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 September 2016

- At 492.6 million euros, revenue was slightly up on the prior year (prior year 487.7 million euros). Revenue was boosted in Germany, Europe and Asia/Pacific. In the prior year, revenue was influenced by positive currency effects.
  See Earnings Position – page 7.

- EBITDA rose at a faster rate than revenue, by 5.8 percent, to 67.5 million euros (prior year 63.8 million euros). The Group boosted its EBIT to 47.1 million euros (prior year 44.3 million euros), an increase of 6.2 percent, and posted an EBIT margin of 9.6 percent. Earnings after tax increased 15.0 percent to 39.2 million euros (prior year 34.1 million euros).
  See Earnings Position – page 7.

- The order intake saw a sharp increase of 14.3 percent to 547.7 million euros (prior year 479.0 million euros), a new record figure for the nine-month period in recent years. The book-to-bill ratio increased to 1.11 (prior year 0.98). The Group also had frame contracts worth 144.0 million euros (31/12/2015: 59.2 million euros).
  See Earnings Position – page 8.

- Net debt fell to 14.9 million euros. Free cash flow improved around 50 percent to 43.1 million euros. The equity ratio grew to 58.0 percent.
  See Financial and Asset Position – page 9.

- Segment highlights:
  Optics & Life Science: considerable improvement in EBIT and free cash flow as well as growth in order intake.
  Mobility: several major orders for traffic safety solutions received; order backlog and frame contracts bolster medium to long-term growth targets.
  Defense & Civil Systems: increase achieved in revenue and earnings; significant rise in order intake.
  See Segment Report – from page 11.

- Following a good development of business as scheduled in the first nine months of 2016, the Executive Board is now expecting the group EBIT margin for the full year to come in at the upper end of the previously forecast range of between 9.0 and 9.5 percent. It is still anticipating group revenue of between 680 and 700 million euros.
  See Forecast Report – page 16.

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 key markets primarily include the semiconductor equipment industry, medical technology, automotive, machinery engineering, traffic, 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.

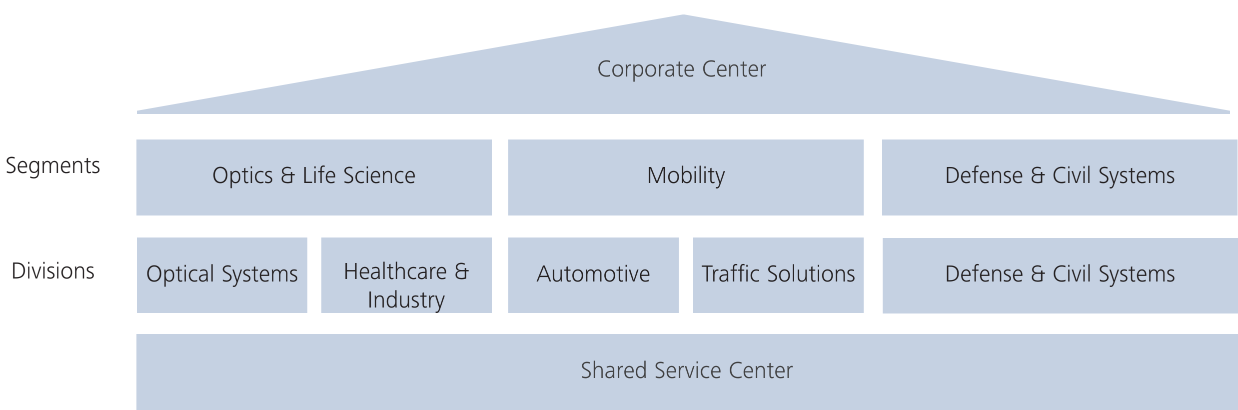
1.2 Targets and Strategies

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 investing around 14 million euros in the US location in Rochester Hills, Michigan, where a new, modern technology campus for metrology and laser processing systems is being built.

For more information on the strategic trajectory 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

Geopolitical events and turmoil in the Middle East continued to dominate developments on the international stock markets in the third quarter of 2016, while the US election campaign was responsible for some disarray on the financial markets. The European refugee crisis, terrorist attacks and the situation in Turkey were sources of considerable uncertainty, particularly in the first half-year. To help boost growth in the euro zone, the European Central Bank (ECB) reduced interest rates to zero 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, however, was “Brexit,” the withdrawal of the United Kingdom from the EU, decided by a referendum in late June.

The Dax reached its nine-month high of 10,753 points on September 7 and leveled out to close at 10,511 points on September 30, thus ending the period covered by the report with an increase of 2.2 percent. The TecDax took a similarly volatile course and gained 0.5 percent in value during the reporting period. It closed at 1,802 points on September 30, 2016.

In the first nine months, the Jenoptik share price was consistent with the development of the overall market. Starting at 14.59 euros on January 4, 2016, the share fell to its lowest level of 11.14 euros on February 11, 2016, before gaining ground to reach 16.27 euros on September 30, 2016 and thus closing the reporting period with an increase of 11.5 percent. In the first nine months of the fiscal year, the total shareholder return was 13.0 percent (prior year 21.4 percent). In the first three quarters, the Jenoptik share achieved its highest Xetra closing price of 16.65 euros on September 20. The Jenoptik share closed trading at 15.62 euros on October 31, 2016, representing an increase of 7.1 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. At the beginning of November Norges Bank increased its share in Jenoptik to 3.06 percent.

On the TecDax, Jenoptik improved to 17th place (prior year 18th) in terms of free float market capitalization (89.0 percent) as of September 30, 2016, and was 21st in stock-exchange turnover (prior year 20th).

At the 18th Annual General Meeting in Weimar on June 8, 2016, 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 came to 25.4 percent of the earnings attributable to shareholders achieved in 2015 (prior year 27.5 percent).

Sixteen research institutes and banks issued regular reports on Jenoptik. At the end of October, seven analysts recommended buying the share, while nine advised investors to hold their shares. As of October 31, 2016, the average price target issued by all analysts was 15.90 euros.

EARNINGS PER SHARE

	1/1/ to 30/9/2016	1/1/ to 30/9/2015
Earnings attributable to shareholders in thousand euros	39,241	33,918
Weighted average number of outstanding shares	57,238,115	57,238,115
Earnings per share in euros	0.69	0.59

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 30/9/2016	1/1/ to 30/9/2015
Closing share price (Xetra) at 30/9/ in euros	16.27	12.67
Highest share price (Xetra) in euros	16.65	13.43
Lowest share price (Xetra) in euros	11.14	10.22
Market capitalization (Xetra) at 30/9/ in million euros	931.3	725.2
Average daily trading volume in shares[1]	146,670	231,581

[1] Source: Deutsche Börse

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

The **global economy** did not grow as strongly as anticipated at the start of the year. The International Monetary Fund (IMF) noted subdued trading dynamics and industrial production in the first half of the year, which slightly accelerated recently. This brake on momentum was chiefly caused by weakness in the industrialized nations, especially the US. By contrast, the market reaction to the Brexit decision – apart from a noticeable drop in the value of the British pound – has had hardly any effects. Emerging countries reduced their investments on the back of lower oil prices.

