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

JENOPTIK

ANNUAL REPORT 2012

Sharing Excellence

FOR OUR WORLD

KEY FIGURES OF JENOPTIK

(in million euros)	2012	2011	Change in %	Oct. – Dec 2012	Oct. – Dec. 2011	Change in %
Sales	585.0	543.3	7.7	161.9	159.4	1.6
Domestic	208.1	221.8	– 6.2	58.0	69.3	– 16.3
Foreign	376.9	321.5	17.3	103.9	90.1	15.4
EBITDA	77.7	76.8	1.1	18.9	23.7	– 20.4
EBIT	54.8	49.2	11.4	12.7	14.3	– 10.9
EBIT margin (EBIT in % of sales)	9.4 %	9.1 %		9.4 %	9.0 %	
Earnings before tax	46.1	36.2	27.3	9.7	10.2	– 4.4
Earnings after tax	50.2	35.3	42.2	20.2	13.9	–
Free cash flow (before income taxes)	43.7	44.0	– 0.6	17.0	19.9	– 14.4
Investments in tangible and intangible assets	31.2	25.1	24.3	14.0	7.7	82.7
Order intake	587.2	647.9	– 9.4	150.1	134.2	11.8

(in million euros)	31.12.2012	31.12.2011	Change in %
Order backlog	446.8	448.5	– 0.4
Employees	3,272	3,117	5.0

KEY FIGURES OF JENOPTIK

(in million euros)	2012	2011	Change in %	Oct. – Dec. 2012	Oct. – Dec. 2011	Change in %
Sales	585.0	543.3	7.7	161.9	159.4	1.6
of which Lasers & Optical Systems	212.3	217.1	−2.2	50.6	57.9	−12.6
Metrology	182.7	140.1	30.4	57.7	46.6	23.8
Defense & Civil Systems	186.4	183.3	1.7	53.4	52.8	1.1
Others [1]	3.6	2.8	28.6	2.1	2.1	1.5
EBITDA	77.7	76.8	1.2	18.9	23.7	−20.3
of which Lasers & Optical Systems	36.4	40.5	−10.1	5.2	7.6	−31.6
Metrology	28.6	15.4	85.7	12.7	6.8	86.4
Defense & Civil Systems	13.3	16.6	−19.9	2.2	7.2	−69.4
Others [1]	−0.6	4.3	−114.0	−1.2	2.0	5.0
EBIT	54.8	49.2	11.4	12.7	14.3	−11.2
of which Lasers & Optical Systems	27.1	29.2	−7.5	2.3	4.4	−47.7
Metrology	25.6	12.0	113.3	12.1	5.8	108.6
Defense & Civil Systems	7.8	11.6	−32.8	0.2	5.8	−96.6
Others [1]	−5.7	−3.6	–	−2.5	−1.7	–
EBIT margin (EBIT in % of sales)	9.4%	9.1%		7.8%	9.0%	
of which Lasers & Optical Systems	12.8%	13.5%		4.5%	7.6%	
Metrology	14.1%	8.6%		21.1%	12.4%	
Defense & Civil Systems	4.2%	6.3%		0.4%	11.0%	
R + D output	49.1	45.4	8.1	13.3	14.6	−8.9
of which Lasers & Optical Systems	19.0	16.8	13.1	4.7	4.6	2.2
Metrology	16.9	13.9	21.6	4.7	5.4	−13.0
Defense & Civil Systems	13.1	14.6	−10.3	3.8	4.5	−15.6
Others [1]	0.1	0.1	–	0.1	0.1	–
Order intake	587.2	647.9	−9.4	150.1	134.2	11.8
of which Lasers & Optical Systems	219.9	224.4	−2.0	52.7	57.5	−8.3
Metrology	198.7	166.7	19.2	40.7	34.2	19.0
Defense & Civil Systems	165.0	254.5	−35.2	56.0	39.5	41.8
Others [1]	3.6	2.3	56.5	0.7	3.0	−77.0

(in million euros)	31.12.2012	31.12.2011	Change in %
Order backlog	446.8	448.5	−0.4
of which Lasers & Optical Systems	105.2	101.3	3.8
Metrology	87.4	69.0	26.7
Defense & Civil Systems	255.8	279.9	−8.6
Others [1]	−1.6	−1.7	–
Employees	3,272	3,117	5.0
of which Lasers & Optical Systems	1,349	1,296	4.1
Metrology	814	719	13.2
Defense & Civil Systems	913	924	−1.2
Others [1]	196	178	10.1

1) "Others" include holding, real estate, consolidation.

Jenoptik is the brand that connects people, expertise and technology in perfect interplay, creating solutions which set standards and impress with their intelligence and precision.

+11.4 %

GROUP EBIT

In 2012, the Group EBIT reached a record in the company's more recent history.

DR. MICHAEL MERTIN

Chairman of the Executive Board

FOREWORD OF THE EXECUTIVE BOARD

Dear shareholders

Jenoptik enjoyed its best year in the company´s more recent history in 2012, even in the face of a difficult economic climate. Our sales rose by roughly 8 percent to 585 million euros, with group operating earnings improving at an even faster pace, by 11 percent to 54.8 million euros. We clearly exceeded our March 2012 forecast, and reached our sales and results goals that we last adjusted upward in July 2012. Jenoptik has again grown organically for the third year in succession.

A continued high demand in our target industries and the focused development of projects with key customers combined for a solid order intake in 2012, totaling 587.2 million euros. This also reflects the trust that our customers and investors around the world have been placing in us! We received several major orders, particularly in the Metrology segment. These figures indeed speak volumes, and about our employees in particular.

The successful development of Jenoptik, your company, is not just a momentary event, but in fact the result of our sustainable long-term strategy. We have continued to propel our internationalization process by founding a number of further companies around the world and by expanding our presence abroad with our own companies in countries such as Brazil and Singapore.

We are proud to have been successful in all three of our segments: The Lasers & Optical Systems segment continued to see high sales and earnings contributions, especially as the result of an expanded range of intelligent system solutions. The Metrology segment benefited from a continually high demand in the automotive industry and for traffic safety technology in emerging economies, resulting in an order record for the segment. And the Defense & Civil Systems segment provided for stable sales and earnings figures, taking an important strategic step toward improving on the internationalization of the Group as a whole with the founding of Jenoptik Defense Inc. in the United States.

Jenoptik has been strong in financial terms as well. Our shareholders' equity increased, net debt fell slightly, and our free cash flow came to over 43 million euros, after we paid a dividend and made payments to silent real estate investors.

We have now begun a phase of profitable growth to follow on our strategic reorganization. It is our goal to develop Jenoptik from being a good company to a great company – this describes Jenoptik's way and goal over the next few years. And one key to this goal is in fact our continued process of internationalization. Our comprehensive expertise in all facets of optoelectronics enables us to provide our customers and partners with excellent solutions – whether in Germany or in our foreign growth markets, and in Asia and the Americas in particular. We will continue to invest there in our distribution and service competence. Our Asian holding in Singapore and U.S. holding in Florida will act to oversee our expansion within these markets as "strategic architects". We plan to derive over 40 percent of our overall sales there by 2016.

For us, improving also means being even more efficient. 2012 marked the fourth year of pursuing our Jenoptik Excellence Program. In order to further optimize our cost structures and processes, we also need globally uniform systems and financing for corporate planning and control. We are set to put this into full motion in our Jenoptik One ERP program (Enterprise resource planning). The site improvements in Germany and America that have been announced will also serve to combine our competences, increase our flexibility, and serve as a basis for our future growth.

The stage is set for us to reach our mid-term growth and profitability goals of 9 to 10 percent through cycles. We have now shown, for two consecutive years, that we are in fact able to do this. We are present in attractive growth segments of our target markets and are able to benefit from global megatrends. These trends include the increasing digitalization of our daily lives, rising demands on our mobility and energy efficiency, a greater awareness for health and well-being, a better infrastructure, and a higher need for security.

We were not, however, able to extract ourselves entirely from the ambient economic situation. We expect that the general economic development and our particular markets will at least stabilize in the second half of 2013.

What will all this mean for the current fiscal year in particular? In addition to a slight increase in sales we expect group operating earnings of between 50 and 55 million euros for 2013. There will also be costs in the middle single-digit euro range for site optimization and for various programs such as JOE and Go Lean. As you can see, we are cautiously optimistic for this fiscal year, one in which we will also be building the fundaments for our growth for years to come!

We also want you, dear shareholders, to be able to participate in Jenoptik's success again, and a dividend will again cap off the share's positive development of the past year.

It is particularly thanks to our employees, customers and partners that we are able to announce the very good news contained in the present annual report. We would like to thank you, our shareholders, for the trust you have placed in Jenoptik. We have determined which future growth opportunities lie in store for us and are very optimistic that our company will continue to develop positively. We would be pleased if you were to remain with us as we move forward into the future together.

Sincerely yours,

Michael Mertin

Rüdiger Andreas Günther

Jena, March 2013

+41.9 %

GROUP EARNINGS PER SHARE

As a result of the increase in the operating result as well as an improved financial result, earnings per share rose significantly.

RÜDIGER ANDREAS GÜNTHER
Chief Financial Officer

SUPERVISORY BOARD REPORT

Honored Shareholders,

Despite the difficult external factors of an economically challenging framework and uncertain global financial markets, we are able to look back on a very successful fiscal year 2012. We have been able to increase our operative excellence, and improve the group earnings position substantially compared with 2011, which had already been our most successful year in recent company history. One major reason for this was the continued internationalization process of our business in growth regions, in which the Supervisory Board played an intensive role in accompanying the Executive Board.

This past fiscal year, the Supervisory Board carefully fulfilled its legally and contractually stipulated tasks, regularly advising the Executive Board in its management of the Group, and continually supervising its activities. The Executive Board involved the Supervisory Board intensively and at an early date in all decisions of fundamental importance to Jenoptik. To this end, the Supervisory Board was regularly presented with timely and comprehensive information by the Executive Board, both orally and in written form, on the state of business and the current economic situation, matters involving risk and risk management, relevant compliance matters, strategy, and planning. Business events of importance to Jenoptik were discussed in depth in both the committees and plenary meetings on the basis of reports submitted by the Executive Board. The Executive Board also provided the Supervisory Board with regular information on divergences in the company's business from its plans and goals, with detailed explanations of such cases. The reporting obligations stipulated in the German Stock Corporation Act (§ 90 AktG) and the German Corporate Governance Code ("Code") were fulfilled in their entirety.

The Supervisory Board, after careful examination and discussion, granted its approval for the measures that required it. The Supervisory Board met a total of five regular sessions in the course of fiscal year 2012, in which the members of the Executive Board also took part. Decisions were also made through the exchange of written correspondence. No member of the Supervisory Board was present at less than half of all meetings, and overall attendance came to an average of 98 percent. A total of 12 committee meetings took place, at three of which one of the members was absent.

The Executive Board and Supervisory Board always collaborated in an open and trusting atmosphere. The chairman of the Supervisory Board and the committee chairs also maintained regular contact with the Executive Board in the periods between plenary and committee meetings. Between meetings, each Supervisory Board member received regular detailed monthly reports on the situation of the company. As in previous years, the Supervisory Board met for a special strategy day before its December meeting with the Executive Board and members of the Executive Management Board. The strategy day focused on the long-term strategic positioning of the Group in relation to the market, the competition, and customers, in addition to an in-depth discussion of potential areas of growth in each of the business areas.

PARTICULAR SUBJECTS DISCUSSED BY THE SUPERVISORY BOARD

One topic of discussion repeated at all meetings were the reports of the Executive Board on the state of business for JENOPTIK AG and the Group, and particularly the current development of sales and earnings and the financial and asset position. Further topics in focus were corporate planning, the Jenoptik One ERP program, and the continued further focusing of Jenoptik's real estate management.

In a written circulation procedure in February 2012, the members of the Supervisory Board approved their report to the 2012 Annual General Meeting and the corporate governance report, which was part of the corporate governance statement for 2011.

At its March 22, 2012 meeting, the Supervisory Board, in the presence of two auditor representatives, worked intensively on the financial statements of JENOPTIK AG, the consolidated financial statements, the management report and group management report, and the appropriation of retained profits. Following in-depth discussions, the Supervisory Board approved the Executive Board's proposal for the use of retained profits, providing for a dividend to be paid for the first time since 2002. The Supervisory Board approved the JENOPTIK AG financial statements and the consolidated financial statements, the financial statements were thus adopted. The board also focused its attention on the adoption of the agenda for the Annual General Meeting on June 6, 2012. This included an in-depth look into the candidates proposed by the Nomination Committee for the election of shareholder representatives at the Annual General Meeting. The settlement of the Executive Board members' target agreements for 2011 and the conclusion of new agreements for 2012 were also discussed. The Executive Board also reported on a newly won major contract from Malaysia for the Traffic Solutions division and the debenture loans issued in fiscal year 2011 with the approval of the Supervisory Board.

The focus of the meeting on June 5, 2012 was the business and financial position of JENOPTIK AG and the Group at the end of the first quarter and of the month ending April 30, 2012. The Supervisory Board was informed about the development of the Jenoptik share and current analyst evaluations. The board also worked on the current status of the real estate portfolio and the Jenoptik One ERP program.

In the initial constitutive meeting following the Annual General Meeting of June 6, 2012, Rudolf Humer was reelected chairman, and Michael Ebenau as deputy chairman. After that the members of the committees were appointed. The Supervisory Board rules of procedure were updated and adapted to the changes of the Code in the version of May 15, 2012.

On September 13, 2012, the Executive Board reported on the current business and financial position of the Group presenting the half-year report and on the monthly report ending July 31, 2012. The Supervisory Board looked into a project on the restructuring of the Jenoptik Group's mid-term financing framework. The Supervisory Board received comprehensive information from the Executive Board on the implementation of an anti-corruption guideline, the publication of the first Jenoptik sustainability report, and changes in the German Corporate Governance Code. There was also a report on the current status of the Jenoptik One ERP program and investor relations efforts.

Following a detailed report on the business and financial position of the Group after the end of the 3rd quarter, the Supervisory Board focused on corporate planning for fiscal year 2013, and on mid-term planning in the final meeting of the year on December 13, 2012. The Supervisory Board discussed information in depth on the optimization of two sites in the United States and Germany. In view of the new recommendations of Point 5.4.1, Para. 2 and 5.4.2, clause 1 of the Code, the shareholder representatives of the Supervisory Board determined that at least three independent members should be among them in the future. The Supervisory Board, together with the Executive Board, adopted the declaration of conformity in accordance with § 161, Para. 1 of the German Stock Corporation Act (AktG). Upon the recommendation of the Audit Committee, and in accordance with the decision of the Annual General Meeting on June 6, 2012, KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin was chosen to be the auditor and group auditor for fiscal year 2012. The Executive Board provided information to the Supervisory Board on the latest status of measures for the restructuring of the mid-term financing framework and on new Jenoptik plans in the field of corporate social responsibility. The Supervisory Board also approved the planned coverage increase for the D & O policies of Jenoptik management and the Supervisory Board.

WORK IN THE COMMITTEES

In order to make its work more efficient, the Supervisory Board set up five committees, which can, in some legally permissible cases, make decisions on behalf of the plenary board, and which can prepare topics for further treatment by the Supervisory Board. The committee chairs present the content and results of their committee meetings in detail to the subsequent plenary meetings of the Supervisory Board. Details on the composition of the individual committees are provided from page 182 of the Annual Report.

The Audit Committee, led both before and after the Annual General Meeting by Mag. Heinrich Reimitz, met four times and held four telephone conferences during the year. The meetings were attended by the CFO, and the first of the year's meetings by two auditor representatives as well. In accordance with legal requirements and the requirements of the German Corporate Governance Code, at least one independent member of the Audit Committee, and particularly Heinrich Reimitz as its chairman, should have expert knowledge in the areas of financial accounts, internal control processes, and annual accounts auditing. The committee focused its activity on intensive audits of the financial statements and the consolidated financial statements, the management report and the group managementl report, the appropriation of profits, and discussions of the detailed quarterly and half-year reports, each before their publication.

In two telephone conferences in January 2012, before the publication of preliminary figures, the Audit Committee and Executive Board discussed current balance sheet questions in connection with the preparation of the financial statements for fiscal year 2011. At the March 9, 2012 balance sheet meeting, the focus lay on the audit of the JENOPTIK AG financial statements and the consolidated financial statements. The Audit Committee also worked on the balance sheets and profit and loss statements of important individual companies of the Jenoptik Group. The committee recommended to the Supervisory Board that KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin be proposed to the Annual General Meeting of June 6, 2012 to be the auditor and group auditor for fiscal year 2012. The committee evaluated in detail the independence and qualifications of the auditor and the additional services provided by the auditor the previous year. The committee also looked into the current group risk report and the planned future development of the Jenoptik compliance management system.

At its May 9, 2012 meeting, the Audit Committee focused in detail on the quarterly figures and the current status of the real estate portfolio. It heard about the Jenoptik insurance scheme and looked in depth into the organizational structure and processes of the company's internal auditing.

In August 2012, the committee worked on the half-year figures and the determination of focal points for the audit of fiscal year 2012, and again into the current group risk report and the current status of the real estate portfolio. The Audit Committee also looked into the implementation of an anti-corruption guideline and two group-wide programs, Finance Transformation (FIT) and Jenoptik One ERP (JOE).

At its last meeting of the year in November 2012, the Audit Committee prepared the granting of the auditing assignment to the auditor, including the fee agreement, and gave its recommendation for appointment to the plenary board. The meeting also looked at the results of internal auditing results and its evaluation plans for the coming fiscal year as well as information on investor relations work. The Audit Committee worked both at its November meeting and in two further telephone meetings on the possible restructuring of Jenoptik's medium-term financing framework.

The Personnel Committee is headed by the Supervisory Board chairman, Rudolf Humer. One of the committee's tasks is to prepare personnel decisions for the Supervisory Board with regard to Executive Board contracts. The committee met twice this past fiscal year, discussing, among other things, the evaluation and finalization of new target agreements with the members of the Executive Board as well as consultations on the early evaluation of variable remuneration components for Frank Einhellinger, who left the Executive Board as of March 31, 2012. The Personnel Committee made appropriate recommendations for decision to the plenary board.

The Nomination Committee, also led by the Supervisory Board chairman, Rudolf Humer, consists of the three shareholder representatives of the Personnel Committee, and has the task of proposing appropriate candidates to the Supervisory Board to be proposed to the Annual General Meeting. The committee met once this past fiscal year, taking into account in its recommendations not only the requirements of the German Stock Corporation Act (§ 90 AktG), the German Corporate Governance Code, and rules of procedure, but also especially the targets set by the Supervisory Board for its own membership.

The Capital Market Committee, led by Dr. Lothar Meyer through June 6, 2012, had the task of working on capital market topics, and capital measures in particular. At its constitutive meeting of June 6, 2012, the Supervisory Board decided to dissolve the Capital Market Committee for reasons of efficiency, and to pass on its tasks to the Audit Committee.

The Mediation Committee, formed in accordance with § 27, Para. 3 MitbestG, did not convene in the past fiscal year.

CORPORATE GOVERNANCE

The Supervisory Board again continually focused on the fundaments of good corporate governance in fiscal year 2012, looking into the further developments and implementation of the German Corporate Governance Code at its meetings in June, September, and December. At its June meeting, the Supervisory Board already adapted its rules of procedure to the changes in the Code. Both Executive Board and Supervisory Board report on corporate governance as part of its Corporate Covernance Statement in the Corporate Governance Report, as found from page 13 of the Annual Report. A comprehensive description of the remuneration systems of both Executive Board and Supervisory Board and changes affecting those systems can be found in the management report from page 48. Information on the remuneration of individual members of the two boards can be found in the Group Notes (page 181 and page 185).

The Supervisory Board regularly uses a questionnaire to evaluate the efficiency of its activities. Since the Supervisory Board has only been active in its current membership since June 2012, the next formal self-evaluation is to take place in June 2013. At its December 13, 2012 meeting, the Supervisory Board, together with the Executive Board, resolved to submit the current declaration of conformity in accordance with § 161, Para. 1 of the Stock Corporation Act (AktG). The declaration of conformity, including explanations for exceptions from recommendations, is posted to the company website for shareholders to access on a permanent basis. It can be found at www.jenoptik.com under Investors/Corporate Governance.

Individual members of the Supervisory Board play an executive role with other companies, with which Jenoptik has a business relationship. All such business was conducted under the same conditions that Jenoptik would have maintained with third party companies as well. This also only involved business that did not have a particularly great impact on Jenoptik. All members of the Supervisory Board reveal any conflicts of interest they may have to the Supervisory Board. This past fiscal year there were no conflicts of interest that would have required reporting, i.e. involving the independence of the board members in accordance with the stipulations of the German Corporate Governance Code.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin audited and gave their unqualified approval of the financial statements and the management report 2012 of JENOPTIK AG, prepared in accordance with HGB regulations, and the consolidated financial statements and the group management report prepared in accordance with § 315a of the HGB and based on the International Financial Reporting Standards (IFRS), submitted by the Executive Board. The auditing commission was granted by the Supervisory Board in accordance with the resolution of the Annual General Meeting of June 6, 2012 and in line with the recommendation of the Audit Committee of its meeting on December 13, 2012. The auditor confirmed that the Executive Board took appropriate steps to ensure an early identification of risks which could jeopardize the continued existence of the company.

The auditor undertook the audit in accordance with the German principles of correct auditing established by the Institut der Wirtschaftsprüfer (IDW) and in accordance with the International Standards on Auditing (ISA). The audit reports were immediately sent out upon completion and intensively and comprehensively discussed along with the documents supplied by the Executive Board, both by the Audit Committee at its March 11, 2013 meeting and the plenary board's March 25, 2013 meeting. Two auditor representatives reported in person at the meetings on the major findings of their audit as well as on the services that were provided in addition to those concerning the annual account audit, and were available for further questions and information. The Audit Committee chairman also provided the plenary board with a comprehensive report on the examination of the financial statements and the consolidated financial statements.

Following the final results of the Audit Committee's pre-evaluation, as well as its own examination and discussion, the Supervisory Board agreed to the auditors' results with no reservations and approved the financial statements and the consolidated financial statements submitted by the Executive Board at its March 25, 2013 meeting. The 2012 financial statements were thus adopted in accordance with § 172, Para. 1 of the Stock Corporation Act (AktG). The Supervisory Board discussed in-depth the recommendation for the appropriation of profits made by the Executive Board, and approved of it following its own examination.

COMPOSITION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Upon his own request, Frank Einhellinger left the Executive Board on March 31, 2012. The Supervisory Board named Rüdiger Andreas Günther to succeed Frank Einhellinger as CFO as of April 1, 2012. The periods of service of the members of the Supervisory Board ended with the Annual General Meeting on June 6, 2012. In late March 2012, the election process for employee representatives was completed as a direct election in accordance with the regulations of the Codetermination Act. Effective following the Annual General Meeting, Sabine Lötzsch, Thomas Klippstein, and Dieter Kröhn were elected to be the employee representatives. Ronald Krippendorf became the representative of senior staff, and Michael Ebenau and Stefan Schaumburg were elected to the Supervisory Board as representatives of the unions.

At the Annual General Meeting on June 6, 2012, the shareholders elected their representatives. In addition to Rudolf Humer, Christian Humer, Heinrich Reimitz, and Prof. Andreas Tünnermann, the Annual General Meeting elected two new members as shareholder representatives, Brigitte Ederer and Matthias Wierlacher, both of whom we are happy to welcome to the board.

The Supervisory Board would like to thank all of the members who left the board this past fiscal year for their years of loyal teamwork.

We would also like to express our appreciation to the members of the Executive Board and to all the employees for their great personal commitment, as well as to our shareholders for the trust they place in us.

Jena, March 2013
On behalf of the Supervisory Board

Rudolf Humer

Chairman

CORPORATE GOVERNANCE REPORT CORPORATE GOVERNANCE STATEMENT

The corporate governance statement in accordance with § 289a of the German Commercial Code (HGB) is an unaudited part of the group management report. In this declaration, the Executive Board also reports in accordance with Point 3.10 of the German Corporate Governance Code in the version dated May 15, 2012, and in sections I. and II.1 on behalf of the Supervisory Board as well.

I. Declaration of conformity

It is the view of the JENOPTIK AG Executive Board and Supervisory Board that a responsible, values-oriented, and sustainably successful corporate policy provides a major foundation for the long-term success of the Group as a whole. This includes, at its core, a sound corporate governance system throughout all of the Group's segments, which boosts trust in the company on the part of shareholders at home and abroad, business partners, employees, and the general public. This also allows for greater efficiency in collaboration between the Executive Board and Supervisory Board and the appropriate management of risk.

Jenoptik structures its policies to adhere to recognized standards, and supports the recommendations of the German Corporate Governance Code ("Code"). The Executive and Supervisory Boards issued their declaration of conformity, in adherence with § 161 of the Stock Corporation Act at the meeting of the Supervisory Board on December 13, 2012, which is accessible on a permanent basis along with those of the past several years at www.jenoptik.com under Investors/Corporate Governance. With only the exceptions listed there, Jenoptik is currently in full compliance with the recommendations of the German Corporate Governance Code in the version dated May 15, 2012. In addition to the recommendations of the Code, Jenoptik has also followed a majority of the other suggestions made in the Code. If future changes should arise, the declaration of conformity will be updated in the course of the year.

DECLARATION OF CONFORMITY BY THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF JENOPTIK AG IN FISCAL YEAR 2012

Under § 161, Para. 1, Sent. 1 of the German Stock Corporation Act (AktG), the Executive Board and the Supervisory Board of a stock-listed company are required to issue an declaration once a year that the recommendations of the "Government Commission on the German Corporate Governance Code" as published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) have been and are complied with or to indicate which recommendations have not been or are not applied and why not.

The JENOPTIK AG Executive and Supervisory Boards support the recommendations of the Government Commission on the German Corporate Governance Code and state that pursuant to § 161, Para. 1 Sent. 1 German Stock Corporation Act:

Since the last declaration of conformity of December 2011, all recommendations of the "Government Commission on the German Corporate Governance Code" (Code) in the version dated May 26, 2010, have been followed with the following exception stated under 1. and will be followed in the version dated May 15, 2012, with the following exceptions:

1. In accordance with Point 4.2.3. Para. 4 of the Code, care will be taken in concluding Executive Board contracts to ensure that payments made to an Executive Board member upon the premature termination of his contract including fringe benefits do not exceed the value of two years' compensation (severance payment cap) and compensate for no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total remuneration for the past full fiscal year and, if appropriate, the expected total remuneration for the current fiscal year as well.

This recommendation has not been followed since the last declaration of conformity and will also not be followed in the future. It has been found that this type of compensation regulation contradicts the principle of concluding the contracts with members of the Executive Board regularly for the full term of their office which has been applied by Jenoptik in accordance with the German Stock Corporation Act (AktG). The premature termination of a contract as a principle requires a serious cause. In this case, no severance payment will be made. In the case of a mutually agreed termination of the contract; it would be difficult for the company to unilaterally enforce a severance payment cap; it could also not be ensured that the specific circumstances for the premature termination would be sufficiently taken into account. The idea behind the regulation of Point 4.2.3 Paragraph 4 of the Code will be taken into account by ensuring that the compensation will be appropriate in the event of a premature termination of the contract by mutual agreement. Therefore, the Supervisory Board applied a grandfathering clause when renewing the contract with the Chairman of the Executive Board. However, the recommendation was taken into account in the employment contract with the new chief financial officer.

2. In accordance with Point 5.4.6. Paragraph 2 of the Code the compensation of the members of the Supervisory Board shall be oriented toward sustainable growth of the enterprise if they are promised performance-related compensation.

   This recommendation will not been followed in the future. The Executive Board and the Supervisory Board take the view that the performance-related compensation as stipulated in the Articles of Association is appropriate. This performance-related compensation of 10,000 euros or 20,0000 euros respectively will only be paid if group earnings before tax exceed 10 percent or 15 percent of the group shareholders' equity at the end of the fiscal year. If the return on equity is lower than 10 percent there is no right to compensation in addition to the fixed compensation.

   The code itself does not define what is meant by a sustainable development of the company. If the term was to be understood following § 87 Paragraph 1 Sentence 2 and 3 of the German Stock Corporation Act (AktG) performance-related components should always have a calculation basis which is several years long. As this is not the case at Jenoptik, we disclose a deviation from Point 5.4.6 Paragraph 2 Sentence 2 of the code due to uncertainty of the definition as a purely precautionary measure. The members of the Supervisory Board are obliged to serve the interests of the company and are not affected in their decision-making process by the opportunity to get a variable remuneration and its amount. They, just as the members of the Executive Board, employees and shareholders profit from a general sustainable development of the company. The return on equity of 10 percent or 15 percent respectively which triggers the payment of the variable remuneration is ambitious enough and was decided by the Annual General Meeting in June 2012 with almost 98 percent of the votes.

December 13, 2012

JENOPTIK AG

On behalf of the Executive Board

Dr. Michael Mertin, Chairman

On behalf of the Supervisory Board

Rudolf Humer, Chairman

II. Details on management practices

1. CORPORATE GOVERNANCE REPORT

Shareholders and Annual General Meeting

JENOPTIK AG shareholders exercise their rights at least once each year at the Annual General Meeting. Each share is accorded one vote. Shareholders can either participate directly in the Annual General Meeting or can do so by proxy, for which they can either authorize a person of their choice or a company-nominated proxy acting on their instructions. Postal voting has also been available since last year. All documents and information on the Annual General Meeting are provided on our Internet page www.jenoptik.com under Investors/Annual General Meeting. The company thereby adequately supported its shareholders in exercising their rights also in 2012. The participation and voting results are subsequently published on the webpage.

Transparency

In its dialogue with participants in the capital market as well as the general public, Jenoptik follows the principle of providing comprehensive and up-to-date information of direct relevance to the company and significant to the evaluation of its development. Annual and interim reports provide comprehensive information on the Group's earnings, assets and finances. Press releases cover important events and current developments. This and further information is made available at the Jenoptik website. Shortly after the reports are published, conference call are also held with journalists, analysts, and investors, and analyst conferences are held for each annual and half-year financial statements as well as an annual balance sheet press conference. Further information on our investor relations activities can be found in the section on the Jenoptik share from page 36 of the Annual Report.

In accordance with Securities Trading Act, inside information is published immediately inasmuch as JENOPTIK AG is not, in individual cases, exempted from this obligation. The capital market working group evaluates, both regularly and for specific concerns, individual circumstances with regard to their ad-hoc relevance in order to ensure that potential inside information is treated in accordance with the law. The working group met five times this past fiscal year and will meet monthly in 2013 in order to intensify information exchange.

There is a group guideline on upholding the statutes of the Securities Trading Act and major obligations and responsibilities on the part of board members and employees concerning inside information, ad-hoc publicity, market manipulation, and directors' dealings. There is a list of those authorized to have access to inside information.

Jenoptik also immediately publishes major changes to its shareholder structure whenever it comes to the company's attention that someone has reached, surpassed, or fallen below the relevant thresholds of all JENOPTIK AG voting rights, whether due to purchases, sales, or other occurrences. JENOPTIK AG received several such reports over the past fiscal year. These are published at www.jenoptik.com under Investors/Share/Voting rights announcements.

As at December 31, 2012, the Jenoptik Group maintains securities-oriented incentive plans in the form of virtual shares for the members of the Executive Board and parts of upper management. The principles of the allocation and issue of the virtual shares is chiefly identical for the Executive Board and members of upper management, and is described in the remuneration report from page 48 and under the point Employees from page 75.

Securities transactions requiring reporting and shares held by the members of the Executive Board and Supervisory Board

In accordance with § 15a of the German Securities Trading Act (WpHG), Executive and Supervisory Board members and people close to them are require to disclose securities transactions (directors' dealings) that require reporting. Reports in accordance with § 15a WpHG reported to us are immediately published and are also available at www.jenoptik.com under Investors/Corporate Governance/Directors' Dealings. On July 7, 2012, Brigitte Ederer, a member of the Supervisory Board, acquired 3,940 shares for a total value of 19,700 euros.

As at December 31, 2012, no shares or derived financial instruments were held by Executive Board members. Supervisory Board members held a combined total of 960,095 shares for over 1 percent of the JENOPTIK AG nominal capital. This includes 675,000 shares held directly and indirectly by Rudolf Humer.

Accounting and auditing

The consolidated financial statements and all consolidated interim financial statements are compiled in accordance with the International Financial Reporting Standards (IFRS). The financial statements are compiled in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch, HGB). The consolidated financial statements and the financial statements, including management reports, are examined by balance sheet auditors. The auditor for fiscal year 2012 was KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin (KPMG), as selected on June 6, 2012 by the Annual General Meeting. The auditors inform the Supervisory Board chairman of any grounds for bias or disqualification as well as of all important events and findings that emerge during the audit. This includes occasions when the auditors should discover facts that point to inaccuracies in the declaration of conformity submitted by the Executive Board and Supervisory Board in accordance with the German Stock Corporation Act (§ 161 AktG).

Before submitting its proposal for the election of the firm to the Annual General Meeting, the Supervisory Board received a declaration of independence from the auditing firm, stating that there were no employment, financial, personal, or other links between KPMG, its board members and head auditors, and the company and its board members. KPMG also reported in its declaration on the degree to which it provided Jenoptik with other services over the past fiscal year, especially in terms of consulting, and which services have been contractually agreed for the following year. It was also established that none of the auditors involved in the audit had exceeded the seven-year overall limit for the authorization of issuing audit certificates.

Risk management

The responsible treatment of risk is also part of a good corporate governance system. Jenoptik has a group-wide risk management system that includes all companies, within Germany and internationally, in which Jenoptik controls more that 50 percent. Detailed information on risk management including the significant characteristics of the internal control and risk management system with regard to the financial reporting process are included in the risk report of the Annual Report beginning from page 98.

Executive and Supervisory Boards

The Supervisory Board, reflecting the new regulations of the German Corporate Governance Code in the version of May 15, 2012, has adapted the goals it set in December 2010 for its future composition as follows:

"The Supervisory Board will see to it that it includes, at all times, members who particularly fulfill the criterion of internationality (such as foreign citizens and those with relevant experience abroad). The Supervisory Board will see to it that its members play neither an advisory nor an executive role with customers, suppliers, creditors, or other business partners of JENOPTIK AG, inasmuch as this is the basis of a significant and not merely temporary conflict of interests. In cases of such conflicts of interest, especially when it comes to responsibility in companies that are in direct competition with JENOPTIK AG or Group companies, the Supervisory Board will normally refrain from such a nomination for election. The Supervisory Board will see to it that at least two women are on the board. The shareholder representatives of the Supervisory Board will make sure that at least half of its members have an independent status. No candidates are to be considered who, at the time of the election, have already reached the age of 70. The Supervisory Board will recommend the best possible candidates, from its point of view, to the Annual General Meeting, taking into consideration their expertise and personal integrity."

As of December 31, 2012, the Supervisory Board already fulfilled the guidelines agreed for its make-up, which are to be maintained into the future. One woman was elected in 2012 to represent the employee representative on the Supervisory Board, taking effect at the end of the Annual General Meeting on June 6, 2012. In order to prepare for the election of the Supervisory Board members on behalf of shareholders, the Nomination Committee proposed candidates, while taking into account the requirements of the Stock Corporation Act, the Code, the Articles of Association, and its decision made on the targeted future composition of the board. Encouraged by the recommendation of the Nomination Committee and the Supervisory Board, one further woman was elected as a shareholder representative at Annual General Meeting of June 6, 2012, so that there are currently two women on the Supervisory Board. At least five members of the board have extensive international experience. The board also has a wide variety of expertise on offer, reflecting the broad range of its members' career backgrounds. Further information on the Executive Board and Supervisory Board and especially on their work procedures and their members' other responsibilities can be found under section III of this report, in the Supervisory Board report from page 6 and in the Notes from page 182 of the Annual Report.

Remuneration Report

The remuneration report describes the basics of the system of remuneration for the Executive Board. It is published as part of the Group Management Report beginning from page 48 of this Annual Report. The remuneration report includes information on compensatory agreements with Executive Board members should it come to a change of control.

In accordance with the recommendations of the Code, information is to be published on the individual remuneration of members of the Executive Board and Supervisory Board, which can be found in the Notes on pages 181 and 185.

2. OTHER CORPORATE MANAGEMENT PRACTICES

Holding

JENOPTIK AG views itself as a financial holding company fulfilling the role of a "strategic architect." Jenoptik's operative business is divided into segments, divisions and business units. The work of JENOPTIK AG lies, in particular, in defining, implementing, and monitoring overarching processes as well as the development and implementation of corporate strategy. The strategic decisions of the Executive Board are prepared by the central Strategy and Business Development department, supported by the Executive Management Board, which includes the Executive Board as well as the heads of the segments and divisions and the head of Personnel, Supply Chain & Shared Services. The heads of the segments and divisions keep the Executive Board informed regularly, comprehensively, and rapidly on all events of relevance to the company, particularly within the framework of monthly results meetings. There are once a year annual central management meetings which numerous group managers from within Germany and around the world attended along with the Executive Board and Executive Management Board.

Jenoptik is a high-tech company for which innovation is indispensable to profitable growth. Its global research and development portfolio receives central guidance within the framework of its group-wide innovation management road map. Its strategic intellectual property management program serves to ensure the marketability of innovations through intellectual property rights and well-chosen cooperative agreements with research partners. Further information on Jenoptik´s innovation management can be found in the Group Management Report from page 80.

Since 2008 JENOPTIK AG has had a central project management office as a means of guaranteeing uniform standards in project management and continued transparency with regard to progress on projects of strategic importance to the company as a whole. The office uses an intranet-based platform to regularly follow the state of over 100 current projects that not only support the strategic development of the Group but also the continual improvement of the Group's operative excellence. This also includes the long-term implementation of lean principles as part of the group-wide Go-Lean initiative. This initiative was rolled out in 2012 and is already expected to generate its first benefits in 2013. This furthers the implementation of the decisions and recommendations made at the semi-annual strategy meetings that provide a basis in terms of market and competition for the subsequent planning the following year and in the medium term. The individual steps within the strategy and planning process are discussed at specific times with the heads of the segments and divisions, with results reviewed, and activities determined and presented to the Executive Board for adoption at its autumn strategy and planning meetings.

Over the past several years, moreover, there has been a continual centralization of certain overarching functions such as the expansion of the operative legal advisement provided by the central legal department, that of worldwide strategic group procurement and central procurement controlling, and the group-wide harmonization of authorization structures. Important personnel-related topics such as recruitment, remuneration, the harmonization of target schemes, and personnel controlling as well as a uniform branding have been centralized. Further information on managerial organization can be found in the Group Management Report on page 46.

Social commitment is of particular importance to Jenoptik, geared toward the goals and basic values of the company. Jenoptik provides regular support for a number of benevolent projects, organizations, and initiatives, and seeks involvement in science, education, and culture, as well as in social and charitable works. Further information on this topic can be found from pages 79 and 86.

Code of conduct

Jenoptik views the pursuit of sustainable economic and social activity while observing prevailing legislature as a top priority and a major part of its corporate culture. This entails trust, respect, fairness, honesty, and integrity in all its dealings with employees, business partners, shareholders, and the general public. The most important principles of conduct have been compiled into a code to ensure a uniform level of ethical and legal standards throughout the company. The code of conduct is a guidepost for everyone, whether the Executive Board, Supervisory Board, managers, or employees all throughout the enterprise. The code of conduct provides minimum standards and serves as a point of orientation to meet the ethical and legal challenges at work each day, and to serve to avoid possible conflicts of interest from arising while creating transparency in this regard. The code of conduct is of particular use in conflict situations.

Each new employee receives a code of conduct upon being hired. Compliance is monitored by the internal auditing, and any possible violations are investigated and their causes eliminated in the interest of the company and all its employees. Any employee who wishes to lodge a personal complaint or who wishes to mention any circumstances indicative of legal or guideline violations can turn to his or her supervisor, to the Chief Risk & Compliance Officer, to the heads of Internal Auditing and of Human Resources, Purchasing, Supply Chain & Shared Services, or to the works council. The code of conduct can be viewed at www.jenoptik.com under Investor Relations/ Corporate Governance. It is regularly evaluated in terms of its accordance with general compliance standards and is to be updated again this current fiscal year.

Compliance

In addition to these general guidelines used to ensure that all employees act in a legally compliant manner, Jenoptik has developed its own internal group guidelines with regard to all important company processes, which are continually being reexamined, expanded, and updated. All group guidelines are published via the group-wide Jenoptik intranet. A process has also been developed to distribute all new or updated guidelines all throughout the Group. Effective December 1, 2012, the position of Chief Risk & Compliance Officer (CRCO) was filled to work closely together with the Legal Department and Internal Auditing. The CRCO is responsible for the minimization of the risk of legal violations by the companies of the Jenoptik Group as well as the continued further development of modern risk and compliance structures and processes within the Group. The CRCO reports to the CFO.

