JENOPTIK

Interim Financial Report of the Jenoptik Group

(unaudited)

January to September 2018

At a glance – Jenoptik Group

in million euros	Jan – Sept. 2018	Jan – Sept. 2017	Change in %	July – Sept. 2018	July – Sept. 2017	Change in %
Revenue	593.4	526.8	12.6	208.7	178.4	17.0
Optics & Life Science	211.2	191.3	10.4	71.7	66.4	8.0
Mobility	223.4	180.6	23.7	84.9	62.8	35.1
Defense & Civil Systems	160.9	155.1	3.8	52.7	49.7	6.1
Other[1]	−2.1	−0.2		−0.6	−0.5	
EBITDA	89.0	73.1	21.7	32.8	30.3	8.1
Optics & Life Science	51.1	43.0	18.9	18.7	16.5	13.2
Mobility	25.4	15.1	68.4	9.3	8.8	5.5
Defense & Civil Systems	18.6	15.8	17.3	6.9	4.5	53.3
Other[1]	− 6.0	−0.7		−2.1	0.5	
EBITDA margin	15.0%	13.9%		15.7%	17.0%	
Optics & Life Science	24.2%	22.5%		26.0%	24.8%	
Mobility	11.4%	8.3%		10.9%	14.0%	
Defense & Civil Systems	11.6%	10.2%		13.1%	9.1%	
EBIT	66.7	52.2	27.8	23.9	22.9	4.4
Optics & Life Science	45.5	36.9	23.3	16.8	14.6	15.6
Mobility	16.9	8.6	96.9	5.1	6.2	−18.2
Defense & Civil Systems	15.4	12.3	24.9	5.9	3.3	77.0
Other[1]	−11.1	−5.6		−3.8	−1.1	
EBIT margin	11.2%	9.9%		11.5%	12.9%	
Earnings after tax	53.7	44.3	21.4	20.4	21.6	−5.5
Earnings per share in euros	0.94	0.77	22.1	0.36	0.38	−5.0
Free cash flow	57.2	32.2	77.5	28.4	10.0	184.2
Order intake	588.4	576.2	2.1	191.2	170.9	11.9
Optics & Life Science	233.4	222.8	4.8	75.9	73.7	3.0
Mobility	212.3	200.7	5.7	72.1	56.4	27.9
Defense & Civil Systems	144.0	154.4	−6.7	43.6	42.6	2.5
Other[1]	−1.3	−1.7		− 0.3	−1.7	

	Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2017
Order backlog (in million euros)	480.9	453.5	453.0
Optics & Life Science	127.6	109.1	105.8
Mobility	176.2	144.7	135.3
Defense & Civil Systems	179.1	202.6	214.9
Other[1]	−2.0	−2.9	−3.0
Frame contracts (in million euros)	78.0	87.6	132.0
Employees (incl. trainees)	3,984	3,680	3,646
Optics & Life Science	1,214	1,149	1,127
Mobility	1,500	1,326	1,299
Defense & Civil Systems	914	897	904
Other[1]	356	308	316

[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.

Overview of the Months January to September 2018

- Good demand and acquisitions supported growth – group revenue up sharply, by 12.6 percent to 593.4 million euros (prior year: 526.8 million euros), with all segments contributing to good business performance.
  See Earnings Position – Page 7

- Profit up at faster rate than revenue – despite adverse effects in connection with company acquisitions, EBITDA increased to 89.0 million euros (prior year: 73.1 million euros) and EBIT grew by 27.8 percent to 66.7 million euros (prior year: 52.2 million euros). The EBIT margin improved to 11.2 percent (prior year: 9.9 percent).
  See Earnings Position – Page 8

- Order intake up – in the first nine months, Jenoptik received new orders worth 588.4 million euros (prior year: 576.2 million euros). In the third quarter, the order intake grew by 11.9 percent. The book-to-bill ratio was 0.99 (prior year: 1.09). At 480.9 million euros, the order backlog reached a new record figure.
  See Earnings Position – Page 8

- Financial power remained strong – in the first nine months, free cash flow increased sharply to 57.2 million euros (prior year: 32.2 million euros). Equity ratio, at 58.9 percent, was slightly down on figure at year-end 2017 (31/12/2017: 59.6 percent).
  See Financial and Asset Position – Page 9

- Segment highlights:
  Optics & Life Science: positive business performance continued – revenue, EBIT and order intake were markedly up.
  Mobility: acquisitions and scheduled deliveries in the field of traffic safety technology contributed to sharp rise in revenue and earnings.
  Defense & Civil Systems: earnings up at faster rate than revenue, but order intake below high prior-year figure.
  See Segment Report – from Page 12 on

- Revenue forecast of the Group is raised to a range of 820 to 830 million euros. Margin targets unchanged despite acquisition-related expenses. EBITDA margin is due to come in at around 15 percent; EBIT margin at approximately 11 percent.
  See Forecast Report – Page 19

Business and Framework Conditions

Group Structure and Business Activity

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

Jenoptik provides the majority of its products and services to the photonics market. Our key markets primarily include the semiconductor equipment industry, the medical technology, automotive, mechanical engineering, traffic, aviation, and security and defense technology industries.

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

Targets and Strategies

The Executive Board of JENOPTIK AG presented its "Strategy 2022" in February 2018. In future, Jenoptik will intensify its concentration on photonic technologies for high-growth markets. Activities will be combined based on similar business models and common understanding of markets and customers. The aim is to transform Jenoptik into a global, streamlined photonics company over the next few years. The greater concentration on the core competencies will also help to optimize the use of existing capacities and thus a more efficient allocation of resources.

The new strategy under the motto "More Light" is based on three building blocks: "More Focus", "More Innovation", and "More International". By 2022, we want to increase our R+D output, including developments on behalf of customers, to around 10 percent of revenue. International diversity will characterize Jenoptik more strongly than ever before. That means international teams bringing together diverse cultural backgrounds, and more local decision-making. In this context, the Executive Board expanded the Executive Management Committee to include international managers in spring. At least one division will have its headquarters abroad by 2022.

To implement our "Strategy 2022", we
- focus on our core competencies in the field of photonics,
- actively manage our portfolio with a view to additional purchases as well as transformatory acquisitions and selective divestments,
- continue to work on further internationalization in conjunction with greater vertical integration and customer proximity in our growth regions,
- invest more heavily in research and development, expand our system and application expertise and step up our activities as a solutions provider,
- promote an active cultural shift and
- continue to steadily strengthen our financial resources.

As part of the new strategy, the Executive Board has set out the following priorities for the current 2018 fiscal year:
- establishing a new corporate structure,
- reorganizing the Asian business and
- launching of a new brand for our mechatronics business.

In June, Jenoptik approved the new organizational structure for Asia, which will help to simplify complex corporate structures and clearly define responsibilities. Cooperation within Asia, with the divisions and the central functions will become faster and easier.

In the future, the Group will market its range of mechatronic products and services for the aviation, security, defense, and rail markets under the VINCORION brand, which was launched in September.

For more information on the strategic alignment of the Jenoptik Group, we refer to the 2017 Annual Report and the details given in the "Targets and Strategies" chapter from page 70 on, as well as on the Jenoptik website.

In July 2018, Jenoptik acquired the Canadian company Prodomax Automation Ltd., the largest acquisition in the more recent history of the Group. With the purchase Jenoptik secures further potential for growth in the field of advanced manufacturing. The acquisitions of OTTO Vision Technology GmbH and OVITEC GmbH in August serve to boost Jenoptik's metrology business.

More information on these acquisitions can be found in the Segment Report, on page 14, and in the Notes, on page 29.

The Jenoptik Share

The mood on the international capital markets remained positive in the first six months of 2018, but an uncertain outlook caused it to deteriorate in the course of the third quarter. Germany's benchmark index, the Dax, ended September 2018 at 12,247 points, equating to a fall of around 5 percent over the January to September 2018 reporting period. On September 28, 2018, the TecDax was at 2,813 points, a rise of approximately 10 percent.

In the first nine months, the Jenoptik share saw volatile, albeit broadly positive, performance. Following initial fluctuation, its price rose toward the mid-year point, reaching its highest level of 39.48 euros on June 13. The share price then lost ground and moved sideways. On the last trading day in September 2018, the Jenoptik share was at 31.74 euros, an increase of 14.2 percent since the beginning of the year. Over the 9-month period, the total shareholder return was 15.3 percent (prior year: 13.0 percent). By the close of trading on October 31, 2018 the share price had fallen to 26.64 euros in line with a generally poor overall market situation. As of the end of October, Jenoptik's market capitalization was 1,524.8 million euros.

In addition to those voting rights announcements which we published in the first half of the year, we received two more in October: Capital Research and Management Company informed us that it holds 1,720,171 Jenoptik shares, equating to a holding of 3.01 percent. SMALLCAP World Fund informed us that it holds 3.34 percent of the shares or 1,910,288 shares.

At the Annual General Meeting on June 5, 2018, the shareholders agreed to a 20 percent higher dividend of 0.30 euros per share (prior year: 0.25 euros). On the basis of the total dividend in the sum of 17.2 million euros, the payout ratio to the shareholders came to 23.7 percent based on earnings attributable to shareholders achieved in 2017 (prior year: 25.0 percent).

A total of eleven research companies and banks currently report regularly on Jenoptik. At the time this report was prepared, four analysts recommended buying the stock, six advised investors to hold, and one recommended selling. At the end of October, the average price target across all recommendations was 31.82 euros.

In September 2018, Deutsche Börse introduced changes to its index methodology, to the effect that listed companies that, for example, are included in the TecDax, can also be listed on a further index such as the Dax, MDax, or SDax. As a technology stock, Jenoptik remains in the TecDax and, following the rule changes, is also listed on the SDax.

In its 20th year as a publicly traded company, the Jenoptik Group changed its share capital from bearer to registered shares on a 1:1 basis. This class of shares has been traded under a new international securities identification number (ISIN) DE000A2NB601 since September 3. More information on the change can be found on our website at www.jenoptik.com/investors/registered-shares.

Jenoptik was awarded a silver medal for its capital market communication in the TecDax index at the annual "Investors' Darling" competition, which is run jointly by HHL Leipzig Graduate School of Management and the business journal "manager magazin". The company's explanation of its strategy, the quality of its digital IR activities, and its above-average share price performance were the key factors contributing to its strong ranking. As a result, Jenoptik moved up from fifth place last year to second in the TecDax index in 2018.

Earnings per share

	1/1 to 30/9/2018	1/1 to 30/9/2017
Earnings attributable to shareholders in thousand euros	54,067	44,285
Weighted average number of outstanding shares	57,238,115	57,238,115
Earnings per share in euros	0.94	0.77

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 30/9/2018	1/1 to 30/9/2017
Closing share price (Xetra) on 30/9/ in euros	32.04	28.04
Highest share price (Xetra) in euros	39.48	28.04
Lowest share price (Xetra) in euros	26.44	16.11
Market capitalization (Xetra) on 30/9/ in million euros	1,833.9	1,605.0
Average daily trading volume in shares[1]	171,529	163,856

[1] Source: Deutsche Börse

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

Increasing protectionism and trade barriers, geopolitical uncertainties in countries such as Turkey, Argentina, and Saudi Arabia, and the possibly forthcoming Brexit all influenced the global economy in the first nine months of 2018.