Following a weak first half-year the gross domestic product (GDP) in the **US** grew to an annualized figure of 2.9 percent in the 3rd quarter 2016 and thus as fast as it last did two years ago. The growth was mainly affected by a rise in exports and public spending. Private consumption fell short of expectations.

The **Chinese** economy grew in the third quarter of 2016 by 6.7 percent compared to the same period in the prior year. Driven by a healthy real estate market, it thus achieved the same figure as in the second quarter, although growth in business capital spending fell to its lowest figure in over 16 years in July. For the first nine months of 2016, this resulted in an overall drop in exports of 7.5 percent and in imports of 8.2 percent compared to the prior year.

The economies in the **euro zone** grew modestly in the last nine months. Following a figure of 0.6 percent in the first quarter GDP grew 0.3 percent in each of the next two quarters, according to Eurostat, the continent's statistical office. This weakness is primarily due to stagnating economies in France and Italy.

According to economists and institutes, the **German** economy is enjoying a moderate recovery, with exports, industrial production and orders in part above forecast figures by August. GDP rose just 0.4 percent in the second quarter, following 0.7 percent in the prior quarter; capital expenditure and industrial production had declined significantly.

In the "World market index **optical technologies**" the German industry association Spectaris compiles 16 international photonics companies, including Jenoptik. In the second quarter this index rose to 145.4 points and thus to an all-time high. Compared with the prior quarter the value increased by 11.4 percent, compared with the same quarter in the prior year by 11.2 percent. At the time of reporting more recent figures were not available.

To date, the Semiconductor Equipment and Materials International (SEMI) trade association has only published revenue figures in the **semiconductor equipment industry** for the second quarter: at 10.5 billion US dollars, global revenue was 26 percent above the prior quarter and 11 percent below the quarterly figure in the prior year. According to the Semiconductor Industry Association (SIA), the global semiconductor industry generated 88.3 billion US dollars in the third quarter of 2016, 11.5 percent more than in the same period in the previous year. This figure, the highest so far for a quarter, confirmed the marked recovery of the industry in recent months.

According to the German **Engineering** Federation (VDMA) demand in the industry was weak. In the third quarter the order intake was 7 percent lower than in the prior year, which was in particular attributable to 12 percent lower domestic orders. In the nine-months period order intake showed no growth according to VDMA.

According to the German Association of the **Automotive Industry** (VDA), China saw highly dynamic growth in the first nine months, with new registrations increasing by almost 18 percent, Western Europe and India were both also considerably up on the prior-year period, with figures of 7 and 9 percent respectively. By contrast, sales in the US were just below the prior-year figure, and the number of new registrations fell further in Russia and Brazil.

Market analysts from SCI Verkehr and McKinsey both assessed developments in the global **railway technology industry** on the occasion of the Innotrans trade fair in September. Following a period of growth, the industry is now suffering from considerable overcapacities, declining margins and increased competitive pressure. Due to shrinking domestic investment, railway companies from China are particularly focusing on exports, in turn putting pressure on established railway technology manufacturers.

October saw the German government publish its Armaments Export Report on the German **security and defense technology industry** in the first half-year of 2016. Up to the end of June, individual export licenses for armaments worth 4.03 billion euros were granted, more than half a billion euros more than in the prior-year period.

2 Earnings, Financial and Asset Position

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

2.1 Earnings Position

In the first nine months of the 2016 fiscal year, Jenoptik achieved a slight increase in **revenue** of 1.0 percent to 492.6 million euros (prior year 487.7 million euros). Growth was seen in the Optics & Life Science and Defense & Civil Systems segments. The rise in the prior year was in part attributable to positive currency effects due to the strong US dollar. Revenue in the third quarter was 3.4 percent lower than in the prior year due to invoice-timing reasons.

Compared to the first nine months of 2015, revenue in Germany rose by 9.4 percent to 171.1 million euros (prior year 156.4 million euros), and by 1.6 percent to 144.6 million euros in the rest of Europe (prior year 142.3 million euros). The Asia/Pacific region also saw significant revenue growth of 19.5 percent. In the Americas, by contrast, revenue was 11.2 percent down on the high prior-year figure, which in 2015 was the result of completed major orders in the Defense & Civil Systems segment. In the Middle East and Africa, too, revenue was down on the prior year, at 14.4 million euros, chiefly due to a lack of investment by oil-exporting countries. The share of revenue for the two growth regions of the Americas and Asia/Pacific combined came to 33.0 percent of group revenue (prior year 33.2 percent). Due to above-average growth in Germany, the share of revenue generated abroad declined slightly to 65.3 percent (prior year 67.9 percent). A summary of revenue distribution by region can be found on page 23.

The **cost of sales** showed a slight rise of 0.5 percent, to 319.6 million euros (prior year 318.1 million euros). The gross margin consequently improved to 35.1 percent (prior year 34.8 percent).

Research and development (R+D) expenses are of key relevance to the Group's future performance and competitiveness, and reached a comparatively high level in the first nine months of the fiscal year. The **R+D total output** came to 42.3 million euros following 37.8 million euros in the same period of the prior year, equating to 8.6 percent of revenue (prior year 7.8 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. R+D expenses came to 30.5 million euros (prior year 30.9 million euros); the development costs on behalf of customers that are included in the cost of sales rose to 12.0 million euros in the period covered by the report (prior year 7.9 million euros).

Over the reporting period, **selling expenses** remained slightly down on the prior-year figure, at 55.7 million euros (prior year 56.7 million euros). At 11.3 percent, the selling expenses ratio was also slightly below the prior-year figure of 11.6 percent. **Administrative expenses** rose to 42.8 million euros (prior year 40.5 million euros).

Both **other operating income and other operating expenses** were lower than in the prior year. The account balance from both items amounted to 0.9 million euros (prior year 2.8 million euros). The prior-year balance was chiefly influenced by positive currency effects and reversals of impairment losses on real estate disposals.

EBIT improved at a faster rate than revenue, by 6.2 percent to 47.1 million euros (prior year 44.3 million euros), thus reaching its highest value to date in a nine-month

REVENUE

in million euros	1/1/ to 30/9/2016	1/1/ to 30/9/2015	Change in %
Total	492.6	487.7	1.0
Optics & Life Science	164.5	157.4	4.5
Mobility	169.0	176.2	-4.1
Defense & Civil Systems	162.2	154.7	4.9
Other	-3.2	-0.6	

EBIT

in million euros	1/1/ to 30/9/2016	1/1/ to 30/9/2015	Change in %
Total	47.1	44.3	6.2
Optics & Life Science	24.5	14.3	71.6
Mobility	12.7	15.9	-20.1
Defense & Civil Systems	13.2	12.4	6.5
Other	-3.4	1.7	

period. Alongside the increase in the gross margin, income from discontinued operations of approximately 2.2 million euros also influenced earnings before interest and taxes. At 9.6 percent, the EBIT margin significantly exceeded the prior-year figure (prior year 9.1 percent).