This past fiscal year, compliance activities focused on the introduction of an anti-corruption guideline, serving to lead to uniform processes throughout the Group meant to help avoid corrupt behavior. A checklist system helps to improve the maintenance of Jenoptik compliance standards, including that on the part of business partners. This past fiscal year, training was provided for the anti-corruption guideline in a large part of the Group. Training sessions on cartel law, begun in 2011, were continued with participants going into the field in greater depth. Compliance training will continue to be carried out in the future and expanded to include new programs such as e-learning.

A contract guideline was also implemented this past year that includes general principles on the preparation, conclusion, and implementation of contracts in the Jenoptik Group. This is to serve to make the contractual process uniform, to make risks transparent, and to increase legal security. Training for this contractual guideline will also be provided throughout the Group in the current fiscal year.

The Compliance Board met three times this past year and accompanied and monitored a project for the further optimization of the Jenoptik compliance management system, conducted with an external consultant. The board also discussed, together with an interdepartmental compliance officer, a number of special topics on compliance such as compliance declarations that are requested by customers.

Sustainability

As a high-tech company, Jenoptik strives, through its range of services and innovative products, to contribute toward greater efficiency and thus to a responsible use of resources. This past year, Jenoptik issued its first sustainability report, which can be accessed at www.jenoptik.com under Press / Publications / Sustainability. This will be continually developed in the future. Comprehensive information on further sustainability initiatives in the Jenoptik Group can be found from page 83.

III. Executive Board and Supervisory Board procedures

JENOPTIK AG is a stock corporation under German law with a dual management system in which the Executive Board runs the company on its own responsibility in the interests of the company. It takes into account, in particular, the concerns of its shareholders and employees, with the goal of the sustainable creation of value. The Supervisory Board advises and monitors the Executive Board in its leadership of the company. The two boards work closely together for the good of the company, and all discussions between them take place in open and trusting atmosphere.

The members of the JENOPTIK AG Executive Board are appointed by the Supervisory Board. The Executive Board is composed of two members who share common responsibility for the overall management of the Group and decide on primary matters of group corporate policy, its leadership, corporate strategy, and annual and longer-term planning. The specific allocation of responsibilities and tasks within the portfolios is set down in a schedule of responsibilities. Further information on this topic can be found in the Management Report on page 46. There are no Executive Board committees. The members of the Executive Board work together in a collegial manner and continually inform one another of important measures and events within their assigned areas. Executive Board meetings take place at least once a month. Measures of major importance and specific matters regulated by the Executive Board rules of procedure always require the approval of the entire Executive Board. The Executive Board rules of procedure, which are regularly reevaluated and updated, contain further regulations on the internal procedures of the Executive Board, and on reporting to and cooperation with the Supervisory Board.

The Executive Board continually informs the Supervisory Board in a timely and comprehensive manner, and in both written and spoken communication, on all matters relevant to strategy and to the current development of the Group's business and finance. This includes its effects on employment, investment plans, corporate planning, the company's strategic positioning and state of strategic implementation, as well as its risk situation and management, and relevant compliance issues. In accordance with legal stipulations, certain decisions of the Executive Board of particular importance, especially decisions or measures that involve considerable changes to the company's assets, finance, or earnings, require the approval of the Supervisory Board. Conditions for agreement are listed in the Executive Board rules of procedure, and were last specified in December 2011. The Executive Board members are required to report conflicts of interest to the Supervisory Board immediately.

The Supervisory Board of JENOPTIK AG consists of twelve members, with six members elected by the shareholders in the Annual General Meeting and six nominated by employees in accordance with the Codetermination Act. All members are elected for the same period of time, and ended with the conclusion of the Annual General Meeting on June 6, 2012. The system of direct voting for the employee representatives, in accordance with the Codetermination Act, was concluded in late March 2012. The shareholder representatives on the Supervisory Board were newly elected in an individual vote by the Annual General Meeting on June 6, 2012. The Nomination Committee proposed suitable candidates to the Supervisory Board to be recommended to the Annual General Meeting. The aims for the composition of the Supervisory Board established in December 2010 were taken into consideration in both the recommendations of the Nomination Committee and in the decision of the Supervisory Board on candidates to be proposed. This also applied to the election of the employee representatives inasmuch as this was possible within the procedure carried out in accordance with the requirements of the Codetermination Act. Further information on the election of the Supervisory Board members can be found in the Supervisory Board report on page 12.

At its first constitutive meeting immediately following the Annual General Meeting, the Supervisory Board elected a chairman and deputy from among the board members in accordance with the Codetermination Act (§ 27, Para. 1 and 2). The Supervisory Board is composed in such a way that, as a whole, it is endowed with the knowledge, ability, and experience necessary to carry out its tasks in an orderly manner. In observance of the new regulations of the Code in the version of May 15, 2012, the Supervisory Board also separately evaluated the independence of its members. On the basis of the Code's new criteria, the Supervisory Board returned to discuss the matter of the goals it set in December 2010 for the board's own composition. Assuming that the new stipulations of the first clause of Point 5.4.2. of the Code only refers to shareholders, the board resolved that, in the future, its membership would include at least three independent shareholder representatives. All shareholder representatives currently on the Supervisory Board can be viewed as independent in accordance with the Code's criteria.

The chairman of the Supervisory Board coordinates the work of the Supervisory Board, presides over its meetings, and represents the body externally. The chairman maintains regular contact with the Executive Board, and its chairman in particular, who provides the Supervisory Board chairman with immediate information on important events which are of crucial importance for the position and development of the company. An equal number of votes within the Supervisory Board results in a second round of voting on the same matter in which the board chairman casts two votes. The Supervisory Board chairman also chairs the Personnel, Mediation, and Nomination Committees, but not the Audit Committee.

The Supervisory Board meets at least four times a year. Extraordinary meetings are called for major events that cannot be delayed. The Supervisory Board examines the consolidated financial statements and the financial statements, the management reports, and gives official approval to the consolidated financial statements and the financial statements, taking into account the results of the audit and the recommendations of the Audit Committee. Further details can be found in the chapter on accounting and auditing of the corporate governance report and in the Supervisory Board Report from page 6 of this Annual Report.

The board carries out a comprehensive formal investigation of the efficiency of its activities by questionnaire at least once every two years and discusses the results of the investigation at a meeting. Since the Supervisory Board has only met in its current membership for half a year, the next self-evaluation is to take place in June 2013. All of the board's members can make suggestions for improvement or changes at any time, which are then evaluated without delay. Supervisory Board members are independently responsible for undergoing the training measures necessary for their tasks. They are supported by JENOPTIK AG in ways such as providing information about training opportunities.

The Supervisory Board has adopted rules of procedure, which govern important aspects of its internal cooperation and collaboration with the Executive Board. The rules also mandate the creation of committees as a means of improving efficiency when it comes to Supervisory Board work on complex topics. The Supervisory Board had five committees this past fiscal year. In its first constitutive meeting after the closure of the 2012 Annual General Meeting, the decision was made, for the sake of simplicity, to transfer the tasks of the Capital Market Committee to the Audit Committee, so that there are now only four committees. All committees with the exception of the Nomination Committee, which is composed only of shareholder representatives, are made up of equal numbers of shareholder and employee representatives. The candidates' expertise is taken into account in the formation of the committees. An overview of the composition of the committees can be found in the Notes from page 182.

The committees prepare resolutions for the Supervisory Board, and make decisions on behalf of the full board inasmuch as this is legally permissible. Committee chairs report back regularly on the content, results, and recommendations of the committee meetings, mostly in the subsequent Supervisory Board meetings.

The Audit Committee meets at least four times each year. Its discussions involve, in particular, the monitoring of the accounting process, the effectiveness of the internal control system and the internal revision system, auditing, and compliance issues. In accordance with Stock Corporation Act, the committee must have at least one independent member who is well versed in accounting or auditing. This is particularly the case for the Audit Committee chairman, who is independent in terms of the new stipulations of the German Corporate Governance Code. He is not a former member of the JENOPTIK AG Executive Board.

The Personnel Committee meets at least once a year and focuses on concluding and altering service contracts with members of the Executive Board with the exception of the determination of the total amount of remuneration, a matter reserved for the plenary. The Personnel Committee acts in a preparatory manner in matters that regard the remuneration system and target agreements for the Executive Board. It works together with the Executive Board on the long-term succession planning.

The Nomination Committee meets only when necessary, as for example this past fiscal year, when it recommended candidates to the Supervisory Board for subsequent submission to the Annual General Meeting. The Mediation Committee, which deals with matters having to do with § 31, Para. 3, Sent. 1 of the Codetermination Act, also only meets when necessary.

Further information on the Supervisory Board and its committees in fiscal year 2012 can be found in the Supervisory Board report published beginning on page 6 of the Annual Report.

JENOPTIK AG has taken on D & O insurance for all its Executive Board and Supervisory Board members, with both boards agreeing to an appropriate deductible pegged at 10 percent of any liability but capped at a maximum of one and a half times the fixed annual remuneration of each insured board member.

SHARING EXCELLENCE

THAT IS WHAT JENOPTIK DOES.

∞ possibilities

We use our expertise in all aspects of optoelectronics to support global trends. It is our philosophy to connect people, organizations, and institutions. We combine our competencies with the knowledge of many partners and requirements of our customers. We collect and share our wealth of experience and excellent ideas for the benefit of our customers – consistently, in an optimal way and all over the world. Our motto is indeed "Sharing Excellence", as is reflected in our teams on the following pages.

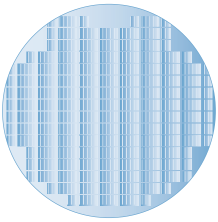
Sharing Excellence in Lasers & Material Processing

»My research experience with the Ferdinand Braun Institute helps me to translate developments into new laser products in a short period of time. I work together closely and intensively with my former institute colleagues.«

DR. AGNIESZKA PIETRZAK

Project head, Research & Development, Jenoptik´s Lasers & Material Processing division.

Turning ideas into reality



Wafers

Laser bars

Laser stacks

1

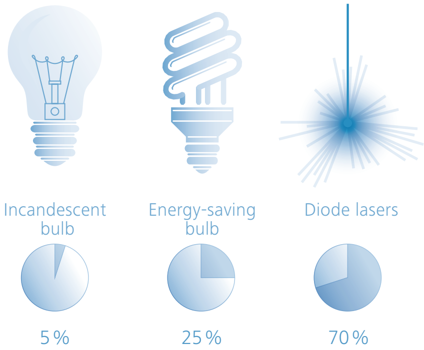
Jenoptik's Lasers & Material Processing division processes wafers made of semiconductor materials into laser bars at its Berlin site.

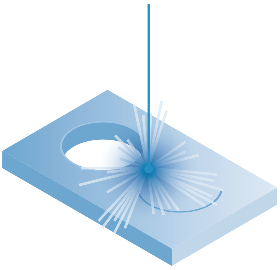
2

These laser bars are processed by Jenoptik into high-power diode lasers as single lasers, stacks, and modules. It is then easy to integrate them into laser systems.

JENOPTIK I LASERS & MATERIAL PROCESSING

The Jenoptik Lasers & Material Processing division is one of the leading providers of reliable and precise laser technology for industrial processing of various materials. The division's high-power diode lasers are used as efficient instruments especially in industry, medical technology, and science. In its research in this field, Jenoptik works particularly intensively together with the Ferdinand Braun Institute, Leibniz Institute for High-Frequency Technology in Berlin.





3

Diode lasers have the highest rate of electro-optical efficiency, transforming up to 70 percent of the original electrical energy into light. By means of comparison, incandescent bulbs convert only 5 percent, and energy-saving bulbs convert 25 percent into light.

4

High-power diode lasers are used, for example, in material processing and medical technology. They serve as pumping source for laser systems used for processing of plastics and metals. In medical technology, they are used in applications in fields such as ophthalmology, surgery, and dermatology.

FERDINAND BRAUN INSTITUTE, LEIBNIZ INSTITUTE FOR HIGH-FREQUENCY TECHNOLOGY (FBH)

The cooperation between Jenoptik and the FBH in Berlin-Adlershof is an example for the successful transfer of technology between science and industry. In March 2012, the cooperation between the two in the development of particularly efficient diode lasers was recognized by the Technologiestiftung Berlin foundation with its 50,000-euro WissensWerte Transfer Prize.

»Our close cooperation with Jenoptik helps us transfer research results to the industry. One great advantage is the close proximity of our institute to Jenoptik here in Berlin-Adlershof.«

DR. PAUL CRUMP

Ferdinand Braun Institute, Leibniz Institute for High-Frequency Technology (FBH)
Group leader, Broad Area Lasers & Bars in the Diode Lasers research department.

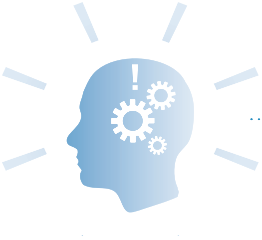
Sharing Excellence
in Optical Systems

»As a sponsor of the SPIE Startup Challenge, Jenoptik supports innovative entrepreneurial projects. The competition is an excellent opportunity to see innovations at an early phase in their development.«

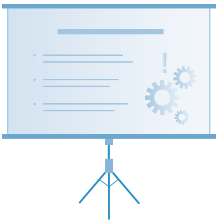
JAY KUMLER

Head of the Optics business unit of Jenoptik's Optical Systems division in North America and SPIE Fellow, wearing the SPIE tie on the occasion of the competition at Photonics West 2013.

Promoting Innovation



SPIE Fellows



Business Idea

1

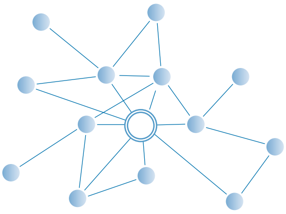
Jay Kumler was named an SPIE Fellow in March 2011, an honor recognizing both support for the global optics community and technical expertise. SPIE Fellows are prominent members of the Society who have made important scientific and technical contributions across disciplinary lines.

2

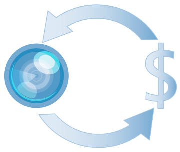
At this year's Photonics West in San Francisco, 20 young developers presented their ideas and products involving optical and photonic technologies to a team of experts, including Jay Kumler. Ten participants made it to the finals.

JENOPTIK – THE LEAD SPONSOR

For the second time, Jenoptik is supporting the SPIE Startup Challenge as its main sponsor. Supporting this event encourages entrepreneurial spirit within the industry and company while promoting Jenoptik values and corporate culture. During a preliminary phase of the Startup Challenge, young entrepreneurs with promising business ideas are brought together for a "pitch competition" judged by executives and investors.



Network



Startup Company

3

The ten finalists of the competition are given the opportunity to take part in a sponsored entrepreneurial workshop at the University of California. The top three also receive prize money as well.

4

8tree co-founders Arun Chhabra and Erik Klaas were awarded 1st place with fastCHECK™, an optical 3D surface inspection system. Using the principle of computer-generated augmented reality, the system projects measurement results in real-time directly onto the target object. In doing so, it delivers instant analysis that is orders of magnitude faster and more actionable than existing methods.

SPIE – THE EVENT'S ORGANIZER

SPIE is the international society for optics and photonics, a non-for-profit organization founded in 1955 to advance light-based technologies. The Society serves 225,000 constituents from over 150 countries, offering conferences, continuing education, and publications in support of interdisciplinary information exchange, professional growth, and patent precedent. SPIE provided over $3.2 million in support of education and outreach programs in 2012. Since its founding, SPIE has named some 800 SPIE Fellows.

»The SPIE Startup Challenge was a great opportunity for us. We were able to present our business idea and pre-revenue company to several technology and business experts. Their feedback and network effect have been invaluable.«

ARUN CHHABRA FROM 8TREE

Winner of the 2013 SPIE Startup Challenge. 8tree co-founders Arun Chhabra & Erik Klaas have developed a new optical 3D scanning system for surface inspection.

Sharing Excellence in Industrial Metrology

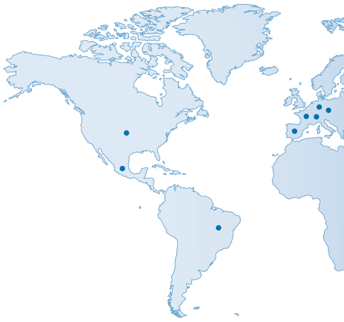
»With our measurement technology, we are a recognized partner for precision in industrial production. We support our customers from the first request through to an individual service package.«

THOMAS UNGER

Employee Training & Service, Jenoptik´s Industrial Metrology division.

Ensuring worldwide service

Training **Service**



Consulting
Training
Production monitoring
Resident engineer

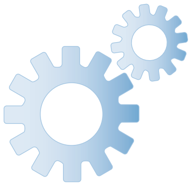
Maintenance / Calibration
Remote maintenance
Repairs
Replacement parts / Exchange service
Help desk

TRAINING & SERVICE

Jenoptik's Industrial Metrology division is a leading specialist in high-precision production metrology. Its global distribution and service network guarantees customer proximity and ensures the precision and quality of the customer's production. Jenoptik is involved in each and every phase of the process, from the planning and installation of measurement systems to service calls. Jenoptik also supports its customers with training programs and qualified technicians in the field – all for the optimal use of its measurement technology.

Service network

Support



Measurement to order

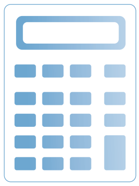
Rental / Leasing

Returns / Disposal

Used systems

Moving service

Optimizing



Software Updates / Upgrades

Metrology program design

Redesign

Optimization support

SUPPORT & OPTIMIZING

In close cooperation with its customers, Jenoptik develops designs that allow for existing measurement systems to be employed as efficiently as possible. Jenoptik also offers its customers a range of services for greater measurement accuracy and flexibility – making it possible to fulfill particular requirements without great difficulty. Jenoptik regularly improves on components, devises metrology programs, and updates software, thus optimizing its measurement technology.

»At a training program with qualified staff, developed specifically for us, we practiced to become proficient at using our metrology systems – very efficient and user-oriented.«

CHARLIE HUNG

MTC-Mercury Trading Co., Ltd., Jenoptik customer in Taiwan.

Sharing Excellence in Traffic Solutions

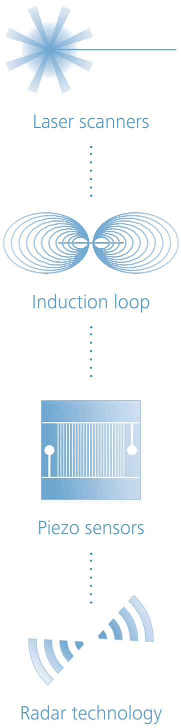
»Each project in the Middle East involves special system technologies. This is always a particular challenge, but also makes it exciting for our team: Once contacts are made and projects prepared, we accompany every custom-designed order from the first offer through to delivery.«

DANUTA EBERLE

Head of the group for order fulfillment in Jenoptik’s Traffic Solutions division, responsible in particular for major projects in Oman, Saudi Arabia, and Qatar.

Meeting requirements with flexibility

Product portfolio

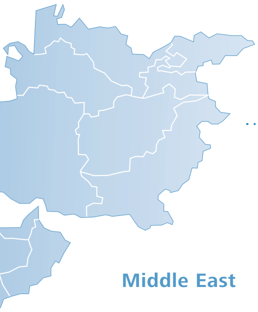


1

The new TraffiStar S350 laser scanner system now rounds out the Traffic Solutions division's sensor technology portfolio. Jenoptik provides everything needed in the fields of laser scanners and radar technology as well as technologies using piezoelectric sensors and induction loops.

STRONG LOCAL PRESENCE

With its Traffic Solutions division, Jenoptik is present as a solution provider in the Middle East. The division's solutions are tailored to customer needs and adapted to the individual conditions and requirements of the countries involved. A modern laser scanner system was, for example, installed in Dubai for a customer to test in late 2012.



Middle East

TraffiStar S350
Laser scanner

Traffic Service Provision
Service package

2

The product portfolio is completed by the Traffic Service Provision range, and covers all traffic monitoring processes: traffic analysis, consulting, and designs, as well as system maintenance, data processing, and customer service.

TRAFFIC SAFETY WORLDWIDE

Jenoptik won several major contracts in the field in 2012. Jenoptik will, for example, provide traffic safety systems and services for the roads of Northern and Eastern Malaysia. Traffic safety systems are also delivered by Jenoptik to the Arabian Peninsula, that is to the Sultanate of Oman and Saudi Arabia. The Traffic Solutions division has been active in Qatar for several years, receiving another contract in 2012 for the delivery of traffic light and speed monitoring systems.

»To have a wide range of important products is of great importance in the Middle East region – as well as a comprehensive selection of services. And it is important to be on location in order to understand the people, processes, and requirements there.«

ELIAS EL HAGE

Sales representative for Jenoptik´s Traffic Solutions in the Middle East.

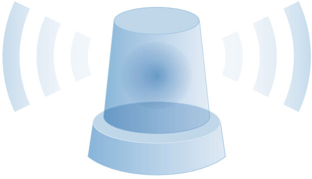
Sharing Excellence
in Defense & Civil Systems

»The quality, efficiency, and innovative nature of our products combined to win Dräger over. It was the Jenoptik process chain as a whole that made a particular difference – from the optics and electronics through to the software development.«

ANDREAS HÄRTEL

Software developer, Jenoptik´s Defense & Civil Systems division.

Saving lives together



Rescue crews

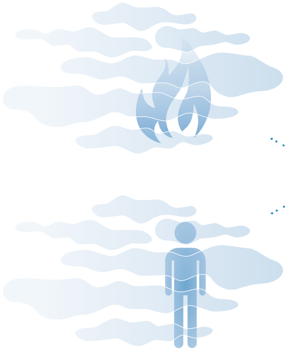
UCF 9000

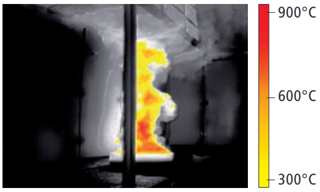
1

Infrared modules, developed and produced in Jena, form the core of Dräger cameras for firefighters. Their purpose is to reliably record and display precise thermal images quickly and automatically and in every possible situation including extreme conditions.

JENOPTIK INFRARED MODULE

Jenoptik specializes in thermal imaging cameras and infrared camera modules that make heat visible and measure temperatures with precision for industrial, scientific, and security applications. The Defense & Civil Systems division's infrared camera modules have been produced in series since 2010, with over 10,000 to be delivered by 2015. Dräger and Jenoptik have not, however, only worked together in the sensor business, as their cooperation in optoelectronic system solutions was expanded to Jenoptik's Optical Systems division in 2012.





Thermal image

2

The UCF thermal imaging camera range was developed together by Dräger and Jenoptik, specifically for rescue crews. The system allows for sight and orientation to be maintained whether in a fire, in smoke, or in darkness, thus providing rescue teams with rapid information that saves lives.

DRÄGER THERMAL IMAGING CAMERA RANGE

The Lübeck-based Dräger company is a strong partner in the thermal imaging market, allowing Jenoptik to expand into new markets. The UCF thermal imaging camera range has been a great success for Dräger and is now used by firefighters the world over. The UCF 9000 tops the camera line with the greatest resolution and most versatile range of functions.

»The heart of our cameras comes from Jenoptik. We have already been partners since 2009. In the year 2012, we recognized Jenoptik's efforts and reliability with our Innovation Award as a Dräger Key Supplier.«

DR. BERND SPELLENBERG

Product manager, Dräger.

2012 YEAR IN REVIEW

An order placed by an Asian customer has strengthened Jenoptik's position as a leading supplier of customized, optical systems for semiconductor and flat panel display equipment.

Jenoptik has a successful outing at Photonics West in San Francisco, the photonics industry's leading trade fair, finding great resonance among visitors and the press. The Jenoptik Group sponsors the SPIE Startup Challenge for the first time, in which young entrepreneurs present their business ideas, with the winners receiving sponsorship support.

JANUARY

SUCCESS AT PHOTONICS WEST.

Jenoptik and Dräger, based in Lübeck, Germany, expand their collaboration in the area of thermal imaging cameras, which had begun in 2008. In its cooperation agreement, Jenoptik is to develop and manufacture integrated optoelectronic modules, systems, and equipment for Dräger.

The Traffic Solutions division receives a major order from Malaysia to equip roads with traffic safety systems in the north and east of the country and to provide services.

FEBRUARY

THE ROADS OF MALAYSIA ARE NOW A BIT SAFER.

In Jena, 102 young researchers come together for the 22nd annual "Jugend forscht" Thuringia state youth science and research competition. Jenoptik has sponsored the competition from the very beginning.

Highly efficient diode lasers developed through the cooperation of Jenoptik's Lasers & Material Processing division and the Ferdinand Braun Institute in Berlin are awarded the 2012 WissensWerte transfer award.

Jenoptik publishes the results of its best fiscal year in the company's recent history.

MARCH

AWARD FOR HIGH-EFFICIENCY DIODE LASERS.

DONATIONS FOR SOCIAL WORK.

JULY

Jenoptik introduces its new KATASORB™ M exhaust cleaning system. The new system, developed together with Jena's Friedrich Schiller University, makes good use of the advantages of energy-efficient microwave technology.

Jenoptik makes a donation of 16,500 euros, collected at the company's New Year's reception, to the Bad Dürrheimer Off Road Kids Stiftung.

MORE FAB CAPACITY FOR SEMICON LASERS.

AUGUST

Jenoptik launches its expanded manufacturing facility for high-quality semiconductor lasers. This investment will lead to the doubling of production capacity beginning in early 2013.

A total of 39 young people, including 6 Career Academy students, begin their training with the Jenoptik Group throughout Germany.

MEDICAL LASERS FOR US CUSTOMER.

SEPTEMBER

Jenoptik receives several multi-million-euro orders from the commercial vehicle industry for industrial technology for the measurement of crank and gear shafts.

Jenoptik won a major contract for medical lasers for 13 million U.S. dollars to be delivered to an American company over the next three years.

Jenoptik delivers traffic safety systems to the Sultanate of Oman.

Rüdiger Andreas Günther becomes the new CFO of JENOPTIK AG, joining Chairman Michael Mertin on the Executive Board. Günther takes the reins from Frank Einhellinger, who leaves the company.

With its VarioCAM® HD, Jenoptik introduces to the market the world's first handheld, uncooled thermographic camera offering 3.1 megapixels infrared resolution, and providing thermal images in photo quality.

APRIL

NEW EXECUTIVE BOARD TEAM FOR JENOPTIK.

A project group composed of different companies and institutes receives the Stifterverband Science Award for the development of a platform for ultra-short laser pulses. Jenoptik's Lasers & Material Processing division plays an important role in the research project.

Jenoptik Chairman Michael Mertin is ranked second in the "CEO of the Year" rankings published by WirtschaftsWoche magazine.

The Defense & Civil Systems division in Wedel concludes a cooperative agreement with the Fröbel Group for a kindergarten.

MAY

SCIENCE PRIZE FOR THE GROUP PROJECT.

Jenoptik boosts its activities in South America with the founding of JENOPTIK do Brasil. This will afford Jenoptik with greater proximity to its South American customers in the automotive and automotive supplier industries.

For the first time since 2002, the Annual General Meeting approves the payment of a dividend, coming to 0.15 euros per share.

Speed measurement technology of Jenoptik's Traffic Solutions division is installed at four locations in Jena, providing greater safety on the streets.

JUNE

A NEW BASE OF OPERATIONS IN BRAZIL.

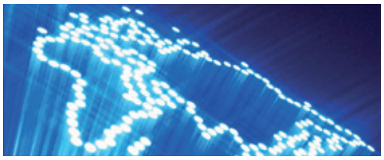
MORE SPACE FOR OPTICAL SHAFT METROLOGY.

OCTOBER

Jenoptik expands its production area for optical shaft metrology at its Jena site. This will provide for a more flexible and rapid fulfillment of customer orders in the future.

Jenoptik's Traffic Solutions division receives an order from the Netherlands for up to 225 mobile speed measurement systems.

A NEW PRESIDENT FOR PHOTONICS21.



NOVEMBER

Jenoptik delivers its first new high-power kilowatt fiber lasers to an Asian customer. The systems are used for cutting metals at great speeds.

As the president of Photonics21, Dr. Michael Mertin will represent the technology platform of the photonics industry over the next several years.

Jenoptik and the IG Metall trade union agree on a new collective wage agreement.

LIGHT SCULPTURES IN JENOPTIK GALLERY.

DECEMBER

Jenoptik's site optimization efforts lay the foundations for future international growth, with North American optics manufacturing being concentrated at the site in Jupiter, Florida, and the production of energy systems focused at two German sites.

At the 40th edition of the tangente art series, Jenoptik presented the light art of Anke Neumann, who is based in Jena.

THE JENOPTIK SHARE

STOCK MARKET TRENDS

The best fiscal year in operative terms in recent years contrasted with a great sense of insecurity and fluctuations on the global capital markets. A dynamic downturn in the world economy, the euro crisis, and rescue attempts on the part of the EU and the ECB decisively affected the atmosphere on the German stock markets this past year. The ECB's liquidity measures at first contributed to a positive 1st quarter for the German markets. As the result of Europe's sovereign debt crisis taking another turn for the worse and due to lowered prognoses, however, in the 2nd quarter of 2012 the indices lost much of ground they had gained. June, on the other hand, would see the beginning of a positive trend on the German stock market that would continue through the end of the year. Overall, the Dax, Germany's benchmark index, rose 25.3 percent for the year, while the TecDax technology index rose 18.4 percent.

JENOPTIK SHARE TRENDS

Jenoptik improved on the market in 2012 by a solid 58.4 percent, the fourth-best performance on the TecDax. This was the best performance over a year since 2000, supported by a solid development of the operating business and two increases or narrowing of the forecast in fiscal year 2012. While Jenoptik did follow the market trend, as described above, it also clearly outperformed the aforementioned indices. Beginning 2012 with a price rise from 4.66 to over 6 euros per share by the end of April, the share price fell strongly in May. The firming up of the forecast in early June and an increase in expected earnings in July led to the share price regaining momentum, especially from early October. Jenoptik topped the year at 7.998 euros on December 3, 2012, the highest it had been since early 2007. The share closed the year on December 28, 2012 at 7.383 euros. Up to February 28, 2013, the share price further increased to 7.687 euros, a rise of 65 percent since the beginning of 2012. All figures are for Xetra closing prices. 1

As the result of the strong rise in price this past year, market capitalization (number of issued shares multiplied by the closing price) also increased considerably. At 57,238,115 shares issued, the figure came to 422.5m euros at the end of the year for a rise of over 60 percent (prev. year 261.1m euros). Through February 28, 2013, market capitalization rose to 440.0 million euros. The increase in interest by investors and public media was reflected in exchange turnover, which rose significantly in the fourth quarter of 2012. The average number of Jenoptik shares traded each day rose to 121,486 last year (2011: 120,407 shares), against the general market trend. The Jenoptik shares improved in the TecDax ranking of the Deutsche Börse, and finished the year 18th in market capitalization with regard to the free float, and 30th in exchange turnover (31.12.2011: 22nd and 32nd place). 4

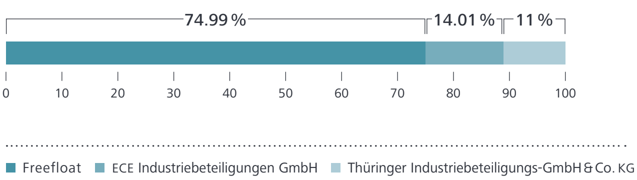
INVESTOR RELATIONS

It is our aim to conduct open and reliable communications with all the company's stakeholders, and especially with stockholders, investors, analysts, and press representatives, as well as with employees and others interested. We provide comprehensive and up-to-date information on the development of our business, while also seeking an active exchange with others. It is important to us to achieve transparency and trust through our continual dialogue.

We pursued this goal in 2012 with a total of 25 presentations at capital market conferences in Frankfurt, Munich, Paris, and Geneva and at road shows in other financial centers in Germany, Switzerland, Austria, Luxembourg, Great Britain, and Scandinavia. Jenoptik held an analyst conference in Frankfurt to mark the reporting of its annual and half-year figures, where management answered questions on past and future business development. The publication of annual and quarterly financial statements was also followed by both conference calls and individual conversations with institutional investors, analysts, and journalists to explain financial figures and strategy. An increasing number of investors have also used the opportunity to travel to Jena and tour Jenoptik's production facilities themselves. Conversations focused, in addition to explanations of financial figures and rising forecasts, on strategy, increasing internationalization, the development of the segments, and the market environment.

1 JENOPTIK SHARE PRICE DEVELOPMENT (Januar 2, 2012 through Februar 28, 2013)

2 SHAREHOLDER STRUCTURE (as of February 28, 2013)



3 JENOPTIK SHARE INFORMATION

ISIN DE0006229107 ··· WKN 622910 ··· Ticker symbol JEN ··· Reuters Xetra JENG.DE ··· Bloomberg JEN GR

Listed in the following indices: TecDax ··· CDax ··· HDax ··· Dax International Mid 100 ··· Prime All Share ··· Technology All Share ··· MIDCAP Market ··· different Dax sector and subsector indices

4 JENOPTIK SHARE KEY FIGURES (in EUR)

	2008	2009	2010	2011	2012
Closing share price (Xetra year-end)	5.00	3.79	5.40	4.56	7.382
Highest share price/Lowest share price (Xetra)	6.07/3.44	6.19/2.83	5.70/3.85	6.58/4.30	7.998/4.502
Non-par value bearer shares issued	52.03m	52.03m	57.24m	57.24m	57.24m
Market capitalization (Xetra year-end)	260.2m	197.2m	309.1m	261.0m	422.5m
Average daily trading volume [1]	160,866	147,065	174,627	120,407	121,486
PER (based on highest share price)/ PER (based on lowest share price)	26.39/14.96	n. a.	35.63/24.06 [2]	10.61/6.93	9.09/5.12
Operating cash flow per share	0.89	1.02	0.74 [2]	1.07	1.41
Group earnings per share	0.23	−0.73	0.16 [2]	0.62	0.88

1) Source: Deutsche Börse
2) Adjusted for discontinued business division

Jenoptik published its first group sustainability report in August 2012 and with that met increasing interest among investors and the general public in sustainability topics, but also the growing importance of these subjects within the Group.

Private investors, analysts, institutional investors, and all who are interested can also find comprehensive and up-to-date information on all aspects of the Jenoptik share and the development of the Jenoptik Group at www.jenoptik.com under "Investors".

In fiscal year 2012, 13 analysts published regularly updated recommendations on the Jenoptik share, with Kepler Capital Markets and Independent Research beginning their coverage. As of the end of February 2013, 8 analysts recommended buying Jenoptik shares and 5 recommended that shares be held. There were no recommendations to sell.

5 ANALYST RECOMMENDATIONS (as of February 28, 2013)

8 x buy, overweight	5 x hold	0 x sell

buy, overweight = positive recommendation, hold = neutral recommendation, sell = negative recommendation

ANNUAL GENERAL MEETING

Over 300 shareholders, representing around 56 percent of nominal capital, and numerous guests were on hand for the JENOPTIK AG Annual General Meeting on June 6, 2012. The Executive Board reported on the success attained in fiscal year 2011 and the company's further strategic development. The agenda included the payment of a dividend, changes in the Articles of Association, and the election of the Supervisory Board. The Jenoptik shareholders approved all points of the agenda with a vast majority. This year, the Annual General Meeting is to take place in Weimar on June 4, 2013.

DIVIDENDS

In fiscal year 2012, Jenoptik paid a dividend to its shareholders for the first time in ten years. The dividend came to 0.15 euros per share for a pay-out ratio (amount of the dividend in relation to the company's earnings) of 25 percent. In addition to financing further growth, management's aim is a policy of dividend continuity. In the view of management, a solid basis of shareholders' equity is of crucial importance, and indeed in the interest of shareholders, as a means of sustaining organic growth and making use of acquisition opportunities.

In fiscal year 2012, the Jenoptik Group was again able to increase its sales and earnings considerably. The Group now has a solid financing structure, geared for the long term, with its equity ratio rising to 49.3 percent. The operative cash flow could be used for the ongoing financing of business and the payment to silent real estate investors.

SHAREHOLDER STRUCTURE

74.99 of shares in JENOPTIK AG are in free float, with a large portion held by institutional investors. ECE Industriebeteiligungen GmbH (ECE) of Vienna, Austria is the largest shareholder at 14.01 percent, while Thüringer Industriebeteiligungs-GmbH & Co. KG, Erfurt (TIB) holds 11.00 percent of all shares. As of December 31, 2012, Jenoptik holds none of its own shares. 2

JENOPTIK GROUP MANAGEMENT REPORT

FOR FISCAL YEAR 2012

64.4%

of sales were generated by Jenoptik abroad in 2012. With approx. 377 million euros in absolute terms we have increased the foreign share compared with the previous year – a confirmation of our consistent strategy of internationalization.

1 BUSINESS AND FRAMEWORK CONDITIONS

1.1 Group structure and business activity

BUSINESS ACTIVITY AND ORGANIZATION

Jenoptik is a globally operating integrated optoelectronics group that operates in the five divisions of Lasers & Material Processing, Optical Systems, Industrial Metrology, Traffic Solutions and Defense & Civil Systems. The divisions form the three segments Lasers & Optical Systems, Metrology and Defense & Civil Systems. Group-wide processes are combined within the Shared Service Center. The strategic further development of Jenoptik is the responsibility of the Corporate Center together with the central areas. 6

Jenoptik is a supplier of high-quality and innovative capital goods and consequently primarily a partner for industrial companies. Jenoptik's customers also include the public sector – directly or indirectly via system integrators. Our range of products comprises OEM or standard components, modules and subsystems through to complex systems and production lines for numerous key sectors. The range also includes total solutions and full-service operator concepts. Research and development play a key role. Development cooperations and developments on behalf of customers are often the beginning of partnerships and business relationships along the value-added chain.

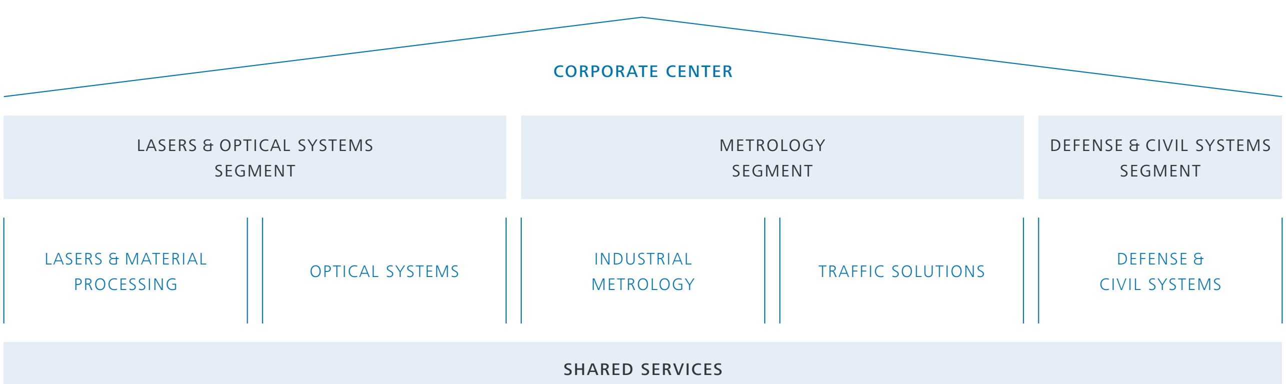
Information on the products and services offered by the segments can be found in the Segment reporting from page 88.

KEY LOCATIONS

The Jenoptik Group is represented in 70 countries worldwide, with a direct presence in 18 of these, e.g. through its own companies or investment holdings. In recent years, Jenoptik has significantly expanded its own international structures. At the end of 2012 an Asiatic holding company was founded, under the umbrella of which Jenoptik will combine its entire Asian business in the future. Under the leadership of a US holding company at the Jupiter location in Florida the overall strategy, finances (corporate center) as well as the shared services will be controlled for the American market. JENOPTIK do Brasil and JENOPTIK Robot Malaysia were established in spring 2012. Jenoptik has had its own operative presence in Singapore since June 2012 from where it will increasingly target the South-East Asian market. 7 8

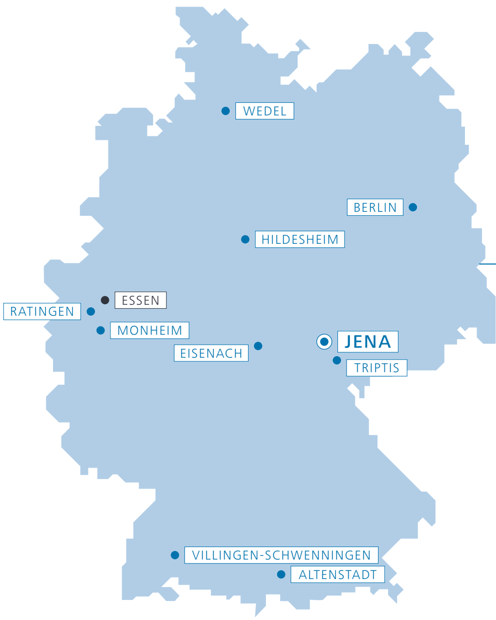
In December 2012, the Group announced its planned optimization of the locations in the United States and Germany. In future, optics manufacturing in North America will be concentrated at the Jupiter site. The production of energy systems will be combined at two German sites in order to continue reducing costs, achieve greater manufacturing flexibility and better drive the technological integration of issues of the future.