In the third quarter of 2018, annualized gross domestic product (GDP) in the US rose 3.5 percent on the prior quarter, according to the Department of Commerce, following a plus of 4.2 percent in the second quarter. Consumer and government spending were the drivers of growth, while exports fell in the third quarter.

China's GDP grew 6.5 percent on the prior-year period in the third quarter of 2018, according to the Chinese National Bureau of Statistics in Beijing, thus falling short of expectations. Industrial production was also lower than forecast.

Following a low-key start to the year, the German economy began to pick up in the second quarter of 2018. According to the German Federal Statistical Office, GDP grew 0.5 percent despite the trade conflict with the US, primarily on the back of a domestic economy strengthened by robust consumer and government spending. In the view of leading economists, however, companies have already held back on investment decisions, notwithstanding high levels of capacity utilization. Production was scaled down through the end of August. In recent months, the ifo Business Climate Index also pointed to a light cooling-off in the country's business climate.

Based on revenues of 16 international companies, Spectaris calculates the World Market Index for Optical Technologies to determine the current state of business development in the photonics industry. In the second quarter of 2018, the index reached its second-highest level of 174.3 points and the highest level ever for a second quarter. Compared to the first half-year of 2017, revenue of the companies analyzed grew 9.4 percent in the first six months of 2018.

The global semiconductor industry has seen a strong demand compared with the prior year. According to the Semiconductor Industry Association (SIA) global revenue in the 3rd quarter 2018 came to 122.7 billion US dollars, 4.1 percent more than in the prior quarter and 13.8 percent than in the same period in the prior year. Although growth slowed down a bit, both the September and the third quarter 2018 were the strongest in terms of revenue in this industry.

Due to continuing good demand for lithography systems for chip manufacturing, the major players in the semiconductor equipment industry also achieved very good earnings in the third quarter of 2018. To date, however, the Semiconductor Equipment and Materials International (SEMI) trade association has only published revenue figures in the industry for the second quarter: at 16.7 billion US dollars, revenue was just 1 percent below the record figure in the prior quarter.

According to information published by the German Mechanical Engineering Industry Association (VDMA), new orders grew 6 percent on the prior-year period in the first nine months of 2018, in the third quarter only by 3 percent. In the first seven months, the industry saw production grow 2.9 percent, while the order intake increased by 7 percent. Despite this, trade conflicts and protectionist trends, especially in the US and China, are already making themselves felt.

According to the German Association of the Automotive Industry (VDA), the international automobile markets saw sustained growth in the number of new car registrations in the first nine months of 2018. Particularly in the third quarter, car manufacturers and suppliers in Europe reported significant burdens on their balance sheets and operating businesses, in part due to the effects of the diesel scandal, retrofit and warranty claims, and the trade conflict between the US and China. This resulted in several profit warnings for the current year. Almost the entire industry criticized the introduction of the new fuel consumption and emissions test, known as WLTP, which were officially agreed in summer 2017. Approvals under the new standard have slowed, producing increased competitive pressure in the industry and causing some manufacturers to scale back production. Due to high levels of nitrogen oxide pollution, several German cities have introduced driving bans. According to the German government, there are 14 particularly polluted cities that required action to be taken.

No important new reports were published for other sectors relevant to Jenoptik. We therefore refer to pages 83ff. of the 2017 Annual Report and to the interim reports for 2018 published to date.

Earnings, Financial and Asset Position

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

Jenoptik completed two acquisitions, with implications for the Group's earnings, financial, and asset positions, in the third quarter of 2018. More detailed information on them in the Segment Report on page 14 and in the Notes, from page 29 on.

Earnings Position

Jenoptik significantly boosted its revenue, by 12.6 percent to 593.4 million euros (prior year: 526.8 million euros), in the first nine months of 2018, with growth seen in all three segments. Organic growth came to 8.5 percent. This increase was due to good demand for optical systems in the semiconductor equipment industry, as well as for systems from the Healthcare & Industry area. The Traffic Safety area also contributed significantly to this growth. In addition, the acquisitions in the automotive area, in particular that of Prodomax Automation Ltd., made a strong contribution to revenue of 21.8 million euros.

In the first nine months of 2018, Jenoptik generated growth both in Germany and abroad. Revenue in Germany increased sharply by 19.4 percent to 180.1 million euros (prior year: 150.9 million euros), in particular due to deliveries of toll monitoring systems in the Mobility segment. In Europe, the Americas, and the Middle East/Africa region, revenue also saw growth. A strong revenue increase of 12.0 percent was achieved in Europe. At 217.9 million euros, revenue in the growth regions of the Americas and Asia/Pacific was up on the prior year (prior year: 201.1 million euros). It was down in percentage terms, however, accounting for 36.7 percent of group revenue (prior year: 38.2 percent). Revenue in the Asia/Pacific region saw a project-related decline over the reporting period, but grew significantly by 24.7 percent in the Americas, in part due to the acquisition. Overall, the share of revenue generated abroad fell to 69.6 percent (prior year: 71.3 percent). A summary of revenue distribution by region can be found on page 25.

The cost of sales increased by 14.3 percent and thus at a slightly higher rate than revenue, to 383.8 million euros (prior year: 335.7 million euros), in part due to the acquisitions. The gross margin of 35.3 percent (prior year: 36.3 percent) was consequently marginally down on the prior-year level.

A step-up in group research and development activities (R+D) led to an increase in the R+D expenses to 34.7 million euros in the period covered by the report (prior year: 32.8 million euros). The development costs on behalf of customers included in the cost of sales came to 15.2 million euros (prior year: 14.2 million euros). At 51.3 million euros, the R+D output was higher than in the prior year (prior year: 47.8 million euros) and equated to 8.6 percent of group revenue (prior year: 9.1 percent). The indicator includes R+D expenses, development costs on behalf of customers, and capitalized development costs that are included in assets.

Primarily due to the expansion of international activities, the selling expenses increased to 64.3 million euros in the first nine months of 2018 (prior year: 60.1 million euros). At 10.8 percent, the selling expenses ratio was, however, slightly down on the prior-year level of 11.4 percent. Administrative expenses fell to 39.7 million euros in the period covered by the report (prior year: 42.1 million euros). In the prior year, they had included expenses in connection with a change on the Executive Board. The administrative expenses ratio accordingly fell to 6.7 percent (prior year: 8.0 percent).

Revenue

in million euros	1/1 to 30/9/2018	1/1 to 30/9/2017	Change in %
Group	593.4	526.8	12.6
Optics & Life Science	211.2	191.3	10.4
Mobility	223.4	180.6	23.7
Defense & Civil Systems	160.9	155.1	3.8
Other	−2.1	−0.2	

R+D Output

in million euros	1/1 to 30/9/2018	1/1 to 30/9/2017	Change in %
R+D output	51.3	47.8	7.4
R+D expenses	34.7	32.8	5.7
Capitalized development costs	1.4	0.7	89.0
Developments on behalf of customers	15.2	14.2	7.2

In the first nine months of 2018, other operating income and expenses were at the same level as in the prior year. Of particular note here are the positive currency effects worth a total of 0.1 million euros (prior year: minus 4.0 million euros), offset by expenses for process optimization and costs relating to the acquisitions. The account balance from both items came to minus 4.1 million euros (prior year: minus 3.9 million euros).

Revenue growth and a relatively low increase in functional costs resulted in a strong improvement in EBIT, which at 66.7 million euros exceeded the prior-year figure by 27.8 percent (prior year: 52.2 million euros). All the segments contributed to this positive development with significantly improved earnings. EBIT of the acquired companies came to a total of minus 0.2 million euros. This amount includes the financial impacts arising from the purchase price allocation, which according to provisional figures amounted to minus 6.3 million euros. The costs for the purchases came to 1.8 million euros. The EBIT margin of the Group increased to 11.2 percent (prior year: 9.9 percent).

In the first nine months of 2018, and for the reasons mentioned above, the EBITDA (earnings before interest, taxes and depreciation and amortization, incl. impairment losses and reversals) increased by 21.7 percent to 89.0 million euros (prior year: 73.1 million euros). The EBITDA margin improved to 15.0 percent (prior year: 13.9 percent). Included in the EBITDA are impacts of minus 4.8 million euros for the purchase price allocation, according to provisional calculations, and 1.8 million euros of acquisition costs.

Over the reporting period, the financial result came to minus 2.0 million euros (prior year: 2.3 million euros). The prior-year figure included one-time income of 5.6 million euros from the disposal of non-operating financial investments. At 64.7 million euros, the Group thus achieved significantly improved earnings before tax (EBT) compared to the prior year (prior year: 54.5 million euros). Income tax expenses came to 11.0 million euros (prior year: 10.2 million euros), equating to a cash effective tax rate of 14.5 percent (prior year: 17.7 percent). This decrease is partly due to tax reforms in the US. Group earnings after tax (EAT) rose by 21.4 percent to 53.7 million euros (prior year: 44.3 million euros). Group earnings per share (EPS) increased to 0.94 euros (prior year: 0.77 euros).

Compared to the prior year, the Jenoptik Group's order intake saw a rise to 588.4 million euros by the end of September 2018 (prior year: 576.2 million euros), with increases seen in the Optics & Life Science and Mobility segments. The book-to-bill ratio came to 0.99 (prior year: 1.09), i.e. the order intake was slightly below revenue in the first nine months of 2018.

The order backlog reached a new record value of 480.9 million euros, exceeding the figure at year-end 2017 (31/12/2017: 453.5 million euros). Of this order backlog, 48.1 percent (prior year: 57.8 percent) is due to be converted to revenue in the present fiscal year and help to support scheduled growth.

As of September 30, 2018, there were also frame contracts worth 78.0 million euros (31/12/2017: 87.6 million euros). Frame contracts are contracts or framework agreements where the exact sum and time of occurrence cannot yet be specified precisely.

The number of Jenoptik employees increased to 3,984 in the first nine months of 2018 (31/12/2017: 3,680 employees). The

EBIT

in million euros	1/1 to 30/9/2018	1/1 to 30/9/2017	Change in %
Group	66.7	52.2	27.8
Optics & Life Science	45.5	36.9	23.3
Mobility	16.9	8.6	96.9
Defense & Civil Systems	15.4	12.3	24.9
Other	−11.1	−5.6	

EBITDA

in million euros	1/1 to 30/9/2018	1/1 to 30/9/2017	Change in %
Group	89.0	73.1	21.7
Optics & Life Science	51.1	43.0	18.9
Mobility	25.4	15.1	68.4
Defense & Civil Systems	18.6	15.8	17.3
Other	−6.0	−0.7	

figure rose abroad, in part due to the acquisition in Canada. At the end of September 2018, 962 people were employed at the foreign locations (31/12/2017: 802 employees).