For the same reasons, the Group also saw **EBITDA** grow at a higher rate than revenue, by 5.8 percent to 67.5 million euros in the first nine months of 2016 (prior year 63.8 million euros).

Despite minor currency losses, the financial result in the period covered by the report was above the prior-year figure, at minus 1.4 million euros (prior year minus 3.0 million euros). Interest income arising from the aforementioned discontinued operations made a positive contribution to this figure. Due to dividend payments received, investment income also improved significantly to 1.6 million euros (prior year 0.3 million euros). At 45.6 million euros (prior year 41.3 million euros), the Group thus achieved higher **earnings before tax** than in the prior year. Income taxes came to 6.2 million euros (prior year 4.7 million euros), equating to a cash effective tax rate of 13.6 percent (prior year 11.5 percent). Jenoptik boosted its **earnings after tax** by more than 5.0 million euros to 39.2 million euros (prior year 34.1 million euros); **earnings per share** (EPS) increased by a full 10 cents per share, to 0.69 euros (prior year 0.59 euros).

At 547.7 million euros, the Jenoptik Group's **order intake** in the first nine months reached a new record high, at 14.3 percent considerably above the prior-year figure of 479.0 million euros. In the third quarter Jenoptik won several major orders. The book-to-bill ratio, that of order intake to revenue, was also sharply up on the prior year at 1.11 (prior year 0.98).

ORDER SITUATION

in million euros	1/1/ to 30/9/2016	1/1/ to 30/9/2015	Change in %
Order intake	547.7	479.0	14.3
	30/9/2016	31/12/2015	Change in %
Order backlog	415.0	373.4	11.1
Frame contracts	144.0	59.2	143.3

At 415.0 million euros, the **order backlog** was 11.1 percent above the comparative figure (31/12/2015: 373.4 million euros). Of this order backlog, 40.3 percent will be converted to revenue in the present fiscal year and help to support scheduled growth in the fourth quarter.

In addition, **frame contracts** worth 144.0 million euros were recorded (31/12/2015: 59.2 million euros). Frame contracts are agreements or framework arrangements for which the exact amount or probability of occurrence cannot yet be determined exactly.

Employees & management. As of September 30, 2016, the number of employees in the Jenoptik Group increased slightly compared to year-end 2015, to 3,545 (31/12/2015: 3,512 employees). The number of employees abroad also rose slightly in the course of the international expansion of business. At the end of September 2016, 679 people were employed at the foreign locations (31/12/31/2015: 629 employees).

Jenoptik had a total of 126 trainees as of September 30, 2016 (31/12/2015: 125 trainees). In Germany, the Group had 128 agency employees (31/12/2015: 101 agency employees).

On September 20, 2016, it was announced that Dr. Mertin would not be extending his Executive Board service contract with JENOPTIK AG beyond June 30, 2017.

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

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 strategic acquisitions.

The improved equity position was chiefly responsible for the **debt ratio**, that of borrowings to equity, improving further from 0.77 as at the end of 2015 to 0.73 on September 30, 2016.

Due to a very good free cash flow, **net debt** was considerably reduced to 14.9 million euros as of September 30, 2016 (31/12/2015: 43.9 million euros). Despite the higher dividend and payment of variable salary components to employees in the second quarter, this was thus the lowest level seen in recent years.

In the first nine months, the Group invested 18.9 million euros in property, plant and equipment and intangible assets (prior year 13.4 million euros). At 17.1 million euros, the largest share of **capital expenditure** was on property, plant and equipment (prior year 11.7 million euros). Areas of investment included new technical equipment and an expansion in production capacities, as well as the purchase of land and construction of a new building at the Rochester Hills location, Michigan, in the US. Investments in intangible assets were at 1.8 million euros as of September 30, 2016, and thus at the same level as in the prior year (prior year 1.8 million euros). Scheduled depreciation totaled 20.5 million euros (prior year 21.3 million euros).

Cash flows from operating activities were mainly boosted by lower payments for the working capital, in part due to improved inventory and receivables management. At 56.3 million euros as of September 30, 2016 the cash flows were considerably above the prior year's figure of 33.5 million euros.

Proceeds from the sale of financial assets and from non-operating income from investments (dividend payment), as well as interest received, 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 amounted to 11.2 million euros as of September 30, 2016 (prior year 4.8 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 by around 50 percent to 43.1 million euros (prior year 28.6 million euros).

The **cash flows from financing activities** amounted to minus 8.6 million euros (prior year minus 63.7 million euros). In the prior year, they were largely influenced by the issue and repayment of bonds and loans, together with changes in the group financing arrangements, above all due to the payment made to the last remaining silent real estate investor.

At 788.6 million euros as of September 30, 2016, the **balance sheet total** for the Jenoptik Group was up on the 2015 year-end figure (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**

R+D OUTPUT

in million euros	1/1/ to 30/9/2016	1/1/ to 30/9/2015	Change in %
R+D output	42.3	37.8	11.8
R+D expenses	30.5	30.9	-1.5
Capitalized development costs	0.0	0.1	-98.9
Depreciation and impairment on capitalized development costs	-0.2	-1.1	80.4
Developments on behalf of customers	12.0	7.9	53.0

EMPLOYEES (INCL.TRAINEES)

	1/1/ to 30/9/2016	1/1/ to 30/9/2015	Change in %
Total	3,545	3,512	0.9
Optics & Life Science	1,149	1,144	0.4
Mobility	1,230	1,207	1.9
Defense & Civil Systems	870	881	-1.3
Other	296	280	5.7

of 366.7 million euros (31/12/2015: 382.8 million euros), mainly due to scheduled depreciation, currency effects and the sale of financial assets.

Inventories rose to 176.1 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 the sharp increase in cash and cash equivalents to 120.2 million 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 421.9 million euros compared to year-end 2015 (31/12/2015: 386.3 million euros). Despite the slight increase in revenue, trade receivables of 124.8 million euros were below the figure at the end of 2015 (31/12/2015: 135.0 million euros).

At the end of the third quarter of 2016, the **working capital** increased to 222.3 million euros (31/12/2015: 215.5 million euros), but was below the figure in the comparable prior-year period (30/9/2015: 239.9 million euros). At 33.0 percent, the working capital ratio, that of working capital to revenue based on the last twelve months, was slightly higher than at year-end 2015 (31/12/2015: 32.2 percent), but considerably down on the value in the prior-year period (30/9/2015: 36.4 percent).