6 ORGANIZATIONAL STRUCTURE

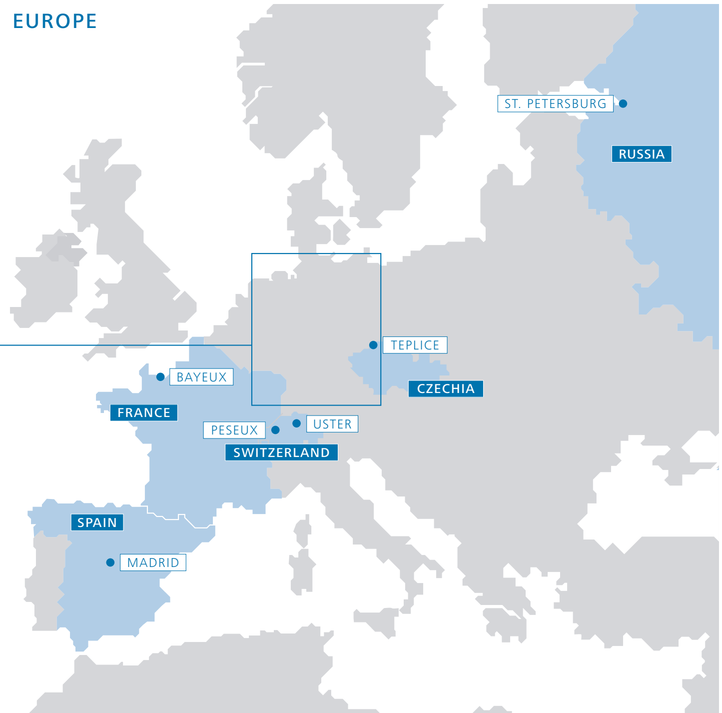


JENOPTIK: THE KEY LOCATIONS

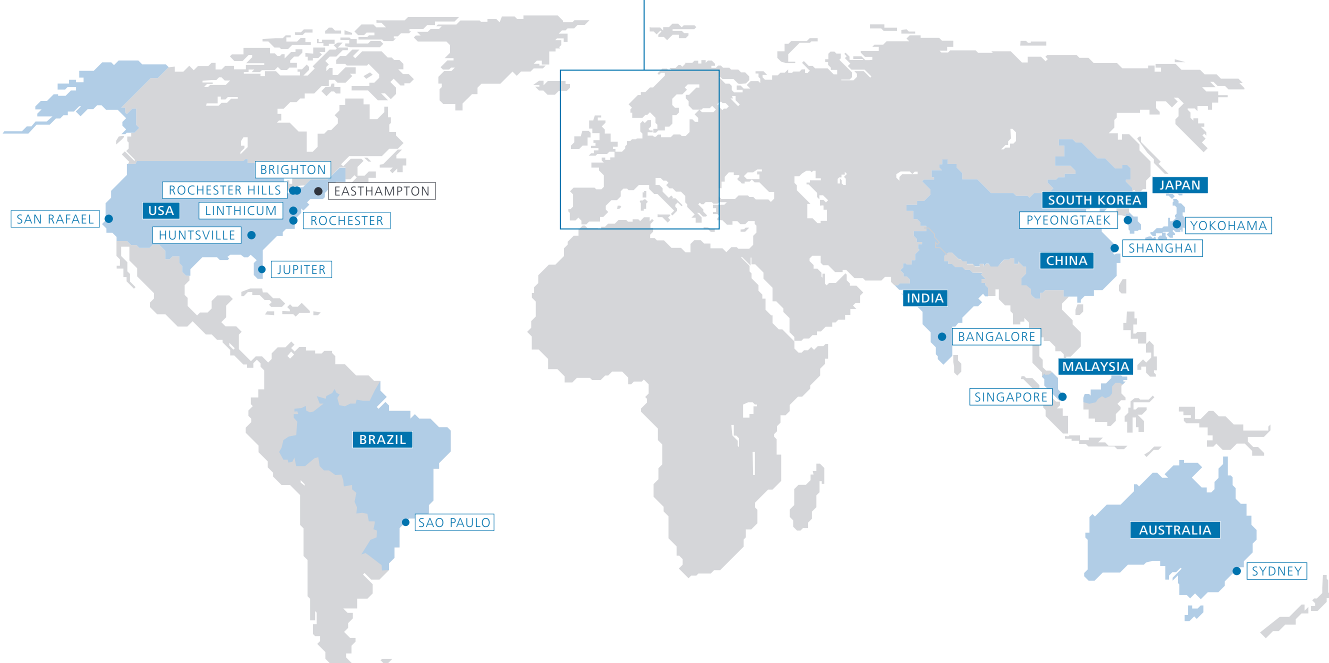
7 GERMANY



EUROPE



8 AMERICA AND ASIA



Jenoptik's headquarters and main focus of production are located in Germany. The Jena headquarters are primarily home to optoelectronic operations, which cover all aspects of lasers, optics, sensors and digital imaging. Other major sites in Germany are at Wedel near Hamburg (Defense & Civil Systems), Monheim near Düsseldorf (Traffic Solutions), Villingen-Schwenningen (Industrial Metrology), Triptis and Eisenach (Optics / Optoelectronics), Berlin (Lasers & Material Processing) and Altenstadt (Defense & Civil Systems). The production and development site of the Defense & Civil Systems segment at Essen will be relocated to Wedel during the course of the current fiscal year 2013.

Outside Germany, Jenoptik has production and assembly sites in the US, France, China and Switzerland. In addition to these and the abovementioned sites, Jenoptik is represented in Japan, Korea, Malaysia, Singapore, Brazil, Russia, the Czech Republic and India.

For further details on the structure and business activity, such as key sales markets and competitive positioning, as well as economic and legal factors which influence our operating business, we refer to the segment reporting from page 80 in this report.

Details on corporate objectives and strategy can be found in the forecast report from page 112.

1.2 Information on takeover law

SUPPLEMENTARY DETAILS IN ACCORDANCE WITH THE TAKEOVER DIRECTIVE IMPLEMENTATION ACT

Reporting on § 289 Para. 4, 315 Para. 4 HGB (German Commercial Code)

1. Composition of the subscribed capital

As of the balance sheet date on December 31, 2012, the subscribed capital totaled 148,819 KEUR (same as of 31.12.2011). It is divided into 57,238,115 (same as of 31.12.2011) no-par value bearer shares. Each share is therefore worth 2.60 euros of the nominal capital.

The same rights and duties apply to all shares of the company. Each share represents one vote at the Annual General Meeting and is the determining factor for the shareholders' share of the corporate profits (§§ 58 Para. 4, 60 AktG (Stock Corporation Act)). The shareholders' rights also include the subscription right to shares in the event of capital increases (§ 186 Stock Corporation Act). In addition, the shareholders are entitled to administrative rights, e.g. the right to participate in the Annual General Meeting and the authority to put forward questions and motions and to exercise their right to vote. The shareholders' additional rights and duties are defined in the Stock Corporation Act, in particular in §§ 12, 53 et seq., 118 et seq. of the Stock Corporation Act. Under § 4 Para. 3 of the Articles of Association, any claim by a shareholder to the securitization of his/her shares is excluded.

2. Restrictions affecting voting rights or the transfer of shares

The Executive Board is not aware of any restrictions relating to voting rights or the transfer of shares.

3. Direct or indirect participations in the capital which exceed 10 percent of the voting rights

Information on direct or indirect participations in the capital which exceed 10 percent of the voting rights can be found in the Group Notes under point 25 "Equity" from page 163.

4. Holders of shares with special rights which confer controlling powers

There are no shares of JENOPTIK AG which entail special rights.

5. Form of controlling voting rights if employees own shares and do not directly exercise their control rights

There are no employee shareholdings and therefore no resultant control of voting rights.

6. Statutory regulations and provisions of the Articles of Association relating to the appointment and dismissal of Executive Board members and changes to the Articles of Association

The appointment and dismissal of Executive Board members is carried out exclusively in accordance with the statutory regulations of §§ 84, 85 Stock Corporation Act as well as § 31 MitbestG (Codetermination Act). In accordance with this, the Articles of Association stipulate in § 6 Para.2 that the appointment of members to the Executive Board, the revocation of their appointment and the conclusion, modification and termination of contracts for services with members of the Executive Board shall be carried out by the Supervisory Board. In accordance with § 31 Para. 2 Codetermination Act, a majority of at least two thirds of the members of the Supervisory Board is required for the appointment of Executive Board members. Revocation of appointment as a member of the Executive Board is only permitted for serious due cause (§ 84 Para. 3 of the Stock Corporation Act).

§ 6 Para. 1 Sent. 1 of the Articles of Association stipulates that the Executive Board of JENOPTIK AG must comprise at least two members. In the absence of a required Executive Board member, in urgent cases the court must appoint the member on the application of a stakeholder (§ 85 Para. 1 Sent. 1 of the Stock Corporation Act). The Supervisory Board can appoint a Chairman of or Spokesperson for the Executive Board (§ 84 Para. 2 Stock Corporation Act, § 6 Para. 2 Sent. 2 of the Articles of Association).

In accordance with §§ 119 Para.1 No. 5, 179 Para. 1 Sent. 1 of the Stock Corporation Act, changes to the content of the Articles of Association are passed by the Annual General Meeting. However, changes relating purely to the wording of the Articles of Association can be passed by the Supervisory Board in accordance with § 179 Para.1 Sent. 2 of the Stock Corporation Act and Article 28 of the Articles of Association. This also includes the corresponding change to the Articles of Association following the utilization of the authorized capital 2010 and of the conditional capital 2009. Under § 24 Para. 1 of the Articles of Association, resolutions by the Annual General Meeting require a simple majority of the votes cast unless stipulated otherwise by law. In those cases in which the law requires a majority of the nominal capital represented for a resolution to be passed, a simple majority of the nominal capital represented is sufficient, unless specified otherwise by the law.

7. Authority of the Executive Board to issue and buy-back shares

The Executive Board is authorized until May 30, 2015, with the consent of the Supervisory Board, to increase the nominal capital of the company by up to 35.0 million euros through one or multiple issues of new, no-par value bearer shares against cash and/or non-cash contributions ("authorized capital 2010"). The new shares may be acquired by one or several credit institutions, under the obligation to offer them to shareholders (indirect subscription right). The Executive Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders

(a) for fractional amounts;

b) in the event of capital increases against non-cash contributions, in particular also as part of corporate mergers or for the acquisition of companies, parts of companies or investments in companies;

(c) in the event of capital increases in return for cash contributions, to the extent that the portion of the nominal capital attributable to the new shares, taking into account resolutions by the Annual General Meeting and / or the utilization of other authorizations to exclude the subscription right in direct or corresponding application of § 186 Para. 3 Sent. 4 of the Stock Corporation Act since the date on which such authorization becomes effective, neither exceeds a total of ten percent of the

nominal capital as of the date of registration for such authorized capital, nor exceeds a total of ten percent of the nominal capital in existence as of the date of issue of the new shares and the issue price of new shares is not significantly below the stock exchange price;
(d) for the issue to employees of the company and in companies in which Jenoptik has a majority participation.

Decisions on the details of the issue of new shares, in particular their conditions and the content of rights of the new shares, are taken by the Executive Board, with the consent of the Supervisory Board.

The nominal capital of the company is conditionally increased by up to 23.4 million euros through the issue of up to 9,000,000 new no-par value bearer shares (conditional capital 2009). Detailed information on the "conditional capital 2009" can be found in the Group Notes on page 164. The conditional capital increase will only be executed to the extent that

- the creditors/owners of option certificates or conversion rights issued up to May 30, 2014 by the company or a domestic or foreign company in which the company has a direct or indirect majority stake, pursuant to the resolution of the Annual General Meeting dated June 3, 2009, exercise their options or conversion rights and/or
- the creditors of the issued convertible bonds obliged to exercise their conversion rights which were issued by the company or a domestic or foreign company in which the company has a direct or indirect majority stake, on the basis of the resolution of the Annual General Meeting on June 3, 2009, fulfill their conversion rights by May 30, 2014 and neither own shares are used nor is payment made in cash. The new shares participate in profits from the start of the fiscal year for which, on the date of their issue, no resolution has yet been passed by the Annual General Meeting in respect of the appropriation of profits. The Executive Board is authorized to define further details regarding the issue and terms of the convertible bonds and option bonds and the execution of the conditional capital increase.

Under a resolution passed by the Annual General Meeting on June 9, 2010, the Executive Board is authorized up to May 31, 2015 to purchase own no-par value bearer shares not exceeding a proportion of ten percent of the nominal capital for purposes other than trading in its own shares. The treasury shares purchased, together with shares that the company has already purchased and still owns (including shares to be attributed in accordance with § 71a et seq. of the Stock Corporation Act), may not account for more than ten percent of the nominal capital of the company. The authorization may be exercised in whole or in part, on a one-off or repeat basis, for one or more authorized purposes by the company or by its group companies or by third parties for its or their account. At the decision of the Executive Board, acquisition is by purchase on the stock exchange or by means of a public purchase bid. Further details regarding the buyback of shares are described in the invitation to the Annual General Meeting 2010, accessible to the general public on our website at www.jenoptik.com in the category Investors/Annual General Meeting.

8. Key agreements in the event of a change of control resulting from a takeover bid

There are clauses which apply to a joint venture which has been terminated in the meantime and various financing agreements with a total utilized volume of approx. 97.5 million euros (prev. year 94.8 million euros) in the event of a change of control in the shareholder structure of JENOPTIK AG as the result of a takeover bid.

The conditions for the acceptance of a change of control differ in the respective loan agreements. In any event, contracts with a total volume of 49.4 million euros (prev. year 50.5 million euros), of which just 7.5 million euros (prev. year 4.8 million euros) was utilized as at December 31, 2012, provide the lender with a special right of termination should the threshold of 30 percent for the submission of a takeover bid under §§ 29 Para. 2, 35 Para. 1, Para. 2 WpÜG (Securities Acquisition and Takeover Act) be reached, in some cases however once a shareholding actually exceeds 25 percent.

For the debenture loan placed in 2011 with a total utilized volume of 90.0 million euros, the lenders have the right to special termination of the loan in the amount corresponding to their share of the loan and to demand the immediate repayment of this capital sum plus the interest accumulated up to the repayment date. A change of control applies if one or more persons acting in concert, with the exception of the existing main shareholders on the date the contract is concluded, acquire more than 30 percent of the outstanding nominal capital or more than 30 percent of the voting rights, directly or indirectly at any time.

Another financing framework agreement totaling 8.0 million euros, as yet unutilized, purely entails an obligation on the part of JENOPTIK AG to notify the bank in the event of a change of control. If this notification leads to an increase in the risk assessment by the bank it will be entitled to demand the provision of or increase in existing securities.

There is a framework agreement in place with one joint venture partner that grants Jenoptik direct access to a comprehensive basis of patents, technological expertise and components that the partner possesses in the field of fiber laser development and manufacture and which contains the special agreements described below: in the event of a change of control in a competitor of the joint venture partner within a specific period, Jenoptik’s right of use is limited to the manufacture and distribution of the product portfolio manufactured with the help of the rights of use granted on the date on which the change of control takes effect. The right granted to Jenoptik to purchase components for a specific period expires at the end of a transitional period. Although the joint venture has been in liquidation since mid-2011, the rights of use granted continue to exist and the rules relating to the consequences of a change of control therefore also remain in force.

9. Compensation agreements by the company with Executive Board members or employees in the event of a takeover bid

Agreements, which are covered by the conditions of a change of control and meet the criteria of material relevance, have been concluded with both members of the Executive Board in the event that they terminate their contract of service as a result of a change of control through acquisition of at least 30 percent of voting rights by a third party. The compensation agreements contained within the contracts of service include payment of the contracts for the normal remaining period of the contract plus the period for which bridging payments are made as well as compensation for the bonus calculated as an average value. The compensation is limited to a maximum of three times annual salary. In addition, in the event of voluntary resignation due to a change of control, both members of the Executive Board will receive a contractually vested right to their benefits if they continue to pay their contributions until the regular end of each of their contracts for services (however for a maximum of three years). A corresponding agreement was also contained in the service contract with Mr. Frank Einhellinger which expired on June 30, 2012 and, who, resigned his mandate as Chief Financial Officer last year at his own request. There are no comparable agreements with employees of the company.

1.3 Management, supervision and control

SUPERVISORY BOARD

The Supervisory Board of JENOPTIK AG comprises twelve equal members, six of whom are employee representatives. Rudolf Humer, entrepreneur, Hinterbrühl (Austria) has been Chairman of the Supervisory Board since June 2008. The elections of the employee representatives on the Supervisory Board were held on March 20, 2012, with the candidates taking up their roles on the Supervisory Board with effect from the end of the Annual General Meeting on June 6, 2012. The shareholder representatives were also elected at the Annual General Meeting on June 6, 2012. Detailed information on the Supervisory Board can be found in the report of the Supervisory Board, the explanation on management of the company on pages 16 as well as in the Group Notes from page 182.

EXECUTIVE BOARD AND EXECUTIVE MANAGEMENT BOARD (EMB)

The Executive Board of JENOPTIK AG comprises two members as at the end of 2012: Dr. Michael Mertin, Chairman of the Executive Board and Rüdiger Andreas Günther, Chief Financial Officer. Dr. Michael Mertin joined Jenoptik from Carl Zeiss in 2006 as Chief Operating Officer and since July 2007 has been Chairman of the Executive Board of JENOPTIK AG. In September 2011 he was appointed Chairman of the Executive Board of JENOPTIK AG for a further five years commencing with effect from July 2012. He is responsible for the entire operating business as well as for the areas of legal affairs, strategy, business development & innovation management, communication & marketing, quality & processes, procurement & supply chain management, auditing, executive support, corporate governance, data protection, IT, Shared Service Center and for the area of HR as Employment Director.

Jenoptik has had a new Chief Financial Officer since April 1, 2012. Rüdiger Andreas Günther took over the running of the financial side from Frank Einhellinger who had resigned his post with effect from March 31, 2012, with the consent of the Supervisory Board and left JENOPTIK AG at the end of June 2012 at his own request.

Rüdiger Andreas Günther was elected to the Executive Board for three years and in this role has been responsible since then for the areas of accounting & controlling, treasury, taxes, mergers & acquisitions, investor relations, the strategic management of the real estate portfolio as well as risk and compliance management.

The extended management of the Jenoptik Group is the Executive Management Board (EMB, see page 188), the members of which, in addition to the Executive Board, include the Head of Human Resources, Purchasing, Supply Chain & Shared Services as well as the five Heads of Division. The EMB takes the strategic and operational, cross-sectional decisions for the whole Group and met a total of six times in 2012.

CONTROL SYSTEM AND PERFORMANCE INDICATORS

Jenoptik controls its business units on both the strategic and operational levels. As part of the strategy process, two meetings a year are held between the Executive Board and the management of the respective operational unit, the aim of which is both to define the strategic direction and to monitor the path which has been mapped out. Opportunities and risks are identified on the basis of global megatrends, the future product-market combinations established, growth paths defined, the areas of focus for research & development determined and the progress of strategically relevant programs monitored.

A medium-term budget planning for a period of five years is drawn up once a year on the basis of the strategic objectives, summarizing the proposed economic development. Further information on the 2012 planning process can be found in the Forecast Report from page 188.

Monthly earnings meetings are a body for operational control where the areas report to the Executive Board on the economic situation, key developments in the day-to-day business and special business events. The comparison of the actual financial figures with the target and the previous year's figures is an important control instrument. In addition, the planning is updated four or five times a year as part of the forecasting. In the earnings meetings, quality-related factors such as customer relationships, projects, competitive environment and other indicators are also discussed. A reduction in the order intake, the book-to-bill ratio, the development of industry indicators as well as selected information from the sales personnel all serve as an early warning system.

The Jenoptik system of performance indicators encompasses financial and non-financial control parameters. The key performance indicators focus on shareholder value and the requirements of the capital market. The Group used in particular the indicators EBIT and free cash flow to control activities. In addition, sales, net profit, ROCE, ROE, working capital, investment volume, net debt, number of employees, order intake and backlog are major figures. The strategic control is supported by indicators which are based on the Group's five value levers. Information on the Group's five value levers and the strategic further development can be found in the Forecast Report from page 112.

Jenoptik is currently working on expanding and enhancing harmoniziation of the control system. Significant progress was achieved on the concept design level in fiscal year 2012. For example, a new multi-stage direct costing method was adopted. These and other concepts will be implemented on a group-wide basis within the framework of the Jenoptik One ERP program (JOE) (see page 72) from 2013. The Go-Lean program which was started up in 2012 will also increase the proportion and quality of the process-related control indicators; a detailed report on this program is contained on page 72 of the Annual Report. The further development of the control system will in future also remain one of the key themes as part of Jenoptik's process of continual improvement.

1.4 Remuneration report

REMUNERATION FOR THE EXECUTIVE BOARD

The remuneration report below sets out the basic principles of the remuneration system for the members of the Executive Board and Supervisory Board and gives details of the total remuneration for the individual members.

EXECUTIVE BOARD REMUNERATION SYSTEM

The criteria for defining the appropriateness of the remuneration for the Executive Board of Jenoptik are primarily the tasks of the members of the Executive Board, their personal performance, the economic situation, the success of the company and its prospects. Customary levels within the comparative companies are another factor in the remuneration. The remuneration for the Executive Board of Jenoptik consists of non-performance-related and performance-related components. The performance-related components include the fixed remuneration, fringe benefits and retirement benefits. Part of the performance-related bonus is paid in cash and part in the form of virtual shares. The long-term incentive component (LTI), based on virtual shares, incentivizes the long-term approach and promotes the sustainable development of the company.

Following preparation by the Personnel Committee, the Supervisory Board is responsible for the structure of the remuneration system and the composition of the remuneration for the individual Executive Board members. In June 2011, the Annual General Meeting approved the remuneration system for the Executive Board with a clear majority. As part of the reappointment of Dr. Michael Mertin as Chairman of the Executive Board and HR Director of JENOPTIK AG and the resultant extension of his contract, some adjustments were made to the contract of employment, as described in the previous year's Remuneration Report. The current remuneration system essentially corresponds to the system approved by the Annual General Meeting. With the consent of the Supervisory Board, Frank Einhellinger decided to relinquish his mandate on the Executive Board with effect from March 31, 2012 and not to extend his contract beyond June 30, 2012, but be available to the company as an adviser for a transitional period. At its meeting on December 15, 2011, the Supervisory Board of JENOPTIK AG appointed Rüdiger Andreas Günther as ordinary member of the Executive Board and successor to Frank Einhellinger as Chief Financial Officer with effect from April 1, 2012. The appointment is for three years. The contractual provisions of the contract of employment with Mr. Günther largely correspond to those of the new contract with Dr. Mertin, applicable from July 2012, unless specified otherwise below.

Fixed remuneration. The non-performance related basic salary is paid on a pro rata basis each month. The figure for Dr. Mertin has been 510 KEUR p.a. since January 1, 2011, and for Mr. Günther 380 KEUR p.a. since April 1, 2012, payable respectively in twelve equal installments at the month´s end. The fixed remuneration paid to Frank Einhellinger for the 1st quarter 2012 was 83 KEUR.

Variable remuneration. The members of the Executive Board are entitled to a bonus granted partly in cash and partly in the form of virtual shares. It is based on personal target agreements to be concluded in the first quarter of each calendar year between JENOPTIK AG, represented by the Supervisory Board, and the respective member of the Executive Board. The target agreement must be oriented towards the company's sustainable development and sets targets for the Group as a whole as well as for the company's success. The bases for the fiscal year 2012 were the Group EBIT, operating free cash flow, Group net income, share price-related, strategic and operating targets for the corresponding year and of a long-term nature as well as an individual performance assessment. There is a cap and thus an upper limit but no guaranteed lower limit to the overall bonus. The actual amount of the variable remuneration is dependent upon the attainment of the targets as per the target agreement. If defined minimum requirements are not achieved for individual targets then no proportional bonus is paid for this part of the target.

Financial targets account for 50 percent of the bonus, short and medium-term operational targets 25 percent and medium and long-term strategic objectives 25 percent. The total bonus is paid two-thirds in cash and one-third in the form of virtual shares.

A pro rata fixed bonus based on a 100 percent target attainment was agreed with Rüdiger Andreas Günther for the period from the commencement of his activities on April 1, 2012 up to December 31, 2012 and with Frank Einhellinger for the 1st quarter of 2012. In addition, a bonus was agreed with Frank Einhellinger, dependent upon the completion of certain tasks in connection with the transfer to his successor.

The portion of the variable remuneration payable in cash is due on adoption of the respective financial statements of JENOPTIK AG and the final auditing and approval of the consolidated financial statements by the Supervisory Board.

The allocation of the virtual shares granted as a long-term incentive is carried out within the context of determining the level of target attainment. The calculation of the number of shares is based on the average closing price of the Jenoptik share in the fourth quarter of the calendar year before the last. Payment is made at the end of the fourth subsequent year after allocation, based on the average closing price of the Jenoptik share in the full fourth subsequent year. The subsequent year is the calendar year following the calendar year for which the target agreement was concluded. In the event of virtual shares being granted as part of the target agreement for the year 2012, this means that the virtual shares will be allocated within the framework of establishing the level of target attainment in the year 2013, and payment of the monetary value of the virtual shares – the level of which will be calculated on the basis of the average price of the shares in 2016 – will be made at the beginning of the year 2017.

Dividend payments made to shareholders of JENOPTIK AG in the interim are taken into account by additional virtual shares being granted in the equal amount of the dividends.

The employment contracts of Dr. Michael Mertin and Rüdiger Andreas Günther contain provisions for the potential consequences of certain circumstances, in particular conversion and capital measures on the virtual shares granted. In the year in which the contract of employment with the member of the Executive Board expires, the bonus is paid pro rata temporis, based on the actual target attainment and without division into cash bonus and virtual shares. Payment for virtual shares allocated at the time of the termination of the service contract, for which the fourth subsequent year has not yet expired, is made at the value based on the average price over the last thwelve months prior to the date of termination of the service contract.

The contract of employment with Dr. Mertin includes an agreement for an annual review of the total remuneration.

The payment of the fixed bonus agreed with Frank Einhellinger for the 1st half of 2012 in the sum of 56 KEUR gross plus the bonus payment in the amount of 25 KEUR gross was made in February 2013. In addition, an agreement was concluded with Frank Einhellinger in January 2013 in settlement of the 66,622 virtual shares granted to him since the year 2010 as a member of the Executive Board, plus the virtual shares granted to him in place of dividends, under which he was paid the sum of 489 KEUR gross in January 2013.

Contracts for retirement benefits were concluded in 2007 for Dr. Mertin and Frank Einhellinger and in 2012 for Rüdiger Andreas Günther. The pension commitment is based on a pension fund reinsured by a life insurance policy. This is a defined contribution scheme within the framework of a provident fund. The cost for the provident fund in 2012 totaled 240 KEUR for Dr. Mertin and 25 KEUR for Mr. Einhellinger. An annual pension contribution amounting to 80 KEUR was agreed with Mr. Günther, therefore 60 KEUR were granted in 2012.

Fringe benefits exist in the form of an occupational indemnity insurance for Dr. Mertin and for Frank Einhellinger up to his departure from the company. In addition, Executive Board members are entitled to the private use of a company car. In addition, Rüdiger Andreas Günther was also reimbursed for the temporary costs for secondary accommodation at the registered offices of the company, as well as for relocation expenses in 2012. There is a third party financial loss-liability insurance for the members of the Executive Board with the contractual obligation to pay a deductible amounting to 10 percent of the loss per claim, however up to a maximum sum of 150 percent of the fixed salary for all claims per year.

If the contract of service with the Executive Board Chairman Dr. Mertin is not extended beyond the end of its regular term of June 30, 2017, with effect from this date he has an entitlement to bridging payments in the sum of 80 percent of one twelfth of the annual salary for a period of 12 months. Emoluments of the Executive Board member resulting from a freelance and / or employed activity, in particular as a member of a management and supervisory body of another company, as well as any compensation for a non-competition clause, will be offset against the bridging payments. Bridging benefits are not payable if the non-renewal of the service contract is attributable to serious breaches of duty by the Executive Board member, in the event of extraordinary termination of the employment relationship, or if the Executive Board member rejects an extension of the service contract on the same, equivalent or enhanced terms.

Under Point 4.2.3 Para. 4 of the German Corporate Governance Code (Code), when concluding contracts for members of the Executive Board care should be taken to ensure that payments to a member of the Executive Board on premature termination of his / her activity for the Executive Board without good reason do not exceed the equivalent of two years' remuneration (settlement cap) and that payment does not extend beyond the remaining period of the contract of employment. In the declaration of conformity dated December 13, 2012, Jenoptik gave an explanation for a deviation from this recommendation for the employment contract of the Chairman of the Executive Board; this explanation and the reasons for it are given from page 13 of the Annual Report.

In the event of a change of control of JENOPTIK AG, a change-of-control clause will come into force for the members of the Executive Board with effect from the acquisition of a controlling interest in accordance with §§ 29, 35 Para. 1 Sent. 1 of the Securities Acquisition and Takeover Act (WpÜG), i. e. an acquisition of at least 30 percent of the voting rights in JENOPTIK AG, granting the members of the Executive Board the right to give notice of termination within a specified period following the change of control. In the event of notice of termination being issued, the Executive Board member will be entitled to payment of a settlement in the maximum sum of 36 months' salary plus a variable remuneration on a pro rata basis depending upon the residual period of his / her contract of employment. In addition, if the pension contributions continue to be paid up to the normal expiry of the respective contract of employment, however for a maximum period of three years, the members of the Executive Board will receive a contractually vested entitlement to pension benefits.

Post-contractual non-competition clauses for a period of one year have been agreed with the Executive Board members in their contracts of employment. The respective member of the Executive Board is paid 50 percent of the above-mentioned gross annual remuneration as compensation for the non-competition clause. However, prior to the actual end of the contract of employment Jenoptik can waive the post-contractual non-competition clause by way of a declaration in writing to the respective Executive Board member to the effect that on expiry of a period of three months from the date of the declaration Jenoptik is released from the obligation to pay the compensation.

TOTAL REMUNERATION OF THE INDIVIDUAL MEMBERS OF THE EXECUTIVE BOARD.

The table below contains a list of the remuneration components granted to the members of the Executive Board Dr. Michael Mertin and Rüdiger Andreas Günther in the fiscal year just past, as well as for Frank Einhellinger who resigned from the Executive Board on March 31, 2012. The summary differentiates between five components, the fixed component, variable remuneration, share-based long-term incentive component, retirement benefits and fringe benefits. 9

Subject to the consent of the Supervisory Board, the variable remuneration for fiscal year 2012 for Dr. Mertin will be 731.5 KEUR in cash and 75,572 virtual shares. Further details on the share-based remuneration in the form of virtual shares can be found under Point 30 in the Notes from page 169 which we also see as an integral part of this remuneration report.

REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD

The remuneration system for the Supervisory Board of JENOPTIK AG, which had previously been based on provisions contained in the Articles of Association from the year 2007, was modified in 2012. A comparison with other TecDax companies had shown that as a result of numerous new statutory requirements the remuneration of the Supervisory Board did not take sufficient account of the increased demands on the controlling activities of the Supervisory Board. However, under Point 5.4.6 Para. 1 Sent. 2 of the German Corporate Governance Code (Code), the remuneration should also take into consideration the level of responsibility and scope of the activities performed by the members of the Supervisory Board as well as the economic situation and the company's results.

The Annual General Meeting therefore agreed on June 6, 2012, to increase the fixed and performance-related remuneration each by one-third. The new rules have applied from the end of the Annual General Meeting on June 6, 2012. Up to that date the previous version of § 19 of the Articles of Association applies to the remuneration of the Supervisory Board members.

9 COMPONENTS OF THE REMUNERATION OF THE EXECUTIVE BOARD

	Dr. Michael Mertin (Chairman of the Executive Board)		Frank Einhellinger (Executive Board member until 31.3.2012)		Rüdiger Andreas Günther (Executive Board member since 1.4.2012)
in KEUR	2012	2011	2012	2011	2012
Fixed remuneration	510.0	510.0	83.3	333.0	285.0
Variable remuneration	731.5	687.7	81.3	300.0	210.0
LTI 2011 [1)]	–	206.8	–	81.7	–
LTI 2012 valued at issue price [2)]	365.8	–	29.0	–	105.0
LTI 2012 share price increase in 2012 [3)]	192.0	–	4.6	–	55.1
Total remuneration	1,799.3	1,404.5	198.2	714.7	655.1
Retirement benefits	240.0	240.0	24.8	99.9	60.0
Fringe benefits	30.2	36.7	4.9	17.0	34.8
Total of other benefits	270.2	276.7	29.7	116.9	94.8

1) valued at the qualifying date 31.12.2011
2) average closing price in Xetra trading, 4th quarter 2012
3) valued at the qualifying date 31.12.2012 (for Frank Einhellinger as at 31.03.2012)

The remuneration of the members of the Supervisory Board comprises a fixed and a performance-related component. The fixed annual remuneration was increased from 15 KEUR to 20 KEUR. The Chairman of the Supervisory Board receives double and his / her deputy one-and-a-half times this amount. The fixed remuneration is payable on expiry of the fiscal year. In addition, each member of a committee receives an annual remuneration in the sum of 5 KEUR. The Chairman of the committee receives double this amount. The annual remuneration for the Audit Committee, whose activities are particularly labor- and time-intensive, was increased from 5 KEUR to 10 KEUR. The Chairman of the Audit Committee receives double and his / her deputy one-and-a-half times this amount.

If Group earnings before tax exceed 10 percent of the Group shareholders' equity at the end of the fiscal year, each member of the Supervisory Board now receives a performance-related annual payment in the sum of 10 KEUR instead of the previous 7.5 KEUR. The performance-oriented annual payment is increased to 20 KEUR (up to the Annual General Meeting on June 6, 2012: 15 KEUR), providing Group earnings before tax exceed 15 percent of the Group shareholders' equity at the end of the fiscal year. The Chairman of the Supervisory Board receives double and his / her deputy one-and-a-half times this amount. The consolidated financial statements for the corresponding fiscal year are definitive for the calculation of the earnings before tax and the shareholders' equity. The annual performance-oriented remuneration is payable after the Annual General Meeting which approves of the actions of the Supervisory Board for the past fiscal year, i.e. normally after the Annual General Meeting of the following fiscal year.

Group earnings before tax for the year 2011 exceeded the abovementioned figure of 10 percent of the Group shareholders' equity at the end of the fiscal year 2011, consequently the members of the Supervisory Board received a performance-related payment in the sum of 7.5 KEUR each for the fiscal year 2011 following the Annual General Meeting in June 2012. The Chairman of the Supervisory Board received double and his/her deputy one-and-a-half this amount.

Members of the Supervisory Board who have only served on the Supervisory Board or a committee for part of the fiscal year received a pro rata payment.

The members of the Supervisory Board were paid a meeting allowance of 0.6 KEUR for attendance up to June 6, 2012. This allowance was increased to 1 KEUR with effect from the end of the Annual General Meeting on June 6, 2012. For conference calls or attending multiple meetings on the same day, they are now paid half of the agreed meeting allowance from the second meeting. Under the new remuneration system, verified expenses incurred in connection with the meeting are reimbursed in addition to the meeting allowance; the reimbursement for travel and overnight accommodation costs in connection with a meeting held in Germany is limited to 0.6 KEUR. Previously, expenses incurred by a member of the Supervisory Board in connection with the performance of his / her duties were reimbursed in return for supporting receipts, where these were directly associated with participation at a meeting of the Supervisory Board or one of its committees, however, this only applied providing the amount involved exceeded 0.6 KEUR. JENOPTIK AG also reimburses the members of the Supervisory Board for any value added tax applicable to the payment of their remuneration.

In fiscal year 2012, 298.2 KEUR was set aside as a provision for the fixed remuneration of the Supervisory Board and its committees to be paid in January 2013 and 102.6 KEUR for the variable remuneration to be paid after the Annual General Meeting in June 2013. Jenoptik did not pay any other remuneration or benefits to the members of the Supervisory Board for services rendered personally by them, in particular consulting and intermediary services.

The Chairman of the Supervisory Board Rudolf Humer issued a written statement to the Executive Board waiving all his claims to remuneration as Chairman of the Supervisory Board and committee member to which he was entitled for his activities since April 1, 2011. This also applies to any meeting allowances and any performance-related remuneration.

1.5 Development of the economy

DEVELOPMENT OF THE ECONOMY AS A WHOLE

The uncertainty in the global economy continued in 2012. Although many industrialized countries had taken fiscal consolidation measures at the beginning of the year, the sovereign-debt crises increasingly affected also countries outside the euro area. At the end of the year, the imminent fiscal cliff in the United States also unsettled the markets. According to the International Monetary Fund (IMF), the economy worldwide expanded by 3.2 percent in 2012, 0.7 percentage points less than in the previous year. In the view of the World Bank, the risk of a serious financial crisis emanating from Europe was largely avoided because appropriate measures were taken to shore up the euro. 10

According to the US Department of Commerce, after a moderate start the economy in the US grew unexpectedly by 3.1 percent in the 3rd quarter of 2012 but declined in the 4th quarter by 0.1 percent compared with the same quarter in the previous year. Because of the impending fiscal cliff – which was temporarily postponed at the beginning of 2013 – government spending and investment had reduced. In December 2012, however, industrial production rose again, prompting optimism about the economic situation.

Economic momentum in the euro zone steadily declined in 2012, with the result that the IMF calculated a fall of 0.4 percent in GDP for the year 2012 as a whole. At the end of the year, there were signs of a slight recovery as industrial production had grown more than expected according to the European statistics office Eurostat.

After a good start, the German economy showed a marked cooling in the 2nd half of 2012 because of the difficult environment. According to the Federal German Department of Statistics, economic performance shrank in the 4th quarter by 0.6 percent compared with the previous quarter; industrial production declined by 3.2 percent. For the year as a whole, the Federal German Department of Statistics calculated a growth in GDP of 0.7 percent; exports were the key growth driver. German exports rose by 3.4 percent compared with the previous year to a new record high of 1.1 trillion euros.

In the emerging markets, economic momentum also slowed in 2012: according to the IMF, the increase in GDP declined to 5.1 percent compared to the previous year (prev. year 6.3 percent). China experienced its weakest year economically since 1999: according to the Chinese Statistics Office, the rise in GDP was 7.8 percent in 2012. However, the 4th quarter saw the return to a sharp rise in exports, industrial production and retail sales. India's economy weakened more than expected in 2012: GDP only grew by 5 percent compared with the previous year. That was the lowest increase in a decade. Brazil's economy only expanded by about 1 percent in 2012 according to the IMF.

10 CHANGE IN GROSS DOMESTIC PRODUCT

in percent	2010	2011	2012	2013 [1]	2014 [1]
World	5.2	3.9	3.2	3.5	4.1
USA	3.0	1.8	2.3	2.0	3.0
Euro zone	1.9	1.4	−0.4	−0.2	1.0
Germany	3.6	3.1	0.9	0.6	1.4

Source: International Monetary Fund, World Economic Outlook (Update), January 2013 | 1) Forecast

DEVELOPMENT OF THE INDIVIDUAL JENOPTIK SECTORS

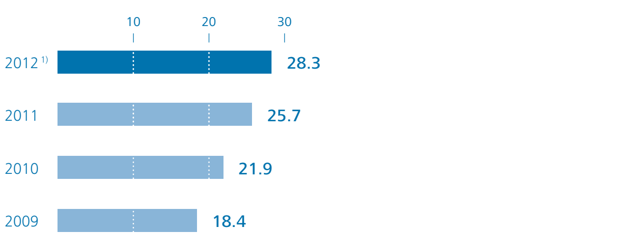
The Jenoptik Group targets the high-growth markets of the automotive / machine construction, aviation / traffic, security and defense technology, semiconductor and semiconductor equipment and medical technology industries.