Jenoptik had a total of 118 trainees as of September 30, 2018 (31/12/2017: trainees 109 trainees). In Germany, the Group had 129 agency employees (31/12/2017: 114 agency employees).

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

Financial and Asset Position

At the end of the first nine months of 2018, the debt-to-equity ratio, that of borrowings to equity, rose to 0.70 from 0.68 at the end of 2017, thus remaining at a good level. The rise was due to borrowings increasing at a higher rate than equity.

Despite the payments made for the two acquisitions and the higher dividend, net debt as of September 30, 2018 was just 16.6 million euros (31/12/2017: minus 69.0 million euros).

In the first nine months of 2018, the Group invested 26.8 million euros in property, plant, and equipment and intangible assets; as previously announced, this was more than in the prior-year period (prior year 24.0 million euros). For the year as a whole, too, Jenoptik expects a higher level of capital expenditure than in 2017. At 22.5 million euros, the largest share of capital expenditure was on property, plant, and equipment (prior year: 21.8 million euros), primarily to put in place the conditions for further growth, for new customer orders, and for new technical equipment and the expansion of production capacities. Mainly due to higher license fees and capitalized development expenses, capital expenditure for intangible assets exceeded the prior-year level, coming to 4.4 million euros (prior year: 2.2 million euros). Scheduled depreciation and amortization came to 21.1 million euros (prior year: 20.9 million euros).

Cash flows from operating activities increased to 72.8 million euros (prior year: 50.2 million euros) as of September 30, 2018, chiefly due to improved earnings before tax. The main negative factor affecting the operating cash flows was the increase in working capital, as more prepayments were made due to the larger volume of business.

At the end of September 2018, cash flows from investing activities came to minus 82.4 million euros (prior year: minus 46.8 million euros), which in the reporting period were primarily influenced by the acquisition of consolidated entities. Apart from capital expenditure, other key items were proceeds from and capital expenditure for financial assets within the framework of short-term disposition.

Due to significantly improved cash flows from operating activities, the free cash flow increased to 57.2 million euros in the period covered by the report (prior year: 32.2 million euros). This improvement was possible despite the revenue-related rise in expenditure for working capital and higher capital expenditure than in the prior year. The free cash flow is calculated on the basis of the cash flows from operating activities (before interest and taxes) less the inflows and outflows of funds for intangible assets and property, plant, and equipment.

Order situation

in million euros	1/1 to 30/9/2018	1/1 to 30/9/2017	Change in %
Order intake	588.4	576.2	2.1
	30/9/2018	31/12/2017	Change in %
Order backlog	480.9	453.5	6.0
Frame contracts	78.0	87.6	−11.0

Employees (incl. trainees)

	30/9/2018	31/12/2017	Change in %
Group	3,984	3,680	8.3
Optics & Life Science	1,214	1,149	5.7
Mobility	1,500	1,326	13.1
Defense & Civil Systems	914	897	1.9
Other	356	308	15.6

Primarily due to repayments ofe bonds and loans, cash flows from financing activities fell to minus 46.3 million euros (prior year: minus 12.3 million euros). This item includes, in particular, payments for loans in connection with the company acquisitions. It was also influenced by the dividend payment of 17.2 million euros (prior year: 14.3 million euros).

As of September 30, 2018, the Jenoptik Group's total assets, at 959.7 million euros, were higher than the 2017 year-end figure due to the acquisitions, the application of IFRS 15, and measures to achieve the scheduled growth targets (31/12/2017: 889.1 million euros).

The increase in non-current assets to 485.8 million euros (31/12/2017: 376.2 million euros) was chiefly due to higher intangible assets. The latter primarily rose as a range of intangible assets such as customer bases and order backlogs were identified and goodwill was recognized during the purchase price allocation in connection with the acquisition of shares in Prodomax Automation Ltd., and in the Otto Group. Property, plant, and equipment also increased, in part due to capital expenditure and the acquisitions. Financial investments grew following the equity valuation of a stake in an enterprise.

Current assets fell by 39.0 million euros to 473.9 million euros (31/12/2017: 512.9 million euros). The acquisitions made in the reporting period were paid for entirely using cash, producing a fall in the cash and cash equivalents item to 76.5 million euros (31/12/2017: 132.3 million euros). Current financial investments reduced due to the repayment of cash investments. Due to the first-time application of IFRS 15, the item "Contract assets" was posted for the first time with a value of 27.4 million euros. Primarily as a result of this new item, current trade receivables fell to 121.5 million euros (31/12/2017: 136.0 million euros). Inventories rose to 196.9 million euros (31/12/2017: 168.6 million euros), as the increase due to operating activities (39.4 million euros) more than compensated for the effect of first-time application of IFRS 15 (minus 11.1 million euros).

Chiefly due to higher operating receivables (trade receivables and contract assets) and inventories, the working capital increased to 239.9 million euros as of September 30, 2018 (31/12/2017: 214.8 million euros; 30/09/2017: 225.3 million euros). The working capital ratio, that of working capital to revenue based on the last twelve months, accordingly increased to 29.5 percent compared to year-end 2017 (31/12/2017: 28.7 percent), but remained below the value in the prior-year period (30/09/2017: 31.3 percent).

The substantial increase in earnings after tax posted at the end of the reporting period, minus the dividend payment, primarily resulted in equity growing to 565.3 million euros (31/12/2017: 529.9 million euros). In light of the balance sheet extension the equity ratio, at 58.9 percent, was slightly down on the figure at year-end 2017 (31/12/2017: 59.6 percent).

As a result of a sharp rise in deferred tax liabilities in connection with the acquisition of Prodomax and an increase in both non-current financial debt (new finance leasing agreements) and other non-current financial liabilities (variable purchase price components resulting from the acquisition of Otto Group), non-current liabilities rose to 176.6 million euros (31/12/2017: 162.1 million euros). Non-current liabilities primarily include debenture loans placed in 2015, currently totaling 103 million euros and with original terms of five and seven years.

Current liabilities increased from year-end 2017 to 217.8 million euros (31/12/2017: 197.1 million euros). The "Contract liabilities" item was posted for the first time in connection with the application of IFRS 15. Other current non-financial liabilities primarily fell due to the reclassification of on-account payments to contract liabilities. This was countered by the rise in liabilities to employees, e.g. for vacation entitlements. Other current provisions also increased, chiefly due to the additions to personnel provisions for the 2018 fiscal year.

The first nine months of 2018 saw the following significant purchases or sales of companies:

Prodomax Automation Ltd.
In July, Jenoptik acquired a 100 percent stake in Prodomax Automation Ltd., Barrie (Ontario), Canada, through its US company JENOPTIK North America Inc.

OTTO Vision Technology GmbH and OVITEC GmbH
On August 31, 2018, Jenoptik acquired a 100 percent stake in OTTO Vision Technology GmbH and OVITEC GmbH (Otto Group).

More information on the acquisitions can be found in the Segment Report, on page 14, and in the Notes, from page 29 on.

There were no changes to assets and liabilities not included in the balance sheet; for more information on this, we refer to the details on page 96 of the 2017 Annual Report and the details on contingent liabilities on page 184.

Segment Report

Optics & Life Science Segment

In the first nine months of 2018, the Optics & Life Science segment posted a strong increase in revenue of 10.4 percent to 211.2 million euros (prior year: 191.3 million euros). As in the prior quarters, this development was driven by a continuation of good business with solutions for the semiconductor equipment industry. Sales in the Healthcare & Industry unit also saw very positive development. Overall, the segment's share of group revenue was 35.6 percent (prior year: 36.3 percent). Revenue rose the sharpest in Europe (excluding Germany), to 81.2 million euros (prior year: 71.6 million euros), and other than in Asia/Pacific, it also increased in all other regions.

Income from operations (EBIT) improved significantly, in particular due to a positive product mix and good utilization, by 23.3 percent to 45.5 million euros (prior year: 36.9 million euros). Over the first nine months, the segment thus increased its EBIT margin to 21.6 percent, an improvement on the prior year (prior year: 19.3 percent). Income from operations before depreciation and amortization (EBITDA) also increased strongly on the prior year, by 18.9 percent to 51.1 million euros (prior year: 43.0 million euros).

As of September 30, 2018, the order intake rose by 4.8 percent to 233.4 million euros due to growth in the field of optical systems (prior year: 222.8 million euros). Set against revenue, this resulted in a book-to-bill ratio of 1.11 (prior year: 1.16).

The Optics & Life Science Segment at a Glance

in million euros	30/9/2018	30/9/2017	Change in %
Revenue	211.2	191.3	10.4
EBITDA	51.1	43.0	18.9
EBITDA margin in %	24.2	22.5	
EBIT	45.5	36.9	23.3
EBIT margin in %	21.6	19.3	
Capital expenditure	11.7	3.6	225.3
Free cash flow	16.4	24.3	−32.5
Order intake	233.4	222.8	4.8
Order backlog[1]	127.6	109.1	16.9
Frame contracts[1]	13.3	11.1	19.1
Employees[1]	1,214	1,149	5.7

Prior year's figures refer to December 31, 2017

With a value of 127.6 million euros, the segment's order backlog at the end of September 2018 was above the value on December 31, 2017 (31/12/2017: 109.1 million euros). There were also frame contracts worth 13.3 million euros (31/12/2017: 11.1 million euros).

Due to a significant rise in capital expenditure and growth-based increases in working capital, the free cash flow (before interest and taxes) of 16.4 million euros was down on the prior-year level (prior year: 24.3 million euros), despite good business performance. The main focus of investment was in production facilities, thereby expanding production capacity. Jenoptik is upgrading and expanding its production facilities in Berlin, for example, helping to lastingly secure the company's competitiveness in its core photonics business. For the manufacture of high-power laser diodes at Berlin's Adlershof Technology Park, it is accelerating order handling thanks to new machines and thus ensuring preparedness to meet sustained high demand for semiconductor lasers.

To better meet the growing demands of our international customers, Jenoptik inaugurated a new site in Fremont, located in California's Silicon Valley, at the beginning of the 2018 fiscal year, thereby putting it in the direct presence of its customers on the west coast of the US. Jenoptik can thus address the region's particular needs, especially in the areas of application engineering and product development, and further accelerate its own growth, particularly in the US.

At its location in Jupiter, US, Jenoptik is expanding its production capacities for optical systems.

Mobility Segment

In the first nine months of 2018, revenue in the Mobility segment grew by 23.7 percent on the prior-year period, to 223.4 million euros (prior year: 180.6 million euros). Organic growth was 11.6 percent. Both areas, systems and machines for the automotive industry and traffic safety technology, saw successful growth, the latter in particular due to deliveries of toll monitoring systems. The acquisitions of Prodomax Automation Ltd. and the Otto Group also contributed 21.8 million euros to revenue growth. On a regional level, revenue particularly grew in Germany as a result of the toll project. Growth in the Americas was primarily the result of the acquisition in Canada. Reflecting project volumes, revenue in Asia saw a slight decline. The segment's share of group revenue increased to 37.6 percent (prior year: 34.3 percent).