The earnings after tax posted at the end of September, reduced by the dividend payment and currency effects from the conversion of consolidated accounts, resulted in **equity** increasing to 457.0 million euros (31/12/2015: 435.1 million euros). The **equity ratio** thereby improved further to 58.0 percent (31/12/2015: 56.6 percent).

Compared to the end of December 2015, **non-current liabilities** were virtually unchanged at 172.7 million euros (31/12/2015: 169.5 million euros). The non-current financial liabilities included in this item grew, while other non-current liabilities fell. 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. The tranche due in October 2016 is worth 11 million euros, which is included in current liabilities.

Compared to year-end 2015, **current liabilities** fell to 158.9 million euros (31/12/2015: 164.5 million euros). This reduction is partly due to lower trade accounts payable. Overall, there were only minor changes in the other items.

Purchases and sales of companies. There were no company acquisitions or sales in the first nine months of 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 Segment

In the first nine months of 2016, the Optics & Life Science segment generated **revenue** of 164.5 million euros, an increase of 4.5 percent (prior year 157.4 million euros). The driver of this growth was business with solutions for the IT and communications industry and, in part, for the semiconductor equipment industry. Sales in the medical technology and life sciences markets remained stable. Overall, the segment's share of group revenue was 33.4 percent (prior year 32.3 percent). Revenue in Germany fell from 38.2 million euros to 34.9 million euros, while revenue in Europe (excluding Germany) increased strongly to 54.7 million euros (prior year 44.9 million euros). In the Asia/Pacific region and the Americas, too, revenue grew.

Income from operations before depreciation and amortization (EBITDA) increased 48.7 percent on the prior year, to 30.6 million euros (prior year 20.6 million euros). **Income from operations (EBIT)** improved to an even greater extent, by 71.6 percent to 24.5 million euros (prior year 14.3 million euros). The EBIT includes earnings of around 2.8 million euros resulting from a court of arbitration finding regarding the effects of premature termination of a contract which was positive for Jenoptik. Compared to the prior-year quarter, EBIT increased by 180.9 percent. In the first nine months of 2016, the segment thus achieved an EBIT margin of 14.9 percent (prior year 9.1 percent), in the third quarter of 19.9 percent (prior year 7.5 percent).

The **order intake** increased 18.7 percent to 172.2 million euros (prior year 145.1 million euros). Set against revenue, this results in a book-to-bill ratio of 1.05 (prior year 0.92).

THE OPTICS & LIFE SCIENCE SEGMENT AT A GLANCE

in million euros	30/9/2016	30/9/2015	Change in %
Revenue	164.5	157.4	4.5
EBITDA	30.6	20.6	48.7
EBITDA margin	18.6	13.1	
EBIT	24.5	14.3	71.6
EBIT margin	14.9	9.1	
Free cash flow	15.4	11.8	30.9
Order intake	172.2	145.1	18.7
Order backlog[1]	75.6	73.7	2.6
Frame contracts[1]	14.6	5.5	163.0
Employees[1]	1,149	1,144	0.4

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

Both divisions in the segment contributed to this improvement. In June, the Healthcare & Industry division received a frame agreement to supply lasers for medical use to a US customer worth over 11 million US dollars.

The segment **order backlog** was slightly up on the prior year and at the end of September 2016 came to 75.6 million euros (31/12/2015: 73.7 million euros). It also had **frame contracts** worth 14.6 million euros (31/12/2015: 5.5 million euros).

During the reporting period, the segment's **free cash flow** improved to 15.4 million euros (prior year 11.8 million euros), mainly due to improved earnings and lower payments for working capital.

As of September 30, 2016, the segment had 1,149 **employees** (31/12/2015: 1,144 employees).

3.2 Mobility Segment

In the first nine months of 2016, **revenue** in the segment came to 169.0 million euros, down on the prior-year figure (prior year 176.2 million euros). The Automotive division saw good growth, particularly in the field of laser processing systems. However, due to a lack of investment by oil-exporting countries and, as expected, a still sluggish US market, business with traffic safety technology remained below the prior-year level after nine months. In the Americas, the two divisions thus developed at different rates but overall managed to increase revenues. The segment also increased its revenue in Germany and Asia/Pacific, while a revenue fall was seen in Europe (excluding Germany). The drop in revenue in the Middle East and Africa is due to the lack of investment noted above. The segment's share of group revenue fell from 36.1 percent in the prior year to 34.3 percent.

In the period covered by the report, **income from operations before depreciation and amortization (EBITDA)** decreased 16.7 percent to 18.5 million euros (prior year 22.2 million euros). **Income from operations (EBIT)** in the segment fell by 20.1 percent to 12.7 million euros (prior year 15.9 million euros). This development is primarily attributable, among other things, to weaker revenue figures, a changed revenue mix and upfront investment for new projects. The EBIT margin accordingly came to 7.5 percent (prior year 9.0 percent). In the third quarter, the EBIT margin was 9.3 percent (prior year 13.3 percent).

As the **order intake** in the Mobility segment was considerably higher than revenue in the reporting period, the book-to-bill ratio in the first nine months reached a figure of 1.16 (prior year 1.11). At 196.9 million euros, the order intake was at the same level as in the prior year (prior year 195.7 million euros).

The Traffic Solutions division secured several major orders in the third quarter of 2016. It will supply Toll Collect with up to 600 systems to monitor truck toll payments on Germany's federal highways, among other things. The division also received major multi-year orders in the mid double-digit million euro range from Canada and Australia, which were mainly also posted as frame contracts.

At 117.5 million euros, the segment had an **order backlog** 26.8 percent above the 2015 year-end figure (31/12/2015: 92.7 million euros). It also had **frame contracts** worth 78.3 million euros (31/12/2105: 11.5 million euros).

As of September 30, 2016, the segment had 1,230 **employees** (31/12/2015: 1,207 employees).

The Jenoptik Group is investing a total of some 14 million euros in its Rochester Hills location, Michigan, in the US, where a new, modern technology campus for metrology and laser processing systems for the North American automotive industry is being built.

THE MOBILITY SEGMENT AT A GLANCE

in million euros	30/9/2016	30/9/2015	Change in %
Revenue	169.0	176.2	-4.1
EBITDA	18.5	22.2	-16.7
EBITDA margin	10.9	12.6	
EBIT	12.7	15.9	-20.1
EBIT margin	7.5	9.0	
Free cash flow	4.4	19.7	-77.9
Order intake	196.9	195.7	0.6
Order backlog[1]	117.5	92.7	26.8
Frame contracts[1]	78.3	11.5	
Employees[1]	1,230	1,207	1.9

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

3.3 Defense & Civil Systems Segment

At the end of nine months, the segment's **revenue** came to 162.2 million euros, an increase of 4.9 percent (prior year 154.7 million euros). This is predominantly due to good development in the fields of energy and aviation systems, as well as in the service business. The segment's share of group revenue grew to 32.9 percent (prior year 31.7 percent). In Germany – the segment's largest sales market –, revenue increased to 94.0 million euros on the back of good business with domestic systems companies (prior year 80.9 million euros). Growth was also seen in Europe and Asia/Pacific. In the Americas, by contrast, revenue fell, as part of a major order had been settled in the prior year.