According to provisional calculations by Spectaris, the German photonics industry increased sales to 28.3 billion euros in 2012, a rise of approximately 10 percent over the previous year. The growth markets continue to include the semiconductor, laser and LED industries as well as life sciences. The Spectaris Global Market Index for optical technologies had fallen below the key reference mark of 200 points in the 1st quarter of 2012 but was above this figure in subsequent quarters. The index assesses the sales performance of 15 international companies in the sector. Jenoptik uses optical technologies in all three segments and is an established partner of the global photonics industry. 11

As expected, sales in the global laser market increased slightly in 2012 by 1.2 percent to 7.57 billion US dollars, as reported by market researchers from Strategies Unlimited in the magazine "Laser Focus World". According to analyses by "Industrial Laser Solutions" (ILS), sales of industrial lasers in 2012 rose by 7 percent compared to the previous year to 2.1 billion dollars. Laser system sales worldwide were almost 7.5 billion US dollars, with laser cutting machines for metal processing accounting for about 60 percent of this figure. In addition, high-power fiber lasers for metal processing continued to gain ground; sales of fiber lasers increased in 2012 in both areas by 16 percent according to ILS. Jenoptik supplies the market with laser diodes, laser systems and complete laser machines. In 2012, Jenoptik added a kilowatt fiber laser, optimized for metals processing, to its fiber laser product portfolio. 12

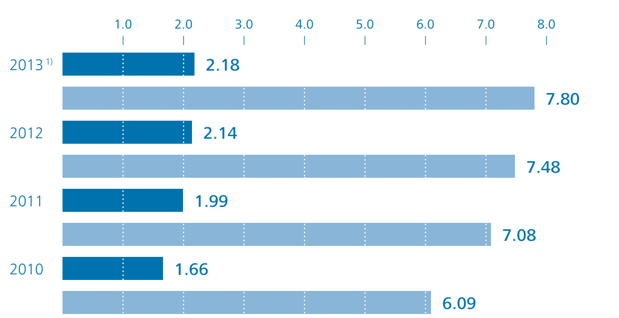
According to the Semiconductor Industry Association (SIA), the semiconductor industry proved resistant despite macroeconomic challenges, although it reported markedly lower sales than it anticipated in autumn of 2012. According to SIA, global sales in 2012 fell by 2.7 percent compared with the previous year, to 291.6 billion US dollars; according to the IT analyst Gartner, the figure was 3 percent to 298 billion US dollars. The weak 4th quarter 2012 also had an impact on development in the semiconductor equipment industry, an important sector for the Jenoptik Lasers & Optical Systems segment. Based on provisional calculations from the association SEMI, global sales declined by 12.2 percent in 2012 compared with the previous year, to 38.2 billion US dollars. In the segment for wafer processing equipment, sales reduced by almost 15 percent to 29.3 billion US dollars. In 2012, Jenoptik generated 12.4 percent of its sales with the semiconductor and semiconductor equipment industry. 13

11 MARKET FOR THE GERMAN PHOTONICS INDUSTRY
(in billion euros)



Source: Sector association Spectaris, | 1) Forecast: 10 percent increase over 2011

INDUSTRIAL LASERS: GLOBAL SALES 12
(in billion US dollars)



Laser | Laser systems
Sourced: Industrial Laser Solutions, January 2013 | 1) Forecast

Medical technology manufacturers in Germany continued their success in 2012. According to provisional calculations by the industry association Spectaris, the sector increased sales by 4 percent to 22.2 billion euros in 2012, primarily as a result of a marked rise in foreign sales. In its Medical Global Medical Technology Market Index, Spectaris analyzes the development of sales of 13 international companies in the sector. In 2012, Jenoptik achieved 5.4 percent of group sales with the medical technology industry.

According to the German Engineering Federation (VDMA), it was a better year for the sector than had been anticipated in spring 2012. Production in 2012 increased by 2 percent, industry sales came in at approximately 209 billion euros, about 1 billion euros above the previous record in 2008. According to VDMA, exports to the United States accounted for approx. 20 percent, with the growth region of South-East Asia making up about 21 percent. As a result of the high figures in the previous year, the industry posted an overall reduction of 3 percent in order intakes. The German machine tool industry reported high order backlogs and robust international business in 2012, especially with the USA. According to the Association of German Machine Tool Manufacturers (VDW), the industry recorded a net increase of 9 percent in production, to 14.1 billion euros. 14

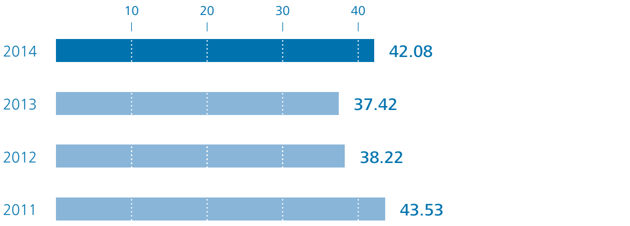
According to the German Association of the Automotive Industry (VDA), international markets were generally stable in 2012 compared to the previous year. There was solid growth, especially in the US (up 13 percent) and Japan (up 30 percent). However, sales in Western Europe decreased by 8 percent in 2012, in Germany by almost 3 percent. The consequences of the downturn in Europe were over-capacities, production interruptions and announcements of factory closures. According to the VDA, 4 percent more vehicles were sold worldwide, giving a total net figure in excess of 68 million vehicles.

The mechanical engineering and automotive industry markets are important target industries, especially for the Jenoptik Lasers & Optical Systems and Metrology segments. In 2012, Jenoptik generated its highest proportion of sales in these segments at 27.5 percent.

The market for traffic safety was characterized by large orders in the emerging markets, particularly in the Asian and Arab regions; the business in Germany remained stable. According to the United Nations (UN), 1.3 million people die each year on the roads, with 90 percent of these in the emerging countries. The use of traffic safety technology in these countries is helping to reduce the number of accidents and deaths. That is why the UN launched the “Decade of Action for Road Safety” in 2011 with the aim of preventing up to 5 million deaths and 50 million injuries on the roads by 2020.

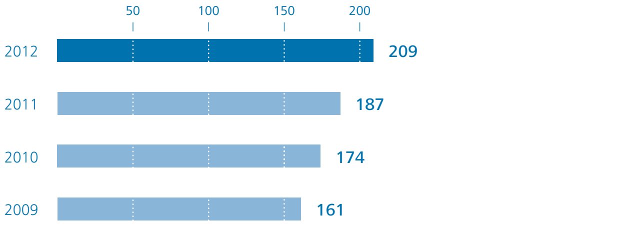
In 2012, IATA, the sector association of the international aviation industry, raised its profit forecast several times and anticipates net profits for the sector of 6.7 billion dollars (prev. year

13 SEMICONDUCTOR EQUIPMENT: GLOBAL SALES
(n billion US dollars)



Source: Semiconductor Equipment and Materials International (SEMI), | 1) Forecast

MACHINERY AND PLANT ENGINEERING:
SALES BY THE GERMAN INDUSTRY (in billion euros) 14



Source: Association of German Machine and Plant Construction Industry (VDMA)

8.8 billion US dollars). This corresponds to about 1 percent of sales. Among the major aircraft manufacturers, Boeing was ahead of Airbus in terms of orders and deliveries for the first time in ten years.

With long-term planning and projects a characteristic feature of this sector, development in the international market for security and defense technology was largely stable in 2012. Given the targeted savings by the public sector in Europe and the US, defense companies were increasingly reliant on growth in the emerging markets, particularly in Southeast Asia, India, South America and the Middle East. The security and defense share of Jenoptik sales in 2012 was 19.9 percent.

1.6 Legal framework conditions

The legal framework conditions governing business operations essentially remained constant in the fiscal year 2012 and therefore had no significant impact on the business development of the Jenoptik Group.

1.7 General statement by the Executive Board on the framework conditions

Jenoptik is very well placed both in terms of the company and the markets.

Our three segments have an attractive range of products and services and are present in the key high-tech markets, which essentially reported positive development in 2012 as well as at the start of the current fiscal year. In 2012, we further expanded and strengthened our international presence in the key regions of North America and Asia. We have successfully continued our strategy of opening up existing structures abroad to all segments of the Group. Within the framework of the Jenoptik Excellence Program we worked intensively on internal process improvements.

Despite a weakening global economy which was marked by the euro crisis and high levels of sovereign debt, particularly in the industrial EU states of Southern Europe, a tight financial situation in the US as well as declining momentum in China, development in the markets relevant for Jenoptik has so far been stable to very good, some of these performing even better than we had anticipated at the beginning of 2012. This includes in particular the automotive and automotive supplier industries as well as the semiconductor industry. As a result of the reductions in defense budgets there were some postponements and cancellations for projects in which we are involved, but this was essentially compensated through new products and the international business.

The framework conditions under which our company operates are generally supporting our goal of generating profitable growth. We are one of the major providers in attractive growth markets, with a local presence for our customers worldwide.

2 ECONOMIC SITUATION

2.1 General statement as well as actual and forecast development of business

We have reported a better fiscal year 2012 than had been originally expected and once again achieved the best result in the company's recent history. We exceeded our original target of achieving a slight increase in sales of between 2 and 6 percent in 2012. It became evident during the course of the year that we were able to achieve a higher increase in sales mainly due to high demand from the automotive industry, several large orders in the traffic safety sector and better than expected development in the semiconductor industry during the 1st quarter. This prompted the Executive Board to adjust the sales forecast for the first time in June 2012. At that time, it anticipated sales growth of 4 to 8 percent for the full year 2012.

The Jenoptik Group also set itself concrete objectives with regard to growth on the international level and aims to increase the joint share of sales in the focus regions of North America and Asia over the medium to long term to roughly 40 percent of group sales. The positive course of business continued in the 2nd quarter 2012, with the result that in July 2012 the forecast for sales growth was raised to between 5 and 10 percent. In this context, Jenoptik benefited in particular from the very good development in the Metrology segment, particularly the development of industrial metrology in the US, as well from the major traffic solutions projects. This enabled the Group to meet this sales forecast as at the end of the fiscal year by achieving sales of 585.0 million euros and consequently organic growth of 7.7 percent over 2011.

15 ACTUAL AND FORECAST COURSE OF BUSINESS (in million euros / or as specified)

Indicator	Status as at end 2011	Forecast 2012 during the course of the year	Status as at end 2012	Explanation on page
Group sales	543.3	February / March 2012: slight growth 2 to 6 percent June 2012: 4 to 8 percent growth July 2012: 5 to 10 percent growth	585.0	59
Lasers & Optical Systems	217.1	Reduction in the single figure percentage range	212.3	88
Metrology	140.1	25 to 30 percent increase	182.7	92
Defense & Civil Systems	183.3	Slight increase in the mid-single figure percentage range	186.4	95
Group EBIT	49.2	March 2012: depending upon course of the semiconductor cycle between 40 and 50 million euros May 2012: 45 to 50 million euros June 2012: 50 to 55 million euros	54.8	60
Group order intake	647.9	Down slightly	587.2	63
Net debt	77.1	Up slightly	74.5	65
Free cash flow	44.0	Slight reduction	43.7	67
Shareholders' equity quota	46.5 % 1)	Constant to slight increase	49.3 %	69
Balance sheet total	643.5 1)	Constant	669.6	68
Employees	3,117	Increase	3,272	74
R + D expenses	32.0	Proportional to sales	36.0	82
Capex 2)	25.1	Approx. 35 million euros	31.2	66
Interest result	−10.7	Marked improvement	−6.7	61

1) adjusted due to the first-time application of IAS 19R (reviewed in 2011)
2) excluding company acquisitions

Group earnings from operating activities (Group EBIT) showed a similar development during the course of 2012. In February 2012, the Jenoptik Group had a target Group EBIT of more than 40 million euros – between 40 and 50 million euros depending upon the course of the semiconductor cycle. As a result of high contributions to earnings from the Lasers & Optical Systems as well as Metrology segments, the Executive Board was able to give a more detailed earnings forecast range in June 2012 of between 45 and 50 million euros. Since the positive course of business also continued in the 2nd half-year 2012, the Executive Board subsequently raised the earnings forecast to the new figure of between 50 and 55 million euros in July 2012. Thanks to the increased sales volume at the year-end, the Jenoptik Group ultimately posted a Group EBIT for 2012 of 54.8 million euros. The EBIT margin was 9.4 percent. The Group continues to expect an average EBIT margin of approx. 9 to 10 percent over the market cycles.

We met or even exceeded our forecasts for other key indicators that we had issued in March 2012 for the year as a whole. Net debt was reduced slightly to 74.5 million euros, contrary to the original expectations and despite the payment of a dividend and payments to silent real estate investors. We were spot on with our forecasts for the interest result.

On the publication of our preliminary figures for 2012 at the end of January 2013, we also issued our first statements on the current fiscal year. Among other things, Jenoptik strengthened its role as a leading global provider of traffic safety technology through the acquisition of the Australian company DCD Systems at the end of January 2013.

Nevertheless, the extent to which we succeed in repeating or even exceeding the high level achieved with individual key indicators in the 2012 fiscal year, the best in Jenoptik's more recent corporate history, will be dependent upon numerous factors, including the development of the semiconductor industry and developments in the project business.

On the financing side, we have created a solid base for the planned organic growth through the debenture loans issued in 2011 with terms of 5 resp. 7 years. Thanks to positive cash flows, we have been able to finance both our organic growth as well as investments from our own resources. The shareholders' equity quota, our balance sheet total and other financial and balance sheet key indicators reflect our size and business models.

Further information on the planned development of business in 2013 can be found from page 112 in the Forecast Report.

2.2 Earnings situation

Important note. The regional distribution of sales was changed with effect from January 1, 2012. Since then, Jenoptik has been reporting on the basis of the regions of Germany, Europe (excluding Germany), America (North, Central and South America), the Middle East and Africa and Asia / Pacific. The figures for the previous year were adjusted and can therefore be compared.

Jenoptik took advantage of the opportunity to apply IAS 19R (modified in 2011) early, the application is made retrospectively, resulting in an adjustment to the 2011 consolidated financial statements. The resultant changes in the previous year affect pension provisions, the shareholders' equity and the earnings for the fiscal year plus deferred taxes.

In the tables of the Annual Report which provide a breakdown of the key indicators by segment, the item "Others" includes the Corporate Center, the Shared Service Center, real estate and consolidation effects.

DEVELOPMENT OF SALES AND EARNINGS

Sales. In fiscal year 2012, the Jenoptik Group achieved sales of 585.0 million euros (prev. year 543.3 million euros). The increase in sales therefore equated to 7.7 percent and was achieved through purely organic growth without any acquisitions. At 30.4 percent, the Metrology segment posted the strongest growth in sales. Information on the development of sales by the segments can be found from page 88 in the Segment Reporting. 3.6 million euros in sales from non-operating, other areas are primarily the result of rental sales with third parties and consolidation effects. 16

At 376.9 million euros, Jenoptik generated 64.4 percent of its sales abroad (prev. year 321.5 million euros resp. 59.2 percent) and was therefore able to further increase the foreign share of sales. Europe remained the key target region, accounting for

16 SALES BY SEGMENT

in million euros	2012	2011	Change in %
Group	585.0	543.3	7.7
Lasers & Optical Systems	212.3	217.1	−2.2
Metrology	182.7	140.1	30.4
Defense & Civil Systems	186.4	183.3	1.7
Other	3.6	2.8	28.6

17 SALES BY REGION

in million euros and in % of total sales	2012		2011	
Total	585.0	100.0 %	543.3	100.0 %
Germany	208.1	35.6 %	221.8	40.8 %
European Union	150.7	25.8 %	165.9	30.5 %
America	110.0	18.8 %	78.1	14.4 %
Asia / Pacific	69.2	11.8 %	56.4	10.4 %
Middle East / Africa	47.1	8.0 %	21.1	3.9 %

25.8 percent of group sales (prev. year 30.5 percent) followed by America with 18.8 percent (prev. year 14.4 percent) and Asia/Pacific with 11.8 percent (prev. year 10.4 percent). With a 22.7 percent increase in sales in the growth region of Asia/Pacific, the Group achieved a proportionally greater increase compared with the other regions. Sales in America (calculated in euros) rose by 40.8 percent. 17

In terms of sales by target market, sales in the automotive/machine construction market increased once again thanks to the high level of demand from the automotive industry, taking the top share of 27.5 percent (prev. year approx. 30 percent). The top three customers accounted for 13.5 percent of group sales in 2012 (prev. year 16.5 percent). 18

Group operating result reached 54.8 million euros, a record in the company's more recent history (prev. year 49.2 million euros). With an 11.4 percent rise, the EBIT therefore increased at a stronger rate compared to sales. The EBIT margin increased to 9.4 percent (prev. year 9.1 percent) and remains within the target corridor. The rise in the EBIT was attributable to the Metrology segment. More efficient cost structures and the increase in sales plus the resultant economies of scale contributed to the leap in earnings. Information on the segment EBIT can be found from page 88 in the Segment Reporting. 20

A provision for warranties existed as at December 31, 2011 in connection with the sale of Jena-Optronik GmbH in 2010. In June 2012, these risks expired. The provision was consequently

18 SALES BY TARGET MARKET

Markets (in million euros an in % of total sales)	2012		2011	
Automotive/machine construction	160.7	27.5 %	159.8	29.4 %
Aviation and traffic	136.7	23.4 %	106.4	19.6 %
Security and defense technology	116.3	19.9 %	104.9	19.3 %
Semiconductor industry	72.5	12.4 %	71.3	13.1 %
Medical technology	31.9	5.4 %	31.7	5.8 %
Others	66.9	11.4 %	69.2	12.8 %
Total	585.0	100 %	543.3	100 %

19 ROCE (RETURN ON CAPITAL EMPLOYED)

Figures (in million euros, ROCE in %)	2012	2011
EBIT	54.8	49.2
long-term, average tied capital in non-current assets	228.9	209.6
short-term, average tied capital in current assets	284.0	276.4
less non-interest-bearing borrowings	161.7	170.5
Average tied operating capital	351.2	315.5
ROCE	15.6 %	15.6 %

released and shown as income in the result from discontinued operations. In connection with the location optimization measures in Germany and the USA provisions were established which impacted on the EBIT in fiscal year 2012.

The ROCE (Return on Capital Employed) of the Jenoptik Group as at December 31, 2012 was 15.6 percent (prev. year 15.6 percent). This indicator represents the ratio between the operating result and the tied operating capital. Jenoptik shows this indicator including goodwill and before taxes. To calculate the figure, the operating EBIT in the sum of 54.8 million euros is divided by the average tied operating capital. The total tied operating capital is calculated on the basis of the non-finance related capital in the non-current assets (such as intangible assets including goodwill, tangible assets and investment properties) plus the capital tied up in current assets (primarily inventories, trade accounts receivable and other current receivables). Non-interest-bearing borrowings (such as provisions – excluding pensions and taxes, trade accounts payable and other non-interest-bearing liabilities) are subtracted from this figure. The calculation of the average takes into account four quarter-end balances and the opening balance at the start of the year, which corresponds to the closing balance of the previous year. In 2012, the ROCE was therefore higher than the average total capital costs for the Jenoptik Group (WACC) which, according to a study, were between 6.6 and 8.8 percent.

Group earnings before interest, taxes, depreciation & amortization (Group-EBITDA) totaled 77.7 million euros (prev. year 76.8 million euros). 21

The financial result came in at minus 8.7 million euros (prev. year minus 13.0 million euros). The improvement over the previous year was mainly attributable to an improvement in the net interest result. Interest income, at 1.3 million euros, was down slightly on the level for the previous year (prev. year 1.8 million euros). Interest expenses were down by 35.5 percent to 8.0 million euros (prev. year 12.4 million euros). The main reason for this is the significantly lower rate of interest charged on the debenture loans issued at the end of 2011 compared with the rates for loans as well as a better credit standing which resulted in a better assessment by banks. In addition, the figures for the previous year include one-off early redemption payments in connection with the repayment of loans (see page 174). At minus 2.0 million euros, the investment result was slightly down on the level for the previous year (prev. year 2.3 million euros) and was characterized by factors including depreciation on loan claims against affiliated companies and investments.

Earnings before tax. The improvement in profitability was seen most dramatically in the earnings before tax (Group EBT), which rose by 27.3 percent to 46.1 million euros (prev. year 36.2 million euros).

20 EBIT

in million euros	2012	2011	Change in %
Group	54.8	49.2	11.4
Lasers & Optical Systems	27.1	29.2	−7.2
Metrology	25.6	12.0	113.3
Defense & Civil Systems	7.8	11.6	−32.8
Other	−5.7	−3.6	–

EBITDA 21

in million euros	2012	2011	Change in %
Group	77.7	76.8	1.2
Lasers & Optical Systems	36.4	40.5	−10.1
Metrology	28.6	15.4	85.7
Defense & Civil Systems	13.3	16.6	−19.9
Other	−0.6	4.3	−114.0

Income taxes totaled 5.5 million euros (prev. year 4.4 million euros), with 70 percent of this being levied in Germany and 30 percent abroad. In Germany, JENOPTIK AG's loss carried forward in the sum of approx. 400 million euros had the effect of reducing the tax burden within the framework of the minimum level of taxation. The non-cash deferred tax income increased to 9.6 million euros (prev. year earnings of 3.5 million euros). The increase was due mainly to assumptions in the medium-term corporate planning, according to which the loss carried forward in Germany can be utilized to a greater extend in the future. The Jenoptik Group cash-effective tax quota was therefore 12.0 percent (prev. year 12.2 percent). More detailed information on the taxes can be found in the Notes, Point 10.

As a result of the increase in the operating result, the improved interest result and deferred tax income, earnings after tax totaled 50.2 million euros (prev. year 35.3 million euros). With non-controlling interests having a minus 19 KEUR share of profits, the result for shareholders was also 50.2 million euros (prev. year 35.3 million euros). Earnings per share were therefore 0.88 euros (prev. year 0.62 euros).

EXPLANATION OF KEY ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

The items in the statement of comprehensive income essentially developed in line with the expansion of business.

Cost of sales rose by 6.2 percent to 381.6 million euros (prev. year 359.3 million euros) and therefore at a lower rate than the growth in sales. The main contributory factors here were the cost reduction measures as part of the Jenoptik Excellence Program, which entered its fourth year in 2012, as well as economies of scale. The cost of sales also includes expenses arising from developments directly on behalf of customers which totaled 13.3 million euros (prev. year 14.2 million euros).

In line with this development, the gross profit on sales increased to 203.4 million euros (prev. year 184.0 million euros); the gross margin increased further to 34.8 percent (prev. year 33.9 percent).

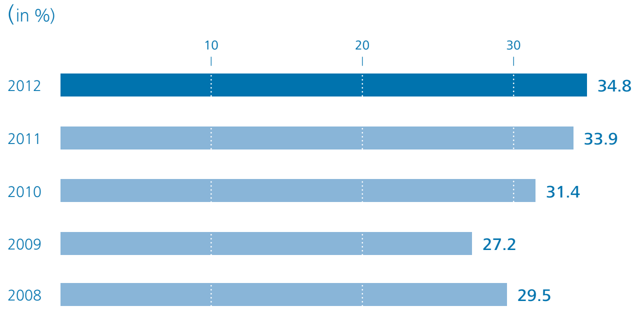
As expected, research and development expenses increased at a slightly higher rate than sales, by 12.5 percent to 36.0 million euros (prev. year 32.0 million euros). More detailed information on research & development in the Jenoptik Group can be found from page 80 of this report.

Selling expenses increased at a slightly lower rate than sales. Jenoptik continues to pursue the strategy of developing and

22 KEY ITEMS IN THE INCOME STATEMENT

in million euros	2012	2011	Change in %
Cost of sales	381.6	359.3	6.2
R + D expenses	36.0	32.0	12.5
Selling expenses	65.1	61.9	5.2
Administrative expenses	42.6	38.9	9.5
Other operating income	16.5	21.3	−22.5
Other operating expenses	26.0	25.3	2.8

DEVELOPMENT OF THE GROSS MARGIN 23
(in %)



expanding its own presence in key regions of the world and to this end invests primarily in its own distribution structures. In 2012 selling expenses totaled at 65.1 million euros (prev. year 61.9 million euros), an increase of 5.2 percent.

General administrative expenses totaled 42.6 million euros (prev. year 38.9 million euros). The increase is partly due to the development of the Group's own presence abroad, where Jenoptik is developing new or expanding existing infrastructures which are then made available to all areas of the Group.

Other operating income reduced by nearly 22.5 percent to 16.5 million euros (prev. year 21.3 million euros). Currency gains were the key item at 5.5 million euros (prev. year 8.4 million euros). Other operating expenses, at 26.0 million euros, almost remained at the level of the previous year (prev. year 25.3 million euros). These were mainly characterized by currency losses in the sum of 5.1 million euros (prev. year. 8.4 million euros) as well as project costs and costs for the optimization of locations. Detailed information on the composition of these items can be found on page 152 in the Notes.

The full statement of comprehensive income can be found in the consolidated financial statements (Notes on page 124) of this report. 22 23

ORDER SITUATION

At 587.2 million euros the order intake in fiscal year 2012 was at the same level as sales but did not reach the same high level as in the previous year (prev. year 647.9 million euros). The record year 2011 was characterized by a number of large orders for the Defense & Civil Systems and Metrology segments. Detailed information on the order intake of the segments can be found from page 88 in the Segment Reporting. 24

Order backlog. As a result of an order intake at the same level as sales, Jenoptik posted a book-to-bill ratio of 1.00 (prev. year 1.19). At 446.8 million euros, the order backlog was therefore at the same level as in 2011 (31.12.2011: 448.5 million euros). 56 percent of this order backlog will lead to sales in the current 2013 fiscal year (prev. year 55 percent); approx. 44 percent of this order backlog will be turned into sales beyond the year 2013 (prev. year 45 percent). 25

24 ORDER INTAKE

in million euros	2012	2011	Change in %
Group	587.2	647.9	−9.4
Lasers & Optical Systems	219.9	224.4	−2.0
Metrology	198.7	166.7	19.2
Defense & Civil Systems	165.0	254.5	−35.2
Other	3.6	2.3	56.5

25 ORDER BACKLOG

in million euros	2012	2011	Change in %
Group	446.8	448.5	−0.4
Lasers & Optical Systems	105.2	101.3	3.8
Metrology	87.4	69.0	26.7
Defense & Civil Systems	255.8	279.9	−8.6
Other	−1.6	−1.7	

2.3 Financial and asset situation

FINANCING ANALYSIS

The Treasury department of JENOPTIK AG centrally plans and controls the demand for and provision of liquid resources within the Group. The Group financing in the form of debenture loans, issued in 2011, secures the operating business and creates potential for further organic growth. In 2012, the total debt was further reduced significantly as a result of payments made to silent real estate investors. There was also a further reduction in net debt.

Over recent years, Jenoptik has successfully continued to strengthen its financing through a sharp reduction in net debt and gradual expansion of the shareholders' equity base. The debenture loans issued in 2011 in the sum of 90 million euros with terms of 5 resp. 7 years provide the solid foundation for the capital structure of the Jenoptik Group. In addition to cash in hand, Jenoptik has available liquidity from free credit lines and yet unused loans in the sum of 60.6 million euros.

Non-current financial liabilities of Jenoptik reduced slightly in 2012 as a result of the repayment of bank loans and reclassification as current financial liabilities, and as at the year-end totaled 115.8 million euros (31.12.2011: 123.1 million euros). These comprised exclusively financial liabilities to banks. As at the end of the fiscal year, there were no further liabilities arising from non-current finance lease (31.12.2011: 2.0 million euros). As at the end of 2012, non-current financial liabilities accounted for more than 96 percent of Jenoptik's financial liabilities, the same as in the previous year.

Current financial liabilities, at 4.7 million euros, remained at the same level as in the previous year (31.12.2011: 4.1 million euros).

In the year covered by the report, the debt to equity ratio, defined as the ratio between borrowings (339.3 million euros) and shareholders' equity (330.3 million euros), was 1.03, and was thus slightly lower than in the previous year (31.12.2011: 1.15). The shareholders' equity has increased primarily as a result of the net income for the year in the sum of 50.2 million euros. Borrowings fell by 4.7 million euros compared with the previous year. With a financing structure that shows virtual parity between shareholders' equity and borrowings, Jenoptik has a sound and stable financial basis. The Group is therefore benefiting from low borrowing costs and also has sufficient flexibility, e. g. for acquisitions.

The company's current solvency, expressed by the net cash position, totaled 41.3 million euros as at the year-end (31.12.2011: 46.0 million euros). It is defined as the total cash and cash equivalents and securities in the sum of 46.0 million

26 NET AND GROSS DEBT

in million euros	2012	2011	2010	2009	2008
Non-current financial liabilities	115.8	123.1	125.9	158.2	92.4
Current financial liabilities	4.7	4.1	19.5	13.6	113.7
Gross debt	120.5	127.2	145.4	171.8	206.1
minus securities	0.6	1.3	0.8	1.1	2.0
minus cash and cash equivalents	45.4	48.8	65.3	11.2	12.5
Net debt	74.5	77.1	79.3	159.5	191.6

euros (31.12.2011: 50.1 million euros) less current financial liabilities in the sum of 4.7 million euros (31.12.2011: 4.1 million euros).

Following the strong reduction in the net debt in the fiscal years 2009 to 2011, Jenoptik succeeded in further reducing this figure in the year covered by the report. This result was attributable to the generation of a high level of operating cash flows. As a result of the dividend payment and final payment to the two silent real estate shareholders in the 1st half-year 2012, net debt starting from a base of 77.1 million euros on December 31, 2011, initially increased during the course of the year also as part of the increase in the working capital requirements in conjunction with the expansion of the operating business. However, the figure was reduced then by December 31, 2012, to 74.5 million euros, putting it below the level for the previous year. Net debt is calculated by deducting cash and cash equivalents and securities from the total non-current and current financial liabilities.

Gross debt, as the total of all group financial liabilities, showed a marked reduction in 2012 from 127.2 million euros (31.12.2011) to 120.5 million euros (31.12.2012). 26

Silent investors. As a result of payments made to two silent real estate investors their claims reduced significantly in fiscal year 2012.

Jenoptik's real estate area includes three real estate funds which were established in 1998 and 2001. These were financed via Jenoptik, banks and contributions from three silent investors. Two of the funds are shown in the consolidated balance sheet itself – the real estate as part of the tangible assets and the deposits from the silent investors as liability. The third fund is part of the Jenoptik Pension Trust and is therefore shown as part of the pension financing. Each fund had or has an exit option (put option) for the respective silent shareholder, providing for the return of his contribution.

As explained in the 2011 Annual Report, the silent investor in the Jenoptik Pension Trust real estate fund terminated its investment as at March 31, 2011. Jenoptik had an indirect obligation to refinance the payment to the silent shareholder and in the 2nd quarter 2011 had made a provisional payment. The definitive amount of the payment was the subject of legal proceedings that were concluded in April 2012 through a settlement. The payment was financed in 2012 by a loan to the Jenoptik Pension Trust real estate fund. This loan receivable was capitalized in financial assets, increasing the assets. It also impacted on the cash flow from investing activities as a payment for investments in financial assets. Jenoptik expects the loan granted in 2012 to be fully redeemed over the coming years, giving rise to a cash inflow. An initial repayment was made in 2012 and is shown under "Receipts from disposal of financial assets".

An exit agreement was also reached with the silent investor in the second fund. The contribution was shown in the balance sheet under other current liabilities and redeemed in full with the payment. This reduced the liabilities and the balance sheet total and consequently impacted on the cash flow from group financing.

The cash-effective one-time effect in 2012, resulting from the abovementioned payments, totaled approx. 18 million euros and had no significant impact on the results.

The silent investor in the remaining third Jenoptik real estate fund cannot exit from its investment until the end of 2014 at the earliest. It is therefore shown in the balance sheet as a non-current liability. There are no other silent investments in Jenoptik's real estate.

ANALYSIS OF CAPITAL EXPENDITURE

At 31.2 million euros, Jenoptik invested significantly more in intangible and tangible assets than in 2011 (prev. year 25.1 million euros). Investments in tangible assets, at 24.5 million euros, accounted for the vast majority of the investments (prev. year 23.0 million euros). Investments in intangible assets totaled 6.7 million euros (prev. year 2.1 million euros). As in the previous years, development expenses were only capitalized to a very minimal extent. While investments increased in 2012, scheduled depreciation reduced to 22.2 million euros (prev. year 23.3 million euros) and impairments to 0.6 million euros (prev. year 4.4 million euros).

Investments in intangible assets increased sharply in 2012 to 6.7 million euros (prev. year 2.1 million euros). This was mainly attributable to the increased investment in patents and software in the sum of 3.6 million euros (prev. year 1.2 million euros) as well as to on-account payments made in the sum of 1.9 million euros (prev. year 0.4 million euros) and development services in the sum of 1.2 million euros (prev. year 0.5 million euros).

Amortization and depreciation on intangible assets amounted to 3.9 million euros (prev. year 5.0 million euros) and, as in the previous year, primarily included depreciation/amortization on patents, trademarks and software, capitalized development services and regular customers. Necessary impairments on intangible assets at 0.6 million euros, following impairment test, were insignificant.

The main purpose of the increased capital expenditure on tangible assets and investment properties was for expansion of the production areas and capacities. These primarily related to the expansion of production capacities for semiconductor materials for the manufacture of diode lasers at the Berlin site in the Lasers & Optical Systems segment and to the construction of a new building at the Altenstadt location for the energy systems business in the Defense & Civil Systems segment. At 24.5 million euros, total investments were significantly higher than in the previous year (prev. year 23.0 million euros). The largest increase is attributable to expenditure on factory and office equipment (2012: 7.9 million euros; prev. year 5.4 million euros), followed by on-account payments made and assets under construction (2012: 10.8 million euros; prev. year 9.8 million euros.

Depreciation on tangible assets and investment properties totaled 18.3 million euros (prev. year 18.4 million euros) and was therefore below the figure for capital expenditure on tangible assets. No impairments were made (prev. year 4.3 million euros). 27 28

27 CAPITAL EXPENDITURE, DISINVESTMENTS AND DEPRECIATION

(intangible and tangible assets)

in million euros	2012	2011	Change in %
Investments	31.2	25.1	24.3
intangible assets	6.7	2.1	219.0
tangible assets	24.5	23.0	6.5
Disinvestments	0.6	3.7	83.8
intangible assets	0.4	0.2	100.0
tangible assets	0.2	1.8	−88.8
investment properties	0	1.7	−100.0
Net investments (investments less disinvestments)	30.6	21.4	43.0
Depreciation/impairment	22.8	27.7	−17.6
intangible assets	4.5	5.0	−10.4
tangible assets	17.8	20.2	−11.9
investment properties	0.5	2.5	−80.0

ANALYSIS OF CASH FLOWS

Cash flow from operating activities, at 66.6 million euros, was slightly higher than in the previous year (prev. year 65.6 million euros). The increase in earnings before tax and a reduction in payments for the working capital as a result of an improved working capital management had a positive impact on the cash flow. Increased payments for income taxes had a negative effect.

The cash flow from investing activities reflects the increased expenditure by the Group on intangible and tangible assets (see Analysis of capital expenditure, page 66). Payments for investments in financial assets reduced as the previous year was characterized by the acquisition of a minority holding in a US American company in the Metrology segment. In 2012, the issue of a loan to a silent real estate fund affected payments for financial assets. The cash flow totaled minus 33.8 million euros and was therefore slightly down on the level for the previous year (prev. year minus 29.3 million euros)

The free cash flow gives an insight into the company's long-term financial strength and is calculated on the basis of the cash flow from operating activities before interest and tax in the sum of 73.7 million euros, less expenditure for operating investment activities in the sum of 30.0 million euros. In the period covered by the report, the free cash flow was 43.7 million euros, remaining almost at the same level as in the previous year (prev. year 44.0 million euros).

In the 2012 fiscal year, the cash flow from financing activities was characterized by the payment of a dividend for the first time in the company's more recent history, while the characteristic feature in the previous year was the successful issue of debenture loans in the sum of 90 million euros and the associated redemption of existing loans. Changes in the group financing as the result of the payment to a silent investor in one of the real estate funds also affected the cash flow from financing activities which, after posting a figure of minus 53.7 million euros in the previous year, improved to minus 36.1 million euros. 29

28 INVESTMENTS BY SEGMENT (intangible and tangible assets)

in million euros	2012	2011	Change in %
Group	31.2	25.1	24.3
Lasers & Optical Systems	15.3	12.9	18.6
Metrology	3.3	2.2	50.0
Defense & Civil Systems	6.3	8.5	−25.9
Other	6.3	1.5	320.0

29 CASH FLOW

in million euros	2012	2011
Cash flow from operating activities	66.6	65.6
Cash flow from investing activities	−33.8	−29.3
Cash flow from financing activities	36.1	−53.7

ANALYSIS OF THE ASSET STRUCTURE

The balance sheet items as at December 31, 2011 and December 31, 2012 can be compared with each other. The effects of the initial consolidation of JENOPTIK Robot Malaysia Sdn. Bhd. did not essentially affect the comparability.

The accounting and valuation methods are explained in the Notes to the Annual Report from page 137.

The balance sheet total of the Jenoptik Group as at December 31, 2012, increased compared with the year-end 2011 to 669.6 million euros (31.12.2011: 643.5 million euros). The 26.1 million euro rise is primarily attributable on the assets side to an increase in receivables and deferred tax assets, as well as to an increase in shareholders' equity and rise in pension provisions on the liabilities side.

Non-current assets grew to 333.8 million euros (31.12.2011: 312.4 million euros). Nearly all items of non-current assets posted an increase, in particular tangible assets, financial assets and deferred taxes.

The largest item in intangible assets was goodwill at 55.8 million euros (31.12.2011: 55.9 million euros).

Tangible assets advanced to 143.2 million euros (31.12.2011: 138.2 million euros). The main items showing an increase were buildings, including buildings on third party land, other plants, factory and office equipment as well as on-account payments made and work in progress, in part attributable to the expansion of business and the capacities for semiconductor laser production in Berlin. Financial assets increased to 27.2 million euros due to the issue of a loan (31.12.2011: 22.8 million euros).

Sales of real estate not required for operating purposes led to a slight reduction in investment properties to 19.6 million euros (31.12.2011: 20.6 million euros). 30

Current assets rose by 4.7 million euros to 335.8 million euros (31.12.2011: 331.1 million euros). This is due mainly to the increase in receivables and other assets to 120.7 million euros (31.12.2011: 111.9 million euros) which resulted from the positive development in the operating business in 2012. By contrast, there was a slight reduction in cash and cash equivalents to 45.4 million euros (31.12.2011: 48.8 million euros), primarily as a result of the payments to the silent shareholders in the two Jenoptik real estate funds and the payment of a dividend.

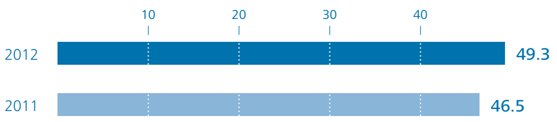
30 COMPOSITION OF NON-CURRENT ASSETS

in million euros	2012		2011		Change in %
Intangible assets	70.6	21.2 %	68.9	22.1 %	2.5
Tangible assets incl. investment properties	162.8	48.8 %	158.8	50.8 %	2.5
Financial assets	27.2	8.1 %	22.8	7.3 %	19.3
Other non-current assets	4.8	21.4 %	4.9	1.6 %	−2.0
Deferred taxes	68.4	20.5 %	57.0	18.2 %	20.0
Total	333.8	100.0 %	312.4	100.0 %	6.9

At 202.8 million euros, the working capital as at December 31, 2012 exceeded the figure of the previous year (31.12.2011: 190.4 million euros) as a result of the continuing pickup in business. The working capital is defined as the trade accounts receivable and PoC (Percentage of Completion) plus inventories less trade accounts payable and PoC as well as on-account payments received. The working capital quota, the ratio between working capital and sales, improved slightly compared with the previous year to 34.7 percent (31.12.2011: 35.0 percent).

As a result of the profit shown in the 2012 fiscal year, the shareholders' equity including non-controlling interests rose by 30.8 million euros to 330.3 million euros (31.12.2011: 299.5 million euros). At 49.3 percent, the shareholders' equity quota, the ratio between shareholders' equity and the balance sheet total, improved as at December 31, 2012, compared with the figure for the previous year (31.12.2011: 46.5 percent).

SHAREHOLDER'S EQUITY RATIO (in percent)



1) adjusted due to first time application of IAS 19R

Non-current liabilities as at end 2012 totaled 177.6 million euros (31.12.2011: 172.7 million euros). The 4.9 million euros increase is attributable to pension obligations which rose to 31.2 million euros (31.12.2011: 17.4 million euros) due to the substantially reduced interest level. By contrast, non-current financial liabilities were lower due to the repayment of bank loans and reclassifications to current financial liabilities in the sum of 115.8 million euros (31.12.2011: 123.1 million euros).

The debenture loans are an important element of the non-current liabilities. Jenoptik had successfully placed these loans in the total sum of 90 million euros and with terms of 5 resp. 7 years on the market in October 2011, consequently placing the Group's financing on a long-term footing.

Current liabilities fell by 9.6 million euros to 161.7 million euros (31.12.2011: 171.3 million euros). In addition to the liabilities from operating business activities, there was also a noticeable reduction in "Other current liabilities". This reduction is due mainly to the payment to a silent real estate shareholder whose contribution had previously been shown in the Group as a current liability. 31

31 FINANCIAL LIABILITIES BY DUE DATE

in million euros	Up to 1 year		1 to 5 years		over 5 years		December 31, 2012	
	2012	2011	2012	2011	2012	2011	2012	2011
Liabilities to banks	4.7	3.4	65.2	68.2	50.6	52.9	120.5	124.5
Liabilities from finance lease	0	0.7	0	1.4	0	0.6	0	2.7
Total	4.7	4.1	65.2	69.6	50.6	53.5	120.5	127.2

There are clauses which apply in the event of a change of control in the ownership structure of JENOPTIK AG following a takeover bid in connection with a joint venture which has since been terminated, as well as for various other financing agreements with a total utilized volume of approx. 97.5 million euros (prev. year 94.8 million euros). Further details can be found in the Annual Report under Executive Board remuneration system from page 48 as well as under Information on takeover law from page 42.