On the basis of a good revenue performance, the segment, as expected, again posted a significantly improved quality of earnings in the first nine months, with income from operations (EBIT) of 16.9 million euros (prior year: 8.6 million euros). These earnings include financial impacts in connection with the aforementioned acquisitions. EBIT of the new acquisitions came to minus 0.2 million euros. This takes into account impacts arising from the purchase price allocation, which according to provisional figures amount to minus 6.3 million euros. The costs for the acquisitions came to 1.8 million euros. The prior-year EBIT of the Group had included one-time costs for the project to supply toll monitoring systems. The EBIT margin improved to 7.6 percent (prior year: 4.8 percent). Income from operations before depreciation and amortization (EBITDA) also increased significantly, by 68.4 percent to 25.4 million euros (prior year: 15.1 million euros). The EBITDA margin was 11.4 percent, compared to 8.3 percent in the prior year. Included in the EBITDA are effects arising from the purchase price allocation, according to provisional calculations of minus 4.8 million euros, and acquisition costs of 1.8 million euros.

The order intake in the Mobility segment came to 212.3 million euros (prior year: 200.7 million euros). Business with the automotive industry was further expanded. The order intake also includes the orders acquired from Prodomax and Otto Group since the acquisition date, in total worth 5.9 million euros. In the first nine months of 2018, the book-to-bill ratio reached a figure of 0.95 (prior year: 1.11).

The segment's order backlog was worth 176.2 million euros at the end of September (31/12/2017: 144.7 million euros). Of this figure, the order backlog pertaining to the acquired companies was worth 32.3 million euros. There were also frame contracts worth 21.5 million euros (31/12/2017: 30.1 million euros).

Following extensive investments in the prior year, e.g. in internally manufactured equipment for a Canadian traffic safety project and the technology campus at the Rochester Hills US location, the segment had reduced its expenditure to just 6.0 million euros as at September 30, 2018 (prior year: 14.4 million euros).

Lower capital expenditure and higher earnings were key reasons for the significant improvement in the free cash flow (before interest and taxes) to 28.0 million euros (prior year: 0.3 million euros).

Jenoptik continues to invest in expanding and upgrading its own development and production facilities. Cutting-edge development, production, and office spaces for the Industrial Metrology unit are being built at the Villingen-Schwenningen site at a cost of around 13 million euros. Construction will commence in the spring of 2019, with operations scheduled to start at the new site one year later.

The Mobility Segment at a Glance

in million euros	30/9/2018	30/9/2017	Change in %
Revenue	223.4	180.6	23.7
EBITDA	25.4	15.1	68.4
EBITDA margin in %	11.4	8.3	
EBIT	16.9	8.6	96.9
EBIT margin in %	7.6	4.8	
Capital expenditure	6.0	14.4	–58.3
Free cash flow	28.0	0.3	
Order intake	212.3	200.7	5.7
Order backlog[1]	176.2	144.7	21.8
Frame contracts[1]	21.5	30.1	–28.8
Employees[1]	1,500	1,326	13.1

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

The acquisitions of three companies were successfully concluded in the third quarter.

Prodomax Automation Ltd.

With the signing the agreement on July 10, 2018 and on the closing date of July 23, 2018, Jenoptik acquired a 100 percent stake in Prodomax Automation Ltd., Barrie (Ontario), Canada, through its US company JENOPTIK Automotive North America Inc.

Prodomax specializes in process automation for the automotive industry. The acquisition allows the Group to boost its position as a turnkey provider of automated production solutions, Jenoptik has embarked on with the acquisition of Five Lakes Automation in 2017. The combination of automation solutions and laser processing machines gives the Jenoptik Group an opportunity to tap into further potential for growth in the field of advanced manufacturing.

OTTO Vision Technology GmbH and OVITEC GmbH

Jenoptik acquired a 100 percent stake in the sister companies OTTO Vision Technology GmbH and OVITEC GmbH.

Both companies specialize in optical inspection systems for quality assurance and process optimization, as well as in complex imaging systems for applications in the field of parts dimensioning, surface inspection, and position detection. The takeover will enable the Jenoptik Group to strengthen its range of products and services for innovative metrology solutions in the Mobility Segment and further expand its market position as a systems supplier for production metrology as well as industrial image processing applications.

Defense & Civil Systems Segment

In the first nine months of 2018, the Defense & Civil Systems segment generated revenue of 160.9 million euros (prior year: 155.1 million euros), with increases seen in Europe and the Americas. In Germany, however, revenue of 66.2 million euros was slightly down due to project-related factors (prior year: 68.0 million euros). The segment's share of group revenue fell to 27.1 percent (prior year: 29.4 percent).

Although revenue increased only marginally on the prior year, income from operations (EBIT) grew significantly to 15.4 million euros (prior year: 12.3 million euros), in part due to a changed product mix, lower currency losses, and lower selling expenses thanks to cost savings. Over the reporting period, the EBIT margin rose accordingly to 9.6 percent (prior year: 7.9 percent), reaching even 11.1 percent in the third quarter. In the first nine months of 2018, the segment generated income from operations before depreciation and amortization (EBITDA) of 18.6 million euros (prior year: 15.8 million euros). The margin here also improved, from 10.2 percent in the prior year to a current 11.6 percent.

An order intake worth 144.0 million euros in the current reporting period was 6.7 percent down on the prior year (prior year: 154.4 million euros). Particularly in the first quarter of 2017, Jenoptik had received several major orders for energy and sensor systems, both for defense purposes and civilian applications. An improvement in the order intake compared to prior quarters is expected in the fourth quarter of 2018. The book-to-bill ratio fell to 0.89, compared with 1.00 in the prior year.

On the basis of a lower order intake than in the prior year, the segment's order backlog also fell, by 23.5 million euros to 179.1 million euros in absolute terms (31/12/2017: 202.6 million euros). There were also frame contracts worth 43.3 million euros (31/12/2017: 46.3 million euros).

The free cash flow (before interest and taxes) amounted to 26.5 million euros. It was considerably stronger than in the prior year (prior year: 17.6 million euros), in part due to improved earnings and changes in working capital, e.g. due to early incoming payments arising from receivables.

The new brand of the mechatronics business was presented in September: in the future, the Group will market its range of mechatronic solutions for the aviation, security, defense, and rail markets under the "VINCORION" brand.

The Defense & Civil Systems Segment at a Glance

in million euros	30/9/2018	30/9/2017	Change in %
Revenue	160.9	155.1	3.8
EBITDA	18.6	15.8	17.3
EBITDA margin in %	11.6	10.2	
EBIT	15.4	12.3	24.9
EBIT margin in %	9.6	7.9	
Capital expenditure	3.7	3.0	24.1
Free cash flow	26.5	17.6	50.5
Order intake	144.0	154.4	–6.7
Order backlog[1]	179.1	202.6	–11.6
Frame contracts[1]	43.3	46.3	–6.6
Employees[1]	914	897	1.9

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

Report on Post-Balance Sheet Events

At the time this report was prepared, there were no events after the balance sheet date of September 30, 2018 that were of significance to the Group or had a significant influence on Jenoptik's earnings, financial or asset positions.

Opportunity and Risk Report

Within the framework of the reporting on the Opportunity and Risk Report, we refer to the details on pages 108ff. of the 2017 Annual Report published at the end of March 2018. There have been no major changes in the opportunities and risks described in the report during the course of the first nine months of 2018. All the same, we continue to analyze the potential effects of the trade policies enacted by the present US administration and the impacts of a possible Brexit.

Forecast Report

Outlook for the Economy as a Whole and the Jenoptik Sectors

The International Monetary Fund (IMF) downgraded its growth forecasts in October 2018, and is now anticipating the global economy to grow 3.7 percent in the current year (prior forecast: 3.9 percent). Chief worries include trade conflicts, in particular between the US and China, growing political uncertainty, for example relating to a possible Brexit, and increasing difficulties in newly industrialized and emerging economies, not least due to stricter financing options and higher oil prices.

The US intends to sign a new trade agreement with Canada and Mexico in November, thereby replacing NAFTA and averting trade tariffs.

Following slower economic growth than expected in China recently, infrastructure projects are being introduced to boost momentum; monetary and budgetary policy is also being relaxed, but may result in high levels of debt and further financial risks. According to economists, the trade conflict with the US is expected to be felt more strongly from the fourth quarter on, as the US applied special tariffs to around half of all Chinese goods imports in September 2018. These tariffs are due to rise from 10 to 25 percent in 2019.

Due to a weaker foreign trade environment, the German government reduced its 2018 growth forecast from 2.3 to 1.8 percent. For 2019, it is also expecting gross domestic product (GDP) to grow 1.8 percent instead of the prior 2.1 percent. The leading research institutions have also reduced their joint forecast. With regard to foreign trade, the Federal Association of Wholesale and Foreign Trade (BGA) downgraded its annual forecast in October 2018 and is now expecting exports to increase just 3.5 percent on the prior year and thus 1.5 percentage points less than previously.

Growth Forecast of Gross Domestic Product

in percent / in percentage points	2018	Change to forecast of July 2018	2019
World	3.7	–0.2	3.7
USA	2.9	0.0	2.5
Euro zone	2.0	–0.2	1.9
Germany	1.9	–0.3	1.9
China	6.6	0.0	6.2
Emerging economies	4.7	–0.2	4.7

Source: International Monetary Fund, October 2018

At the time this report was prepared, the economic outlook caused by a possible Brexit was still uncertain, particularly in the event that Great Britain leaves the single market and the customs union with no transition agreement in place.

The major semiconductor equipment manufacturers are expecting 2018 to be a record year and are also confident about 2019. This was confirmed by the SEMI trade association, which updated its revenue forecast in mid-2018. It sees revenues for semiconductor equipment growing 10.8 percent on the prior year in 2018, to 62.7 billion US dollars. A further record year is expected in 2019, with revenue increasing 7.7 percent to 67.6 billion US dollars. Companies are benefiting from increasing demand for smaller "logic chips" or the "7-nanometer generation". These chips are required for data processing in premium electronic devices. Beyond this, many customers are said to be planning to upgrade their systems or maximize capacities.

In view of a good order situation and a high order backlog, the German Mechanical Engineering Industry Association (VDMA) is also expecting production to grow in 2019. However, this growth is not due to exceed 2 percent on 2018, which the association attributes to the high prior-year level, a cyclical slowdown typical for the industry, dampening effects arising from tariffs, and growing uncertainty regarding political risks. For the current year, the VDMA assumes that forecast production growth of 5 percent can only still be achieved with difficulty.