In the first nine months of 2016, the segment generated **income from operations before depreciation and amortization (EBITDA)** of 16.7 million euros (prior year 16.3 million euros). **Income from operations (EBIT)** improved from 12.4 million euros in the prior year to 13.2 million euros, an increase of 6.5 percent, primarily the result of good revenue growth and a changed product mix. The EBIT margin came to 8.2 percent in the first nine months (prior year 8.0 percent), in the single quarter to 7.9 percent (prior year 11.6 percent).

The Defense & Civil Systems segment also won several major orders in the third quarter, including one worth 22 million euros to supply equipment for military ground vehicles to Poland. 2016 will also see the start of deliveries of key components worth over 40 million euros to Raytheon for the Patriot missile defense system.

The **order intake** consequently rose 30.6 percent to 181.1 million euros (prior year 138.7 million euros). The book-to-bill ratio increased to 1.12, compared with 0.90 in the prior year.

On the back of a very good order intake, the segment saw its **order backlog** rise by a total of 14.2 million euros to 223.9 million euros (31/12/2015: 209.7 million euros). It also has **frame contracts** worth 51.1 million euros (31/12/2105: 42.1 million euros).

With good development of business, a good earnings position and other factors including optimized receivables and liquidity management, the segment's **free cash flow** improved significantly from 2.2 million euros to 25.3 million euros.

As of September 30, 2016, the segment had 870 employees (31/12/2015: 881 employees).

THE DEFENSE & CIVIL SYSTEMS SEGMENT AT A GLANCE

in million euros	30/9/2016	30/9/2015	Change in %
Revenue	162.2	154.7	4.9
EBITDA	16.7	16.3	2.6
EBITDA margin	10.3	10.5	
EBIT	13.2	12.4	6.5
EBIT margin	8.2	8.0	
Free cash flow	25.3	2.2	1,031.0
Order intake	181.1	138.7	30.6
Order backlog[1]	223.9	209.7	6.8
Frame contracts[1]	51.1	42.1	21.2
Employees[1]	870	881	-1.3

[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 September 30, 2016.

5 Risk and Opportunity Report

Within the framework of the reporting on the Opportunity and Risk 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 opportunities and risks described in the report during the course of the first nine months of 2016.

Despite this, potential impacts of Brexit on the Jenoptik Group's development of business are subject to ongoing analysis. The British people's vote to leave the European Union first and foremost poses a risk to the economic development of the United Kingdom. This, in turn, could have implications for continental Europe, in particular Germany and its export-oriented market. Potential trade barriers at European level could therefore adversely affect Jenoptik's growth.

6 Forecast Report

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

The International Monetary Fund (IMF) again revised its growth forecasts in October. At present, it is expecting **global economic** growth of 3.1 percent in the current year (prior forecast: 3.2 percent), this slight downgrade is primarily due to weak growth in the US to date. In the medium term, the IMF sees continued disappointing growth in industrialized nations, while economies in the developing and emerging countries are due to pick up following five weak years. Uncertainty relating to economic development is in good part focused on political events: the implications of the Brexit decision are not yet foreseeable. Similar separatist trends in other EU nations could result in protectionism and postponements in capital expenditure. The IMF sees further risks in China's economic transformation, credit issues, considerably reduced capital expenditure in emerging countries and inflation above expectations.

The German government has marginally increased its 2016 growth forecast from 1.7 to 1.8 percent, but is anticipating lower growth in the coming year. In a challenging foreign trade environment, it sees the upswing in the **German economy** as robust and essentially driven by the low oil price, low interest rates, high demand for real estate and increasing public investment. Consumer spending will also bolster growth. By contrast, capital expenditure on plant and machinery is not expected to rise significantly before 2018.

GROWTH FORECAST OF GROSS DOMESTIC PRODUCT

in percent / in percentage points	2016	Change to forecast of July 2016	2017
World	3.1	0.0	3.4
US	1.6	-0.6	2.2
Euro zone	1.7	0.1	1.5
Germany	1.7	0.1	1.4
China	6.6	0.0	6.2
Emerging economies	4.2	0.1	4.6

Source: International Monetary Fund, October 2016

According to IT analyst Gartner, the global **semiconductor equipment industry** will see revenues decline 0.3 percent on the prior year in 2016, albeit with the potential to achieve revenue growth of 7.4 percent in 2017. Mobile devices remain the important market drivers, as well as, in the near future, applications related to the Internet of Things (IoT). The SEMI trade association also considers the automotive sector to be a driver of growth, and in an update published in August forecasts a revenue increase of 4.1 percent in the current year, to be followed by 10.6 percent next year.

The German **Engineering** Federation (VDMA) is still expecting production to stagnate in the current year, with a weak global economic environment noticeably impacting on business. It believes production will grow just 1 percent in the coming year. China will cease to be a driver of growth, with other countries and regions unable to make up for its lack of investment. This factor is compounded by new uncertainties in key sales markets such as the United Kingdom and Turkey. The unsure outcome of the presidential election in the US is also regarded as detrimental to investment. The machinery engineering industry has opportunities for new growth in the automation of production processes and the onward march of digitization.

On the occasion of the IAA Commercial Vehicles trade fair in September, the German Association of the **Automotive Industry** (VDA) presented current industry trends and figures. The commercial vehicle market in Western Europe will grow 8 percent in 2016; China, too, will see a sharp increase. Momentum in the automotive market is slackening in the US. According to the VDA, industry trends include digitization, networking, automated driving and alternative drive systems.

The global **railway industry** is at a crossroads. According to market researchers at SCI Verkehr and McKinsey, manufacturers must develop their business models with a greater focus on service and after-sales: global growth in new business is losing momentum and will amount to just 1.3 percent in the coming five years, in part due to declining demand occasioned by China's scaled-down capital expenditure planning, while service and maintenance will account for a majority of revenue in the future. In summary, the global market for railway technology is due to grow an average of 2.3 percent in the next five years according to SCI. Asia will remain the biggest regional market.

The American aircraft manufacturer Boeing increased its regional long-term forecast for the **aviation industry**: China will need over 6,800 new aircraft in the next 20 years, equivalent to a value of over one trillion US dollars. Together with Siemens, Airbus plans to verify the technical feasibility of hybrid electric drive systems for aircraft by 2020.