ANALYSIS OF ADDED VALUE

The costs of materials increased to 242.0 million euros in line with the expansion of sales (prev. year 230.5 million euros), representing 40.3 percent of the company performance (prev. year 41.0 percent). Raw materials and supplies accounted for 184.6 million euros (prev. year 180.1 million euros) and consequently 30.8 percent (prev. year 32.0 percent). The remaining 57.3 million euros reflect the value of the purchased services and advance services rendered which increased over the previous year (prev. year 50.4 million euros). After depreciation in the sum of 22.8 million euros (prev. year 27.7 million euros), the total net added value created for the Jenoptik Group totaled 254.4 million euros (prev. year 231.0 million euros) and therefore markedly increased in net terms by 23.4 million euros, or 10.1 percent.

Personnel costs accounted for 79.1 percent on the distribution side of the added value. Information on personnel costs can be seen on page 74 and page 180 of this report.

EXPLANATION OF PURCHASES AND SALES OF COMPANIES

There were no purchases or sales of companies in the 2012 fiscal year.

ASSETS AND LIABILITIES NOT INCLUDED IN THE BALANCE SHEET

Jenoptik brand. The main assets not included in the balance sheet include the value of the Jenoptik brand. According to calculations made by semion brand broker gmbh in November

32 CREATION OF THE ADDED VALUE

	2012		2011	
	in million euros	in %	in million euros	in %
Company performance (sales, earnings, investment result)	599.9	100.0	562.6	100.0
./. Prepayments (materials)	242.0	40.3	230.5	41.0
./. Prepayments (others)	80.7	13.4	73.4	13.0
./. Depreciation	22.8	3.8	27.7	4.9
Net added value	254.4	42.4	231.0	41.1

33 DISTRIBUTION OF THE ADDED VALUE

	2012		2011	
	in million euros	in %	in million euros	in %
Employees (personnel expenses)	201.2	79.1	183.8	79.6
Public sector (taxes)	−4.1	−1.6	0.9	0.4
Lenders (interest)	7.1	2.8	11.0	5.3
Company, shareholders	50.2	19.7	35.3	14.7
Net added value	254.4	100.0	231.0	100.0

2012 the value of the Jenoptik brand increased slightly to 86 million euros (prev. year 85 million euros). This places the Jenoptik brand, occupying the Number 40 spot in the ranking (prev. year No. 39) among the 50 leading German brands in 2012. A brand positioning was drawn up in order to strengthen the brand image. On the basis of this positioning, Jenoptik commenced a brand image communication on a global and uniform basis in 2012.

Non-capitalized tax losses carried forward. Tax losses carried forward arise from losses incurred in the past which have not yet been offset against taxable profits. They represent potential future cash flow benefits, since actual tax payments can be reduced by these losses being offset against taxable profits.

Regarding the remaining losses carried forward the amount of 260.6 million euros (prev. year 303.1 million euros) for purposes of trade tax and 427.4 million euros (prev. year 470.0 million euros) for purposes of corporation tax no deferred tax asset has been accounted for as they will not be used within a determined planning timeframe.

Relevance of off-balance sheet financing instruments to the financial and asset situation. Jenoptik does not utilize any off-balance sheet financing instruments such as sales of accounts receivable or asset-backed securities. For details on operating leases we refer to Note 17 from page 160.

Contingent assets and liabilities. Information on contingent liabilities can be found in the Group Notes on page 145.

OTHER INTANGIBLE ASSETS

Customer relationships. Jenoptik predominantly manufactures capital goods and is both a supplier to and partner for industrial companies. Our technology-intensive products and systems are often created in close collaboration with the customer. This requires confidence on both sides as well as knowledge of the customer's needs. We therefore see long-term collaboration with many of our key customers as an important intangible asset. The good relationships with our customers are reflected, for example, in a very high order backlog of approx. 446.8 million euros, of which just under 200 million euros extends beyond the year 2013.

Supplier relationships / procurement. Purchasing plays a key role in the Jenoptik's Group initiatives aimed at increasing operational excellence and continuing profitability. Globalization, price fluctuations on the raw materials markets, technological advances and the trend toward the procurement of increasingly more complex modules and systems over recent years place ever new strategic demands on purchasing.

It was for this reason that work was commenced on the realignment of the divisions' purchasing and the implementation of the strategic purchasing structures continued on a consistent basis. The purchasing activities of the Lasers & Optical Systems segment were reorganized into material groups and underpinned with corresponding buyer profiles. The strategic buyer profiles introduced in 2012 ensure an optimum interlinking between the divisions' purchasing, customer project and strategic purchasing.

The Group's increasing internationalization calls for global purchasing activities and an integrated group presence on the procurement market. In this context, particular importance is attached to a targeted global purchasing concept, the intelligent bundling of demand and utilization of standardized processes and instruments. Another area of focus aimed at exploiting purchase potential is on timely standard procurement and bundling of material groups. The Group also optimized its supplier qualification and assessment.

There are plans in 2013 to expand strategic purchasing competence in Asia and the US so that additional synergies can be achieved from the started of global sourcing activities. Measures which have already been initiated are also to be continued on a consistent basis. This will be supported by the further implementation of the new purchasing structures and continuation of the Purchasing Academy established in 2012.

High-tech products require not least a high standard of quality on the part of the suppliers and their production factors. In order to ensure that this is the case, the Jenoptik Group is guided in its supplier assessment and selection by the Global Compact of the United Nations which stipulates compliance with fundamental principles with regard to human rights, working standards, environmental protection and combating corruption.

Process capital (organizational and procedural advantages). Jenoptik has been investing in the improvement of structures and processes for a number of years. This includes the continual international expansion of the shared service structures on the one side and on the other the continuation of the Jenoptik Excellence Program in 2012 as planned. The program is aimed at generating cost savings primarily in production, development and logistical processes as well as in supply chain management.

The Go-Lean program, approved and implemented in 2012, is also oriented toward integrated process improvements and increasing the operating performance. Based on targets set by senior management, the aim is to develop a lean production system which is to be introduced within the segments and divisions. The establishment of a Lean-Academy will provide training for employees and management so the program can essentially be implemented on an independent basis. The concept for Go Lean was worked out in 2012; the program will start in 2013.

The most extensive group-wide program designed to achieve organizational and process benefits is the JOE program. It has three objectives: to provide support for the international growth through the creation of scalable processes, data and IT systems, to increase efficiency in the operating functions through the development of an integrated Enterprise Resource Planning system and to improve the group management through the further development of methods in the controlling and accounting areas. The program encompasses all the key management, core and support processes in every one of the Group's organizational units worldwide. The initiative was started in 2011 with the development of a process model. Differentiation between these processes was extended in 2012 and the way they are depicted in the new IT system defined. The JOE program will be continued as planned in 2013 and rolled out within the Group by the end of 2016.

Responsibility for the organizational and production process lies with the operating units, consequently it is not possible to provide any applicable group-wide statements regarding production methods and processes which would have sufficient relevance for the Group Management Report. For information on changes to the organizational and production processes in the operating areas, see the Segment Reporting from page 88.

Human capital. We also see our employees' expertise and years of experience as well as their high level of commitment and loyalty to the company as an intangible asset. A lower fluctuation rate of 3.2 percent (prev. year 3.6 percent) is evidence of this. Further information on the subject of personnel can be found in the Management Report from page 74.

Research and development. The success of our product and technology developments is crucial to our technology-intensive business. As such, we believe that our years of expertise in research and development, as well as process and project knowledge are another important intangible asset. Our numerous partnerships and contacts with suppliers and business partners worldwide as well as with universities, institutes of applied science and research institutes are of considerable practical benefit to us. Further information on research & development can be found from page 80.

Reputation. The Jenoptik Group benefits from the reputation of our headquarters in Jena which is highly renowned as an "Optical Valley" not only by scientists but also customers. Jenoptik is conscious of this reputation and undertakes various activities aimed at sustainably improving the location. The Group's commitment is focused on encouraging and training young people, enhancing the attraction of the location by promoting a good work-life balance and a discerning cultural offering as well as on projects for children and young people from disadvantaged social backgrounds. In 2012, the sponsorship activities at the headquarters in Jena totaled approx. 0.3 million euros (prev. year 0.2 million euros). More information on this subject can be found in the chapter on Sustainability from page 83.

Environmental issues. Information on this can be found in the chapter on Sustainability from page 83.

Once again, in the fiscal year 2012 other intangible assets were not subject to any overall valuation.

3 DEVELOPMENT OF THE KEY PERFORMANCE FACTORS

3.1 Employees

The number of Jenoptik employees (incl. trainees) increased as at the year-end 2012 to 3,272 (31.12.2011: 3,117) and therefore by 5.0 percent. As in the previous year, the biggest increases were in the Lasers & Optical Systems segment with 53 employees and the Metrology segment with 95 employees. The number of Jenoptik employees abroad rose by 36 to 433 (31.12.2011: 397). The proportion of employees abroad consequently increased to 13.2 percent (31.12.2011: 12.7 percent). 34 35

Peak order situations were cushioned by temporary personnel. The total number of temporary personnel employed as at December 31, 2012 was 139 (31.12.2011: 143). Short-time working only took place for a limited period in 2012 and in a very small section of the Lasers & Optical Systems segment.

At 201.2 million euros, personnel expenses in 2012 (wages, salaries, social security deductions, pension costs) were up by 9.5 percent compared with the figure of 183.8 million euros in the previous year. More detailed information on the breakdown of the personnel expenses can be found in the Notes from page 180.

Sales per employee slightly increased to 190.8 KEUR (prev. year 187.7 KEUR). 36

The employee demographic structure is essentially balanced. In 2012, 42 employees in Germany took advantage of the age-related working time models, 41.7 percent fewer compared with the previous year (prev. year 72). As at December 31, 2012, the proportion of women in the Group (in Germany and abroad) was 26.8 percent and so remained essentially unchanged (prev. year 26.6 percent).

The absenteeism rate among Jenoptik employees in Germany increased slightly from 4.0 percent in 2011 to 4.5 percent in 2012. By contrast, there was a slight fall in the fluctuation rate from 3.6 percent to 3.2 percent in 2012.

Personnel controlling and processes. The focus of personnel controlling in 2012 was on the introduction of a new SAP HCM system designed to standardize the personnel processes throughout the Group. As a result, with effect from the 1st quarter 2013 the Group will be introducing a centralized personnel management system which will contain all the personnel data relevant to the Group.

The detailed personnel planning introduced in 2011 was developed further in 2012. In the fiscal year just past, the Group was therefore able to implement an international, strategic HR plan which will be controlled via the central HR Department. This was backed by detailed job profiles for the purpose of optimi-

34 EMPLOYEES AS AT DECEMBER 31 BY SEGMENT
(incl. trainees)

	2012	2011	Change in %
Group	3,272	3,117	5.0
Lasers & Optical Systems	1,349	1,296	4.1
Metrology	814	719	13.2
Defense & Civil Systems	913	924	−1.2
Other	196	178	10.1

EMPLOYEES AS AT DECEMBER 31 BY REGION 35
(incl. trainees)

	2012	2011	Change in %
Domestic	2,839	2,720	4.4
Abroad	433	397	9.1
Europe (without Germany)	101	104	−2.9
NAFTA	243	230	5.6
South East Asia/Pacific	89	63	41.3

zation. A project aimed at introducing an international HR manual was also initiated in 2012. The project is expected to be completed in July 2013 and includes implementation in Germany, the US and Asia. As a result of the Group's increasing internationalization, there was a rise in the number of seconded employees. This was reason behind the startup of a project in 2012 which is intended to define and implement a group guideline for secondments.

EMPLOYEE REMUNERATION

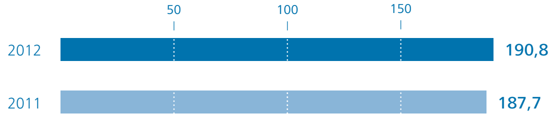
Collective wage agreement. The collective wage agreement applicable since April 1, 2011 for the employees and trainees at the Jena location was terminated with effect from September 30, 2012 and replaced by a new collective wage agreement. On November 1, 2012, the employees were awarded a 3 percent pay rise, with a pay rise of 1.75 percent to take effect from August 1, 2013. The collective wage agreement is for a term of 16 months and can first be terminated with two full months' notice to January 31, 2014.

The new collective wage agreement gives trainees a twelve month employment contract following the successful completion of their training, unless this is not possible on person-related reasons. An agreement was also concluded between the parties to the collective wage agreement for temporary personnel. If temporary personnel have been employed for 24 months continuously then the possibility of offering these individuals a permanent contract of employment will be considered by the employer and the works council. If no contract is awarded, the contract with the temporary personnel will be terminated within the subsequent six months. An additional clause was agreed for the employees of JENOPTIK Polymer Systems GmbH as part of the collective wage agreement negotiations.

General collective wage agreement. Following a freeze for one month, an increase in the general collective wage agreement rates of 4.3 percent for a period of 13 months with effect from May 1, 2012 was negotiated with the IG Metall trade union and correspondingly implemented for the Group employees in the Defense & Civil Systems and Industrial Metrology segments covered by the general collective wage agreement of the metal and electronics industry. The increase in the collective wage agreement between 2012 and 2011 is 3.3 percent on a year by year basis.

Pension provision. For many years, Jenoptik has been helping its employees to financially secure their standard of living on retirement through an employee-funded retirement provision model. This is based on a three pillar concept with the relief fund, the retirement scheme of the metals industry as well as private pension contracts with Allianz Lebensversicherung AG. As a general rule, Jenoptik does not issue any pension commit-

36 SALES PER EMPLOYEE (in TEUR)



ments. The existing pension obligations of ESW GmbH were combined and secured in a Contractual Trust Arrangement (CTA) in the previous years. Further details can be found in the Notes from page 166.

MANAGEMENT REMUNERATION

The remuneration of the Jenoptik management is based on fixed remuneration and a variable salary component geared toward the earnings and free cash flow of the respective business unit and, partly, of the Group as a whole. Individual strategic and personal goals are also agreed. The target agreements for the management of JENOPTIK AG (holding company) contain a breakdown into personal and group-related objectives. In this context, the group-related targets are geared toward the Group result. A long-term incentive component (LTI) based on virtual shares is agreed as part of the variable compensation for individual members of top management. This sets long-term behavioral incentives and promotes sustainable corporate development. The system of allocating and paying of virtual shares essentially follows the system which applies to the Executive Board and is explained in the remuneration report from page 48 of this Annual Report. This applies in particular for the period between allocation and payment. Since the corresponding service agreements, unlike the service agreements for the Executive Board, are generally not temporary, there are special rules relating to the payment of the virtual shares in the event of termination of employment.

EDUCATION AND FURTHER TRAINING

Against the background of demographic change and the resultant shortage of skilled workers, securing the demand for skilled workers through in-house training is an important part of the HR strategy. The aim is to meet the future demand for skilled workers through high-quality and demand-oriented training. This goal is underpinned by a long-term HR planning.

Trainees and students of the career academies. As of December 31, 2012, the Group had 130 trainees and career academy students. 122 of these are receiving training at locations in Germany and eight abroad. In August 2012, 33 new trainees and five career academy students were welcomed at the German Jenoptik sites at the beginning of the training year. At the same time, 31 trainees and academy students completed their training this year and took up corresponding posts within the Group.

The vast number of trainees and academy students receive training in technical careers such as electronics, mechatronics and industrial mechanics. The Group also provides training for commercial trainees such as industry clerks or management / industry bachelor degree students, as well as career academy students in the field of IT.

Training at Jenoptik is geared toward market standards as well as technology trends and current impetuses in the markets. Young people are stretched from the outset through activities designed to challenge them and they are encouraged by highly qualified and committed trainers. Over and beyond the standard training content, the trainees and career academy students also receive external supplementary training courses and language teaching. In Thuringia, the next generation of leaders will receive their training in optical, precision mechanics, electronic and commercial professions at the Jena-based Training Center gGmbH-Schott, Zeiss, Jenoptik.

Academic trainees. In addition to providing training for skilled workers, equal importance is attached to providing support for academic trainees. The targeted recruitment, support for and retention of highly promising students and graduates is an important element in the Group's strategy for skilled workers. Jenoptik provides support for exceptional and socially committed students attending relevant study courses. In 2012, a total of three Masters students received financial support under the German National Scholarship Program. Jenoptik also awarded three grants to post-doctoral students specializing in lasers & material processing.

As a special opportunity for graduates to join the company, Jenoptik began offering a trainee program in 2011. The program, which was initially started as a pilot with three trainees, will enter the second generation stage in April 2013. As part of this program, the company will be offering positions in areas such as finance, project management (with further training internationally) and sales.

Personnel development. In 2012, Jenoptik invested a total of 1.5 million euros (prev. year 1.3 million euros) in employee education and further training from which 1,744 employees benefited (prev. year 1,471). The personnel development demand within the company is primarily ascertained once a year as part of an analysis of training needs. Based on this analysis, further training measures are put together in a portfolio. The focus of the further training measures in 2012 was on the areas of methodology and personal skills, project management, purchasing and IT.

Academies. A Purchasing Academy was founded in 2012 to provide further development training in the various job profiles for the employees of the purchasing departments. In 2012, this focused on strategic procurement and the Lasers & Optical Systems segment.

Jenoptik Junior Leadership Program and leadership development. The Jenoptik Junior Leadership Program (J²LP) is an important building block in personnel development, its purpose being to provide targeted development and promotion of potential leaders from within the company. The 6th generation successfully completed the program in 2012, with around 20 participants currently involved in the 7th and 8th generation of the J²LP. The program will be continued in 2013. The aims of the program are to provide uniform preparation for the management trainees on their further career path, to develop a leadership culture within the company and to create networking between the participants. There are plans to hold a networking meeting of all J²LP generations in 2013 as further support for this program.

Leadership program. The leadership program for experienced managers was implemented as a pilot scheme in 2012 on the Head of Division and Assistant Head of Division level. Within the framework of the program, the participants receive training in the same areas as the J²LP. This ensures networking, both from the content and cultural aspects, as well as driving forward the use of standardized management instruments within the company.

Technical and project careers. The introduction of the pilot project for project and technical careers created another target group-oriented development opportunity for Jenoptik’s employees in 2012. The focus of the one-year measure is on the development of both the personal as well as the technical skills of the participants.

ATTRACTING QUALIFIED EMPLOYEES

Recruitment. Attracting skilled workers and managers is increasingly being carried out within the international context. Jenoptik is countering the problem of an anticipated shortage of skilled workers as a result of the demographic change through a range of measures including a profile-based personnel planning which is intended to speed up recruitment processes. Thanks to more intensive and improved cooperation between the technical areas and the HR Department, the recruitment performance was improved and positions could be filled more quickly.

Human resources marketing. HR marketing at Jenoptik is an essential element of the strategic HR work, designed to preserve and enhance the employer’s brand. This is aimed at securing the long term recruitment of qualified employees against the background of increasingly more difficult demographic conditions. The Group’s target groups are specialists and skilled workers in the field of natural and engineering sciences as well as experts with business management and legal backgrounds.

Jenoptik also finds itself operating in an ever more rapidly changing economic and socio-cultural environment in which competition for qualified skilled workers and managers is increasing. An additional factor in this equation is the company's continuing process of internationalization which is also leading to increasing demand for recruitment, particularly in Asia and the US. This is the reason behind the initiation of an international HR marketing project in 2012 aimed at identifying the various requirements of the target groups and regions and implementing these as part of the employer's brand positioning. The project is geared toward the "Sharing Excellence" corporate campaign and is expected to be implemented by the end of 2013. It will also be underpinned by corresponding international recruitment platforms and career portals.

In order to strengthen the employer's brand, the Group attends numerous national and international trade fairs and events. In this context, it was able in particular to implement new activities in Asia for the graduates and young professionals target group. The target group activities are underpinned by the career website, the company's own job portal and the placement of image adverts and editorial articles in regional and supra-regional media, as well as in trade magazines. This enabled Jenoptik to achieve the number 17 spot in the "Applying online and loving it" study which assesses over 100 career portals every year.

Jenoptik was also placed in the external employer rankings in 2012. In the annual top ranking survey of the 100 most popular employers for students preparing for their exams as well as graduates (Engineering Edition) conducted by the Trendence Institute, Jenoptik occupies 80th place in the top 100, improving its positioning by 36 places over the previous year.

Support for new trainees. The recruitment of suitable trainees and academy students is also becoming increasingly more challenging for Jenoptik. While the number of graduates is declining, industry's demand for trainees, particularly for those in the skilled professions, is growing. In addition to other measures designed to counter this trend, the Group offered numerous student internships within the company in 2012 and held a number of job application training sessions and career choice preparation workshops at schools. In addition, in conjunction with the Jena-based Training Center gGmbH-Schott, Zeiss, Jenoptik various career guidance and career preparation projects were conducted in which students received information on promising future career paths at Jenoptik. For a high technology group like Jenoptik, employees with a background in the natural sciences are of particular importance. That is why Jenoptik is a sponsor supporting the regional "Jugend forscht" (young researchers) competition which encourages young people to enter these fields. As a sponsor of "Jugend forscht", Jenoptik has been supporting the Thuringia regional final since 1991. In 2012, it also began sponsoring the newly-integrated regional "Schüler experimentieren" (experimenting by students) competition for students from the 4th grade.

University graduates are another key target group for attracting young talents. Early contact during their study courses is made in the form of numerous recruitment events, trade fairs and other university events. The company also offers this target group numerous guided tours of the production sites and presentations.

The Group is also engaged in providing support for a number of student organizations, e. g. the international student organization AIESEC and the SDW (Stiftung der deutschen Wirtschaft). Supplementary to this, group-wide internships are also awarded to students and support given to graduates with Bachelor's and Masters' theses, with the activities within this framework being rigorously expanded on the international level. For working students, the Group also offers activities in the same technical field as the respective study course. In 2012, around 120 students were employed within the Group. The planned introduction of a student loyalty program in 2013 is aimed at creating a greater sense of loyalty to the company among the best students.

The (young) professionals are another increasingly important target group on the labor market, one which is becoming ever more problematic from the demographic viewpoint. Jenoptik is positioning itself in this area as an attractive employer offering social and cultural facilities, such as for example the works children's kindergarten, flexible working hours and other cultural and financial themes. Jenoptik also attends corresponding corporate contact fairs and events for this target group, where it presents itself as a potential employer.

SATISFACTION AT WORK AND FAMILY POLICY

Employee survey. At the beginning of 2012, a Germany-wide employee survey was conducted on the group level. Topics such as "activity and work organization", "working conditions", "immediate line manager" and the overall impression of Jenoptik as an employer were included as part of the survey, the first of which involved participation by 65 percent of the employees in Germany. Based on the findings, the Group worked with the various areas of the company on specific measures such as structured employee appraisals for 2012 and 2013. These are to be implemented together with the management of the respective areas. A second employee survey is planned for 2014.

Kindergarten. A children's nursery was set up in 2007 in the Jena-Göschwitz industrial zone by JENOPTIK AG and the Zentrum für Familien und Alleinerziehende e. V. and represents a continuing contribution from Jenoptik toward the creation of an attractive and family-friendly working environment at the Jena site. In addition, thanks to Jenoptik's support, the flexible childcare support facility "Juni-Kinder" of the Thuringia Student's Union was opened in May 2011. In the Defense & Civil Systems segment, a cooperation agreement was also concluded with FRÖBEL Hamburg gGmbH and the FRÖBEL kindergarten "Wasserstrolche" in Wedel. This cooperation arrangement provides childcare support for the employees close to their workplace at the location.

Family-friendly HR policy. Jenoptik also feels it is important to implement a sustainable family-oriented HR policy. It is important both for the recruitment of new employees as well as for the general employee satisfaction to integrate family-friendly measures within the company. The aim is for additional measures to underpin these themes, which will also be on the Group's agenda for 2013, e. g. with the further expansion of the childcare concepts as well as international social initiatives.

Additional themes to be included and implemented by the Group within this context include the promotion of family-friendly initiatives such as the Zentrum für Familien und Alleinerziehende e. V. (Center for Families and Single Parents) in Jena and the provision of financial support for family-oriented measures and events. Jenoptik will also be further expanding its Healthcare Days within the Group at which the employees are encouraged to nurture their own healthcare in their day-to-day lives.

3.2 Research and development

As a technology group, research and development (R+D) is an important integral part of Jenoptik's corporate activities. Innovations and all activities involving R+D are crucial to the company's future performance. The aim is to secure its position as a leader in innovation, to extend this leadership in selected areas as well as to develop products with key unique selling points. For its positioning in the B2B business, this means making our industry customers more efficient and consequently increasing their own earnings capacity. Therefore, we are often development partners of our customers.

Strategy process research and development. Growth options are developed, partnerships entered into and corresponding development projects identified on the basis of a strategic analysis of the global megatrends (digital world, health, mobility/efficiency, infrastructure).

Creation of innovation at Jenoptik. Jenoptik achieves innovation both using its own resources as well as in close collaboration with partners and scientific institutions, as well as to a lesser extent through buying in expertise.

The Jenoptik Group innovation process is multi-stage and follows the guidelines set by the central innovation management. Development projects are evaluated on the basis of R+D roadmaps with the help of corresponding milestones. These involve both product, process and service innovations as well as innovations in business models.

Within the innovation process, Jenoptik works together with both universities and outside institutions and key customers. The objectives of research cooperation arrangements range from market-oriented developments to joint projects with customers, research institutions and service providers, to the reduction in development timeframes, through to access to specialist expertise. The key R+D partners within the scientific institution environment include, among others

- the Fraunhofer Institute for Applied Optics and Precision Mechanics (IOF), Jena,
- the Fraunhofer Institute for Laser Technology (ILT), Aachen,
- the Friedrich Schiller University (FSU) Jena,
- the Ernst-Abbe-Fachhochschule Jena - University of Applied Sciences,
- the Ferdinand Braun Institute, Leibniz Institute for Ultra High Frequency Technology (FBH), Berlin,
- the Fraunhofer Institute for Applied Polymer Research (IAP), Berlin,
- the Institute for Photonic Technologies (IPHT), Jena,
- the Technical University Ilmenau,
- the Technical University Kaiserslautern,
- the Fraunhofer Institute of Production Technology (IPT), Aachen, including the Machine Tool Laboratory of the RWTH Aachen (WZL) and
- the Christian Albrechts University (CAU) in Kiel.

Employees in research and development. The employees who work in research and development are a key factor in the company's success. As at the end of 2012, R+D areas employed a total of 445 personnel, 13.3 percent of the total number of employees (prev. year 405 employees; 13.0 percent of all employees).

These highly qualified employees provide the basis for the successful implementation of the high requirements on innovation.

In addition to a linear career path, the company has provided a special technical career path for the employees in R+D since 2012. This enables Jenoptik to retain employees with specialist technical expertise which is applied throughout the Group in corresponding development projects.

Employees are able to put forward ideas for innovation as part of the ideas management processes. In 2012, new ideas were added to the innovation pipeline. The best ideas are nominated for the Jenoptik Innovation Award which is presented in the autumn of the respective year during the Jenoptik Innovation

Days. The 2012 Jenoptik Innovation Award was won by the NYXUS BIRD observation device from the Defense & Civil Systems segment. This "multi-talent" is equipped with a thermal imaging device, powerful daylight optics, a digital magnetic compass and GPS as well as one of the smallest laser rangefinders of the world. Weighing just 1.5 kilogram, it is a genuine lightweight design and provides excellent optronic reconnaissance for infantrymen or specialists. NYXUS BIRD also offers significant potential for the Defense & Civil Systems segment to generate further commercial success, probably also internationally. In addition, the segment received a development order for an observation system to be used in the US Marine Corps.

Patents. In 2012, a total of 34 patents were registered in the Jenoptik Group (prev. year 46 patents). In this context, however, the reduction in the number of patent registrations should not be interpreted as a lessening of the inventiveness on the part of the R+D departments. It is rather attributable to a change in the registration strategy, with an evaluation process which is more cost and benefit oriented.

One example of this is the ongoing expansion of the patent portfolio in the area of module integration, which was consistently continued in 2012. Various complexes of intellectual property rights were registered, particularly in the areas of the "alignment of optical components" and "lenses for imaging systems". Jenoptik expects these patents to sustainably improve the competitive situation within the Lasers & Optical Systems segment.

The number of patents does not include registered designs and patterns or brand registrations. For competition reasons Jenoptik does not publish information on the receipt and issue of licenses.

Cooperation and membership in committees and associations. The Group procures external expertise with the help of cooperation arrangements, providing a meaningful addition to and enhancement of its own R+D activities.

The so-called Scientific Advisory Council is a committee of high quality scientists available to Jenoptik for monitoring and evaluating long-term technology trends. More detailed information on the members of the Scientific Advisory Council can be found on page 189 in the Annual Report.

Jenoptik is a strong advocate for an environment that encourages innovation and promotes the image of photonic technologies, and plays an active role in numerous sector and technology-oriented associations. 39

37 R + D OUTPUT

in million euros	2012	2011	Changes in %
R+D expenses	36.0	32.0	12.5
Capitalized development costs	1.2	0.5	140.0
Less depreciation and impaiment on capitalized development costs	−1.4	−1.3	7.7
Developments on behalf of customers	13.3	14.2	−6.3
R+D output	49.1	45.4	8.1

R + D OUTPUT BY SEGMENT 38

in million euros	2012	2011	Changes in %
Group	49.1	45.4	8.1
Lasers & Optical Systems	19.0	16.8	13.1
Metrology	16.9	13.9	21.6
Defense & Civil Systems	13.1	14.9	−10.3
Other	0.1	0.1	–

Development costs. The R+D output of the Jenoptik Group, including developments on behalf of customers, totaled 49.1 million euros in 2012 (prev. year 45.4 million euros), a rise of 8.1 percent. The share of development services as a proportion of sales was therefore 8.4 percent. The R+D output includes capitalized development costs in the sum of 1.2 million euros (prev. year 0.5 million euros), development costs directly apportionable to customers in the sum of 13.3 million euros (prev. year 14.2 million euros) as well as the R+D expenses. In this context, depreciatison on capitalized development costs in the sum of 1.4 million euros (prev. year 1.3 million euros) is deducted from the R+D expenses as it represents an innovation output for the previous periods but not the current period.

The R+D output is generated by all segments, with the Lasers & Optical Systems segment, followed by the Metrology segment, accounting for the largest share. As a result of its business model, the Defense & Civil Systems segment accounts for the largest share of the development costs directly apportionable to customers. The segment is a long-term partner for large systems companies and develops platform technologies in conjunction with the customers. 37

R+D expenses primarily comprise personnel expenses, material costs as well as third party services and depreciation. The proportion of third party services by development service providers as a proportion of the development costs has increased, enabling us to create flexibility in capacities and leverage our own activities. Investments in laboratories and appropriate equipment for the R+D workplaces increased as a result e. g. of the further expansion in systems expertise, including the necessary measuring technology in the Lasers & Optical Systems segment. 39

For specific innovation in the form of new patents, products and licenses for the year 2012, see the Segment Reporting from page 88.

Research and development pipeline. New development projects are planned also for 2013. The aim of these is to essentially provide support to the divisions, from 2014, in their strategic development of foreign markets and new customers, e. g. in the area of security and mobility. The business plans which form the basis for these development projects, if successful, show potential earnings and consequently highlight their important contribution to Jenoptik's sustainable growth.

There have been significant changes in the R+D activities compared with the previous year, particularly with regard to the unique selling points of our products. Based on a strategic product analysis, long-term growth potential has been identified and its implementation integrated within the planning process from the internationalization and customer aspects.

39 JENOPTIK MEMBERSHIP OF COMMITTEES AND ASSOCIATIONS (selection)

- Bundesverband der Deutschen Luft- und Raumfahrtindustrie e. V. (BDLI)
- Deutsche Gesellschaft für angewandte Optik e. V.
- Deutscher Industrieverband für optische, medizinische und mechatronische Technologien e. V. (SPECTARIS)
- Deutsches Institut für Normung e. V.
- European Optical Society
- European technology platform Photonics21
- International Society for Optical Engineering (SPIE)
- Max-Planck-Gesellschaft zur Förderung der Wissenschaften e. V.
- Optonet e. V. / CoOptics
- Semiconductor Equipment and Materials International (SEMI)
- Solar Valley Mitteldeutschland e. V.
- Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA)
- Verein Deutscher Ingenieure (VDI)
- Wirtschaftsrat der CDU e. V.
- Zentralverband Elektrotechnik- und Elektronikindustrie (ZVEI)

3.3 Quality management and sustainability

Jenoptik sees entrepreneurial activity not purely as the pursuit and realization of commercial objectives but something that also brings with it an obligation to the environment and society. Corporate Social Responsibility (CSR) encompasses the sustainable direction of our business activity, taking into account the economic, ecological and social framework conditions and consequences of economic activities. Jenoptik meets this responsibility in a variety of different ways. In order to communicate the Group's various actions and successes in terms of a sustainable orientation of the business activities, as well as to seek further potential for improvement in a targeted way, a separate report on the sustainability performance of the Jenoptik Group was published for the first time in mid-2012. This report provides an overview of the Group's initiatives along the value added chain, of the Jenoptik product range which makes a contribution towards sustainable economic activity, environment and quality management within the Group, as well as its commitment to employees and society. The key aspects are summarized in the sections below.

Quality management: In the fiscal year just past, there were no significant changes in Jenoptik's quality management. The high standard and comprehensive certification of the various group companies was maintained and continued. All certifications are subject to annual review audits which were successfully conducted in all areas in 2012. Nearly all the companies in the Jenoptik segments met the requirements of the ISO 9001 quality management standard.

In the Lasers & Optical Systems segment, JENOPTIK Optical Systems GmbH and JENOPTIK Polymer Systems GmbH were certified in accordance with the environmental management standard ISO 14001. In addition, JENOPTIK Polymer Systems GmbH met the stringent medical technology standards under ISO 13485 as well as those for the automotive industry under ISO/TS 16949.

In the Metrology segment, JENOPTIK Robot GmbH at the Monheim location successfully passed a recertification audit for data protection and data security for order data processing. A surveillance audit in accordance with DIN EN 9001 which was made by DEKRA and is valid for all locations was passed. Hommel-Etamic GmbH was one of the first providers to be awarded a license by the German Accreditation Agency DAkkS. The calibration lab of Industrial Metrology has been allowed to use the mark of the International Laboratory Accreditation (ILAC) since 2012. Products and services thus gain a higher acceptance on an international level.

In the Defense & Civil Systems segment, all of the ESW GmbH locations are certified in accordance with EN 9100, a quality management system especially for the high requirements of the aviation and defense industry. The same applies for the environmental management standard ISO 14001. At the Wedel site, the segment is also certified as a manufacturer for the European Agency for Flight Safety EASA and as a maintenance company under the respective regulations of the European, US American, Canadian and Chinese aviation authorities. At the Altenstadt location, the subsidiary Lechmotoren GmbH is certified in accordance with the International Railway Industry Standard (IRIS). 40

Environmental management: Jenoptik has implemented the stringent statutory requirements for nature conservation and environmental protection for new buildings as well as the expansion and modernization of its production facilities. For example, state-of-the-art technologies for saving resources and protecting the environment were applied when fitting out production facilities. As part of the ECOPROFIT regional project, the Traffic Solutions division laid a foundation for the establishment of a comprehensive environmental management system. The following measures were implemented during the course of the project in 2012: conversion of the heating system to condensing technology, control of the underfloor heating system through thermostats as well as central timers for night deactivation of the air conditioning. This enabled the division to achieve savings of 246,900 kWh, i.e. 15,600 euros, over a 12 month period. Another part of the Group has been using renewable energy sources with an environmentally friendly heating plant at the Villingen-Schwenningen location since 2012.

On the basis of the energy certificates that have been issued over recent years, a costs-benefit analysis was carried out in 2011 for all buildings in Germany and was continued in 2012 for new buildings. Based on this, measures aimed at increasing energy efficiency have been embodied within the medium term planning up to 2017. In this context, in addition to long-term measures, Jenoptik is also committed to a whole range of smaller activities. In all construction activities in 2012, increased attention was paid to the opportunities for a further improvement in energy efficiency; this led to a sustainable increase in the sparing use of resources in the buildings. One example of this is the new construction of a production hall for the manufacture of energy systems in Altenstadt, another is the expansion of the high-power diode laser manufacturing facility in Berlin. Measures for thermal insulation on existing buildings contributed to reduce heating costs at the Wedel location.

The creation of a CO_2 balance for environmental management was continued for the German locations in 2012. This provides comparison values which allow for an assessment of the energy consumption levels as a ratio of sales and consequently in relation to the development of the energy efficiency in production. The proviso should be added that up to now the report has only covered the consumption levels at the German locations. Nevertheless, this highlights a very positive trend from the figures that have been collated: despite the significant increase in business, the consumption of resources was essentially maintained at a lower level in proportion to the growth in sales. The consumption of the various media (electricity, district heating, gas, heating oil, wood pellets) by all Jenoptik's locations in Germany was included for the purpose of calculation, giving CO_2 emissions for the year 2012 of 19,976 tons (prev. year 19,337 tons). Based on the Group's sales in Germany, domestic CO_2 emission levels reduced from 11.5 tons for each million euros of sales in 2011, to 10.4 tons in 2012.

The types of waste were systematically recorded in all divisions and the quantities calculated. The volume of hazardous waste for the year 2012 covered by the report totaled 225 tons; this was disposed of in waste preparation/disposal plants through the transportation of hazardous goods (prev. year 266 tons). The volume of non-hazardous waste was predominant, accounting for 960 tons (prev. year 642 tons). In the Defense & Civil Systems division, for example, disposal transports were reduced through changeover in the disposal of plastics which led to a cost reduction. 41

40 CERTIFICATION WITHIN THE GROUP (selection)

ISO 9001	Certification of Quality Management Processes
EN 9100	Certification of Quality Management Processes especially for the aerospace and defense industry
ISO 13485	Certification of management systems across the board for the design and manufacture of medical products
ISO 14001	Certification of the environmental management system
ISO/TS 16949	Certification for the automotive industry
EG 1702/2003	Certification as a manufacturer for the civil aviation industry
EG 2042/2003	Certification as a maintenance company for the civil aviation industry
IRIS	International Railway Industry Standard
ILO – OHS – 2010	Certification of occupational safety management

Resource management. As a high technology company, Jenoptik strives to achieve greater efficiency in its range of services and innovative products and in this way to make a contribution towards a more responsible use of resources. As a B2B provider, we are normally involved where production processes and products of our customers can be made more efficient. The examples below from our three segments illustrate this:

- Energy efficiency. In the area of lasers & material processing, Jenoptik is one of the leading manufacturers of diode lasers, one of the most efficient light sources available, with an effectiveness level of up to 70 percent. As a provider of laser systems for a wide range of applications, Jenoptik offers its customers a durable and resource-saving alternative to conventional machining processes. Laser materials processing is also a key technology in the manufacture of so-called smart windows, whose level of light permeability can be variably controlled.
- Key technology. With the continuing advances in development, optical technologies are increasingly opening up potential new areas of application, allowing for simpler process design and to saving resources. For example, Jenoptik supplies optical systems for new optical analysis processes, e.g. for endoscopies and gentle treatment methods in the medical area. In addition, components, modules, systems and complete devices are manufactured so that efficiency in these areas can be increased on a sustainable basis. LED technology with special optics, e. g. the new "lucid power high bay" lighting system for high bay shelving warehouses, has seen particular demand from the logistics sector in order to achieve energy savings and increase the lighting performance.
- Fuel and CO_2 savings plus hybridization. The high-precision systems and equipment used in industrial metrology support the automotive industry in the development and production of combustion engines with extremely low production tolerance levels and so contribute towards reducing CO_2 emission levels in road traffic. In addition, the further widespread use of hybrid drive units is leading to the use of increasingly more complex drives containing a large number of new components. The development and coordination of these drives necessitates the increased use of metrology.
- Traffic safety. Traffic monitoring systems from Jenoptik help to monitor adherence to the applicable traffic rules and in this way are making a contribution towards greater road safety, reducing the likelihood of accidents and injuries and lowering harmful emissions and noise levels.
- Energy systems. The supply of electrical power is playing an increasingly important role in modern vehicles. The Defense & Civil Systems segment is a specialist in medium and high performance category energy systems and also develops and

41 ENERGY CONSUMPTION BY THE JENOPTIK LOCATIONS IN GERMANY

	2012	2011	2010
Electricity	31,857 MWh	30,735 MWh	31,077 MWh
Gas	11,179 MWh	11,849 MWh	8,043 MWh
Wood pellets	1,058 MWh	588 MWh	679 MWh
District heating	7,195 MWh	9,436 MWh	7,236 MWh
Heating oil	611 MWh	1,060 MWh	1,434 MWh
Water	55,216 cbm	56,794 cbm	49,147 cbm

manufactures electrical motors, generators, power electronics and entire power units which possess high and highest efficiency and a very good power to weight ratio, i. e. they have an improved ratio between the level of electrical or mechanical energy generated and the weight of the systems.

Social commitment. In addition to economic and ecological aspects, the Group's promotion of sustainability also focuses on social issues. Jenoptik lent support to a whole range of not-for-profit projects, organizations and initiatives and was actively involved in science, education and culture as well as in the area of social welfare and charity.

In the past, the promotion has been concentrated on projects with a regional connection to the German locations. As part of the ongoing process of internationalization and the continuing development of foreign markets, Jenoptik will also be promoting and supporting social involvement at the foreign locations and to this end has invited proposals for various internal projects.