The good growth seen to date in the German machine tool industry was confirmed by the VDW industry association in its forecast for the current year, which sees production increasing 7 percent on the prior year. Risks include the possible Brexit, growing unrest in Turkey, trade conflicts, and the threat of sanctions.

These are the same risks that are affecting the automotive industry. Major German automakers are warning that they may lose their leading international position, pointing to the trade conflict and the American threat of import tariffs for vehicles manufactured in Germany, political instability around the globe, and new, stringent technology and environmental regulations. The EU nations, for example, plan to tighten carbon dioxide emissions limits for new cars. The compromise, which is not yet finalized, involves reducing limit values by 35 percent between 2020 and 2030 and increasing the number of electric and hybrid vehicles in the EU; according to the EU Parliament, the latter is due to be achieved by means of a quota system under which, by 2030, manufacturers will be obliged to ensure that 35 percent of the cars they sell have low emissions. The European Automobile Manufacturers' Association (ACEA) criticized these targets, claiming they will force manufacturers into a "dramatic transformation in record time" and endanger jobs. It adds that the conditions do not exist to enable electromobility on this scale.

In the field of traffic safety, the start of the pilot project to introduce section control in Germany, under which a Jenoptik system will be installed in Lower Saxony, is still delayed. The Physikalisch-Technische Bundesanstalt is unable to say when the technology will be finally approved and certified.

In the global rail industry, established structures are being shaken by the planned merger of Siemens and French manufacturer Alstom that aims to counter the competition in the industry, primarily from China.

According to reports issued by Airbus and Boeing, the major aircraft manufacturers increased their long-term forecasts for the aviation industry in summer 2018. As stated in its "Global Market Forecast", Airbus anticipates that the airlines will buy a total of around 37,400 new passenger jets and cargo planes worth 5.8 trillion US dollars by 2037. Boeing forecasts a demand for 42,730 aircrafts worth 6.3 trillion US dollars.

In Germany, spending on security and defense technology is due to rise sharply under plans revealed by the German Ministry of Defense – from almost 43 billion euros in 2019 to 60 billion euros by 2023. This will probably correspond to about 1.5 percent of GDP. Quoting sources within the coalition government, Handelsblatt reports that equipment and personnel in the German armed forces are due to be upgraded every four years through 2031. This investment aims to meet NATO requirements that stipulate greater expenditure on national and alliance defense. The German government also intends to freeze arms exports to Saudi Arabia until the investigation into the death of a Saudi journalist in early October has been completed. Deliveries that have already been approved may also be stopped.

No new major forecasts have been issued for the other sectors. We therefore refer to pages 119ff. of the 2017 Annual Report and to the interim reports for 2018 published to date.

Future Development of Business

The Jenoptik Group will continue to pursue its objective of ensuring lasting profitable growth. This will be supported by an expansion of the international business, the resultant economies of scale, higher margins from an optimized product mix, increasing service business, and improved cost discipline. Jenoptik successfully completed two acquisitions in the third quarter of 2018.

Prodomax Automation Ltd., in particular, has already made a good contribution to growth this year. Further acquisitions will be very closely scrutinized. A good asset position and a viable financing structure give Jenoptik sufficient room for maneuver to finance both organic and inorganic growth.

The acquisition of Prodomax and the application of the group-wide applicable international accounting standards IFRS for that company resulted in a higher level of revenue than originally anticipated. The Executive Board therefore now assumes group revenue for 2018 to come in at between 820 and 830 million euros (prior figure: 805 to 820 million euros). Despite the significant adverse impacts arising from the purchase price allocation in connection with the acquisitions, which were already taken into account or are expected in the fourth quarter, the Executive Board expects the margins for fiscal year 2018 to reach the values raised in summer, i.e. an EBITDA margin of around 15 percent and an EBIT margin of approximately 11 percent.

We refer to the 2017 Annual Report, from page 121 on, for details of the outlook for other key indicators for the development of business and the development of the segments in the 2018 fiscal year.

All statements on the future development of the business situation have been made on the basis of current information available at the time the report was prepared. They are given on the assumption that the economic situation develops in line with the economic and sector forecasts stated in this report, in the reports on the first quarter and the first half-year of 2018, and in the 2017 Annual Report from page 119 on.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

in thousand euros	1/1 to 30/9/2018	1/1 to 30/9/2017	1/7 to 30/9/2018	1/7 to 30/9/2017
Revenue	593,359	526,826	208,678	178,432
Cost of sales	383,791	335,668	134,391	110,172
Gross profit	**209,568**	**191,158**	**74,287**	**68,261**
Research and development expenses	34,700	32,840	11,785	10,714
Selling expenses	64,257	60,087	21,832	20,445
General administrative expenses	39,727	42,145	12,380	13,124
Other operating income	12,567	12,283	3,292	4,115
Other operating expenses	16,712	16,146	7,632	5,153
EBIT	**66,739**	**52,223**	**23,949**	**22,939**
Result from other investments	77	5,412	-2	5,358
Financial income	2,471	1,029	587	239
Financial expenses	4,589	4,147	1,074	1,195
Financial result	**-2,041**	**2,294**	**-488**	**4,402**
Earnings before tax	**64,698**	**54,517**	**23,460**	**27,341**
Income taxes	-10,951	-10,246	-3,068	-5,752
Earnings after tax	**53,747**	**44,271**	**20,393**	**21,589**
Results from non-controlling interests	-320	-14	-94	18
Earnings attributable to shareholders	54,067	44,285	20,487	21,571
Earnings per share in euros (diluted = undiluted)	**0.94**	**0.77**	**0.36**	**0.38**

Consolidated Comprehensive Income

in thousand euros	1/1 to 30/9/2018	1/1 to 30/9/2017	1/7 to 30/9/2018	1/7 to 30/9/2017
Earnings after tax	**53,747**	**44,271**	**20,393**	**21,589**
Items that will never be reclassified to profit or loss	-11	199	55	-36
Actuarial gains/losses arising from the valuation of pensions and similar obligations	-11	199	55	-36
Items that are or may be reclassified to profit or loss	-78	-3,818	1,396	-5,161
Available-for-sale financial assets	0	133	0	-5,763
Cash flow hedges	-4,233	4,114	-421	770
Foreign currency exchange differences	3,467	-6,851	2,258	-1,880
Deferred taxes	688	-1,213	-441	1,713
Total other comprehensive income	**-90**	**-3,619**	**1,450**	**-5,197**
Total comprehensive income	**53,658**	**40,652**	**21,843**	**16,392**
Thereof attributable to:				
Non-controlling interests	-325	4	-86	5
Shareholders	53,982	40,649	21,929	16,387

Consolidated Statement of Financial Position

Assets in thousand euros	30/9/2018	31/12/2017	Change	30/9/2017
Non-current assets	485,804	376,225	109,580	365,054
Intangible assets	213,971	120,931	93,041	120,207
Property, plants and equipment	176,757	164,730	12,027	159,190
Investment property	4,280	4,350	-70	4,374
Financial investments	7,127	4,408	2,718	3,932
Non-current trade receivables	0	0	0	1,037
Other non-current financial assets	2,334	2,319	15	3,648
Other non-current non-financial assets	695	586	109	645
Deferred tax assets	80,640	78,900	1,740	72,021
Current assets	473,882	512,901	-39,019	487,625
Inventories	196,924	168,625	28,300	189,612
Current trade receivables	121,528	136,017	-14,488	127,990
Contract assets	27,426	0	27,426	0
Other current financial assets	1,395	5,307	-3,912	18,466
Other current non-financial assets	10,284	6,067	4,217	7,113
Current financial investments	39,840	64,577	-24,737	62,162
Cash and cash equivalents	76,484	132,310	-55,825	82,282
Total assets	959,687	889,126	70,561	852,679

Equity and liabilities in thousand euros	30/9/2018	31/12/2017	Change	30/9/2017
Equity	565,305	529,932	35,373	501,777
Share capital	148,819	148,819	0	148,819
Capital reserve	194,286	194,286	0	194,286
Other reserves	222,402	186,704	35,698	158,999
Non-controlling interests	-202	123	-325	-327
Non-current liabilities	176,575	162,105	14,470	172,265
Pension provisions	36,365	37,066	-701	36,369
Other non-current provisions	16,801	15,909	893	13,194
Non-current financial debt	112,320	108,573	3,747	119,803
Other non-current financial liabilities	2,244	420	1,823	2,623
Deferred tax liabilities	8,846	137	8,709	275
Current liabilties	217,806	197,089	20,717	178,637
Tax provisions	8,247	8,938	-690	7,847
Other current provisions	54,804	51,250	3,555	43,696
Current financial debt	20,558	19,337	1,221	7,772
Current trade payables	63,374	61,657	1,717	54,967
Other current financial liabilities	7,665	8,654	-989	7,015
Contract liabilities	42,560	0	42,560	0
Other current non-financial liabilities	20,596	47,253	-26,657	57,340
Total equity and liabilities	959,687	889,126	70,561	852,679

Consolidated Statement of Changes in Equity

in thousand euros	Share capital	Capital reserve	Retained earnings	Available-for-sale financial assets	Cash flow hedges
Balance at 1/1/2017	148,819	194,286	155,016	515	-1,577
Net profit for the period			44,285		
Other earnings after tax				133	2,901
Total comprehensive income			44,285	133	2,901
Dividends			-14,310		
Other adjustments			-944		
Balance at 30/9/2017	148,819	194,286	184,047	648	1,324
Balance at 1/1/2018	148,819	194,286	212,022	213	1,554
Changes in accounting policies			-4,158		
Balance at 1/1/2018[1]	148,819	194,286	207,864	213	1,554
Net profit for the period			54,067		
Other earnings after tax					-3,002
Total comprehensive income			54,067		-3,002
Dividends			-17,171		
Other adjustments			3,047		
Balance at 30/9/2018	148,819	194,286	247,806	213	-1,448

[1] Adjusted due to initial application of IFRS 9 and IFRS 15

Cumulative exchange differences	Actuarial effects	Equity attributable to shareholders of JENOPTIK AG	Non-controlling interests	Total	in thousand euros
8,108	-28,457	476,710	-331	476,379	Balance at 1/1/2017
		44,285	-14	44,271	Net profit for the period
-7,035	365	-3,636	18	-3,618	Other earnings after tax
-7,035	365	40,649	4	40,653	Total comprehensive income
		-14,310		-14,310	Dividends
		-944		-944	Other adjustments
1,073	-28,092	502,104	-327	501,777	Balance at 30/9/2017
297	-27,382	529,809	123	529,932	Balance at 1/1/2018
		-4,158	-1	-4,159	Changes in accounting policies
297	-27,382	525,651	122	525,773	Balance at 1/1/2018[1]
		54,067	-320	53,747	Net profit for the period
3,011	-94	-85	-5	-90	Other earnings after tax
3,011	-94	53,982	-325	53,658	Total comprehensive income
		-17,171		-17,171	Dividends
		3,047		3,047	Other adjustments
3,308	-27,476	565,508	-203	565,305	Balance at 30/9/2018