The German **defense industry's** budget is due to increase sharply in the years ahead, as the German government announced in mid-October. At present, it plans to boost the budget from 34.3 billion euros in the current year to 39.2 billion euros in 2020. If, however, and as proposed by NATO, the budget should come to 2 percent of gross domestic product, it would have to rise to over 60 billion euros, i.e. 20 billion more than previously earmarked. To complement NATO, Germany, France, Italy and Spain intend to increase cooperation in the future. In early October, aviation company Airbus reported that final assembly of the Eurofighter in Germany and Spain will end in 2018 if no new orders are received. Reasons include the low order backlog, an assembly process spread over four sites and complex jurisdiction over exports. There will, however, still be modernization and maintenance work to perform.

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 still 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 developments 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 a good development of business as scheduled in the first nine months of 2016, the Executive Board is now expecting the group EBIT margin for the full year to come in at the upper end of the previously forecast range of between 9.0 and 9.5 percent (prior year 9.2 percent). As before it anticipates group revenue of between 680 and 700 million euros for 2016 (prior year 668.6 million euros). Earnings before tax are due to develop along similar lines as EBIT. Depending on the future tax burden, this will also be reflected in the earnings after tax.

On the basis of business performance to date, the Executive Board is now anticipating a slight rise in EBIT for the Defense & Civil Systems segment, in the Mobility segment EBIT is expected slightly below the prior-year level. In the Optics & Life Science segment the Board continues to expect that EBIT will show a stronger growth rate than revenue. 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.

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 in line with the economic and sector forecasts stated in this report and in the 2015 Annual Report from page 122 on.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

In thousand euros	1/1/ to 30/9/2016	1/1/ to 30/9/2015	1/7/ to 30/9/2016	1/7/ to 30/9/2015
Revenue	492,569	487,682	165,741	171,543
Cost of sales	319,590	318,141	104,538	111,357
Gross profit	172,979	169,542	61,202	60,186
Research and development expenses	30,467	30,923	9,979	9,765
Selling expenses	55,722	56,719	18,055	18,583
General and administrative expenses	42,771	40,473	15,574	12,410
Other operating income	12,937	18,633	4,256	3,205
Other operating expenses	12,076	15,852	4,158	5,004
EBIT	47,067	44,308	19,752	17,729
thereof discontinued operations	2,186	100	2,061	100
Result from other investments	1,626	303	-115	-2
Financial income	4,047	4,347	835	-1,110
Financial expenses	8,555	7,692	2,195	-78
Financial result	-1,424	-3,042	-17	-1,190
thereof discontinued operations	1,458	0	1,458	0
Earnings before tax	45,643	41,266	19,736	16,539
thereof discontinued operations	3,644	100	3,519	100
Income taxes	-6,477	-7,194	-2,705	-2,602
thereof discontinued operations	-174	0	-174	0
Earnings after tax	39,167	34,072	17,031	13,937
thereof discontinued operations	3,470	100	3,345	100
Results from non-controlling interests	-74	153	-39	-38
Earnings attributable to shareholders	39,241	33,918	17,070	13,975
Earnings per share in euro – continuing operations	0.62	0.59	0.24	0.24
Earnings per share in euro – Group (diluted = undiluted)	0.69	0.59	0.30	0.24

Other Comprehensive Income

in thousand euros	1/1/ to 30/9/2016	1/1/ to 30/9/2015	1/7/ to 30/9/2016	1/7/ to 30/9/2015
Earnings after tax	39,167	34,072	17,031	13,937
Items that will never be reclassified to profit or loss	-416	-302	117	-300
Remeasurements	-416	-367	117	-266
Deferred taxes	0	65	0	-34
Items that are or may be reclassified to profit or loss	-4,270	4,590	-1,233	-2,032
Available-for-sale financial assets	-585	290	-375	-497
Cash flow hedges	529	1,217	187	-57
Foreign currency exchange differences	-4,053	3,448	-987	-1,494
Deferred taxes	-161	-365	-58	16
Total of the profit/loss recognized in equity	-4,686	4,288	-1,116	-2,333
Total other comprehensive income	34,481	38,360	15,915	11,604
Thereof attributable to:				
Non-controlling interest	224	54	52	5
Shareholders	34,257	38,306	15,863	11,599

Consolidated Statement of Financial Position

Assets in thousand euros	30/9/2016	31/12/2015	Change	30/9/2015
Non-current assets	366,726	382,827	-16,101	377,386
Intangible assets	112,171	122,737	-10,566	122,268
Property, plant and equipment	153,202	155,659	-2,457	147,275
Investment property	4,467	4,536	-69	9,988
Financial assets	19,265	21,745	-2,480	22,567
Other non-current assets	4,796	4,548	248	1,714
Deferred tax assets	72,825	73,602	-777	73,574
Current assets	421,852	386,340	35,512	364,744
Inventories	176,066	167,132	8,934	188,272
Trade and other receivables	124,783	134,966	-10,183	139,078
Securities	778	418	360	370
Cash and cash equivalents	120,225	83,824	36,401	37,024
Total assets	788,578	769,167	19,411	742,131

Equity and liabilities in thousand euros	30/9/2016	31/12/2015	Change	30/9/2015
Equity	457,022	435,132	21,889	413,505
Share capital	148,819	148,819	0	148,819
Capital reserve	194,286	194,286	0	194,286
Other reserves	114,618	93,108	21,510	71,676
Non-controlling interests	-702	-1,080	379	-1,275
Non-current liabilities	172,650	169,513	3,137	185,030
Pension provisions	35,812	36,095	-283	40,688
Other non-current provisions	11,092	10,275	817	10,443
Non-current financial liabilities	120,102	113,243	6,859	123,139
Other non-current liabilities	4,022	7,915	-3,893	9,306
Deferred tax liabilities	1,624	1,986	-362	1,455
Current liabilities	158,906	164,521	-5,616	143,595
Tax provisions	3,753	3,281	473	1,451
Other current provisions	42,375	42,745	-370	37,843
Current financial liabilities	15,799	14,850	948	4,650
Other current liabilities	96,979	103,646	-6,667	99,652
Total equity and liabilities	788,578	769,167	19,411	742,131

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				290	852
Remeasurement gain					
Foreign currency exchange differences					
Earnings after tax			33,918		
Balance at 30/9/2015	148,819	194,286	95,913	890	-93
Balance at 1/1/2016	148,819	194,286	111,508	802	-399
Change in scope of consolidation			-154		
Dividends			-12,592		
Remeasurement of financial instruments				-585	370
Remeasurement loss					
Foreign currency exchange differences					
Earnings after tax			39,241		
Balance at 30/9/2016	148,819	194,286	138,003	217	-29