Support for the work-life balance is provided within the company, particularly e. g. in the form of flexible working hour models and a range of childcare places in immediate vicinity to the workplace for children of Jenoptik employees at two locations. The childcare facilities on offer are geared toward opening hours coordinated with working hours as well as integrated, bilingual teaching concepts.

Jenoptik also offered healthcare days in order to raise awareness for healthcare among its employees. In its social commitment, Jenoptik has endeavored to establish a close and, if possible, long-term partnership aimed at providing both financial as well as personnel support. The Group has long been pursuing this approach, e. g. since 1996 through its patronage for the Adult Initiative for Children with Cancer Jena e. V. which was taken over by CFO Rüdiger Andreas Günther in June 2012. With the help of support through donations by the company itself, attracting donations from partners as well as organizing various events for the children, the Group has been able to provide the children with cancer and their parents. The Easter Charity Concert of the Youth Orchestra Academy represents a specially important event, the proceeds benefit the initiative. Jenoptik has been sponsoring the guest performance of the charity event since 2009.

Together with numerous partners, the Group also provided support as a member of the Förderkreis "Familienfreundliches Jena e. V.", for projects of the alliance "Jenaer Bündnis für Familie (Jena family alliance)", for improving the general underlying conditions, the work-life balance as well as for equal opportunity in education.

Jenoptik is also committed to the promotion of science and education as well as art and culture. Examples of this include the long-term sponsoring of the Thuringian "Jugend forscht" (young researchers) state competition as well as cooperation arrangements with universities and research institutes. In addition, Jenoptik supports the staging of exhibitions by leading, in particular local artists in its gallery, in 2012 for example Anke Neumann from Jena with her light papers and light sculptures.

Special Olympics e. V. has been receiving financial support from JENOPTIK AG and volunteer help from committed individuals since 2004. This commitment will be continued in 2013, enabling regional and national competitions to be staged in football, handball, swimming and other sporting disciplines.

3.4. General statement by the Executive Board on key performance indicators

The main developments regarding employees in the past fiscal year are in line with our strategic orientation. We have continued to develop the organization and established as well as expanded new locations abroad. The number of employees grew at a lower rate compared with sales, which corresponds to our targets. The focus of the expansion of staff was outside Germany, also in 2012. We have intensified our work in the areas of further training and personnel marketing, with the key target being to retain skilled workers in the company. As a Group which is driven by innovation we pursue development projects within defined structures, often together with partners and customers.

As at the closing editorial date of this report the development of the key measures in the areas of employees, research & development as well as quality and environmental management, corresponds to our strategic orientation and our key targets for the future development. We will continue to consistently pursue this also in fiscal year 2013.

4 SEGMENT REPORTING

4.1 Lasers & Optical Systems segment

BUSINESS ACTIVITY AND ENVIRONMENT

Products and services. All activities relating to lasers and optics are combined within this segment. Jenoptik is one of the leading providers of laser technology, offering products and services along the entire value added chain of laser materials processing – from the semiconductor material and components through to the complete laser system. In the laser area, the company has specialized in high-quality semiconductor lasers, reliable diode lasers as modules and systems as well as innovative, solid-state lasers such as disk and fiber lasers and is an acknowledged global leader in quality for high-power diode lasers. These laser beam sources are used, for example, in materials processing (automotive and machine construction), medical technology and the show & entertainment area. The Laser Processing Systems unit offers laser machines which are integrated into production lines as part of process optimization and automation. They are used for processing plastics, metals and glass in connection with the processing of thin layers with highest efficiency, precision and security.

Through its Optical Systems division, Jenoptik is one of the leading global manufacturers producing precision optics and integrated optical systems designed to meet the most stringent quality requirements. The Group is a development and production partner for optoelectronic and optomechanic modules, systems and assemblies based on optic, micro-optic and layered optic components made from glass, infrared materials and plastics. It possesses superb expertise in the development and manufacture of micro-optics for beam shaping used in the semiconductor industry and for laser materials processing. The portfolio also includes systems and components for the areas of defense & security, healthcare & life sciences, lighting, system solutions and modules for digital imaging and analysis, as well as cameras used for digital microscopy.

Areas of business and market position. In the Lasers & Optical Systems segment, Jenoptik is one of the world's major providers of lasers and laser processing systems as well as optics, micro-optics and optoelectronic systems. The segment competes with numerous companies which specialize in one or a few of the abovementioned products. Since the companies have differing service offerings and regularly only provide for limited comparison, it is very difficult to give specific positions in terms of market share. Jenoptik is a leader in the laser market for high-power diode and disk lasers. The segment is an established partner for the automotive industry in the area of plastics processing for airbag systems and last year opened up access to a new fast growing market with the market launch of 3D metal processing systems. Jenoptik has a prominent position in the market for optical systems, for example in the area of micro-optics, which it has succeeded in further strengthening, and has also further enhanced its established role as a development and production partner for leading companies. In the area of optical systems, the company has intensified its offering of integrated solutions and in this way increased its share of added value. The segment's regional areas of focus are in Europe and North America and increasingly in Asia. Our core markets in this segment are semiconductor equipment, medical technology, defense and security technology as well as the automotive and machine construction industries.

Information on the segment's markets can be found in the market report on page 54 and on future development in the forecast report from page 115 of this report. Information on the segment's strategy can also be found in the forecast report on page 113.

DEVELOPMENT OF SALES, EARNINGS AND ORDERS

The sales of the Lasers & Optical Systems segment remained virtually unchanged in 2012 despite the semiconductor crisis, at 212.3 million euros (prev. year 217.1 million euros). The segment was able to compensate for the decline in the sales with the semiconductor industry resulting from the economic dip to better effect than in previous years through business in other areas, although the 4th quarter 2012 showed a slight fall. Sales growth came from the areas of optoelectronic systems and optics for other industries, such as flat-panel, automotive, and life sciences. The systems business was successfully further expanded. In the field of lasers & material processing, sales were down slightly on the previous year's level. Equipment for new areas of application, including 3D metals processing, also contributed to sales.

Overall, the segment once again generated almost 70 percent of sales from abroad in 2012, with Europe and America accounting for the majority of this (prev. year almost 70 percent).

The segment EBIT, at 27.1 million euros, was also slightly below the figure for the previous year (prev. year 29.2 million euros). This is attributable in particular to the one-time effects in connection with the site optimization in America. Both the Optoelectronic Systems business unit as well as Lasers & Material Processing reported an increase. The segment's EBIT margin fell to 12.8 percent (prev. year 13.5 percent).

At 219.9 million euros, the order intake was only slightly down on the high level achieved in the previous year (prev. year 224.4 million euros) and just up on sales. The book-to-bill ratio was 1.04 (prev. year 1.03). As expected, demand from the semiconductor industry did not reach the same level as in the previous year. In the area of lasers & material processing, lasers for medical technology were in heavier demand.

In addition to its position as a supplier to the semiconductor equipment industry, the segment is also increasingly attracting major customers from the flat-panel, automotive and life-sciences industries. In 2012, for example, it won a large order worth several million euros for the manufacture of complex optical systems used in the area of flat panel display equipment in Asia, as well as a larger order in the Optoelectronic Systems business from Dräger Safety AG. In the field of lasers & material processing, first key customers in the automotive supplier industry were won over with the market launch of the 3D metals processing systems. First systems were delivered both in Germany and in the growth market USA and successfully commissioned into operation. In the third quarter 2012, Jenoptik received another large order from the US worth 13 million US dollars for green disk lasers which are specifically used for medical applications. The segment's order backlog rose slightly to 105.2 million euros (31.12.2011: 101.3 million euros). 42

OTHER INDICATORS AND NON-FINANCIAL PERFORMANCE INDICATORS

Employees. The Lasers & Optical Systems segment employed a total of 1,349 personnel as at December 31, 2012, an increase of 53 or 4.1 percent compared with the previous year (31.12.2011: 1,296). As at the year-end 2012, the segment had 44 young people in trainee positions.

42 KEY INDICATORS FOR THE LASERS & OPTICAL SYSTEMS SEGMENT

in million euros	2012	2011	Changes in %
Sales	212.3	217.1	−2.2
EBIT	27.1	29.2	−7.5
EBIT margin (in percent)	12.8	13.5	
Order intake	219.9	224.4	−2.0
Order backlog	105.2	101.3	3.8
Employees	1,349	1,296	4.1

The internationalization of the segment was underpinned by the recruitment of personnel to key positions in America. Further expansion in America and Asia is planned for 2013. As part of the Group project entitled “Technical and project careers”, the optics area is implementing corresponding career options for the employees from research and development as well as from project management.

Research and development. The R+D output of the segment totaled 19.0 million euros and therefore rose slightly over the previous year’s period (prev. year 16.8 million euros). Developments on behalf of customers which can be apportioned to the cost of sales totaled 4.7 million euros (prev. year 3.2 million euros). R+D expenses in 2012 totaled 14.7 million euros (prev. year 14.1 million euros). Key development projects are often pursued on a joint basis with the customers.

The high power series of F-Theta-JENar® lenses was launched on the market in 2012. Jenoptik premiered the new Silverline F-Theta range of lenses at Photonics West in January 2013, completing the full quartz lens range for micro material processing with high-power and picosecond lasers. At the beginning of 2012, Jenoptik received an order from Dräger Safety AG to develop and manufacture integrated optoelectronic modules, systems and equipment.

In the laser area, Jenoptik showcased the new kilowatt fiber lasers for the first time at the beginning of 2012. This is an area in which Jenoptik has benefited from its in-house expertise. This allows for the flexible integration of the lasers, particularly in the area of materials processing such as metal cutting and welding. The first deliveries of the new JenLas® fiber cw 1000 have already been dispatched to Asian customers. At Photonics West, Jenoptik also presented the femtosecond laser JenLas® D2.fs with improved parameters that allow for faster materials processing in industry and medical technology. Laser processing systems for the 3D metals processing have been further developed and brought to the market. The focus here is on the cutting of tubes and press hardened steels.

Capital expenditure on the segment’s tangible and intangible assets amounted to 15.3 million euros (prev. year 12.9 million euros) and were offset by depreciation in the sum of 9.3 million euros (prev. year 11.3 million euros). The increase in capital expenditure is primarily attributable to the expansion of the manufacturing facility for semiconductor lasers in Berlin involving a total of around 10 million euros spread over the years 2011 to 2013.

Despite a significant increase in capital expenditure, the free cash flow (before interest and income taxes) was consequently below last year’s level at 17.6 million euros (prev. year 28.7 million euros).

Production & organization. At the end of August 2012, Jenoptik opened its Berlin manufacturing facility for high-quality semiconductor lasers which provide the base material for high-power diode lasers. The expanded manufacturing facility will be equipped with the latest production technology and be commissioned into operation at the beginning of 2013. The expansion of this site will enable Jenoptik to meet the sharp rise in demand, especially from Asia, and strengthens the technological position for new areas of application, also in volume segments.

As announced in December 2012, the optics manufacturing activities at the Jupiter site in Florida, US will be intensified during the course of the current fiscal year. The production capacities there will be significantly expanded and extended to cover the production of optical precision components. The optics site at Easthampton will therefore be transferred to Jupiter. This capacity expansion is mainly targeted at the semiconductor equipment, defense & security, health care & life sciences and entertainment industries. As a result, the Optical Systems division will in the future manufacture at the two US locations in Jupiter and Huntsville.

The presence at the Jupiter site was expanded for the lasers business. It is initially planned for the organization to serve as a sales and service unit. A sales and service presence was also opened on the West Coast of the US in 2012, mainly to ensure the service for local laser systems.

The Digital Imaging and Optoelectronic Systems business units had already been amalgamated in 2011 in order to strengthen the offering of complete optoelectronic system solutions. The optimization of the organization in this area was continued in 2012.

The Go-Lean program was also started up in the Lasers & Optical Systems segment in the fiscal year just past and various themes for improvement of the operational excellence were implemented as part of the group-wide Jenoptik Excellence Program (JEP).

43 SELECTED TRADE FAIRS 2012

January	SPIE Photonics West (USA)
March	LASER World of Photonics China (China)
April	Defense, Security and Sensing (USA)
May	OPTATEC (D)
June	ACHEMA (D)
September	IMTS (USA) LASER World of Photonics India (India)
October	EuroBLECH (D)

4.2 Metrology segment

BUSINESS ACTIVITY AND ENVIRONMENT

Products and services. In the Metrology segment, Jenoptik possesses expertise in technologies for measuring forms, dimensions, surfaces, speeds and distances. In the area of industrial metrology, Jenoptik is one of the world's leading manufacturers of high-precision, contact and non-contact production metrology used mainly in the automotive industry. The range of services covers total solutions for a wide variety of measurement tasks, such as the optical, tactile or pneumatic testing of roughness, contours and shape and the measurement of dimensions during every phase of the production process as well as in the metrology room. The segment also offers comprehensive advice, training and services, including long-term maintenance agreements. In the area of traffic solutions Jenoptik develops and sells components and systems which are making the world's roads safer. The product portfolio, based on the proven Robot technology, includes comprehensive systems covering all aspects of road traffic, such as speed and red light monitoring systems plus OEM products (Original Equipment Manufacturer) and special solutions for identifying other traffic violations. Jenoptik is the only provider in the world able to offer its customers solutions based on all established technologies.

In the services area, Traffic Service Provision, the Group covers the entire, supporting process chain – from system development, construction and installation of the monitoring infrastructure, to capturing images of the traffic violations and the automatic further processing, through to sending out the penalty notices and collection of the fines as the system operator.

Areas of business and market position. Jenoptik is one of the leading companies worldwide in the field of two dimensional metrology and is a market leader in optical metrology. In the traffic safety area, Jenoptik is a leading provider of photographic monitoring, with more than 20,000 devices in use worldwide. The Metrology segment has a greater international focus than any other within the Jenoptik Group. The segment's regional areas of focus are determined by the customers. In the area of industrial metrology, these are thus the centers of the global automotive and automotive supplier industry in Europe, North America and Asia. The market for traffic safety solutions is being increasingly characterized by major projects which consequently determine the order-related areas of focus for Jenoptik's international presence over a defined period. In the German market, traffic safety systems are subject to licensing by the Physikalisch Technische Bundesanstalt (PTB), Brunswick. Foreign deliveries are subject to controls by the corresponding national institute, while various countries also recognize in part or completely the German PTB license or licenses from other leading European licensing authorities.

Information on the segment's markets can be found in the market report on page 55 and on the future development in the forecast report on page 116 of this report. Information on the strategy of the segment can also be found in the forecast report on page 114.

DEVELOPMENT OF SALES, EARNINGS AND ORDERS

Sales of the Metrology segment increased by more than 30 percent to 182.7 million euros in 2012 (prev. year 140.1 million euros). The growth in sales came both from Industrial Metrology and Traffic Solutions. The demand from the automotive industry, the key customer sector for industrial metrology, remained at a very high level in 2012. As a result of the deliveries of traffic safety systems to Malaysia and Saudi Arabia, there was also a marked rise in sales of traffic solutions, with the segment generating more than 70 percent of its sales abroad (prev. year approx. 68 percent).

At 25.7 million euros, the segment EBIT increased at a much stronger rate than sales, more than doubling compared with the previous year (prev. year 12.0 million euros). This increase was once again driven by Industrial Metrology which posted a leap in earnings as a result of the high level of sales and more efficient structures, as well as the first deliveries for the major road traffic safety projects in Malaysia, Saudi Arabia and Oman.

The segment posted a 19.2 percent increase in its order intake to 198.7 million euros (prev. year 166.7 million euros). This figure includes two major orders for traffic safety solutions from Malaysia and Oman. Jenoptik is equipping Northern and Eastern Malaysia with around 550 traffic monitoring systems worth more than 40 million euros. The contract also includes comprehensive servicing for a period of 5 years. Over and above the supply and installation of the systems, Jenoptik will also set up the complete infrastructure of the enforcement system and give technical support for the entire duration of the program. The Group is also fitting more than 600 sites in Oman with state-of-the-art traffic safety systems, supplying and installing efficient software for processing the traffic violations. In addition, assistance is given in the commissioning. The order value is in the lower double-figure million euro range. Orders for

44 KEY INDICATORS FOR THE METROLOGY SEGMENT

in million euros	2012	2011	Change in %
Sales	182.7	140.1	30.4
EBIT	25.7	12.0	114.2
EBIT margin (in percent)	14.1	8.5	
Order intake	198.7	166.7	19.2
Order backlog	87.4	69.0	26.7
Employees	814	719	13.2

Industrial Metrology worth several million US dollars for three North American engine plants have also been awarded. The segment will be supplying fully automated roughness testing systems and measuring machines for the measurement of form and dimension. The order also covered their integration into the production lines plus comprehensive servicing. Delivery of the systems began in 2011 and will be concluded at the end of 2013.

The order intake of the segment exceeded sales and so the book-to-bill ratio was 1.09 (prev. year 1.19). The order backlog increased accordingly by 26.7 percent to 87.4 million euros (31.12.2011: 69.0 million euros). 44

OTHER INDICATORS AND NON-FINANCIAL PERFORMANCE INDICATORS

Employees. The number of employees in the segment rose by 13.2 percent or 95 personnel net, to 814 (31.12.2011: 719). The segment therefore recorded the largest rise in new employees. This figure includes a significant increase in the number of employees in the foreign companies. As at December 31, 2012, the segment employed 24 trainees, 6 more than in the previous year.

Human resources projects. The Metrology segment has already been consistently implementing the process of internationalization for a number of years, it is now working intensively on the secondment project and secondment guideline drawn up by the Group. Within the framework of the major international projects, the segment relies on both the recruitment and secondment of its own employees.

Foreign companies. A foreign company was formed in Kuala Lumpur in conjunction with the acquisition of the major project in Malaysia. This location will employ both locally recruited personnel as well as personnel seconded from Germany.

Research and development. The R+D output of the segment totaled 16.9 million euros (prev. year 13.9 million euros). This figure includes developments on behalf of customers in the sum of 2.8 million euros (prev. year 4.3 million euros) which are shown under cost of sales. The segment's R+D expenses totaled 14.2 million euros (prev. year 9.6 million euros).

In 2012, the work of the segment was mainly focused on additions to the industrial metrology product portfolio. There is global demand for new metrology solutions for more environmental friendly engines in the automotive industry. The segment also launched the optical shaft measurement system HOMMEL-ETAMIC opticline CA618, which is used for the automated, quick measurement of wave-like workpieces in the automotive industry and the HOMMEL-ETAMIC F435/F455 range of tactile shape measurement devices which combine shape measurement with additional roughness testing functions. A calibrated cam standard was premiered as a world innovation which, together with the certified analysis software TURBO SHAFT, enables cam-shaped measurements to be carried out for the first time to a national standard.

Two important development projects were completed for Traffic Solutions in 2012. These will strengthen our positioning by providing the latest generation of contactless measuring technology in the form of radars and laser scanners. The new stationary laser scanner system had already been submitted for licensing in selected countries starting in autumn and is currently at the market launch stage. With the introduction of the TraffiStar S350 laser scanner system, Jenoptik has rounded off its technology portfolio and is the only provider in the world able to offer its customers all the technologies under one roof. Development of the back office suite TraffiDesk®, launched in 2011, was also continued in 2012 and successfully implemented in a number of major international projects.

Capital expenditure by the segment in tangible and intangible assets totaled 3.3 million euros in 2012 (prev. year 2.2 million euros). This was offset by depreciation and impairments in the sum of 3.0 million euros (prev. year 3.4 million euros).

The free cash flow (before interest and taxes) of the segment totaled 24.3 million euros (prev. year 4.9 million euros).

Production and organization. The Metrology segment continued to optimize its structures in 2012. The framework for this is being provided by the continuing process of internationalization, with the segment's own presence in the key sales markets, rapid expansion of business in industrial metrology and the fluctuations in capacity utilization as a result of the major orders in the traffic solutions business. The aim of the optimization was therefore to create an efficient order throughput as well as to ensure flexibility in production. Competence Centers were established in Germany, France, Switzerland, the USA and China. The Industrial Metrology area has a presence in Brazil, India, Singapore, South Korea, Spain and the Czech Republic through application centers. Work on the standardization of the product portfolio was continued in the traffic solutions area. The progress achieved in 2012 enabled the segment to start on the introduction of lean manufacturing which will make production more efficient and operationalize the process of continual improvement. 45

45 SELECTED TRADE FAIRS 2012

March	Intertraffic, Amsterdam (NL)
March	INDUSTRIE PARIS 2012, Paris (F)
May	Control, Stuttgart (D)
September	GPEC, Leipzig (D)
September	IMTS, Chicago (USA)
November	Prodex, Basel (CH) Gulf Traffic, Abu Dhabi

4.3 Defense & Civil Systems segment

BUSINESS ACTIVITY AND ENVIRONMENT

Products and services. The Defense & Civil Systems segment focuses on the areas of military and civil vehicle, rail and aircraft equipment, drive and stabilization technology as well as energy systems. The product range also includes optoelectronic systems for the security industry, as well as software, measurement and control technology. The focus in the area of lasers and infrared sensors is on the development, manufacture and sale of laser rangefinders and infrared camera systems which are used in automation, environmental measurement and security technology as well as for military reconnaissance. An efficient customer service ensures that customers receive support for the service life of the products, which in most cases is a very long time.

Areas of business and market position. The segment supplies equipment to major systems companies or is a direct supplier to procurement bodies in the public sector. The business is predominantly geared toward the long-term and is often based on so-called platforms. Many of the components and subsystems are developed specially on behalf of customers. In the area of defense and security technology as well as aviation and rail equipment, Jenoptik is a business partner primarily for German or European customers, with end products being dispatched all over the world by the systems companies. The business is subject to strict security, certification and export requirements to which Jenoptik stringently adheres. In addition to export audits, these requirements mainly include the Security Clearance Act of the Federal German Department of Trade and Industry.

Information on the segment's markets can be found in the market report on page 55 and, on the future development, in the forecast report on page 116. Information on the segment's strategy can also be found in the forecast report on page 114.

DEVELOPMENT OF SALES, EARNINGS AND ORDERS

Sales. In 2012 the Defense & Civil Systems segment posted a 1.7 percent rise in sales to 186.4 million euros (prev. year 183.3 million euros). Over the last 12 months, the Energy Systems business unit again recorded a positive performance which was characterized by the deliveries of power units for the US American Patriot missile defense systems. At nearly 52 percent (prev. year approx. 41 percent), the segment's foreign share of sales is markedly lower than in the other two segments since a significant proportion of the products is supplied to German systems companies. The segment's strategic objective is to continue increasing the share of sales with civil products as well as the foreign share of sales. However, the sales mix is also dependent upon call orders from customers within the framework of long-term projects.

The segment EBIT totaled 7.8 million euros (prev. year 11.6 million euros). The reasons for this reduction of more than 30 percent, primarily in the 4th quarter 2012, were the measures taken for the relocation of the site from Essen to Wedel in the Energy Systems business area, as well as lead costs for new projects. The main positive contributions to the results in 2012 came from the Energy Systems business unit as well as the 50 percent share of Hillos GmbH which was included in the result. In this joint venture with Hilti, Jenoptik manufactures laser measurement equipment for applications in the construction industry at the Jena site. The segment posted an EBIT margin of 4.2 percent (prev. year 6.3 percent).

As expected, the order intake of the segment in 2012 did not match the same high level as in the previous year, coming in at 165.0 million euros (prev. year 254.5 million euros), a decline of 35.2 percent. 2011 was primarily characterized by two major individual orders for the PUMA armored fighting vehicle which together totaled more than 70 million euros. The segment did not receive any comparable major order in 2012, so the book-to-bill ratio was 0.89 (prev. year 1.39). At 8.6 percent, the fall in the order backlog was much lower than that in the order intake and totaled 255.8 million euros (prev. year 279.9 million euros). 46

OTHER INDICATORS AND NON-FINANCIAL PERFORMANCE INDICATORS

Employees. As at the end of 2012, the Defense & Civil Systems segment employed a total of 913 personnel (31.12.2011: 924 employees), 1.2 percent fewer than in the previous year. This is attributable to the consistent HR policy which has reduced personnel expenses through socially responsible measures. As at the year end, the segment had a total of 57 personnel in trainee positions.

Human resources projects. The Defense & Civil Systems segment is participating in the pilot scheme to introduce technical and project careers and is also involved in the implementation of a technical career in the R+D area.

46 KEY INDICATORS OF THE DEFENSE & CIVIL SYSTEMS SEGMENT

in million euros	2012	2011	Change in %
Sales	186.4	183.3	1,7
EBIT	7.8	11.6	−32.8
EBIT margin (in percent)	4.2	6.3	
Order intake	165.0	254.5	−35.2
Order backlog	255.8	279.9	−8.6
Employees	913	924	−1.2

Information on new sites / site closures. The relocation of the Essen site to Wedel which was decided in December 2012 and the amalgamation of the operations in Essen and Wedel are planned for 2014. The negotiations on the implementation of this measure which will affect a change in operations were commenced in February 2013.

Research and development. The R+D output of the segment in 2012 totaled 13.1 million euros (prev. year 14.6 million euros). Developments directly on behalf of customers which are apportioned to cost of sales totaled 5.8 million euros (prev. year 6.7 million euros). This is normally a higher proportion than in the other two segments as a result of the joint developments with systems companies. The segment's R+D expenses totaled 7.1 million euros (prev. year 8.2 million euros).

The new thermographic camera from the Sensor Systems business unit was launched in the spring of 2012. The VarioCAM® HD is the world's first hand-held, non-cooled thermographic camera with 3.1 megapixels, infrared image resolution and an integrated laser rangefinder. Typical areas of use for VarioCAM® HD cameras include industrial and scientific research and development, preventive maintenance and building thermography.

In June of last year, Jenoptik premiered the new NYXUS BIRD thermal imaging device for military reconnaissance. NYXUS BIRD combines a high-resolution thermal imaging device with binoculars, laser rangefinder, magnetic compass and GPS – all in a single, lightweight, handy and robust device. Thanks to its outstanding characteristics, the system will form part of the future reconnaissance equipment for the German Army. Jenoptik is also currently developing an observation system for the US Marine Corps which is being assembled to provide US forces with a modern system, the "Common Laser Range Finder Integrated Capability (CLRF IC)".

47 SELECTED TRADE FAIRS 2012

February	International Armoured Vehicles, Farnborough (GB)
March	Aircraft Interiors Expo, Hamburg (D)
April	SPIE Defense, Security & Sensing, Baltimore (USA)
June	Eurosatory, Paris (F)
September	Innotrans, Berlin (D)
October	AUSA Annual Meeting & Exposition, Washington DC (USA)
November	SPS/IPC/DRIVES, Nuremberg (D)

Jenoptik has developed the new laser sensor LUMOS for measurements to hot surfaces and in bright conditions. This enables distances up to 500 meters to be measured to the nearest millimeter precisely. The compact devices operate with visible red laser light at a wavelength of 635 nm.

The introduction of the new generation of UCF cameras for the fire fighter service of Dräger Safety is proceeding positively. The Sensor Systems business unit is the key supplier and was presented with the customer's Innovation Award.

Capital expenditure. The segment invested 6.4 million euros in tangible and intangible assets (prev. year 8.5 million euros). The level of investment was therefore 25.9 percent lower than in the year 2011 which had been characterized by the expansion in capacity at the Altenstadt site. Investments were offset by depreciation and impaiments totaling 5.4 million euros (prev. year 5.0 million euros).

The free cash flow (before interest and taxes on income) amounted to 5.5 million euros (prev. year 2.1 million euros) and therefore exceeded the previous year's level.

Production & organization.
With effect from June 1, 2012, Dr. Stefan Stenzel took over as Head of the Defense & Civil Systems segment, since then he has been responsible for all operational matters. Dr. Stefan Stenzel has held various management positions in the Jenoptik Group since 2003 and most recently was Deputy Head of the Optical Systems division.

As announced in December 2012, the Defense & Civil System segment is reducing the number of locations in Germany from four to three. Components of the energy systems for military vehicles and locomotives are currently manufactured at the three locations Wedel, Altenstadt and Essen. In order to strengthen the earnings power and flexibility in the future, production and development at the Essen site is to be relocated to Wedel from 2013. 47

4.4 General statement by the Executive Board on the development of the segments

We report on a segment basis in accordance with IFRS 8 "Business segments". The reporting is carried out according to the organizational, management and internal reporting structure. The Executive Board analyzes the financial information of the segments and the subordinated levels, with this information providing a basis for decision-making. The accounting principles for the segments are the same as those as described for the Group as a whole under Basic accounting principles in the Notes from page 129.

The segments delivered varying levels of performance in 2012. The Metrology segment achieved record sales and operating results. Sales of the Lasers & Optical Systems and Defense & Civil Systems segments remained virtually unchanged. In addition to predominantly good economic conditions, the positive performance was also helped by the internal improvements and successes in the implementation of the internationalization strategy. We thus improved our margins with an increased share of the systems business, successfully opened up new markets based on the existing technology expertise and brought major projects to a successful conclusion, testifying to our customers' confidence in our performance capability.

5 REPORT ON POST-BALANCE SHEET EVENTS

The Executive Board proposes to the Supervisory Board to transfer an amount of 25,000,000.00 euros of the net profit 2012 of JENOPTIK AG to other revenue reserves.

The Exective Board recommends to the Supervisory Board to propose to the Annual General Meeting that a dividend of 0.18 euros per qualifying no-par value share be paid. Thus, an amount of 10,302,860.70 euros of the balance sheet profit of 22,661,857.90 euros shall be distributed and an amount of 12,358,997.20 euros be carried forward.

There were no other events of significant importance occurring after December 31, 2012.

In January 2013 Jenoptik acquired 100 percent of the shares in DCD Systems Pty. Ltd., a supplier of traffic safety equipment.

6 RISK REPORT

6.1 Risk management system

Jenoptik sees the basic principles of responsible company management as including the continuous, responsible evaluation of opportunities and risks derived from entrepreneurial activity. This enables opportunities to be identified and exploited at an early stage and the associated risks to be simultaneously analyzed, evaluated and controlled. At Jenoptik, there is a close inter-relationship between opportunity and risk management which is linked with the strategy of the Jenoptik Group as well as the strategies and objectives of the individual market segments. This enables the Executive Board to formulate a strategy and define objectives for creating an optimum balance between growth and return targets on the one side and the associated risks on the other and to ensure that resources are used effectively and efficiently. This allows the value of the Jenoptik Group for its stakeholders to be systematically increased on a sustainable basis. In addition, the consistent application of the basic principles of risk policy and instructions in the form of Group guidelines means that a majority of the risks can be avoided or their consequences at least reduced.

ORGANIZATION AND INSTRUMENTS OF THE RISK MANAGEMENT SYSTEM

Risk management at Jenoptik covers all risk-related activities and measures designed to achieve the corporate objectives. The aim of this is to deal with opportunities and risks on a controlled basis within the Group. They are managed by the operating units, mainly in cooperation with the central areas of Finance, Internal Auditing and Legal and forms an integral part of the group-wide planning and control systems. In December 2012, the Group also established the central area of "Risk & Compliance Management" which is intended in future to make a key contribution towards the monitoring and control of risks and opportunities at Jenoptik. Based on intensive market and competitor analyses, potential specific to the business units, as well as the associated risks, will be the subject of regular, detailed discussion. All domestic and foreign companies in which JENOPTIK AG has a more than 50 percent stake are subject to the group-wide risk management system. These companies are essentially those included in consolidation. 48

The Executive Board has defined group-wide guidelines with the help of a risk manual, providing for effective and systematic risk management. The risk management system is based on the following three pillars:

- Tasks and responsibility (structural organization)
- Early warning and control (procedural organization)
- Monitoring and continual further development

In line with the organizational structure of the Jenoptik Group, there is a clear separation of the tasks and responsibilities in risk management between JENOPTIK AG as the group holding company and the operational units. The risk units are mainly JENOPTIK AG and the operational business units. The respective risk unit is initially responsible for the proper implementation of the risk management, with the next higher risk unit monitoring the implementation and ensuring that reporting is carried out in accordance with the guideline. JENOPTIK AG has established a system of reporting as part of investment control, providing for the early identification of developments which could jeopardize the existence of the Group.

The areas in which key risks for the Group arise are recorded in a risk inventory which must be carried out annually. Since there are various operational areas of business within the Jenoptik Group, a general risk matrix (see Individual risks on page 102) and checklists serve as an aid for identifying potential risks and setting these out in a structured form. Then, as at the forecast dates and as part of a risk analysis, the risk officers of the respective risk units analyze all the identified risks in terms of their probability of occurrence and impact on the results. Depending upon the risk unit, if these risks exceed a threshold of between 0.5 and 1.0 million euros, the results of the risk identification and analysis are incorporated into the risk report which is submitted several times a year to the Group's risk officers. The individual reports are summarized in a Group risk report for the attention of the Executive Board and the Audit Committee of the Supervisory Board, giving consideration to the potential aggregation of risks. Named individuals responsible implement the highlighted measures, specifying a deadline. If a new risk with a specific minimum impact on the results and minimum probability of occurrence arises between the reporting dates, or if a known risk changes to the same extent, the Group risk officers and the Executive Board must be informed immediately and an ad-hoc risk report be produced.

The process illustrated for defining risk areas, identifying risks and the subsequent analysis, evaluation and limitation through planning, control and monitoring systems, is continually reviewed and updated in the risk matrix. The recording of the risk matrix starts at risk unit level and is aggregated upward to the Group level.

Monthly Executive Board meetings, meetings of the Executive Management Board as the extended management committee of the Group and strategy and results meetings are group-wide committees for identifying, analyzing and dealing with opportunities and risks. Executive Board and management levels hold joint discussions on relevant risks and their impact on the company at these meetings with the heads of the areas of Finance, as well as Strategy, Business Development & Innovation Management. A group-wide, uniform structured system of innovation and investment control also ensures that, through critical evaluation of new development projects and the associated risks, only those ideas with the most promising economic prospects are systematically pursued further.

The abovementioned reporting instruments form the basis for the risk early warning system. This is also reviewed within the framework of the audit of the financial statements by the commercial auditor in order to ensure that the system is appropriate for promptly recording, evaluating and communicating all risks that could potentially jeopardize the Group's existence.

MONITORING AND FURTHER DEVELOPMENT OF THE RISK MANAGEMENT SYSTEM

The Executive Board of JENOPTIK AG is responsible for the provision of an effective opportunity and risk management system. It has taken appropriate measures in order to early identify and tackle developments which could jeopardize the Group's existence as well as opportunities for its further development. The Group Risk Committee conducts a regular review of the efficiency of the monitoring system. The committee comprises the Executive Board, the Group Risk Officer and the Heads of Legal, Internal Auditing as well as the Commercial Manager. The Group Risk Officer is in continual discussion with the risk officers of the operating units and is the central risk monitoring and control authority within the company. The Supervisory

48 RISK MANAGEMENT SYSTEM

Management/monitoring/control of risks
- Risk manual
- Risk committee
- Internal auditing
- Internal control system

Analysis/evaluation of risks
- Risk report
- Group-wide committees (Executive Board meetings, strategy and earnings meetings, conference calls)

Determination/identification of risks
- Risk matrix (support for determining risk areas)
- Risk inventory (determination of risk profiles)

Board and the Audit Committee monitor the effectiveness of the opportunity and risk management system. In the year just past, the Audit Committee regularly discussed the issue of risk management at its meetings (see Report of the Supervisory Board from page 6).

The Jenoptik system of controls therefore comprises both internal processes as well as external regulations. Targeted controls are intended to identify potential shortfalls in the monitoring and to counter these by taking corresponding action. The methods are subject to regular review, ensuring and improving the effectiveness of the risk identification and analysis. The Internal Control System (ICS) is an integral part of the risk management system and covers the entirety of all measures, basic principles and procedures for achieving the corporate objectives. It is in accordance with the law and guidelines and is intended in particular to ensure the security and efficiency of the development of business as well as the reliability of the financial reporting. It is regularly reviewed by the Internal Auditing.

The purpose of the Group guideline entitled "Business transactions with special characteristics" is to also prevent or reduce risks. If a contract which is to be concluded or an obligation to be entered into meets one of the defined criteria of this guideline which identifies the transaction as deviating from the standard (e. g. a particularly high order value, deviating financing conditions, regulations on expertise transfer or strategic aspects), a special control process is started. All the technical departments of the Group concerned are involved in this process, with approval being issued by the Executive Board if necessary.

Since this guideline was introduced in 2009, this process has led to greater risk transparency and increased risk prevention and has become a key element of both the ICS as well as the Compliance Management System. Similar processes are in force for innovation projects and investments.

Internal Auditing is permanently incorporated into the ongoing further development of the internal monitoring and risk management system through process-independent audits. The department reports directly to the Chairman of the Executive Board. Internal Auditing conducts audits in the form of what are known as Jenaudits. These normally analyze entire companies or a detailed audit is conducted on a specific theme set out in the risk based audit plan. The compliance with and proper implementation of the applicable guidelines form an integral part of the audit. This not only identifies errors or process weaknesses but also potential process improvements in the sense of a "Best Practice approach". The recommendations for improvement are prioritized and categorized and reported directly to the persons responsible for the audited units as well as to the Executive Board. Breaches or errors are analyzed and work on their elimination initiated as quickly as possible. The audited unit then submits an implementation report as to which of the stated recommendations have been implemented by a predefined date. This is followed by follow-up audits which review the implementation of the recommendations, with information on the results being sent to the respective management level and the Jenoptik Executive Board. Internal Auditing submits a report to the Audit Committee of the Supervisory Board at least once a year on its key findings since the last report, as well as on its audit plan for the following year. five Jenaudits and five follow-up reviews as well as one special Jenaudit were conducted in 2012.

In order to minimize potential compliance risks arising from the non-compliance with applicable law and to ensure that regulatory standards recognized by the company are complied with, the further development and updating of various group-wide guidelines was supplemented by an anticorruption guideline in 2012 as well as a guideline on the issue, conclusion and implementation of contracts and published on the Jenoptik Group Intranet. Other areas of focus of the compliance activities for 2012 included training in various risk areas, with particularly intensive training in the areas of combatting corruption and antitrust law. However, breaches by individual employees with an impact on the earnings, financial and asset situation cannot be fully excluded. The Compliance Board met three times in the fiscal year just past. Detailed information on the subject of Compliance can be found in the Corporate Governance Statement from page 13.

KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE CONSOLIDATED ACCOUNTING PROCESS (§ 315 PARA. 2 NO. 5 HGB (GERMAN COMMERCIAL CODE))

The accounting-related internal control system is part of the overall internal control system (ICS) of the Jenoptik Group. It is intended to ensure compliance with statutory regulations, accounting rules and internal guidelines for uniform accounting and valuation principles in accordance with IFRS, which are binding for all companies included in the consolidated financial statements. The aim of the ICS is to ensure a proper process for the preparation of the consolidated financial statements. New regulations and changes to existing rules are analyzed promptly and, if necessary, implemented in the guidelines and accounting processes through the Finance department. The guidelines are available via the group-wide Intranet or explicitly sent to the employees concerned. All employees involved in the accounting process receive regular training.

Access restrictions in the respective IT systems protect the financial systems against abuse. Centralized control and regular backup of the IT systems reduce the risk of data loss.

From the technical aspect, the Finance department is responsible for the preparation of the consolidated financial statements. In this context, clear responsibilities and function separation, in adherence to the cross-check principle, are characteristic features of the financial reporting process in the Jenoptik Group.

In order to prepare the consolidated financial statements, the IFRS data of the companies is recorded directly by them in the consolidation tool SAP Business Objects Financial Consolidation. The transferred data for the statements and financial statements of consolidated companies are verified by technical system controls. All the consolidation processes required for the preparation of the consolidated financial statements are documented. These processes, systems and controls enable Jenoptik to ensure with sufficient certainty a consolidated accounting process which is both reliable as well as compliant with IFRS and the statutory requirements. Independent auditors audit the financial statements of the companies in accordance with IFRS, as adopted by the EU, or the data relevant to the Group accounting.

RISK MANAGEMENT IN RELATION TO FINANCIAL INSTRUMENTS

Jenoptik has a centralized financial management system. The Central Treasury Department coordinates the financing needs of the Group, ensuring liquidity and monitoring currency, interest rate and liquidity risks on the basis of group-wide policies.

The purpose of the financial risk management is to limit financial risks arising from changes in market prices, exchange rates and interest rates through operational and financial activities. Derivative financial instruments are used exclusively for the purpose of securing underlying transactions and only concluded with first class banks. In this context, the most important task is to ensure that the necessary cash resources are available at all times.

Currency-related risks arise from the Group's international activities. Group Treasury department identifies these risks and controls them by taking appropriate measures, e. g. hedging. As a basic principle, all group companies must hedge foreign currency positions on the date they are created. A foreign currency guideline regulates the permitted hedging instruments and permissible deviations.

The purpose of the liquidity planning is to identify liquidity risks at any early stage and to systematically minimize them on a group-wide basis. A monthly rolling liquidity forecast and a weekly treasury report first introduced in 2012 are used for the purpose of liquidity control and monitoring.