Consolidated Statement of Cash Flows

in thousand euros	1/1 to 30/9/2018	1/1 to 30/9/2017	1/7 to 30/9/2018	1/7 to 30/9/2017
Earnings before tax	64,698	54,517	23,460	27,341
Financial income and financial expenses	2,118	3,118	487	956
Depreciation and amortization	21,138	20,936	7,616	7,404
Impairment losses and reversals of impairment losses	1,160	180	1,195	26
Profit/loss from asset disposals	139	-5,617	73	-5,403
Other non-cash income/expenses	-715	1,003	636	277
Operating profit before adjusting working capital and further items of the statement of financial position	88,538	74,137	33,467	30,601
Change in provisions	2,335	-3,187	3,322	3,324
Change in working capital	-6,719	-15,401	8,283	-12,601
Change in other assets and liabilities	-736	-316	-4,401	-5,765
Cash flows from operating activities before income tax payments	83,418	55,233	40,671	15,559
Income tax payments	-10,576	-4,992	-4,382	-1,393
Cash flows from operating activities	72,841	50,242	36,289	14,166
Proceeds from sale of intangible assets	0	10	0	0
Capital expenditure for intangible assets	-4,351	-2,202	-1,425	-807
Proceeds from sale of property, plant and equipment	570	982	367	494
Capital expenditure for property, plant and equipment	-22,476	-21,812	-11,244	-5,266
Proceeds from sale of financial investments	205	1,510	0	540
Capital expenditure for financial investments	0	-263	0	-88
Acquisition of consolidated entitites	-80,986	-13,916	-80,981	-8,827
Proceeds from sale of investment companies	281	0	0	0
Proceeds from sale of financial assets within the framework of short-term disposition	34,108	22,736	5,000	14,736
Capital expenditure for financial assets within the framework of short-term disposition	-10,000	-34,196	0	-13,992
Interest received	260	355	75	57
Cash flows from investing activities	-82,389	-46,795	-88,207	-13,153
Dividends paid	-17,171	-14,310	0	0
Proceeds from issuing bonds and loans	2,651	4,617	167	749
Repayments of bonds and loans	-27,386	-934	-24,924	-433
Payments for finance leases	-496	-86	-244	-41
Change in group financing	-1,567	639	-682	956
Interest paid	-2,377	-2,257	-482	-392
Cash flows from financing activities	-46,346	-12,331	-26,164	839
Change in cash and cash equivalents	-55,894	-8,884	-78,082	1,852
Effects of movements in exchange rates on cash held	174	-883	76	-331
Changes in cash and cash equivalents due to valuation adjustments	-333	0	224	0
Changes in cash and cash equivalents due to first-time consolidation	227	89	0	0
Cash and cash equivalents at the beginning of the period	132,310	91,961	154,266	80,761
Cash and cash equivalents at the end of the period	76,484	82,282	76,484	82,282

Disclosures on Segment Reporting
January 1 to September 30, 2018

in thousand euros	Optics & Life Science	Mobility	Defense & Civil Systems	Other	Consolidation	Group
Revenue	211,188	223,372	160,942	34,550	-36,692	593,359
	(191,322)	(180,612)	(155,072)	(28,012)	(-28,193)	(526,826)
thereof intragroup revenue	3,708	44	329	32,611	-36,692	0
	(2,976)	(13)	(111)	(25,093)	(-28,193)	(0)
thereof external revenue	207,481	223,328	160,612	1,939	0	593,359
	(188,346)	(180,598)	(154,962)	(2,920)	(0)	(526,826)
Germany	40,946	72,412	66,155	634	0	180,148
	(37,199)	(42,944)	(67,977)	(2,819)	(0)	(150,939)
Europe	81,229	47,471	41,499	0	0	170,199
	(71,643)	(47,707)	(32,604)	(0)	(0)	(151,954)
Americas	41,725	64,403	43,576	7	0	149,711
	(34,281)	(47,733)	(37,996)	(2)	(0)	(120,012)
Middle East / Africa	10,462	7,527	7,083	0	0	25,071
	(8,971)	(4,854)	(9,037)	(0)	(0)	(22,861)
Asia / Pacific	33,118	31,515	2,299	1,298	0	68,230
	(36,252)	(37,361)	(7,349)	(99)	(0)	(81,060)
EBITDA	51,071	25,380	18,589	-5,991	-12	89,037
	(42,964)	(15,070)	(15,843)	(-747)	(2)	(73,133)
EBIT	45,525	16,913	15,381	-11,075	-7	66,739
	(36,932)	(8,588)	(12,311)	(-5,616)	(8)	(52,223)
Research and development expenses	12,364	12,334	10,133	108	-240	34,700
	(10,565)	(12,460)	(9,271)	(571)	(-26)	(32,840)
Free cash flow (before interest and income taxes)	16,379	28,025	26,516	-13,132	-627	57,160
	(24,267)	(285)	(17,621)	(-9,912)	(-50)	(32,212)
Working capital[1]	83,731	75,772	84,115	-3,636	-38	239,945
	(55,808)	(68,915)	(96,179)	(-6,035)	(-98)	(214,769)
Order intake	233,427	212,252	144,042	34,713	-36,030	588,405
	(222,769)	(200,730)	(154,358)	(27,914)	(-29,571)	(576,200)
Frame contracts[1]	13,251	21,455	43,288	0	0	77,995
	(11,128)	(30,150)	(46,334)	(0)	(0)	(87,612)
Total assets[1]	239,149	371,393	182,495	762,984	-596,334	959,687
	(181,248)	(241,019)	(179,056)	(779,719)	(-491,916)	(889,126)
Total liabilities[1]	67,365	254,434	121,436	185,591	-234,445	394,381
	(53,913)	(183,062)	(125,838)	(174,647)	(-178,265)	(359,194)
Additions to intangible assets and property, plant and equipment	11,721	6,018	3,684	3,912	0	25,336
	(3,603)	(14,432)	(2,967)	(2,127)	(0)	(23,128)
Scheduled depreciation and amortization	5,581	7,271	3,208	5,084	-6	21,138
	(6,058)	(6,482)	(3,533)	(4,869)	(-6)	(20,936)
Number of employees on average (without trainees)	1,151	1,324	855	332	0	3,661
	(1,091)	(1,248)	(837)	(307)	(0)	(3,482)

EBITDA = Earnings before interest, taxes, depreciation and amortization

EBIT = Earnings before interest and taxes

Prior year figures are in parentheses.

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

Notes to the Interim Consolidated Financial Statements for the First Nine Months of 2018

Parent Company

The parent company of Jenoptik Group is JENOPTIK AG, headquartered in Jena, with its legal seat registered in the Jena Commercial Register under the number HRB 200146. JENOPTIK AG is a stock corporation listed on the German Stock Exchange in Frankfurt and, among others, included in the TecDax and SDax indices.

Accounting in accordance with International Financial Reporting Standards (IFRS)

The accounting policies applied in preparing the 2017 consolidated financial statements were also applied in preparing the interim consolidated financial statements as at September 30, 2018, which were prepared on the basis of the International Accounting Standard (IAS) 34 "Interim Financial Reporting", with the exemption of the standards applied for the first time in fiscal year 2018. The 2017 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. These policies were published and individually described in detail in the Notes to the 2017 Annual Report. The Annual Report is available on the website under www.jenoptik.com using the path Investors/Reports and Presentations.

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

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

The following IFRS have been applied for the first time in 2018:

IFRS 9 "Financial Instruments". This standard replaces all earlier versions of IAS 39 for the classification and valuation of financial assets and liabilities as well as for the accounting treatment for hedging instruments. This new version of the standard contains revised guidelines for the classification and valuation of financial instruments. These include a new model for anticipated credit defaults for calculating the impairment loss to financial assets as well as the new general accounting regulations for hedging transactions. This standard also adopts the IAS 39 guidelines for the recognition and derecognition of financial instruments. IFRS 9 is to be adopted in fiscal years beginning on or after January 1, 2018. With the exception of the accounting for hedging transactions, the standard is to be applied retrospectively but there is no requirement for the disclosure of comparison information. Apart from a few exceptions, the regulations for the accounting treatment of hedging transactions must be applied in general prospectively.

Overall, the following impacts were identified on Jenoptik's balance sheet, income statement and equity:

a) Classification and valuation: The Group essentially exercised the case-by-case option of applying a valuation at fair values outside of profit or loss for equity instruments which were valued as available-for-sale assets. Henceforth all changes in fair value are to be recognized directly in other comprehensive income without any effect on profit or loss and without any later possibility of reclassifications through profit or loss. With regard to assets valued at amortized procurement costs, there was no material change under IFRS 9 as well. Loans and trade receivables are held in order to collect the contractual cash flows which exclusively represent redemption of and interest payments on the outstanding nominal amounts. Jenoptik analyzed the contractual cash flows and came to the conclusion that the cash flow requirement is being met and no reclassification is necessary.

b) Impairment losses: On short-term cash deposits and bank deposits, a provision for risks amounting to 0.6 million euros was recognized for the first time at the date of initial application. Furthermore the Group applies for all trade receivables the simplified approach to determine the Expected-Credit-Loss over the entire term.

c) Accounting for hedging transactions: The Group has determined that all hedging transactions previously designated as effective hedging relationships also meet the criteria provided for under IFRS 9 for hedge accounting. Since IFRS 9 does not provide for any change in the general principles for the accounting of effective hedging relationships, there were no material changes with regard to the accounting of hedging relationships in the consolidated financial statements.

Changes in the classification and measurement of financial assets led to the following effects as at the date of first-time application:

Transition of financial assets from IAS 39 to IFRS 9

in thousand euros	Valuation category according to IAS 38 [1]	Carrying amounts according to IAS 39 as at 31/12/2017	Revaluation according to the application of the expected-loss model	Carrying amounts according to IFRS 9 as at 1/1/2018	Valuation category according to IFRS 9 [1]
Financial investments					
Cash deposits	LAR	64,169	-214	63,955	AC
Shares in unconsolidated associates and investments	AFS	2,812		2,812	FVTOCI
Available-for-sale financial assets	AFS	867		867	AC
Loans granted	LAR	730		730	AC
Financial assets held to maturity	HTM	408		408	AC
Trade receivables	LAR	136,017		136,017	AC
Other financial assets					
Receivables from lease agreements	-	340		340	-
Derivatives with hedging relations	-	2,962		2,962	-
Derivatives without hedging relations	FVTPL	2,003		2,003	FVTPL
Miscellaneous financial assets	LAR	2,322		2,322	AC
Cash and cash equivalents	LAR	132,310	-368	131,942	AC

1) LAR = Loans and receivables
AFS = Available for sale
HTM = Held to maturity
AC = Amortised costs
FVTPL = Fair value through Profit & Loss
FVTOCI = Fair value through other comprehensive income

There were no effects on financial liabilities at the date of first-time application.