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
		1,142		1,142	Remeasurement of financial instruments
	50	50		50	Remeasurement gain
3,547	-352	3,195	-100	3,095	Foreign currency exchange differences
		33,918	153	34,071	Earnings after tax
7,589	-32,624	414,780	-1,276	413,505	Balance at 30/9/2015
9,273	-28,076	436,213	-1,081	435,132	Balance at 1/1/2016
		-154	154	0	Change in scope of consolidation
		-12,592		-12,592	Dividends
		-215		-215	Remeasurement of financial instruments
	-416	-416		-416	Remeasurement loss
-4,363	10	-4,353	299	-4,054	Foreign currency exchange differences
		39,241	-74	39,167	Earnings after tax
4,910	-28,482	457,724	-702	457,022	Balance at 30/9/2016

Consolidated Statement of Cash Flows

in thousand euros	1/1/ to 30/9/2016	1/1/ to 30/9/2015	1/7/ to 30/9/2016	1/7/ to 30/9/2015
Earnings before tax	45,643	41,266	19,736	16,539
Financial income and financial expenses	3,050	3,345	-98	1,188
Non-operating income from investments	-1,693	0	0	0
Depreciation and amortization	20,479	21,259	6,791	7,139
Impairment losses and reversals of impairment losses	78	-1,544	113	310
Profit/loss from asset disposals	-1,661	-297	-1,737	-385
Other non-cash income/expenses	-676	-148	-4	933
Operating profit before adjusting working capital	65,221	63,881	24,800	25,724
Change in provisions	-348	-1,292	6,315	3,382
Change in working capital	-5,770	-20,863	-880	-1,916
Change in other assets and liabilities	2,715	-98	-1,771	-3,812
Cash flows from operating activities before income tax	61,817	41,629	28,465	23,378
Income tax expense	-5,487	-8,122	-1,546	-2,164
Cash flows from operating activities	56,330	33,506	26,919	21,214
Thereof discontinued operations	800	100	675	100
Proceeds from sale of intangible assets	52	49	27	27
Capital expenditure for intangible assets	-1,803	-1,780	-798	-530
Proceeds from sale of property, plant and equipment	157	358	17	210
Capital expenditure for property, plant and equipment	-17,133	-11,653	-6,108	-2,922
Proceeds from sale of investment property	0	9,100	0	9,100
Capital expenditure for investment property	0	-295	0	-295
Proceeds from sale of financial assets	2,630	0	1,128	0
Capital expenditure for financial assets	-269	-237	-87	-81
Proceeds from sale of consolidated entities	1,212	0	1,212	0
Acquisition of consolidated entities	-195	-642	-195	2
Proceeds from non-operating income from investments	1,693	0	0	0
Interest received	2,476	347	2,292	120
Cash flows from investing activities	-11,180	-4,753	-2,513	5,631
Thereof discontinued operations	2,670	0	2,670	0
Dividends paid	-12,592	-11,447	0	-0
Proceeds from issuing bonds and loans	8,577	103,204	8,036	204
Repayments of bonds and loans	-795	-135,482	-290	-21,391
Payments for finance leases	-27	-40	-10	-7
Change in group financing	-1,673	-13,359	-217	389
Interests paid	-2,069	-6,567	-203	-1,238
Cash flows from financing activities	-8,578	-63,691	7,316	-22,044
Change in cash and cash equivalents	36,572	-34,937	31,722	4,802
Thereof discontinued operations	3,470	100	3,345	100
Effects of movements in exchange rates on cash held	-171	2,466	-25	-565
Cash and cash equivalents at the beginning of the period	83,824	69,495	88,528	32,787
Cash and cash equivalents at the end of the period	120,225	37,024	120,225	37,024

Segment Report

January 1 – September 30, 2016

in thousand euros	Optics & Life Science	Mobility	Defense & Civil Systems	Other	Consolidation	Group
Revenue	164,469	169,017	162,248	25,993	-29,157	492,569
	(157,403)	(176,155)	(154,716)	(24,759)	(-25,350)	(487,682)
Germany	34,867	44,846	94,017	23,619	-26,273	171,076
	(38,228)	(36,272)	(80,949)	(22,807)	(-21,863)	(156,394)
Europe	54,686	46,664	43,263	92	-115	144,590
	(44,870)	(56,280)	(41,126)	(79)	(-76)	(142,278)
Americas	33,859	41,246	13,874	1,840	-1,847	88,972
	(33,722)	(39,942)	(26,539)	(1,482)	(-1,493)	(100,192)
Middle East and Africa	9,167	3,154	2,105	0	0	14,427
	(10,640)	(14,047)	(2,612)	(0)	(0)	(27,299)
Asia / Pacific	31,888	33,107	8,989	442	-922	73,505
	(29,943)	(29,615)	(3,490)	(391)	(-1,919)	(61,519)
EBITDA	30,649	18,468	16,708	1,789	-68	67,546
	(20,617)	(22,162)	(16,282)	(4,809)	(-48)	(63,823)
EBIT	24,524	12,692	13,248	-3,329	-68	47,067
	(14,292)	(15,887)	(12,441)	(1,735)	(-48)	(44,308)
Investment income	-76	1,693	0	9	0	1,626
	(-105)	(51)	(350)	(907)	(-900)	(303)
Research and development expenses	10,649	14,697	4,899	375	-153	30,467
	(11,519)	(15,138)	(4,240)	(419)	(-392)	(30,923)
Free cash flow (before interest and income taxes)	15,434	4,358	25,288	-1,951	-39	43,091
	(11,794)	(19,696)	(2,236)	(-2,310)	(-2,813)	(28,603)
Working capital[1]	65,332	64,247	96,267	-3,548	-41	222,256
	(56,152)	(58,351)	(106,026)	(-4,961)	(-31)	(215,537)
Order intake	172,178	196,885	181,123	25,978	-28,513	547,651
	(145,099)	(195,666)	(138,692)	(25,757)	(-26,256)	(478,957)
Frame contracts[1]	14,586	78,332	51,065	0	0	143,983
	(5,546)	(11,513)	(42,120)	(0)	(0)	(59,179)
Total assets[1]	205,444	218,279	182,219	660,567	-477,932	788,578
	(188,948)	(212,848)	(187,544)	(676,953)	(-497,125)	(769,167)
Total liabilities[1]	49,537	139,991	118,873	180,585	-157,431	331,556
	(56,622)	(142,374)	(143,208)	(171,323)	(-179,493)	(334,035)
Increase in intangible assets and	3,735	7,703	3,025	1,538	0	16,001
property, plant and equipment	(3,720)	(3,709)	(3,693)	(2,384)	(0)	(13,506)
Depreciation and amortization	6,125	5,776	3,459	5,118	0	20,479
	(6,085)	(6,274)	(3,841)	(5,060)	(0)	(21,259)
Numbers of employees on average	1,113	1,184	822	282	0	3,401
without trainees	(1,141)	(1,179)	(838)	(272)	(0)	(3,430)

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 nine 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 September 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 under www.jenoptik.com using the path Investors/Reports and Presentations.