As a result of fluctuations in market interest rates, the Jenoptik Group is essentially exposed to risks of changes in interest rates in medium and long-term, interest-bearing financial assets and liabilities. All Group assets and liabilities which are sensitive to interest rates are recorded and analyzed in the interest risk management system. Details on how risks of changes in interest rates are dealt with are summarized in the group guideline entitled "Treasury management".

More detailed explanations on the financial management risk can be found from page 107 and from page 173 in the Notes.

6.2 Individual risks

The main corporate risks ascertained using the risk management system are listed below. Other risks which have not yet been identified or are currently deemed not significant could also have a detrimental effect on the Group's business development. There are, however, also opportunities for the Group and its further development.

The individual risks are recorded in the following five areas:
- General external risks and opportunities
- Economic performance risks
- Financial management risks
- Balance sheet risks
- Risks arising from Corporate Governance and legal disputes

GENERAL EXTERNAL RISKS AND OPPORTUNITIES

Change in market demand and position. Jenoptik operates within a fast-moving technological environment, the characteristic features of which are strong competition in terms of pressure on prices and margins, consolidation as well as product and service quality. In each of our core markets, we compete with a just a few companies worldwide.

The current global economic situation and economic outlook for markets such as Europe, North America and Asia have led to a significant transformation of the competitive environment. Some sectors in which Jenoptik operates are going through a period of consolidation.

As a result of technological changes or advances, the development of a "second source" by a key customer or massive penetration of the Jenoptik markets by competitors could lead to a weakening of the market position for individual Jenoptik areas of business. At the same time, Jenoptik is seeking to develop new markets and market segments or to strengthen its market position in its existing market segments. Jenoptik is countering the trend among key customers toward "second sourcing" through customer loyalty programs and strengthening its presence as a systems integrator, delivering a higher share of added value, and conversely also sees opportunities for new customer relationships as a "first or second source".

Further information on the market position of the segments can be found in the Segment Reporting from page 88.

The probability of a change in Jenoptik's market position in one of its markets is relatively high due to the large number of markets and the intense project business which the company pursues. However, the likelihood of the market position changing significantly and in the same direction in the majority of the target markets is relatively minimal. The impact of a shift in market shares can be significant for the individual Jenoptik unit affected. However, as a result of the diversification, the impact on the Group level is mainly balanced.

Export controls. As a result of trade restrictions, Jenoptik is exposed to export control risks as a supplier of defense technology goods and high technology. The Group counters these risks by conducting comprehensive audits of customers and suppliers. An export control guideline regulates the group-wide coordination and monitoring of the adherence to these controls. The creation of a central Export and Customs body in the Shared Service Center in 2012 will enable the Group to improve the way it counters these risks in the future. The employees also receive regular training. All existing purchasing, sales and financial activities are recorded and permanently monitored in the SAP module SAP Global Trade Services, systematically reducing the probability of this risk arising, which is thus deemed minimal. However, in the event of a mistake the consequence can be comparatively significant e. g. an exclusion from corresponding public invitations to tender.

Ecological risks/Natural disasters. Natural disasters can lead to supply bottlenecks, shortages of parts, or the loss of expected orders. The likelihood of loss of production as a result of natural disasters is seen as rather low for the Jenoptik Group whose manufacturing facilities are located predominantly in Central Europe and the Eastern United States, even if these can never be ruled out entirely at the various locations. The impact is heavily dependent on the location affected, as well as on the nature and scope of the disaster.

Political and global economic developments. Jenoptik maintains business relationships in more than 70 countries and generates 64 percent of its sales abroad. The risk associated with the political uncertainties in the North African region, the Middle East and parts of Asia mainly entails the delay in or loss of orders, cancellation of part orders as well as the difficulty in obtaining export licenses.

The development of the global economy and the European economy in particular has a decisive influence on the growth of the Group. The ongoing sovereign debt crisis in Europe and North America, the uncertainty surrounding the financial policy situation in the euro region and the associated cuts in public spending but also economic concerns may potentially impact on the continued overall economic development and consequently lead to a marked decline in orders for Jenoptik. With its product line Jenoptik is benefiting from global megatrends such as the increase in mobility and efficiency, which may also be affected by legal requirement. This includes, e.g. the reduction in fuel consumption of engines or the reduction in CO_2 emission of vehicles.

ECONOMIC PERFORMANCE RISKS

Success of key development projects. Jenoptik operates in markets which are subject to rapid technological change. The risk of developing products which are not taken up by the market is offset by significant opportunities arising from products with a technological edge and unique selling points. Alternative technologies from competitors could pose a risk of substitution for Jenoptik's products, which may lead to a change in the market position.

While the instruments described in the chapter risk management system shown on page 98 reduce the risk of miscalculations in respect of new developments, stringent technological requirements and the fact that the company operates in constantly changing markets means that they can neither totally eliminate nor place a precise figure on them. A group-wide targeted innovation management and continual market analyses further limit the risk of bad investment and technology decisions. At the same time innovative products also offer the opportunity for attracting new customers, developing new markets and consequently securing competitive advantages. Linking strategy processes with multistage innovation processes and R+D roadmapping ensures that the risks of discontinuation are minimized. In addition to the earnings and market potential, the crucial factors for development projects are the technological feasibility and a risk assessment. In order to avoid undesirable developments and to simultaneously fully exploit the opportunities offered by new products, developments are also carried out in defined product creation processes with predefined milestones and where possible in close coordination with the customer (see also chapter "Research & Development" from page 80).

Cyclical nature of key individual markets: As a result of its broadly-based positioning, Jenoptik continues to be essentially independent of any one individual sector. Approx. 70 percent of Jenoptik's total sales in 2012 were attributable to the three largest and essentially independent target markets of machine construction/automotive (27.5 percent), aviation/traffic (23.4 percent) as well as security and defense technology (19.9 percent). Approx. 13 percent of total Group sales in 2012 were generated by Jenoptik with companies in the cyclical semiconductor industry.

By having a presence in various markets, Jenoptik is better able to compensate for sector risks and cyclical fluctuations in the individual markets than less diversified companies. In addition, products and services are primarily oriented toward industry and customers in the public sector where there is normally a time lag before economic fluctuations have an effect.

Jenoptik's targeted markets are subject to cyclical fluctuations and trends to very differing degrees:

- Security and defense technology: tends to be less cyclical, long-term orders, limits of public debt increase the risk of public budget cutbacks as well as delays in projects and consequently sales.
- Transport: increasing proportion of larger projects increase sales volatility, it is currently not yet possible to assess the potential consequences of the debt crisis, increasing traffic volumes and demand for traffic safety, particularly in the emerging countries.
- Automotive/machine construction: increasing consolidation of the production locations for engines is reducing growth potential, increasing demands for precision, general continuation of the dynamic approach to investment on the part of the automotive industry in 2012, growing markets in emerging countries, with German manufacturers in the premium segment well placed, trend toward more efficient engines and hybridization of the drive technology is increasing the demand for metrology.
- Medical technology: continuation of growth and increasingly more technology-oriented market, minimal volatility but at the same time a slight slowdown in dynamic, ageing population.
- Semiconductor industry: highly cyclical sector, outlook for 2013 toward weakening and shift in demand which had originally actually been anticipated for 2012, possible recovery from the 2nd half 2013.

The risk of all the Group's targeted markets simultaneously collapsing as a result of events outside the control of Jenoptik, for example a dramatic collapse in the global economy, wars, natural disasters or pandemics, is considered low. A downturn in a single sector based on normal cyclicity is anticipated for the semiconductor market in 2013 but does not pose a threat to the Group as a whole. However, this may lead to falls in sales and earnings at the respective business units which might significantly reduce the results of the Group as a whole. Over recent years, however, the Jenoptik group has created a significant amount of flexibility in its added value, for example with the help of the Jenoptik Excellence Program, so that limited declines in individual markets can be better cushioned. The key measures include making production more flexible through lean concepts and working-time accounts, as well as conscious and strategically justified make-or-buy decisions. At the same time, there are also opportunities to gain market shares, and to this end Jenoptik is well positioned overall in numerous markets.

Dependency upon individual customers. Jenoptik has a broad customer base and on the group level does not depend upon any individual customer for its survival. The top 3 customers accounted for approximately 14 percent of group sales in 2012 and came from different, unrelated sectors. The figure for the order intake was also about 13 percent. Consequently, there is no concentration of default risks on large individual customers on the group level. For individual business areas, however, certain customers are extremely important and under certain circumstances it might not be possible to fully compensate for any loss. Jenoptik reduces this risk by launching new, innovative products and attracting new customers. Jenoptik counters the potential customer credit risks through consistent receivables management and key customer management. Because many customer orders are founded on long-term supply agreements, some of which are based on exclusive developments, the risk of a business relationship being discontinued is further reduced.

Risks arising from long-term orders. Long-term orders with terms of up to five years or more are in place, primarily in the Defense & Civil Systems segment and to a lesser extent in the Service Providing business of the Traffic Solutions division. These orders offer the Group a stable costing base, secure the future capacity utilization and provide reliability for forecasting. These are, however, offset by risks, for example arising from investments in preliminary services and interim financing, changes in market prices, price audits conducted by the Federal Government for certain public sector contracts, changes in technologies and, potentially, inflation and currency risks. Jenoptik reduces these risks with the help of price escalator clauses, on-account payments, currency hedging (see Financial management risks) and rolling forecasts. Although the likelihood of the risks arising tends to be lower, hedging instruments cannot totally rule out the possibility of these risks being incurred, particularly for framework agreements that do not specify any binding call order on the part of the customer at the end of the term but which conversely do necessitate fixed costings and require resources to be held aside. The impact of the risk can therefore be significant as a result of the high volume for each individual order. In conjunction with anticipated budget cutbacks by public sector customers but also in connection with political changes, Jenoptik is faced with the risk of orders being delayed, subsequently reduced or extending over a longer timeframe.

Dependency upon individual suppliers. As a result of the product mix, the Jenoptik Group overall is not dependent upon individual suppliers. There is dependency, however, in some individual areas in procuring special components, such as electronic components, crystal optics or quartz glass. The loss of a key supplier could lead to increased procurement prices, lost sales, loss of reputation, contractual penalties, obligations to pay damages or a loss of follow-up orders and, in the extreme case, to a shutdown in production. In order to reduce the dependency upon individual suppliers, proven measures include, in addition to active interface management for outside developments, the in-sourcing of strategic key components as well as the development of second sources. The risk of the loss of an individual supplier is therefore moderate but in view of Jenoptik’s diversification, the consequences in the individual case are manageable and therefore rather minimal from the group viewpoint. As a result of the continual improvement in the sourcing, throughput and sales processes, warehousing risks are minimized and the capital tie-up reduced. In addition, thanks to purchasing processes being increasingly centralized on a groupwide basis, in future Jenoptik will also benefit to a greater extent from economies of scale.

Procurement risks. The economy is expected to slightly falter in 2013 and so could have a positive impact on the tight delivery times and price increases. As in the previous year, price increases are mainly expected in connection with the rise in raw material and energy prices.

A further risk may arise in 2013 in respect of procurements in the non-euro region as a result of changing exchange rates.

IT risks. The operation of computer-aided business processes as well as the use of systems for the general exchange of information, controlling and financial accounting as well as other IT applications in the Group can give rise to fundamental IT risks if the ability of these systems to function is not guaranteed. Guidelines and processes relating to IT governance and IT compliance were agreed in 2012 for IT-aided business processes to be handled as securely as possible. Building on the basis of these guidelines, the central IT department continually reviews the Group's IT technologies and updates the systems in line with demand. The switch to a central IT infrastructure was continued in 2012, reflecting state-of-the-art technology in terms of security, availability and scalability. The centralization of the small local Data Centers was continued in 2012 and further continued in 2013, particularly on the international level, with top priority being given to data security. An archiving system for e-mails, which meets the legal requirements, ERP systems and technical drawings, a centralized and synchronized, duplicated Computer Center, as well as hierarchical data backup strategies and data storage are already fully operational. This has reduced the risk of data loss to a very low level. An ever increasing number of applications and data volumes will be gradually transferred to this central infrastructure in order to ensure the required security. All critical applications are designed and secured on a redundant basis. In 2010, the Group introduced a redundant corporate network which was continually expanded during 2012. Over the coming years, the critical applications will be gradually consolidated within one central computer center. At present, however, there still remains a small risk of a central computer center shutdown in the event of a natural disaster, an attack or similar event which could delay any disaster recovery (i.e. restoration of normal operations). The local site-related computer centers will also continue being updated and centralized. Jenoptik uses modern and secure technologies to systematically and continually protect itself against loss or damage caused by viruses and hackers. Tighter security provisions such as encryption, token authentication and network separation ensure that, for example, classified military data is secure. A Group Security Manager also ensures that confidential data remains protected at all times. Together with the Jenoptik Group Data Protection Officer, he/she ensures that personal data is processed by IT in accordance with the regulations of the Federal Data Protection Act. Awareness among the employee of the need for information security was raised further through training sessions and information events.

In conjunction with the confidential information on future strategies, technologies or product developments, there is also the risk of this information inadvertently reaching the public domain and as a result reducing future sales and seriously jeopardizing our market position. The Group therefore has protection mechanisms in place, for example e-mail and file encryption, network separation as well as military security standards and guidelines for the internal handling of sensitive data. Even though the risk is likely to be minimal, the possibility of hackers gaining access to internal data networks, the theft of important expertise or the loss of significant data stocks cannot be ruled out entirely. The consequences in this case would be significant. On the other side, Jenoptik is not dependent upon IT-aided platforms, so any potential loss/damage would nevertheless remain limited.

FINANCIAL MANAGEMENT RISKS

Acquisition risks and opportunities. The Group's further growth is intended to be achieved both organically, as well as through acquisitions, cooperation arrangements and a continued process of internationalization. Jenoptik places stringent group-wide requirements for return on capital in respect of every acquisition and investment decision. Jenoptik counters the risk of paying too much for corporate acquisitions or investments by conducting a detailed due diligence. In a staged examination process, the assessment is made by the specialists of the group company wishing to acquire a company, as well as the Strategy & Business Development, Innovation Management, Finance and Legal and sometimes Internal Auditing departments. The consent of the Executive Board of JENOPTIK AG is required for every acquisition, larger acquisitions additionally require the consent of the Supervisory Board. Once the acquisition has been made a process review is conducted. The purpose of an acquisition and consequently the opportunity it offers Jenoptik is to fundamentally develop new markets and customers.

Since 2007, in conjunction with its realignment, the Group has also divested itself of fringe activities, normally by way of a sale. Potential as well as identified risks that remain with Jenoptik have been assessed and corresponding provisions set aside.

Liquidity supply. The financial flexibility and financial solvency of the Group at all times is secured on the basis of a multi-year financial planning and monthly rolling liquidity planning. Some of the loans are linked to financial indicators under what are called financial covenants. There is currently no risk of the banks calling in the underlying loans immediately and prior to maturity due to these indicators being exceeded. The debenture loans issued in 2011 and associated financial covenants only provide for an increase in the interest rate in the event of a breach of these covenants. None of Jenoptik's other loans include financial covenants as at December 31, 2012.

From today's perspective, the Group's liquidity for the coming years has been secured. Our cash pooling also improves the liquidity supply to the individual companies and limits their liquidity risk. There are also plans to gradually include the foreign companies in the cash pool. The lines of credit are spread between several banks, 17.3 percent of these have been utilized. The quantitative effects of the liquidity risk are explained in the Group Notes on page 174.

Jenoptik counters the risk of claim and loan defaults with comprehensive credit checks, a consistent accounts receivable management and pre-agreed on-account payment agreements for larger projects. Credit risks then usually only exist in any residual claim, consequently reducing any impact on the balance sheet. The quantitative impact of credit risk is described in the Group Notes from page 173.

The counterparty risk arising from a potential default of banks within the framework of the investment of Jenoptik's cash balances is limited by maximum limits being specified for deposits held with individual banks.

Changes in exchange rates. The euro is Jenoptik's presentation and group currency in which a large proportion of the sales are accounted for. In the 2012 fiscal year, approx. 13 percent of group sales were handled in US dollars, with only a minimal portion in other national currencies. Since there has been an increase in the exchange rate volatilities, the risk as well as the opportunity of changing exchange rates is high. However, as a result of the level of sales in US dollars it is only the euro-dollar exchange rate which is relevant for Jenoptik at present. The consequences are significantly reduced by way of currency management which is centrally managed by the Treasury department.

Jenoptik hedges virtually all orders in foreign currencies using exchange rate hedging instruments, primarily currency forward transactions and currency options, and in this way reduces the consequences of exchange rate fluctuations on results and cash flow. Derivative financial instruments are used exclusively to hedge the underlying operational business as well as financial transactions required for operational purposes. In this context, all cash flows in foreign currencies are recorded as a risk item. The anticipated development of the currency, the risk potential as well as a shock scenario are then analyzed for the purpose of hedging the foreign currency transactions and defining the annual currency hedging strategy in order to calculate the maximum permitted loss risk. Further information can be found in the Notes on page 176.

Risk of changes in interest rates. A risk of changing interest rates exists for both short-term as well as long-term loans with short fixed interest rates, if rising interest rates affect the interest rate on these loans and give rise to increased interest costs. The volatility and consequently the probability of changes in interest rates is currently not high. The impact of the potential change in interest rates is dependent upon the term in question and the volume of the interest-bearing item. Based on a strategic interest rate management, interest hedging instruments such as interest caps and interest swaps are used to a partial extent in order to reduce the risk in changing interest rates and consequently the impact on the income statement and cash flows. However, despite some interest rate hedging and fixed interest rates, rising interest rates would slightly increase Jenoptik's interest expenses. The risk of early redemption charges arises with long-term loans with fixed interest rates if these are prematurely terminated. This situation can arise in particular if mortgaged real estate is sold or the low interest earning cash balance is used to reduce the gross debt and lower the future interest burden. The quantitative effects of the interest risk are set out in the Notes from page 175.

Company rating. The Jenoptik Group is not subject to any official external rating.

Put options in the Jenoptik real estate portfolio. After making the payments to the silent investors of two real estate funds in 2012, there is just one put option in place against Jenoptik. The silent investor of a real estate fund, established in 1998, has a put option which cannot be exercised until 2014 at the earliest. The potential claims of the silent investor are fully included in other liabilities.

Risks arising from guarantees. On the basis of empirical values and existing counter guarantees, Jenoptik tends to see the risks arising from guarantees as minimal both in terms of their probability of occurrence as well as their impact.

Guarantees provided for affiliated non-consolidated investment holdings and other third parties rose slightly from 8.7 million euros at the end of 2011 to 10.7 million euros at the end of 2012 due to the a rental guarantee which was given in connection with the sale of a property. The primary debtors have an obligation to reimburse Jenoptik for guarantees utilized. Approx. 34 percent of the risk arising from these guarantees is also secured and covered by counter guarantees from other well-known companies. The utilization of these guarantees by Jenoptik over the five years has on average been less than 0.2 percent, with the primary debtors also having been called on here for the purpose of reimbursement.

BALANCE SHEET RISKS

Impairment of investments and goodwill. All assets in the balance sheet are subject to an impairment test if there is an indication that this might apply. A risk of impairments affecting the results exists in the event of a permanent impairment of minority shareholdings and shares in non-consolidated affiliated companies and loans to these which are included in its financial assets, as well as for capitalized goodwill of consolidated companies. Further information can be found in the Notes on page 137 (Accounting methods) and from page 137 (Intangible assets).

Impairment of real estate. Jenoptik's real estate assets are also subject to an impairment test. The risk of extraordinary impairments affecting the EBIT arises in this case from fluctuations in the rental market, as well as from other valuation-related effects such as interest level, market trends, development in vacancy rates and maintenance levels. Some of the real estate assets are leased to external companies, in some cases on a long term basis. As a result of the expansion in the operational business, there is a tendency toward an increase in the demand for premises. Further information can be found in the Notes under Point 16 on page 159.

Capitalized development costs and inventories. Customer development services which are rendered in connection with new developments and which are expected to be amortized through anticipated volume deliveries or on the basis of definite orders are capitalized. In this context, the potential need for compulsory capitalization is examined in detail.

Repayment of grants and funding. This risk arises from possible repayments as a result of changes in regulations, discontinued projects, failure to reach targets or costs not being recognized as allowable expenses. Jenoptik reduces this risk by way of group-wide, targeted innovation management and R+D roadmapping. Nevertheless, the possibility of repayments having to be made cannot be excluded. If a repayment becomes a probability, Jenoptik takes this into account through value adjustments or provisions. The consequences are therefore minimal.

Deferred tax assets. JENOPTIK AG had tax losses carried forward as at December 31, 2012 (see also Notes on page 153 Income taxes). A change in the company's economic situation or in the options available for utilizing losses carried forward as a result of changes in legislation, for example regarding a limit on the ability to carry forward losses or tax reductions, cannot completely be excluded and would affect the Group's future earnings situation. A purchase of more than 25 or 50 percent of the company's shares by a buyer or group of buyers might also result in a partial or complete loss of the ability to carry forward tax losses. Thanks to Jenoptik's good economic situation and continued expectations of positive earnings, the risk of a change in the economic situation is considered medium to low. The probability of changes in the law or a change in the shareholder structure cannot be estimated since these situations are outside Jenoptik's control. The effect on earnings and equity can be high due to the level of the capitalized amount. In the short term, however, this will not affect liquidity.

RISKS ARISING FROM CORPORATE GOVERNANCE AND LITIGATION

Personnel risks. For Jenoptik, qualified and motivated employees are a key factor for success in an internationally dynamic technology environment. Attracting employees and gaining their long-term loyalty to the company is therefore an integral part of strategic personnel management. The key personnel risks therefore include a lack of qualified personnel as well as a low motivation on the part of employees. For this reason, various target group-related personnel development measures have been implemented to make Jenoptik more attractive as a long-term employer. These include the uniform Group leadership and management trainee program, the technical career model or the Purchasing Academy.

The effects of demographic change and the resultant potential shortage of management trainees give rise to medium to long-term personnel risks. Jenoptik counters this problem with targeted personnel marketing and group-wide programs designed not only to make the company an attractive employer but also promote the career areas.

HR controlling has been implemented within the Group to avoid personal risks. The regular recording of key indicators as well as a structured and detailed human resource planning is aimed at identifying personnel risks quickly so that appropriate measures can be initiated. The human resource planning on the job profile level was discussed and approved within the framework of the strategy meetings for the first time in 2012. The fluctuation rate in 2012 was 3.2 percent (prev. year 3.6 percent).

Further information on the subject of personnel can be found in the Management Report from page 74.

Takeover risk. A takeover risk exists if the price to be paid for a takeover is significantly lower than the Group's market value or the acquiring entity is able to acquire a larger block of shares at no premium. However, as a result of the 58.4 percent rise in the share price and resultant significant increase in market capitalization in 2012, this risk has been reduced by comparison with the previous year. 74.99 percent of Jenoptik's shares are in free float. At the beginning of July 2011, Thüringer Industriebeteiligungs GmbH & Co. KG acquired an 11.00 percent stake in JENOPTIK AG from ECE industrial exhibitions GmbH, which remains the largest single shareholder with a 14.01 percent holding and which, according to its own statements, has invested for the medium to long term. Jenoptik uses active investor relations management to target a broad range of investors, endeavors to attract long-term investors and ensures that the entire capital market is provided with transparent information.

Environmental risks. Environmental risks arise for Jenoptik to a limited extent from the handling and use of materials and substances which are harmful to health and the environment and are used for existing production processes in the manufacture of optics and semiconductor. The Group pays general attention to conformity with the RoHS Directive and compliance with the European Chemicals Ordinance REACH. Environmental management systems which have been introduced provide additional safety at the Jena, Triptis, Berlin and Wedel sites. In addition, regular environmental audits are conducted in accordance with ISO 14001. An environmental liability and environmental damage insurance concluded for the Group also includes environmental risks. The cover ranges from warehousing through production to disposal.

Legal disputes and follow-up topics. Both risks and opportunities arise from the sale of M+W Group GmbH in 2005/2006. These result from several issues and projects which remained with Jenoptik, guarantees given in connection with the sales (in particular taxes), a delayed payment of the purchase price and interest claims. Agreements on the provision of guarantees and secondary liabilities from old guarantees do not exist any more. The biggest individual risk are arbitration proceedings against M+W Group GmbH. However, we see the risk of losing the case as low. If M+W Group GmbH is successful in asserting its counterclaims, there is the possibility of Jenoptik being able to file a corresponding claim for payment.

Over and above those dealt with in this report, there are no other known risks arising from legal disputes which could have a significant impact on the asset and earnings situation of the Group, or these are very unlikely.

Product liability. In order to avoid product liability cases, the Group pursues stringent quality assurance measures and correspondingly applies the pertinent national and international regulations and laws. The maximum damages per product liability case can be very significant in the individual case. However, a business and product liability insurance is intended to provide extensive cover against any damage to property or personal injury which arises and extends to virtually all group companies as part of a concept of worldwide insurance cover. The Jenoptik Group's foreign subsidiaries have also concluded local insurance which takes account of special requirements in individual countries.

6.3 General statement by the Executive Board on the risk situation

The Risk Management System, in conjunction with the planning, control and monitoring systems which are used, enables the Executive Board to properly assess and control the overall group risk. The creation of the role of Chief Risk & Compliance Officer takes account of the increased international requirements and their consequences for the strategic and operational business. The Executive Board considers the opportunity and risk profile of the Jenoptik Group and the resultant measures as appropriate for the company and the current framework conditions. As at December 31, 2012, resp. up to the editorial closing date of this report, there were no identifiable risks that could jeopardize the continued existence of the company or, in combination with other risks, could lead to a permanent, negative impact on Jenoptik's asset, financial and earnings situation.

As a result of our broadly-based market presence, we see ourselves as generally being exposed to a lower risk arising from economic developments compared with highly focused companies which operate in one or just a few markets.

Jenoptik generally operates within a risk profile which is typical for our company and is inextricably linked with entrepreneurial activities. The Executive Board sees the Group as being well placed in strategic and financial terms to exploit opportunities arising for the Group's continued development. The Group does not currently anticipate any negative deviations in the development set out in the forecast report.

7 FORECAST REPORT

7.1 Future development of the Jenoptik Group

STRATEGIC ORIENTATION OF THE GROUP

Jenoptik is an integrated optoelectronics group. The Aspiration Statement continues to form its strategic starting basis. Our strategic Group orientation remains valid and will be maintained over the medium term.

"As an attractive, global high-tech partner who creates added value for our customers thanks to rapid and consistent action, our Jenoptik enjoys sustained financial success."

The focus of the strategic further development will continue to be placed on organic, profitable growth, focusing on rapidly expanding areas of business and the continuing process of internationalization. The Group's activities in this context are primarily concentrated on Asia and North America. The aim for the two regions over the medium term is to account for a 40 percent share of sales (2012: 30.4 percent).

Internal programs such as the Jenoptik One ERP (JOE), Go-Lean or the group-wide Jenoptik Excellence Program (JEP) have been implemented in order to further optimize the processes. In addition, further cost and quality benefits are expected to be achieved through the exploitation of economies of scale and shared services. The optimization of the locations announced at the end of 2012 should also help to further strengthen the Group´s earnings capacity and its ability to exploit synergy potential. For example, the Defense & Civil Systems segment is currently reducing the number of locations in Germany from four to three, while the Lasers & Optical Systems segment will in future only be manufacturing at two instead of the previous three locations in the US.

The strategic portfolio management will also be continued in the future. Acquisitions will only be made if these complement the technology portfolio or existing activities on the market or customer side. Any acquisition must satisfy the criteria of increasing the value of the company and the ability of the acquisition to be integrated. In future, Jenoptik will also continue to closely scrutinize its own businesses.

We see the strategic orientation as a global, integrated optoelectronics group as offering advantages over our competitors, most of whom only operate in one market or have a local or regional presence.

Optoelectronics Group. Optoelectronics is a cross-section technology that targets a whole range of markets. Optoelectronic technologies serve various future megatrends, such as the increasing digitalization of the world, the growing demand for healthcare, mobility, security and efficiency as well as the global expansion of infrastructure. As a global group, Jenoptik aims to exploit the resultant opportunities in the following ways:

- innovations help to shape the respective markets;
- Jenoptik covers the entire value added chain and is able to effectively target heterogeneous markets;
- the expertise is available to all areas of the Group.

By targeting various markets, Jenoptik is not so heavily dependent upon the trends and cycles in individual markets and is able to compensate for these better. That means greater stability, particularly in crisis situations.

Integrated Group. The three segments of Jenoptik are already interlinked in diverse ways today. The Lasers & Optical Systems segment in particular provides technologies and expertise for the other two segments. The Jenoptik segments also use joint infrastructures and cross-section functions where possible, for example for procurement or in the expansion of the international network. This gives rise to cost benefits. Processes which are harmonized throughout the Group lead to greater efficiency. The joint umbrella brand strengthens the perception and acceptance of the Group. Major customers can be addressed on equal terms.

Global Group. The segments' joint locations enable Jenoptik to quickly achieve critical mass worldwide in regions which are important to the company. The joint utilization of the infrastructure simplifies entry into the market and saves costs. Cost benefits are realized and currency risks minimized through global sourcing and production.

STRATEGIC ORIENTATION OF THE OPERATING BUSINESS

Focusing on optoelectronics makes Jenoptik a so-called "enabler" for numerous growth sectors. Our range of services makes an intrinsic contribution to greater efficiency and therefore to protecting resources. We are establishing ourselves as a strategic partner for international customers and together with them helping to shape forward-looking megatrends.

Selected products used by Jenoptik to address megatrends:

- Digital world: Intelligent environment – an ever increasing number of electronic devices are shaping our lives, the manufacture of which requires increasingly more efficient lithographic systems that contain a large number of high-quality optical components.
- Healthcare / life sciences: Jenoptik lasers provide for gentle treatment, e.g. in the area of ophthalmology.
- Efficiency and mobility: Diode lasers from Jenoptik achieve an efficiency level of up to 70 percent, making them one of the most efficient artificial light sources in the world. They help Jenoptik's customers to save resources and consequently be more sustainable in their manufacturing. Fiber lasers are more energy and cost efficient by a factor of three compared with other beam sources such as the CO_2 laser. For safeguarding the environment (CO_2 emissions) and in order to reduce the global consumption of resources (fuel consumption), Jenoptik supplies metrology which makes a contribution to the manufacture of more efficient engines.
- Infrastructure (traffic): With more than 20,000 devices for speed and traffic light violation monitoring, Jenoptik is helping to reduce the numbers of accidents in more than 80 countries throughout the world. As such, it is directly contributing toward preventing the high social consequential costs of accidents.
- Security: Observation systems provide for security in industrial processes as well as at state borders and help to save human lives.

STRATEGIC ORIENTATION OF THE SEGMENTS

Lasers & Optical Systems segment. There is a close interrelationship between laser and optical technologies. Jenoptik is aiming to be a leader among the global providers of lasers & material processing systems. Jenoptik is one of the few companies in the market to offer the complete lasers & material processing value added chain, based on strong expertise in diode lasers. With its products, Jenoptik offers customers energy efficiency products and solutions. The Group is targeting the rapidly expanding markets of the automotive / machine construction, security and defense technology, semiconductor and medical technology industries. On the technological side, Jenoptik's activities are concentrated on new applications for diode lasers, the fiber laser product range and laser processing systems for plastics and metal machining. The focus over the medium term is on the process of internationalization, particularly in Asia and America.

In the optical systems business, Jenoptik has established a position for itself as a global leader and independent provider of optical OEM systems. The Group is able to combine comprehensive areas of expertise in optics, micro-optics and optoelectronics, offering an individual range of services, primarily for key customers. With its optical systems, Jenoptik is supporting megatrends such as the increasing global digitalization, healthcare and security. The semiconductor equipment and flat-panel industries as well as applications for health care / life sciences and for defense and security technology remain key to the development of business. The continuing process of internationalization, focus on the systems business and key customers as well as the exploitation of economies of scale and synergies on the customer and technology sides form the basis for the continued profitable growth.

Metrology segment. The use of the segment's metrology is geared toward applications and end users. Industrial Metrology sees itself as a leading provider of geometric production metrology and with its products and solutions is making a sustainable contribution toward environmental protection and reducing global consumption of resources. In this context, customers benefit from the full portfolio of measurement technologies (tactile, optical, pneumatic), with the focus on the automotive market where Jenoptik provides support for trends aimed at reducing fuel consumption and CO_2 emissions, as well as for the purpose of hybridization with the development of measurement systems for engines and gears. In this context, the aim is to maintain and expand its position as a global market leader in the area of optical 2D measurement technologies for engine and gear parts. Growth is expected to come primarily from Asia and North America.

In the area of traffic solutions, the trend is continuing toward major projects combining equipment business and services, known as Service Providing. Jenoptik counters the associated longer lead times and more significant fluctuations in capacity utilization through flexible production facilities and standardization of the product portfolio. With the global trend toward increasing mobility, particularly in the emerging countries, Jenoptik is tapping into new regions. The expansion of its presence in the international markets, cooperation arrangements as well as new technologies (e.g. laser scanners), measurement concepts and service offerings (Traffic Service Providing) are aimed at securing the future growth which will be primarily achieved in the BRIC countries.

Defense & Civil Systems segment. Long-term orders that extend beyond the pure supply of products and which in the lead-in period include development and subsequently maintenance, are a characteristic feature of the segment's business. It is positioning itself as a partner for systems companies and customers who have a need for individual solutions that meet the stringent requirements of the defense and aviation market. With its energy and security systems, the segment is servicing the trend for increased security and the growing demand for more energy in modern vehicles. Falling defense budgets of the industrialized nations, primarily within the European Union, pose a long-term challenge. This is the reason why the segment is seeking to expand its international sales and service structures primarily in North America, within the bounds of its possibilities, concentrating on the rapidly expanding energy and sensor systems business areas as well as on increasing the civil systems' share. Concentrating the manufacture of energy systems at two German locations should help to boost the segment's earnings capacity and make better use of synergy potential.

FUTURE FRAMEWORK CONDITIONS

Future development of the economy as a whole. There has been no significant improvement in the prospects for the global economy even though the acute risks have reduced according to the International Monetary Fund (IMF). The IMF lowered its forecast for global economic growth in 2013 marginally from 3.6 to 3.5 percent compared with 2012. The main risks were said to lie in potential setbacks in combating the euro crisis as well as in the current arguments on debt levels and the fiscal cliff in the US. Economic output could increase by 4.1 percent in 2014. This recovery will be sustained by the growth in the emerging countries and increasing stabilization on the financial markets.

The US economy could grow by 2 percent in 2013, according to the IMF, and by 3 percent next year. However, the decisions which are still to be made on the fiscal cliff and raising the debt level are holding back expectations. The US and the EU plan to reduce customs duties, harmonize technical standards and open up their markets more for each other in order to jointly create the world's largest free trade zone by 2015. The free trade and investment treaty could provide a boost to US and European exports.

According to the IMF, the euro zone will remain in recession in 2013. Economic output will fall by 0.2 percent compared with 2012. The IMF had previously forecast a small rise of 0.2 percent for 2013 but now does not expect a return to growth until 2014. The euro crisis remaines a major risk to the global economy. The EU Commission is warning of an economic and social drift between the Northern and Mediterranean countries.

The weak performance of the German economy as at the end of 2012 will not continue over the long-term, according to the German federal government. Early indicators such as the Ifo Business Climate Index suggested that the period of weakness will come to an end in the foreseeable future. Nevertheless, the German government reduced its forecast for economic growth for 2013 from 1.0 to 0.4 percent. The IMF also now only expects growth of 0.6 percent compared with 2012 (previously: 0.9 percent) as well as a rise of 1.4 percent in 2014. Exports could grow by up to 5 percent according to calculations by the BGA, the Federation of German Wholesale, Foreign Trade and Services.

Following the relatively weak previous year, China's economy is expected to gain momentum in 2013: the IMF expects to see an 8.2 percent rise in GDP in 2013 and 8.5 percent in 2014; the Chinese government is keeping to its forecast of moderate growth of 7.5 percent for 2013. According to the IMF, India's economy could expand by 5.9 percent in 2013, with growth in GDP for 2014 being 6.4 percent. Economists believe there is a need for further liberalization of the markets and for them to be opened up to foreign companies in order to generate growth; the Ministry of Finance is already planning reforms. Economic integration in South-East Asia is increasing: the Association of South-East Asian Nations (ASEAN) is expected to lead to the creation of a single market covering 600 million people from 2015.

Future development of the individual Jenoptik sectors.

As a key technology, photonics has a significant influence on the development of other sectors and has become an important driver of economic growth, particularly for the electronics, medical technology, automotive and defense sectors. According to a study by the sector platform "Photonics21", 20 to 30 percent of the European economy and 10 percent of the European labor force is dependent upon the photonics sector. However, the positive development of this sector in Europe does entail risks which the EU sector study primarily sees as being the shortage of skilled workers and regulatory restrictions in the area of environmental legislation. Jenoptik uses optical technologies in all three segments, e. g. for optoelectronic systems, laser technology and imaging. The Jenoptik Executive Board Chairman Dr. Michael Mertin was elected President of the European photonics association "Photonics21".

The analysts of Industrial Laser Solutions (ILS) have been cautious in their forecasts for the laser market. Following a weak 1st half-year 2013, the sector would recover in the 2nd half-year, particularly during the 4th quarter. A small 3 percent rise in sales could therefore be achieved in the full year 2013. The moderate growth would be in line with the development in other markets for capital goods. According to the ILS, there is the potential for double figure growth rates from 2014. Fiber lasers will continue their successful course and produce a 7 percent increase in sales in 2013. China is expected to be the largest market for laser cutting systems used in metal processing and East Asia for micro materials processing and systems for semiconductor processing. In the lasers & material processing area, Jenoptik covers the entire added-value chain from laser source to laser processing system.

For 2013, the Semiconductor Industry Association (SIA) expects the semiconductor industry to post a small increase of 4.5 percent in global sales. IT analyst Gartner reduced its previous forecast for 2013 from 330 to 311 billion US dollars, stating as the reasons the continuing sovereign debt crises in the US and Europe, weak PC sales and high warehouse inventory levels held by the chip manufacturers. According to Gartner, impetus for growth will come from areas such as smart phones/tablets, medical technology and automotive electronics. According to the forecasts, semiconductor sales in 2014 could grow by approx. 5 percent to 319 billion US dollars.

In the global semiconductor equipment industry – a key customer for the optical systems business – the sector association Semiconductor Equipment and Materials International (SEMI) forecasts a slight fall in sales in 2013 to 37.4 billion US dollars before seeing a possible return to double figure growth rates from 2014. Following a seasonally weak 1st quarter 2013, sector experts anticipate a recovery in the 2nd half-year prompted by new orders from the semiconductor sector for updating new production technologies. The sector, including the Jenoptik partner ASML, is in part pinning its hopes on the manufacture of larger wafers as well as on Extreme Ultraviolet Lithography (EUV) which will enable smaller, more powerful chips to be produced for smart phones and tablets. SEMI puts the estimated spending on R+D over the next few years at up to 40 billion US dollars to get the 450 millimeter wafer ready for use.

The German Engineering Federation (VDMA) is keeping to its forecast of a 2 percent rise in production for 2013 compared with the previous year. The Federation is assuming that growth in the US will continue and that the previous pent-up demand in key markets such as China will be cleared. That could give a boost to the catch-up process in emerging countries. According to the sector association VDW, German machine tool manufacturers expect a moderate rise in production of 1 percent for 2013 following two years of strong growth; this could see a return to the record level of 2008.

The sector association of the Automotive Industry (VDA) anticipates a 3 percent decline in European sales for 2013. Outside Western Europe the positive trend is expected to continue, driven by the dynamic in China, the US and South America. According to the VDA, German manufacturers, who are expected to see a small rise in exports over the previous year to approx. 4.1 million units in 2013, will benefit from the growth potential in these markets. The situation with automotive suppliers is similar to that of the manufacturers: those who have a global position or whose customers include automobile manufacturers with significant export levels will cope better with crises, according to the German Center for Automotive Research (CAR Institute). Sector experts expect continuing downward pressure on prices from the manufacturers and further consolidation in the supplier sector. Jenoptik is already globally positioned in its Metrology segment with customers in the automotive and automotive supplier industry and is benefiting in particular from the capital expenditure on more efficient engines and drive systems.

Traffic safety will remain one of the focal areas for the United Nations (UN) over the coming years. The “Decade of Traffic Safety” initiative which was started up in 2011 is aimed at achieving significant reductions in the numbers of road traffic accidents and fatalities worldwide by 2020. According to the UN, this could produce cost savings of up to around 5 billion US dollars. As a result of new growth markets in the Near and Middle East, Eastern Europe and Asia, in conjunction with the increasing trend toward large projects, Jenoptik intends to expand its market presence as an international leader in this field. Reflecting the Group’s experience in this area, Traffic Service Providing, a business model entailing a comprehensive range of services relating to traffic monitoring, will enjoy increasing demand in established markets.