The Group recorded the transition effects as at January 1, 2018 on a cumulative basis in equity. Taking into account an increase of deferred tax assets amounting to 173 thousand euros the other reserves decreased by 409 thousand euros.

The application of IFRS 9 cumulatively had only an insignificant impact on the financial statements as at September 30, 2018. There were also no significant impacts on the cash flow statement.

IFRS 15 "Revenue from Contracts with Customers". IFRS 15 introduces a five-stage model for accounting for revenue from contracts with customers. Under IFRS 15, revenue is recorded in the amount of the consideration in return which an entity can expect for the transfer of goods or services to a customer (the transaction price). The new standard replaces all existing guidelines for recording revenues such as IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. For fiscal years commencing on or after January 1, 2018, the regulation stipulates either the full retrospective application or a modified retrospective application.

Clarifications on IFRS 15 "Revenue from Contracts with Customers". The clarifications explain implementation issues which were addressed by the Joint Transition Group for Revenue Recognition. These questions relate to the identification of performance obligations, the application guidelines for principal-agent relationships and licenses for intellectual property, as well as the transitional provisions. In addition, the aim of the amendments is to ensure a more consistent approach in the implementation of IFRS 15 and to reduce the costs and complexity associated with its application. The changes came into effect on January 1, 2018 and mainly affect the following topics at Jenoptik:

a) Customer-specific development projects, followed by volume production: In the past, revenues were recognized after delivery of the product, unless IAS 11 applied (successive contracts to supply). The Group concludes that development services under IFRS 15 are recognized as separate performance obligation over the period of development as revenue and no longer through volume production, which tends to result in revenues being recognized earlier. According to knowledge so far, in the fiscal year 2018, the changes will lead to a reduction in revenue ranging between approx. 1.5 million euros and 2.5 million euros and a reduction in cost of sales of between approx. 4.5 million euros and 5.5 million euros with the effects not being recognized continuosly.

b) Customer-specific volume production: Up to and including the fiscal year 2017, revenue was recognized with the transfer of risk after delivery or acceptance by the customer. Under IFRS 15, Jenoptik concludes that these contracts are to be accounted for in accordance with the requirements of IFRS 15.35 (c) in the specific period, leading to revenue being recognized earlier. An impact on the level of revenue in fiscal year 2018 will depend on the continuity of this business, although this is not anticipated based on the current revenue forecast.

In addition, the application of IFRS 15 leads in individual cases to a change in revenue recognition for customer contracts previously recognized as construction contracts in accordance with IAS 11, which are now recognized on a given date. This will not result in any significant increase in revenues or costs of sales in the 2018 fiscal year. Through the acquisition of Prodomax in the third quarter of 2018, the volume of business transactions recognized over time under IAS 11 in accordance with the POC method but which under IFRS 15 must be recognized on a given date has increased considerably. A hypothetical comparison with the accounting standards applicable in 2017 results in higher revenues amounting to the low double-digit million amount for the 2018 fiscal year, as substantial performance obligations were satisfied in the period between the acquisition and September 30, 2018.

The Group recognized the transition effects as of January 1, 2018 cumulatively in equity for all customer orders not yet completed at that date (modified retrospective method). In total, the following changes in balance sheet items resulted from the first-time application of IFRS 15:

in thousand euros	1/1/2018
Non-current assets	1,584
Deferred tax assets	1,584
Current assets	-4,399
Inventories	-11,087
Current trade receivables	-14,859
Contract assets	21,548
Total assets	**-2,815**
Equity	-3,750
Other reserves	-3,749
Non-controlling interests	-1
Current liabilities	935
Other current provisions	145
Contract liabilities	28,960
Other current non-financial liabilities	-28,169
Total equity and liabilities	**-2,815**

The items of the consolidated financial statements for the first nine months of 2018 were influenced by the application of IFRS 15 compared to the accounting and valuation methods applied in the 2017 fiscal year as shown in the following tables:

in thousand euros	30/9/2018
Non-current assets	-996
Deferred tax assets	-996
Current assets	12,259
Inventories	-5,023
Current trade receivables	-10,144
Contract assets	27,426
Total assets	**11,263**
Equity	3,595
Other reserves	3,595
Current liabilities	7,668
Contract liabilities	42,561
Other current non-financial liabilities	-34,893
Total equity and liabilities	**11,263**

in thousand euros	1/1 to 30/9/2018
Revenue	26,292
Cost of sales	16,367
Gross profit	9,925
EBIT	9,925
Earnings before tax	9,925
Income taxes	-2,580
Earnings after tax	7,345
Results from non-controlling interests	1
Earnings attributable to shareholders	7,344
Earnings per share in euros (diluted=undiluted)	0.00

There were no significant impacts on the cash flow statement.

Furthermore, the initial application of IFRS 15 results in the need for Jenoptik to disclose more information in the Notes concerning the nature, amount and timing of the revenue and cash flows arising from contracts with customers as defined in IFRS 15.

The Group of Entities Consolidated

The consolidated financial statements of JENOPTIK AG contain 40 fully consolidated subsidiaries (31/12/2017: 35). Thereof 16 (31/12/2017: 12) have their legal seat in Germany and 24 (31/12/2017: 23) abroad. The companies to be consolidated within the Jenoptik Group still include one joint operation.

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

Also as of January 1, 2018 TELSTAR-HOMMEL CORPORATION, Ltd. of Pyeongtaek, Korea, was included in the Consolidated Financial Statements as an associated company using the at-equity method. The difference between the proportionate net assets to which Jenoptik is entitled and the carrying amount of the shareholding at the time of the initial at-equity consolidation was offset outside of profit or loss in the amount of 3,614 thousand euros against the retained earnings. Jenoptik's shares in current earnings after tax (EAT) and other comprehensive income are not shown separately in the Statement of Total Comprehensive Income on grounds of materiality.

In addition, under an agreement dated February 13, 2018, JENOPTIK Optical Systems GmbH, Jena, Germany, acquired 94 percent of the limited partnership interest in ASAM Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, Germany (hereinafter: ASAM). The company is the owner of the production and administration building used by JENOPTIK Polymer Systems GmbH at the Triptis site. The fixed cash purchase price was 5 thousand euros. Since the acquired company has no business operations, this does not represent a business combination as defined in IFRS 3 but rather an acquisition of the individual assets and liabilities of the company. There were the following additions to assets and liabilities at the time of initial consolidation:

in thousand euros	Additions
Non-current assets	3,452
Current assets	36
Non-current liabilities	3,000
Current liabilities	482

The group income statement and the consolidated statement of cash flows were not materially affected.

On signing the agreement on July 10, 2018 and on fulfillment of the condition precedent on July 23, 2018, Jenoptik acquired a 100 percent stake in Prodomax Automation Ltd., Barrie (Ontario), Canada, through its US company JENOPTIK North America Inc. The entity acquired is specialized in process automation for the automotive industry. With the acquisition Jenoptik strengthens its position as a full-service turnkey provider of complex automated manufacturing solutions the company has embarked on with the acquisition of Five Lakes Automation in 2017.

The information below is based on provisional figures. The provisional nature concerns determination of the acquired net assets, valuation of the intangible assets identified in the process of purchase price allocation, and determination of the purchase price with a view to finalizing the completion accounts. The first-time consolidation will be finalized by the end of the valuation period.

The purchase price comprises a fixed cash component in the amount of 120,197 thousand Canadian dollars (78,125 thousand euros). In turn, we acquired the following identified net assets at the point of first-time consolidation:

in thousand euros	Additions
Non-current assets	39,821
Current assets	40,390
Non-current liabilities	26,259
Current liabilities	29,003

The acquired assets include receivables with a gross value of 12,815 thousand euros, corresponding to the fair value. There is no expectation that the acquired receivables will be unrecoverable. Also included in the acquired assets are cash and cash equivalents amounting to 3,156 thousand euros and bank loans assumed by Jenoptik amounting to 22,786 thousand euros.

In connection with the acquisition of shares in Prodomax Automation Ltd., the main items identified as intangible assets were a customer base, order backlog, trademark and favorable contracts, in addition to the remeasurement of work in progress. The intangible assets are depreciated over periods of between six months and ten years. Goodwill in the sum of 53,176 thousand euros was also recorded for the acquisition of skilled personnel and synergies arising from the combination of automation solutions and laser processing machines, an expansion of the customer base as well as the development of new markets. The goodwill is to be allocated to the "Automotive" group of cash-generating units and is not tax-deductible.

No contingent liabilities were recognized in the acquisition.

Costs of 1,728 thousand euros for the acquisition of Prodomax Automation Ltd. arose until September 30, 2018 and were shown in other operating expenses.

On signing the agreement on August 31, 2018, Jenoptik acquired a 100 percent stake in OTTO Vision Technology GmbH, Jena, and its sister company OVITEC GmbH, Jena (hereafter "Otto Group") through its company JENOPTIK Industrial Metrology Germany GmbH. The Otto Group specializes in optical testing systems for product inspection and process optimization, as well as in complex imaging systems for applications in the field of parts measurement, surface testing, and position detection. The acquisition will enable the Jenoptik Group to strengthen its range of services for innovative metrology solutions in the Mobility Segment and further expand its market position as a systems supplier for production metrology and industrial imaging applications.

The information below is based on provisional figures. The provisional nature concerns determination of the acquired net assets, valuation of the intangible assets identified in the process of purchase price allocation, and determination of the purchase price with a view to finalizing the completion accounts. The first-time consolidation will be finalized by the end of the valuation period.

The preliminary purchase price of 7,629 thousand euros comprises a fixed cash component (6,395 thousand euros) and a contingent component (1,234 thousand euros), which is based on the attainment of agreed earnings figures for 2018 and 2019 and recognized at fair value. In return, we acquired the following net assets at the date of the initial consolidation:

in thousand euros	Additions
Non-current assets	1,844
Current assets	4,542
Non-current liabilities	555
Current liabilities	1,907

The acquired assets include receivables with a gross value of 1,447 thousand euros, corresponding to the fair value. There is no expectation that the acquired receivables will be unrecoverable. Also included in the acquired assets are cash and cash equivalents amounting to 1,701 thousand euros.

In connection with the acquisition of shares in Otto Group, a customer base, order backlog, and internally produced software were identified as intangible assets as part of the purchase price allocation, which also involved the remeasurement of work in progress and finished goods. The intangible assets are depreciated over periods of between six months and five years. Goodwill in the sum of 3,704 thousand euros was also recorded for the acquisition of the skilled personnel as well as for synergy effects arising from the expansion of the range of services in the field of 2D and 3D metrology, from the enlarged customer base, and from the opening up of new markets. The goodwill is to be allocated to the "Automotive" group of cash-generating units and is not tax-deductible.

No contingent liabilities were recognized in the acquisition.

Costs of 38 thousand euros for the acquisition of Otto Group arose until September 30, 2018 and were shown in other operating expenses.