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

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

The following IFRS have been applied for the first time in 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.

In the third quarter of 2016, non-controlling shareholders of JENOPTIK Holdings UK Ltd. (formerly Vysionics Ltd.) exercised existing put options. This resulted in Jenoptik's equity interest in the Vysionics Group increasing from 91.97 percent to 92.90 percent and a corresponding reduction in non-controlling interests. In the statement of changes in equity, this is shown as change in scope of consolidation.

Since January 1, 2016 Jenoptik has aligned its organizational structure more consequently on market requirements. The business activities were newly structured and more targeted at growth markets. 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.

To date, EUR 5,308 thousand have been invested in the construction of the new technology campus for metrology and laser processing systems at the US location in Rochester Hills, Michigan. This sum negatively influenced cash flows from investing activities. In total, planned investments sum up to around 14 million euros.

In connection with the sale of M+W Zander Holding AG in 2005, a final agreement on matters relating to the purchase price was reached with the buyer, entitling Jenoptik to receive a payment. The resulting earnings of EUR 1,986 thousand plus interest of EUR 1,458 thousand are shown separately as discontinued operations in the group income statement and the consolidated statement of cash flows. Income taxes of minus EUR 174 thousand were incurred in connection with this transaction.

The EBIT contains an income in the amount of EUR 2,817 thousand due to the positive decision of a court of arbitration regarding the implications of a premature cancellation of a contract.

On September 20, 2016, it was announced that President & CEO Dr. Michael Mertin would not be extending his Executive Board service contract with JENOPTIK AG. An obligation for contractually agreed bridging payments amounting to EUR 1,766 thousand was therefore recognized as expenses.

Already in the first half-year of 2016 an investment paid a dividend to Jenoptik amounting to EUR 1,693 thousand. The earnings are included in investment result and belong to the Mobility segment. The cash flows from investing activities are affected positively by the same amount.

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, 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 in the first half year of 2016. The sale of the investment took place in the third quarter of 2016. The gain from the sale was accounted for in other operating income and the cash inflows were disclosed in the statement of cash flows as proceeds from sale of financial assets. The asset held for sale is belonging to the Optics & Life Science segment.

Classifications of Material Financial Statement Items

PROPERTY, PLANT AND EQUIPMENT

in thousand euros	30/9/2016	31/12/2015
Land and buildings	85,262	85,385
Technical equipment and machines	39,447	42,894
Other equipment, operating and office equipment	21,486	23,418
Payments on-account and assets under construction	7,008	3,962
Total	153,202	155,659

INVENTORIES

in thousand euros	30/9/2016	31/12/2015
Raw materials, consumables and supplies	59,728	57,753
Work in progress	93,439	89,007
Finished goods and merchandise	21,654	18,004
Payments on-account made	1,245	2,369
Total	176,066	167,132

TRADE RECEIVABLES AND OTHER ASSETS

in thousand euros	30/9/2016	31/12/2015
Trade receivables	109,673	120,009
Receivables from construction contracts	3,741	1,359
Receivables from unconsolidated associates	1,304	1,847
Receivables from entities in which investments are held	506	405
Other assets	9,559	11,346
Total	124,783	134,966

NON-CURRENT FINANCIAL LIABILITIES

in thousand euros	30/9/2016	31/12/2015
Bank liabilities	120,053	113,173
Liabilities from finance leases	48	70
Total	120,102	113,243

CURRENT FINANCIAL LIABILITIES

in thousand euros	30/9/2016	31/12/2015
Bank liabilities	15,754	14,802
Liabilities from finance leases	44	48
Total	15,799	14,850

OTHER CURRENT LIABILITIES

in thousand euros	30/9/2016	31/12/2015
Trade payables	41,351	47,801
Liabilities from advance payments received	25,677	25,162
Liabilities to unconsolidated associates	1,899	2,874
Liabilities from construction contracts	196	0
Liabilities to entities in which investments are held	48	177
Other current liabilities	27,808	27,632
Total	96,979	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 30/9/2016	Carrying amount 31/12/2015
Financial assets	249,672	222,142
Loans granted and receivables	124,567	135,390
Cash and cash equivalents	120,225	83,824
Available for sale	2,043	2,585
Finance lease receivables	925	0
Held-to-maturity investments	280	0
Hedged derivatives	1,632	343
Financial liabilities	195,004	196,254
Liabilities to bank and other financial liabilities	135,807	127,975
Trade payables	41,351	47,897
Finance lease liabilities	93	118
Other non-derivative financial liabilities		
Contingent liabilities	1,542	1,423
Other	15,171	15,400
Hedged derivatives	1,041	3,441

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

in thousand euros	Carrying amount 30/9/2016	Level 1	Level 2	Level 3
Available for sale	2,043 (2,585)	1,701 (2,286)	0 (0)	342 (299)
Hedged derivatives (assets)	1,632 (343)	0 (0)	1,632 (343)	0 (0)
Contingent liabilities	1,542 (1,423)	0 (0)	0 (0)	1,542 (1,423)
Hedged derivatives (liabilities)	1,041 (3,441)	0 (0)	1,041 (3,441)	0 (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 1,542 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 555 thousand. The effect on the operating result in the amount of EUR 241 thousand is due to the revaluation of this foreign currency liability. In the third quarter of 2016 put options on a part of the non-controlling interests were exercised. This resulted in a disposal of the contingent liabilities of EUR 195 thousand.

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

in thousand euros	Available for sale	Contingent liabilities
Balance at 1/1/2016	299	1,423
Additions	258	0
Disposals	0	-195
Gains and losses recognized in operating result	0	-241
Gains and losses recognized in financial result	-188	555
Balance at 30/9/2016	342	1,542

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 have been made permanently available to shareholders on the Jenoptik website www.jenoptik.com using the path Investors/Corporate Governance. Furthermore, the statements can also be viewed on site at JENOPTIK AG.

Litigations

JENOPTIK AG and its group entities are involved in several court or arbitration proceedings. As at September 30, 2016 no further litigation arose that based on current assessment 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, 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, November 8, 2016

Dr. Michael Mertin
President & CEO

Hans-Dieter Schumacher
Chief Financial Officer

Dates

February 7, 2017
Publication of the preliminary results
for the fiscal year 2016

March 22, 2017
Publication of the financial statements
for the fiscal year 2016

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

Contact

INVESTOR RELATIONS
Phone +49 3641 65-2291
E-mail ir@jenoptik.com

COMMUNICATIONS AND MARKETING

Phone +49 3641 65-2255
E-mail pr@jenoptik.com

www.jenoptik.com
www.twitter.com/Jenoptik_Group

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