In connection with the acquisition of shares in Otto Group, an agreement under which JENOPTIK Industrial Metrology Germany GmbH also acquires its business premises was signed. According to this agreement, the transfer of ownership comes into force after September 30, 2018.

The quarterly financial statements include revenue in the sum of 21,460 thousand euros and earnings after tax (EAT) of minus 891 thousand euros arising from the inclusion of Prodomax. The consolidated financial statements include revenue in the sum of 365 thousand euros and earnings after tax (EAT) of minus 90 thousand euros arising from the inclusion of Otto Group. The reasons for the two negative earnings after tax (EAT) items particularly include expenses incurred in the scheduled amortization of the intangible assets identified during the purchase price allocation and higher cost of sales from the consumption of remeasured inventory.

On the premise that all corporate acquisitions had already taken place as of January 1, 2018, the Jenoptik Group would show revenue of 623,672 thousand euros and consolidated earnings after tax of 52,760 thousand euros. In order to determine this information, it was assumed that the fair values and useful lives as of January 1, 2018 of the intangible assets identified in the context of the purchase price allocation are identical to those at the initial consolidation date. These proforma figures were produced solely for comparison purposes. They do not provide a reliable indication either of the operating results that would actually have been achieved if the acquisition had been made at the beginning of the period or of future results.

With the signing the agreement on July 27, 2017 and on fulfillment of the conditions precedent on August 21, 2017, Jenoptik acquired a 100 percent stake in Five Lakes Automation LLC, Novi (MI), USA through its US company JENOPTIK Automotive North America LLC.

Its inclusion in the 2017 consolidated financial statements in accordance with IFRS 3 was based on provisional figures. The provisional nature concerned determination of the acquired net assets and measurement of the intangible assets identified in the process of purchase price allocation. The figures were finalized by the end of the measurement period and resulted in a change of 1,177 thousand euros to the intangible assets identified during the purchase price allocation. Through September 30, 2018, the development of goodwill arising from this acquisition is as follows:

in thousand euros	Total
Goodwill as of 1/1/2018	5,700
Change in goodwill after finalizing first-time consolidation	1,177
Foreign currency exchange effects	203
Goodwill as of 30/9/2018	7,079

No companies were sold.

Material transactions

The JENOPTIK AG Annual General Meeting agreed on June 5, 2018, a dividend payment of 0.30 euros per share. The payment of the dividend led to a reduction of 17,171 thousand euros in cash flows from financing activities.

Beyond this and the aforementioned acquisitions, transactions with a significant influence on the interim consolidated financial statements of Jenoptik in the third quarter or cumulative up to September 30, 2018 did not occur.

Classifications of material financial statement items

Revenue. A breakdown of revenues from contracts with customers by segments and geographical regions is set out in the segment reporting on page 25. Most of the revenues were recognized on a given date. In addition to services, including customer-specific development projects, in particular in the Optics & Life Science and Defense & Civil Systems segments, revenues recognized in a given period also include revenues from customer-specific volume production.

Property, plant and equipment

in thousand euros	30/9/2018	31/12/2017
Land and buildings	96,063	92,105
Technical equipment and machinery	41,162	39,905
Other equipment, operating and office equipment	21,702	23,034
Payments on-account and assets under construction	17,831	9,686
Total	176,757	164,730

Inventories

in thousand euros	30/9/2018	31/12/2017
Raw materials, consumables and supplies	73,937	67,406
Unfinished goods and work in progress	100,833	80,706
Finished goods and merchandise	19,602	18,244
Payments on-account	2,552	2,269
Total	196,924	168,625

Current trade receivables

in thousand euros	30/9/2018	31/12/2017
Trade receivables from third parties	120,872	120,978
Receivables from construction contracts	0	14,859
Trade receivables from unconsolidated accociates and joint operations	540	94
Trade receivables from investment companies	116	86
Total	121,528	136,017

Non-current financial debt

in thousand euros	30/9/2018	31/12/2017
Non-current liabilities to banks	108,713	107,883
Non-current liabilities from finance leases	3,607	690
Total	112,320	108,573

Current financial debt

in thousand euros	30/9/2018	31/12/2017
Liabilities to banks	19,944	19,157
Liabilities from finance leases	614	180
Total	20,558	19,337

Current trade payables

in thousand euros	30/9/2018	31/12/2017
Trade payables towards third parties	63,250	61,523
Trade payables towards unconsolidated associates and joint operations	116	116
Trade payables towards investment companies	9	18
Total	63,374	61,657

Other current non-financial liabilities

in thousand euros	30/9/2018	31/12/2017
Liabilities from advance payments received	0	28,169
Liabilities to employees	11,824	8,287
Liabilities from other taxes	2,860	5,387
Accruals	3,366	2,816
Miscellaneous current non-financial liabilities	2,547	2,594
Total	20,596	47,253

Financial instruments

The carrying amounts listed below for available-for-sale financial assets, shares in unconsolidated associates and investment companies, cash and cash equivalents, contingent liabilities and derivatives with and without hedging relations correspond to their fair value. The carrying amounts of the remaining items represent an appropriate approximation of their fair value. In the following presentation the non-current and current portion of each item of the statement of financial position was aggregated.

Financial assets

in thousand euros	Valuation category according to IFRS 9 [1]	Carrying amounts 30/9/2018	Carrying amounts 31/12/2017
Financial investments			
Cash deposits	AC	39,840	64,169
Shares in unconsolidated associates and investments	FVTOCI	1,590	2,812
Investments accounted for using the equity method	-	5,527	0
Available-for-sale financial assets	AC	0	867
Loans granted	AC	10	730
Financial assets held to maturity	AC	0	408
Trade receivables	AC	121,528	136,017
Other financial assets			
Receivables from lease agreements	-	0	340
Derivatives with hedging relations	-	939	2,962
Derivatives without hedging relations	FVTPL	1,985	2,003
Miscellaneous financial assets	AC	806	2,322
Cash and cash equivalents	AC	76,484	132,310

1) AC = Amortised costs
FVTPL = Fair value through Profit & Loss
FVTOCI = Fair value through other comprehensive income

Financial liabilities

in thousand euros	Valuation category according to IFRS 9 [1]	Carrying amounts 30/9/2018	Carrying amounts 31/12/2017
Financial debt			
Liabilities to banks	AC	128,657	127,040
Liabilities from finance leases	-	4,221	871
Trade payables	AC	63,374	61,657
Other financial liabilities			
Contingent liabilities	FVTPL	2,293	3,128
Derivatives with hedging relations	-	2,768	486
Derivatives without hedging relations	FVTPL	138	194
Miscellaneous financial liabilities	AC	4,711	5,266

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

As part of capital management, new cash investments are regularly made and payments are collected on scheduled due dates. In the course of these transactions, cash deposits decreased in value by a total of 19,440 thousand euros over the reporting period.

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

in thousand euros	Carrying amounts 30/9/2018	Level 1	Level 2	Level 3
Shares in unconsolidated associates and investments	1,590	0	0	1,590
	(0)	(0)	(0)	(0)
Available-for-sale financial assets	0	0	0	0
	(867)	(0)	(0)	(867)
Derivatives with hedging relations (assets)	939	0	939	0
	(2,962)	(0)	(2,962)	(0)
Derivatives without hedging relations (assets)	1,985	0	1,985	0
	(2,003)	(0)	(2,003)	(0)
Contingent liabilities	2,293	0	0	2,293
	(3,128)	(0)	(0)	(3,128)
Derivatives with hedging relations (liabilities)	2,768	0	2,768	0
	(486)	(0)	(486)	(0)
Derivatives without hedging relations (liabilities)	138	0	138	0
	(194)	(0)	(194)	(0)

Prior year figures are in parentheses

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

The fair values of shares in non-consolidated affiliated companies and participations are determined on the basis of discounted cash flows (level 3).

The fair values of all derivatives are determined using the generally recognized measurement method. In this context, the future cash flows determined via the agreed forward rate or interest rate are discounted using current market data. The market data used in this context is taken from leading financial information systems, such as, for example, Reuters. If an interpolation of market data is applied, this is done on a straight-line basis.

The fair value of contingent liabilities was measured by taking the expected and discounted payment outflows at the reporting date into consideration. As part of the acquisition of the Vysionics Group in 2014 the agreed put option for acquiring the remaining non-controlling interests were recorded with the fair value of the estimated exercise price amounting to 627 thousand euros. In connection with the acquisition of Five Lakes Automation LLC in 2017 contingent liabilities were agreed with the sellers and accounted for at the fair value of 432 thousand euros. The disposal amounting to 2,165 thousand euros concerns the payment of the first tranche of the mentioned liability. The addition is the result of the contingent components of the purchase price agreed within the framework of the acquisition of Otto Group that were recognized as a liability at the fair value in the sum of 1,234 thousand euros. Payment of these variable purchase price components is due in 2020. On grounds of materiality, the figure was not discounted.

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

in thousand euros	Shares in unconsolidated associates and investments	Available-for-sale financial assets	Contingent liabilities
Balance at 1/1/2018	0	867	3,128
Change in valuation category according to IFRS 9	2,812	-867	0
Additions	0	0	1,234
Disposals	0	0	-2,165
Change of the consolidation status	-1,225	0	0
Currency effect	3	0	95
Balance at 30/9/2018	1,590	0	2,293

Related party disclosures

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

German Corporate Governance Code

The current statement given by the Executive Board and Supervisory Board pursuant to § 161 of the German Stock Corporation Act [Aktiengesetz (AktG)] regarding the German Corporate Governance Code has been made permanently available to shareholders on the Jenoptik website www.jenoptik.com using the path Investors/Corporate Governance. Furthermore, the statement can also be viewed on site at JENOPTIK AG.

Litigations

JENOPTIK AG and its group entities are involved in several court or arbitration proceedings. Provisions for litigation risks, respectively litigation expenses, were set up in the appropriate amounts in order to meet any possible financial burdens resulting from any court decisions or arbitration proceedings. In case of a material impact on the economic situation of the Group these litigations are described in the Annual Report 2017. As at September 30, 2018 no further litigations arose that based on current assessment could have a material effect on the financial position of the Group.

Events after the Reporting Period

There were no events after the balance sheet date of September 30, 2018 that were of significance to the Group or had a significant influence on Jenoptik's earnings, financial or asset positions at the time this report was prepared.

Responsibility Statement by the Legal Representatives

To the best of our knowledge, we assure that the interim consolidated financial statements prepared in accordance with the applicable principles for the interim financial reporting give a true and fair view of the net assets, financial position and result of operations of the Group and that the interim group management report presents a fair view of the performance of the business including the operating result and the position of the Group, together with a description of the significant opportunities and risks associated with the anticipated development of the Group.

Jena, November 8, 2018

Dr. Stefan Traeger	Hans-Dieter Schumacher
President & CEO	Chief Financial Officer

Dates

February 13, 2019
Publication of the preliminary results for the fiscal year 2018

March 21, 2019
Publication of the financial statements for the fiscal year 2018

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