IATA, the sector association of the international aviation industry, forecasts profits of 8.4 billion US dollars for the sector. However, that would only be approx. 1.3 percent of the forecast sales for the sector of 650 billion US dollars. Orders for the A380 aircraft, for which Jenoptik supplies equipment, are in the mid three-digit figure range (pieces). In their long-term forecasts, the aircraft manufacturers put the anticipated demand for new aircraft over the next twenty years at 28,200 aircraft with a volume of 4 billion US dollars (Airbus), respectively at 34,000 aircraft with a total value of 4.5 billion US dollars (Boeing).

Budget cutbacks and reductions in unit volumes are characterizing the security and defense technology area. The sector is endeavoring to compensate for falling sales in established markets through exports to countries outside NATO. In this context, according to sector experts, there will be continuing increasing pressure on exports and predatory competition. In Germany, the 2013 defense budget will be increased by 1.4 billion euros to approx. 33.3 billion euros as a result of rising personnel costs. Spending is then expected to fall: in 2014 to 33.0 billion euros, in 2015 and 2016 to approx. 32.5 billion euros. The US defense budget is expected to be reduced over the next ten years by around 8 percent and consequently by 487 billion US dollars in net terms. However, expenditure on armament in the regions Asia, Africa and Middle East are rising further according to statement of the Stockholm International Peace Research Institute (SIPRI).

MEDIUM AND LONG-TERM DEVELOPMENT

Aims of the Jenoptik Group. Jenoptik reaffirms its medium and long-term goals. The Group expects to continue generating profitable growth also over the years ahead and achieve an average EBIT margin of between approx. 9 and 10 percent as well as growth in sales of around 10 percent over the market cycles. Sales are expected to increase to approx. 800 million euros over the medium term until 2017. In order to achieve this, Jenoptik anticipates a proportionally stronger rise in growth abroad. The aim is for North America and Asia to achieve 40 percent of total sales by then.

Jenoptik's further development. Five value levers defined in 2007 remain crucial to the further development of Jenoptik. The focus is primarily on product quality, the international nature of the business, a customer-driven approach and sustainability. The Group's strategic objective is to generate long-term, profitable growth. As an innovative high technology company, it is imperative for Jenoptik to identify future needs and trends at an early stage. Sustainable, profitable growth is to be achieved internally through efficiency measures and increasingly through increased sales with the help of economies of scale. Overheads resp. fixed costs are expected to develop at a markedly lower rate in proportion to sales. All the core measures are geared toward achieving this objective.

The value levers and specific associated measures:

Organic growth. The Jenoptik Group intends to continue its organic growth on a profitable basis. In this context, the focus is on rapidly expanding areas of business enabling economies of scale to be realized, with market development, market penetration and product innovation being the central themes. Investments will secure the organic growth. The strategic portfolio management will be continued and optimized on the level of the individual market and competitor segments.

Market and customer orientation. Jenoptik will continue to invest in the development of new and the expansion of existing sales and service structures, primarily abroad. Internal processes will be geared toward customer and market needs. From 2013 the focus will be on the expansion of customer relationship management. Where possible, customers will actually be integrated into development processes during the early stages. The proportion of the systems business is to be increased. Since 2012, a clear and unmistakable uniform brand profile has been communicated throughout the Group.

Internationalization. Jenoptik sees major growth potential in North America and Asia and for this reason is concentrating the expansion of its internationalization on these markets. New locations in Brazil, Singapore and Malaysia were added in the 2012 fiscal year. Preference is given to the Group's own distribution channels over dealership structures. However, Jenoptik also works together with local partners within the framework of majority shareholdings. Overarching, cross-section functions and the Group's own value creation will be expanded.

Employees & management. Attracting new employees and winning their loyalty to the company remain the central themes of the strategic HR work. To enable the Group to attract the necessary personnel in an environment which is becoming increasingly difficult from the demographic aspect, there is a need for structured HR planning. Jenoptik intends to utilize HR marketing activities to continue positioning itself as an attractive employer. Corresponding personnel development measures and improved framework conditions are aimed at helping to strengthen the employees' loyalty to the company. In addition, employees and management are to be encouraged and promoted through integrated performance management.

Operational excellence. All processes in the Group are subject to continuous scrutiny in order to improve them and save costs. The initiatives for creating harmonized and excellent processes - both in the operating business as well as with systems and the commercial processes – will be consistently continued. These mainly include the JEP, JOE and Go-Lean programs that have already been set out on page 72.

7.2 Development of the business situation in 2013 and 2014

PLANNING ASSUMPTIONS

Group. The forecast for the future business figures is drawn up on the basis of the Group planning in autumn 2012. The planning was carried out using the so-called "counter flow method" (bottom up – top down). The starting point for this planning is formed by the strategic plans of the segments and operating business units which are geared towards market requirements, coordinated together and integrated.

The projects designed to create process harmonization and excellence, amongst others the so-called JOE program, will be continued as planned throughout the Group in 2013. The costs for these projects as well as for the site optimization announced at the end of 2012 in the middle single-digit million euro range were included in the planning as one-time costs. The Jenoptik Excellence Program will be continued in 2013 in its fifth consecutive year and enhanced through the lean management principles being consistently embedded within all operating areas. This is expected to produce savings in the low double-digit million euro range per year and will be attributable to the continual optimization both of the expertise in procurement as well as of the production processes which are increasingly having an ongoing effect in many areas and have therefore been included in the current planning.

Segments. In the Lasers & Optical Systems segment Jenoptik expects to see a continuation of the economic dip in the semiconductor equipment market, particularly during the first half-year of 2013. This will impact on the segment's sales and EBIT but is expected to be partially offset by increased sales in other areas and with other sectors, such as e.g. the health care / life sciences and flat panel industries. In 2013 the segment will continue to focus on the targeting of key customers. By offering integrated system solutions the Optical Systems area is increasing the shares of added value. The startup of the production of semiconductor lasers at the Berlin site is anticipated for the beginning of 2013. Jenoptik is continuing to invest in the expansion of its semiconductor equipment business, primarily by continuing the high level of R+D activities as well as through intensive contact with customers aimed at the joint preparations for future production methods.

The Metrology segment has started in 2013 with a high order backlog. We anticipate a continuation of the good level of demand in the automotive supplier area and currently see no signs of a fall in demand. The market growth in the automotive industry in the BRIC countries should provide an additional impetus. Following the establishment of JENOPTIK do Brazil in spring 2012 the segment will be intensifying its development of the South American market, particularly in Brazil. Major orders are expected to contribute to sales and results in the traffic solutions business. The Traffic Service Providing will also be further expanded. This is a business which is in increasing demand in established markets for the equipment business, including in Germany.

The Defense & Civil Systems segment expects the development of business to remain stable, with the focus in 2013 once again on the process of internationalization. The development of the segment's own structures is expected to produce an expansion of its business abroad, particularly in North America. The cutbacks in defense budgets, mainly in the USA and the European states, are not expected to have any major impact over the short and medium term. In parallel with this the segment has already been seeking to expand its civil offerings over recent years.

FORECAST FOR THE SALES AND EARNINGS SITUATION IN 2013 AND 2014

Important note. The actual results may differ significantly from the following expectations of the anticipated development. This could arise in particular if one of the uncertainties mentioned in this report were to materialize or if the assumptions upon which the statements are based prove to be inaccurate.

Forecast Group sales. The Jenoptik Group anticipates slight organic growth in sales of up to 5 percent for 2013 compared with 2012. All three of the Group's segments should contribute towards the increase in sales in the current year. There are no current plans for larger acquisitions. The level of sales growth for 2014 is then expected to return to the average rates of increase anticipated over the coming years of approx. 10 percent. Regional growth is primarily expected to come from America and Asia/Pacific.

Forecast for the Group income statement items. The gross margin is expected to remain almost constant in 2013 and 2014; it may even show a slight increase if the market performs well, particularly the semiconductor industry from the 2nd half-year 2013.

Regarding functional costs, for 2013 and 2014 the Jenoptik Group expects research and development as well as selling costs to increase at a slightly higher rate in proportion to the growth in sales. The rise in selling costs will primarily be attributable to the continued development and expansion of the Group's own structures in North America and Asia. By contrast, general administrative expenses as a proportion of future sales should remain almost constant in both years.

Forecast Group earnings. Against the background of a difficult economic environment Jenoptik currently expects the operating business to generate an EBIT of between 50 and 55 million euros in the fiscal year 2013, depending upon the progress of the semiconductor cycle particularly in the 2nd half-year 2013. The costs for the projects designed to create harmonized and excellent processes as well to optimize the locations, are expected to come in around the middle single digit million euro range and to impact on EBIT. The EBIT should show another increase in 2014. Following the marked improvement in the financial result in 2012 Jenoptik expects the financial result over the next two years to essentially remain stable. The development of the EBIT will therefore also be directly reflected in the development of earnings before tax.

The Lasers & Optical Systems segment anticipates slight growth in sales within the middle single digit percentage range in 2013. In this context the reduction in sales in the semiconductors equipment market is expected to be partially offset by growth in other areas and other sectors, such as e.g. the life sciences and flat panel industries. Depending upon the development of the semiconductor industry particularly in the 2nd half-year 2013, earnings should show a slight increase as a result of the change in the sales mix. The contributions to sales and earnings by this segment are expected to show another marked increase in 2014. In addition to a subsequent continued stronger rise in demand from the semiconductor supplier industry we also anticipate other sectors to make a continuing and increasing contribution to sales and earnings.

Following the leap in sales and earnings in the fiscal year 2012, the Metrology segment expects sales and EBIT to be stable or show a slight increase in 2013. This rise in sales is attributable to a high order backlog at the end of 2012 as well as to our expectations of a positive development by the sector. The timing of project settlements in the traffic solutions business plays an important role in this segment. In the 2014 fiscal year we also anticipate a stable development of or slight increase in the segment's sales and EBIT.

For the Defense & Civil Systems segment we expect a slight rise in sales in the middle single digit percentage range mainly as a result of the expansion of business in the Sensor Systems business area for 2013 and 2014. This rise should also be reflected in the segment EBIT which is expected to show a more significant increase compared with sales in 2013. The segment expects to benefit from the continual expansion of the international business and from the cost reduction initiatives which have already been introduced. Civil products should account for a larger share of business in 2013.

Forecast of the Group order situation. The forecast of the order intake is affected by the increasing importance of major orders, particularly in the Defense & Civil Systems and Traffic Solutions areas. Jenoptik assumes overall that the order intake in 2013 will be slightly up on the level for 2012. Growth is expected in particular from the Optical Systems and Defense & Civil Systems areas. About 56 percent of the order backlog as at the end of December 2012 will impact on sales in 2013.

Employee development & Group HR work. Jenoptik plans to essentially increase the size of the workforce at a lower rate in proportion to the expansion of business, with the aim to continually increase sales per employee over the medium term. The number of employees should increase slightly in 2013 and 2014. The strategic targets will provide the focal areas for the HR work in 2013 and 2014 (from page 112):

In 2013 one of the central themes of the education and further training will be the development of a Lean Campus in support of the group-wide Go-Lean program. In this context the emphasis will be placed on teaching comprehensive lean method expertise and the associated tools.

The academy concept will be further expanded in 2013. The areas of emphasis here will be on the group-wide rollout of the Purchasing Academy established in 2012, as well as the formation of the IT Academy which is expected to ensure the long-term development and qualification for the employees from the IT area.

Another area of focus will be the implementation of the international HR processes from the HR Handbook projects and the SAP project which are aimed at ensuring a standardized process landscape at all locations. In addition, the new Employer Branding campaign will be implemented in Europe, Asia and the USA up to the end of 2013 and underpinned by the corresponding applicant management platforms and Jenoptik career pages.

FORECAST OF THE GROUP ASSET AND FINANCIAL SITUATION

The balance sheet total is expected to increase slightly in 2013 and 2014. This is due to planned capital expenditure investment above the level of depreciation, an increase in working capital as part of the expansion of business, as well as an increase in shareholders' equity.

There is expected to be a moderate increase in shareholders' equity in line with the anticipated income in the periods and despite any possible dividends to be paid in 2013 and 2014. As a result, the shareholders' equity quota is likely to show a further slight increase over the next two years, with small rises in the balance sheet total.

Forecast for the financing. The operational financing of the Jenoptik Group has been secured through the debenture loans with terms of 5 resp. 7 years from October 2011 and a multi-year mortgage loan for real estate.

Therefore, only a few current credits have maturity dates in the years 2013 and 2014. As at December 31, 2012 short-term overdraft facilities had not been utilized.

As at the end of December 2012 Jenoptik had unused credit facilities available in the sum of 60.6 million euros, cash in hand and bank credit balances totaled 45.3 million euros.

49 SUMMARY OF TARGETS FOR 2013 AND 2014

in million euros	Actual 2012	Outlook 2013	Trend 2014 comp. 2013
Sales	585.0	Up to 5 percent rise	Increase of approx. 10 percent
of which Lasers & Optical Systems	212.3	Slight rise in the middle single digit percentage range	Marked rise
Metrology	182.7	Stable to slightly positive development	Stable development to slight rise, dependent upon projects
Defense & Civil Systems	186.4	Slight rise in the middle single digit percentage range	Slight rise in middle single digit percentage range
Order intake	587.2	Slightly higher	n.a.
Group EBIT	54.8	50 to 55 million euros operationally, costs for projects and location optimization having negative effect	Rise
of which Lasers & Optical Systems	27.1	Slight rise	Rise
Metrology	25.7	Consolidation at high level	Stable development to slight rise, dependent upon projects
Defense & Civil Systems	7.8	Stronger rise than sales	Increasing slightly
Investment result	−2.0	Stable	n.a.
Interest result	−6.7	Stable to slight improvement	n.a.
Free cash flow	43.7	Lower due to increased capital expenditure, but no payment to silent investors	n.a.
Net debt	74.5	Gradual reduction	Gradual reduction
Shareholders' equity & shareholders' equity ratio	330.3 million/ 49.3 %	Moderate rise/Slight increase	Moderate rise/Slight increase
Balance sheet total	669.6	Slight increase	Slight increase
Employees	3,272	Slight rise	Slight rise
R+D costs	36.0	Slight rise in proportion to sales	Slight rise in proportion to sales
Capital expenditure[1]	31.2	35 to 40 million euros	Slight reduction

1) Excl. investments in financial assets

Forecast for cash flows. The cash flow from operating activities (before interest and taxes) in 2013 is likely to be down slightly on the figure for the previous year. Jenoptik expects to generate a clearly positive free cash flow (before interest and taxes). Due to the planned higher investments it should be lower than in 2012, however, no payments to silent real estate investors have to be made.

Forecast for capital expenditure. With the level of capital expenditure in 2012 down on the originally planned total of 35 million euros, Jenoptik now anticipates a moderate rise to between 35 and 40 million euros for the current fiscal year. Capital expenditure on tangible assets will focus on the growth areas of the segments. Component manufacture in the Lasers & Optical Systems division will be expanded and the clean room capacities extended. Capital expenditure on the Group level will focus on the project designed to harmonize processes and systems (JOE). Total capital expenditure in 2014 is expected to show a slight reduction.

Future dividend policy. In 2012 Jenoptik began paying a shareholder dividend of 0.15 euros per share for the first time in ten years. The management will endeavor in future to not only finance the continued growth but fundamentally also maintain a continuity in its dividend policy. In the view of the management a stable provision of shareholders' equity for sustainable organic growth as well as the exploitation of opportunities for acquisitions are also of crucial importance, also in the interests of the shareholders.

Net debt continues to be dependent upon the financial indicators mentioned above. For the operating business Jenoptik expects to meet all interest and tax payments out of the free cash flow despite increasing capital expenditure and the possibility of a small rise in working capital as a result of growth. Jenoptik plans a further step-by-step reduction in net debt for 2013 and 2014.

7.3 General statement by the Executive Board on the future development

Jenoptik will continue to pursue the strategic agenda introduced in 2007 on a consistent and sustainable basis. The Executive Board's main focus of attention is now on profitable organic growth being achieved by all segments. From the regional aspect we see the greatest potential for growth in America and Asia where the share of sales is expected to increase to a total of 40 percent by 2016. The growth in sales, economies of scale, cost discipline and higher margins from the increasing systems business are expected to boost profits. In 2013 we anticipate a slight increase in sales of up to 5 percent compared with the fiscal year just past. 41 percent of our forecast sales for 2013 are included in the order backlog as at the end of December 2012. We then expect to see further growth in sales to approx. 800 million euros by 2017. In a more difficult economic climate and depending upon the course of the semiconductor cycle, particularly in the 2nd half of 2013, the Executive Board expects the EBIT generated in the operating business in fiscal year 2013 to come in at between 50 and 55 million euros. The costs for the projects for harmonized and excellent processes and site optimizations are forecast to be in the middle single-digit million euro range and to have impact on EBIT. As at the closing editorial date for this report we do not see any major new risks to the development of our key sectors. Economic development remains the greatest risk factor. The key factor here will be the course of the euro and debt crisis. However, in the opinion of the Executive Board, Jenoptik will be able to successfully cushion even significant fluctuations in economic activity.

Jena, March 11, 2013

Michael Mertin Chairman of the Executive Board	Rüdiger Andreas Günther Member of the Executive Board

JENOPTIK CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

FOR FISCAL YEAR 2012

43.7m euros Free Cash Flow

A high cash flow from operating activities allows to pay a dividend, to further reduce debt and to make higher investments.

CONSOLITATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

in KEUR	Note No.	1.1.–31.12.2012	1.1.–31.12.2011 1)
Sales	1	585,025	543,298
Cost of sales	2	381,638	359,287
Gross profit		203,387	184,011
Research and development expenses	3	36,035	31,982
Selling expenses	4	65,077	61,908
General administrative expenses	5	42,585	38,893
Other operating income	6	16,476	21,307
Other operating expenses	7	26,004	25,253
EBIT – continuing operations		50,162	47,282
EBIT – discontinued operations		4,678	1,879
EBIT – Group		54,840	49,161
Result from investments in associates and joint ventures	8	0	−995
Result from other investments	8	−2,042	−1,339
Interest income	9	1,324	1,783
Interest expenses	9	8,009	12,435
Financial result		−8,727	−12,986
Earnings before tax – continuing operations		41,435	34,296
Earnings before tax – discontinued operations		4,678	1,879
Earnings before tax – Group		46,113	36,175
Income taxes	10	5,540	4,404
Deferred taxes	10	−9,644	−3,530
Earnings after tax – continuing operations		45,539	33,422
Earnings after tax – discontinued operations		4,678	1,879
Earnings after tax – Group		50,217	35,301
Non-controlling interest in profit/loss	11	−19	−25
Net profit of shareholers		50,236	35,326
Earnings per share – continuing operations in euros	13	0.80	0.58
Earnings per share (diluted = undiluted) in euros		0.88	0.62

1) adjusted due to first-time application of IAS 19R

Other comprehensive income

Earnings after tax	50,217	35,300
Financial assets available for sale	−89	−208
Cash flow hedge	2,254	−2,662
Difference arising on foreign currency translation	−754	1,465
Revaluation	−12,112	−3,571
Deferred taxes	2,660	1,496
Total income and expense recognized in shareholders' equity	−8,041	−3,480
Total comprehensive income	42,176	31,820
of which attributable to:		
Non-controlling interest	−19	−25
Shareholders	42,195	31,845

Consolidated Balance Sheet

Assets KEUR	Note No.	31.12.2012	31.12.2011 [1]	Change	1.1.2011 [1]
Non-current assets		333,778	312,381	21,397	307,648
Intangible assets	14	70,622	68,884	1,738	72,380
Tangible assets	15	143,240	138,190	5,050	139,405
Investment properties	16	19,580	20,601	−1,021	22,080
Shares in associates		0	0	0	246
Financial assets	18	27,205	22,793	4,412	16,579
Other non-current assets	19	4,780	4,931	−151	5,210
Deferred tax assets	20	68,351	56,982	11,369	51,748
Current assets		335,846	331,105	4,741	318,190
Inventories	21	169,270	169,116	154	148,797
Current accounts receivable and other assets	22	120,660	111,873	8,787	103,308
Securities held as current investments	23	561	1,288	−727	750
Cash and cash equivalents	24	45,355	48,828	−3,473	65,335
Total assets		669,624	643,486	26,138	625,838

Shareholders' equity and liabilities in KEUR	Note No.	31.12.2012	31.12.2011 [1]	Change	1.1.2011 [1]
Shareholders' equity	25	330,325	298,443	31,882	271,799
Subscribed capital		148,819	148,819	0	148,819
Capital reserve		194,286	194,286	0	194,286
Other reserves		−13,053	−44,952	31,901	−71,624
Non-controlling interest	26	273	292	−19	318
Non-current liabilities		177,567	173,731	3,836	172,986
Pension provisions	27	31,238	18,434	12,804	14,114
Other non-current provisions	29	12,064	12,423	−359	17,631
Non-current financial liabilities	31	115,776	123,106	−7,330	125,856
Other non-current liabilities	32	15,417	15,809	−392	11,681
Deferred tax liabilities	20	3,072	3,959	-887	3,704
Current liabilities		161,732	171,312	−9,580	181,053
Tax provisions	28	6,059	6,825	−766	2,361
Other current provisions	29	52,053	49,715	2,338	61,895
Current financial liabilities	31	4,692	4,109	583	19,486
Other current liabilities	33	98,928	110,663	−11,735	97,311
Total shareholders' equity and liabilities		669,624	643,486	26,138	625,838

1) adjusted due to first-time application of IAS 19R

Consolidated Statement of Movements in Shareholders' Equity

in KEUR	Subscribed capital	Capital reserve	Cumulated profit
Balance as at 1.1.2011	148,819	194,286	−61,845
Adjustment due to first-time application of IAS 19R			2,979
Balance as at 1.1.2011 [1]	148,819	194,286	−58,866
Valuation of financial instruments			
Revaluation loss			
Currency differences			917
Net profit for the period			35,326
Other changes			−5,176
Balance as at 31.12.2011 [1]	148,819	194,286	−27,799
Balance as at 1.1.2012 [1]	148,819	194,286	−27,799
Transactions with shareholders (dividend)			−8,585
Valuation of financial instruments			
Revaluation loss			
Currency differences			−509
Net profit for the period			50,236
Other changes			−1,708
Balance as at 31.12.2012	148,819	194,286	11,635

1) adjusted due to first-time application of IAS 19R

Financial assets available for sale	Cash flow hedge	Cumulative currency differences	Revaluation	Non-controlling interest	Total
416	271	222	0	318	282,487
			−13,667		−10,688
416	271	222	−13,667	318	271,799
−208	−1,874				−2,082
			−2,863		−2,863
		548			1,465
				−26	35,300
					−5,176
208	−1,603	770	−16,530	292	298,443
208	−1,603	770	−16,530	292	298,443
					−8,585
−89	1,581				1,492
			−8,918		−8,918
		−107			−616
				−19	50,217
					−1,708
119	−22	663	−25,448	273	330,325

Consolidated Statement of Cash Flows

in KEUR	1.1.–31.12. 2012	1.1.–31.12. 2011
Earnings before tax	46,113	34,948
Interest	6,684	11,879
Depreciation/write-up	22,254	23,242
Impairment	3,920	6,032
Loss/profit on disposal of fixed assets	−421	2,546
Other non-cash expenses/income	647	1,655
Operating profit/loss before working capital changes	79,197	80,302
Increase/decrease in provisions	3,948	−3,849
Increase/decrease in working capital	−12,334	−23,523
Increase/decrease in other assets and liabilities	2,857	14,353
Cash flow from/used in operating activities before income taxes	73,668	67,283
Income taxes paid	−7,090	−1,703
Cash flow from/used in operating activities	66,578	65,580
Receipts from disposal of intangible assets	421	193
Payments for investments in intangible assets	−6,716	−2,105
Receipts from disposal of tangible assets	839	1,556
Payments for investments in tangible assets	−24,511	−22,922
Receipts from disposal of investment properties	1,188	2,174
Receipts from disposal of financial assets	2,706	1,432
Payments for investments in financial assets	−9,079	−11,329
Receipts from acquisition of consolidated companies	0	100
Payments for disposal of consolidated companies	0	−209
Interest received	1,335	1,771
Cash flow from/used in investing activities	−33,817	−29,339
Dividend paid	−8,585	0
Receipts from issue of bonds and loans	407	90,351
Repayments of bonds and loans	−4,581	−107,014
Repayments for finance leases	−2,181	−971
Change in group financing	−13,953	−24,634
Interest paid	−7,248	−11,392
Cash flow from/used in financing activities	−36,141	−53,660
Change in cash and cash equivalents	−3,380	−17,419
Foreign currency translation changes in cash and cash equivalents	−93	230
Changes in cash and cash equivalents due to initial consolidation	0	682
Cash and cash equivalents at the beginning of the period	48,828	65,335
Cash and cash equivalents at the end of the period	45,355	48,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2012

Group structure

PARENT COMPANY

The parent company is JENOPTIK AG, Jena entered in the Jena commercial register in department B under number 200146. JENOPTIK AG is quoted on the German stock exchange (Deutsche Börse) in Frankfurt and is listed in the TecDAX.

ACCOUNTING PRINCIPLES

The consolidated financial statements of JENOPTIK AG for 2012 were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid at the balance sheet date as they have to be applied in the European Union.

The consolidated financial statements have been prepared in Euro. Unless noted elsewhere all amounts are in thousands of Euro (KEUR). The statement of comprehensive income is prepared on the cost of sales basis.

The fiscal year of JENOPTIK AG and its consolidated subsidiaries corresponds to the calendar year.

In order to improve clarity of presentation individual items are summarized in the statement of comprehensive income and balance sheet. The analysis of these items is disclosed in the Notes to the Financial Statements.

The following IFRS are applied for the first time in the consolidated financial statements:

IAS 19 „Employee Benefits". In June 2011 the IASB published IAS 19 „Employee Benefits" (referred to below as IAS 19R). IAS 19R abolishes the so-called corridor method and prescribes accounting directly for actuarial gains and losses in other comprehensive income. Furthermore, under IAS 19R expected income from plan assets and the interest expense from the pension provision are replaced by a uniform net interest component. The service cost granted in future will be recorded fully in the period of the related change in the plan. The revision of IAS 19 also changes the requirements for benefits from termination of the employment relationship and enhanced presentation and disclosure obligations. The statement shall apply to financial years which begin on or after January 1, 2013. Earlier application is permitted.

Jenoptik has utilised the option to apply IAS 19R early. The changes resulting from this related to pension provisions, equity and the result for the fiscal year. The application of IAS 19R is retrospective. In agreement with IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors" the effect of the change in accounting should be presented, in both the consolidated balance sheet using an adjusted balance sheet as of December 31, 2011 and an adjusted opening balance sheet as of January 1, 2011 as well as in the consolidated statement of comprehensive income using an adjusted consolidated statement of comprehensive income 2011.

The effects of the change in accounting are shown in the summary below:

in KEUR	Other non-current assets	Deferred tax assets	Shareholders` equity	Pension provision
Balance as at January 1, 2011 as previously reported	9,080	50,895	282,487	6,443
Effects of change in accounting	−3,870	853	−10,688	7,671
Adjusted balance as at January 1, 2011	5,210	51,748	271,799	14,114
Balance as at December 31, 2011 as previously reported	7,022	55,421	310,767	6,640
Effects of change in accounting as at January 1, 2011	−3,870	853	−10,688	7,671
Effects of change in accounting in the year 2011	1,779	708	−1,636	4,123
Adjusted balance as at December 31, 2011	4,931	56,982	298,443	18,434

The effects on the statement of comprehensive income were as follows:

in KEUR	2012	2011
Increase in interest result	1,538	1,227
Increase in earnings after tax	1,538	1,277
Decrease in other comprehensive income	−8,918	−2,863
Earnings per share in euros as previously reported	0.85	0.60
Adjusted earnings per share in euros	0.88	0.62

The first time adoption of IAS 19R has no material effect for the calculation of part-time early retirement obligations. Further explanations are included in Note 27.

Amendments to IAS 12 „Income Taxes". Regarding investment properties it is often difficult to evaluate whether existing temporary tax differences reverse through continued use or through sale. With the amendment to IAS 12 it is now assumed that the measurement of deferred taxes is to be performed on the presumption that reversal is normally through sale. The adjustments had no material effects on the consolidated financial statements of Jenoptik.

Changes to IFRS 1 "First-time Adoption of International Financial Reporting Standards". Through this change to IFRS 1 the references to the date of January 1, 2004 used until now as a fixed transition date are replaced by „Time of changeover to IFRS". Furthermore, rules will now be included in IFRS 1 for the cases where an entity cannot comply with IFRS rules for a period of time because its functional currency was subject to hyperinflation. The adjustments had no material effects on the consolidated financial statements of Jenoptik.

Amendment to IFRS 7 „Financial Instruments: Disclosures". The changes to IFRS 7 relate to enhanced disclosure requirements for the transfer of financial assets. This is to make the relationships more understandable between financial assets, which shall not be entirely de-recognised, and the corresponding financial liabilities. Furthermore, the nature, as well as in particular the risk of continuing involvement, should be better assessable for de-recognised financial assets. With the changes additional disclosures are also required if there is a disproportionately large number of transfers with continuing involvement, e.g. around the end of a reporting period. The amendments have not resulted in additional disclosure requirements for Jenoptik.

The following accounting statements published by the IASB and adopted by the EU, are not yet obligatory and have not been applied by Jenoptik yet:

Amendments to IAS 1 "Presentation of the Financial Statements". These amendments relate to the presentation of other comprehensive income in the statement of comprehensive income. The elements of other comprehensive income which can be reclassified later in the income statement („recycling") should be presented separately in future from the items of other comprehensive income that are never reclassified. Where the items are disclosed gross, i.e. without net effects of deferred taxes, the deferred taxes should no longer be disclosed in one total but allocated to the two groups of items.

The amendment shall be applied for the first time to financial years beginning on or after July 1, 2012.

IAS 27 „Separate Financial Statements (amended 2011)". As part of the adoption of IFRS 10 the rules for the control principle and the requirements for the preparation of consolidated financial statements were removed from IAS 27 and subsequently dealt with by IFRS 10 (see explanations to IFRS 10). As a result, in future IAS 27 will only contain the rules for accounting for subsidiaries, joint ventures and associates in IFRS separate financial statements.

The amendment shall be applied for the first time to financial years beginning on or after January 1, 2014. The Company is currently reviewing the effects on the consolidated financial statements.

IAS 28 "Investments in Associates and Joint Ventures (amended 2011)". As part of the adoption of IFRS 11 "Joint Arrangements" adjustments were also made in IAS 28. This standard regulates – as also to date – the application of the equity method. However, the scope of application will be extended substantially by the release of IFRS 11 since in future not only investments in associates but also in joint ventures will have to be measured using the equity method (see IFRS 11 "Joint Arrangements"). The use of proportional consolidation is no longer applicable for joint ventures.

In future potential voting rights and other derivative financial instruments shall also be considered in assessing whether an enterprise has significant influence or in determining the investor's share of company assets.

A further amendment relates to accounting in accordance with IFRS 5 if only a part of an associate or a joint venture is held for sale. IFRS 5 is to be partially applied if only a share or part of a share in an associate (or in a joint venture) fulfils the criterion "held for sale".

The amendment shall be applied for the first time to financial years beginning on or after January 1, 2014.

Since Jenoptik currently includes one joint venture in the consolidated financial statements on the basis of proportional consolidation, the application of IFRS 11 in connection with the amended IAS 28 leads to a change in the structure of the consolidated statement of comprehensive income. Applying this to the relationships in the fiscal year 2012 there would be, for example, a shift of contribution to income of about 0.7 million euros between EBIT and the net financial result. According to the current evaluation there would be no effect on the overall result.

Amendments to IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures". This amendment to IAS 32 clarifies the requirements for the offsetting of financial instruments. The amendment explains the meaning of a current legally enforceable right to set-off and clarifies which gross settlement systems may be considered equivalent to net settlement as defined by the standard. As part of this clarification the requirements for disclosure were amended in IFRS 7.

The amendment to IAS 32 is initially effective for financial years which begin on or after January 1, 2014. The amendment to IFRS 7 is initially effective for financial years which begin on or after January 1, 2013. The company is currently reviewing the effects on the consolidated financial statements.

IFRS 10 "Consolidated Financial Statements". With this standard the definition of control is newly determined and defined comprehensively. If one entity controls another entity the parent company shall consolidate the subsidiary. According to the concept, control exists if the potential parent company has power as a result of voting rights or other rights over the potential subsidiary, it participates in the positive or negative variable returns from its involvement with the subsidiary and has the ability to use its power to influence these returns. The new standard could have an effect on the scope of the companies to be consolidated.

The new standard shall be applied for the first time to financial years beginning on or after January 1, 2014. If the qualification of an investment as a subsidiary is determined in deviation between IAS 27 / SIC-12 and IFRS 10, IFRS 10 shall be applied retrospectively. Early application is only permitted if this is simultaneous with IFRS 11 and IFRS 12 as well as with IAS 27 and IAS 28 as amended in 2011. The company is currently reviewing the effects on the consolidated financial statements.

IFRS 11 "Joint Arrangements". IFRS 11 redetermines accounting for jointly controlled activities (joint arrangements). Accord-ing to the concept a decision is to be made whether a joint operation or a joint venture exists. A joint operation exists if the parties that have joint control of the arrangement have direct rights to the assets, and obligations for the liabilities. The individual rights and obligations are accounted for proportionately in the consolidated financial statements. In a joint venture, on the other hand, the parties that have joint control have rights to the net assets of the arrangement. This right is represented by the use of the equity method in the consolidated financial statements, the option for proportionate consolidation is thus not applicable.

The new standard shall be applied for the first time to financial years beginning on or after January 1, 2014. There are specific transition rules for the conversion, e.g. from the proportional consolidation to the equity method. Early application is only permitted if this is simultaneous with IFRS 10 and IFRS 12 as well as with IAS 27 and IAS 28 as amended in 2011. The implications for the consolidated financial statements of Jenoptik are included in the explanations to IAS 28.

IFRS 12 "Disclosure of Interests in Other Entities". IFRS 12 regulates the disclosure requirements with regard to the shares of other entities. The necessary disclosures are substantially more comprehensive that the disclosures required to date under IAS 27, IAS 28 and IAS 31.

The new standard shall be applied for the first time to financial years beginning on or after January 1, 2014. The company is currently reviewing the effects on the consolidated financial statements.

IFRS 13 "Fair Value Measurement". With this standard the fair value measurement is uniformly regulated in IFRS financial statements. All measurements required to be at fair value in accordance with other standards have to follow the uniform requirements of IFRS 13. Only for IAS 17 and IFRS 2 will there be individual rules.

Fair Value is defined as exit price in accordance with IFRS 13, i.e. as the price that would be received to sell an asset or paid to transfer a liability. As is currently known from the fair value measurement of financial assets a three-level hierarchy system will be implemented which is prioritised with regard to the dependency on observable market prices. The new fair value measurement can lead to deviating amounts compared to the requirements to date.

The new standard shall be applied for the first time to financial years beginning on or after January 1, 2013. The company is currently reviewing the effects on the consolidated financial statements.

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". This interpretation aims to unify the accounting for waste removal costs in surface mining. If, according to expectations, income is generated from further stripping activity the allocable costs of the stripping activity are to be accounted for as inventory in accordance with IAS 2. In addition, an intangible asset is created which should be capitalized with the surface mine asset, if the access to further natural resources is improved and the requirements defined in the interpretation are fulfilled. This asset shall be depreciated over the expected useful life.

IFRIC 20 applies for the first time to financial years beginning on or after January 1, 2013. There will be no effects from this on the consolidated financial statements of Jenoptik.

The following accounting statements published by IASB but not yet adopted by the EU are not yet obligatory and have not been applied by Jenoptik to date:

IMPROVEMENTS TO IFRS 2009 – 2011

As part of the annual improvement project changes were made to five standards. The alignment of formulations in individual IFRS serves to clarify existing rules. In addition there are amendments which have an impact on accounting, recognition and measurement as well as on disclosure. The standards affected are IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1. The amendments are – subject to being adopted under EU law – not applicable for the first time until financial years beginning on or after January 1, 2013. The company is currently reviewing the effects on the consolidated financial statements.

Changes to IFRS 1 "First-time Adoption of International Financial Reporting Standards". The change relates to accounting for a public loan at an interest rate below the market interest rate by a first-time IFRS user. For public loans existing at the transition period measurement may remain in accordance with previous accounting. The measurement rules according to IAS 20.10A in connection with IAS 39 are thus only valid for such public loans which are entered into after the transition period. The amendments are – subject to still being adopted under EU law – not applicable for the first time until financial years beginning on or after January 1, 2013. The company is currently reviewing the effects on the consolidated financial statements.

IFRS 9 "Financial Instruments". The recognition and measurement requirements of financial instruments under IFRS 9 will replace IAS 39.

Financial assets will only be classified into two groups in future and measured at amortized cost or at fair value. The group of financial assets at amortized cost comprises such financial assets that only offer a right to interest and capital payments at predefined times and, additionally, are maintained as part of a business model, the goal of which is to hold assets. All other financial assets form the group at fair value. Under certain conditions the financial assets from the first category – as until now – can be subject to allocation to the category at fair value (fair-value option).

Changes in measurement of financial assets to the fair value category shall basically be recorded in profit or loss. However, for defined equity instruments an option can be exercised to record changes in other comprehensive income; and dividend claims from these assets have to be recorded against profit or loss.

The requirements for financial liabilities are principally adopted from IAS 39. The main difference relates to the recording of measurement changes of the financial liabilities measured at fair value. In future these are to be separated: the portion relating to own credit risk shall be recorded neutrally under other comprehensive income, the remaining portion of the value change shall be recorded in profit or loss.

IFRS 9 – subject to being adopted under EU law – is not applicable for the first time until financial years commencing on or after January 1, 2015. The company is currently reviewing the effects on the consolidated financial statements.

Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures". The amendments allow the adjustment of prior year figures to be waived for the first-time application of IFRS 9. Originally, this simplification was only possible if IFRS 9 was applied early before January 1, 2012. The simplification brings additional disclosures at the transition time according to IFRS 7.

The amendments are, similar to the rules of IFRS 9 – subject to adoption still outstanding under EU law – applicable for the first time in financial years which start on or after January 1, 2015. The company is currently reviewing the effects on the consolidated financial statements.

Amendment of IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements". The amendments include a definition of the term investment companies and remove such companies from the scope of application of IFRS 10 "Consolidated Financial Statements".

According to this, investment companies do not consolidate those entities controlled by them in their IFRS consolidated financial statements, whereby this exception from general principles is not to be understood as an option. Instead of full consolidation they measure interests held for investment purposes at fair value and record changes in value from period to period in profit or loss.

The amendments have no effect on consolidated financial statements which include investment companies, to the extent that the group parent is not an investment company itself.

The amendments are – subject to being adopted under EU law – not applicable for the first time until financial years beginning on or after January 1, 2014. The company is currently reviewing the effects on the consolidated financial statements.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities". The amendments include clarification and additional simplifications on transition to IFRS 10, IFRS 11 and IFRS 12. Thus amended comparative information is only required for the preceding comparative period. Furthermore, in connection with disclosure information on unconsolidated structured entities, the obligation to disclose comparative information is not applicable for periods prior to the first-time application of IFRS 12.

The amendments of IFRS 10, IFRS 11 and IFRS 12 are – subject to adoption still outstanding under EU law – applicable for the first time in financial years which start on or after January 1, 2014. The company is currently reviewing the effects on the consolidated financial statements.

ESTIMATES

The preparation of the consolidated financial statements in compliance with IFRS as applicable requires assumptions to be made for certain items which may have an effect on the amounts in the balance sheet or statement of comprehensive income of the Group and on the disclosure of contingent assets and liabilities. All assumptions and estimates are made to the best of our knowledge, in order to present a true and fair view of the net assets, financial position and results of operations of the Group.

The underlying assumptions and estimates are reviewed on an ongoing basis. As part of this the preparer of the consolidated financial statements has certain discretionary power. This mainly relates to:

- the evaluation of impairment of goodwill (see Note 14),
- the measurement of intangible assets (see Note 14), tangible assets (see Note 15) and investment properties (see Note 16),
- the recognition and measurement of provisions for pensions and similar obligations (see Note 27).
- the recognition and measurement of other provisions (see Note 29) and
- the realization of future tax credits (see Note 10).

Consolidation principles

COMPANIES CONSOLIDATED

All material entities in which JENOPTIK AG exercises indirect or direct control ("control concept") are included in the consolidated financial statements. Control, as defined in IAS 27 "Consolidated and Separate Financial Statements", is given where the possibility exists to govern the financial and operating policies of an entity to obtain benefits from its activities. Inclusion in the consolidated financial statements is from the point at which control over the company is possible in accordance with the "control concept". It ends when this is no longer possible.

The consolidated financial statements of JENOPTIK AG include 24 (2011 23) fully consolidated subsidiaries. Of these 14 (2011 14) are based in Germany and 10 (2011 9) abroad.

As at October 1, 2012 the newly founded JENOPTIK Robot Malaysia Sdn. Bhd., Kuala Lumpur (Singapore), was included for the first time in the consolidated financial statements.

Furthermore, companies consolidated include one (2011 one) joint venture. Hillos GmbH, Jena, is included in accordance with IAS 31 on a proportionate basis with a share of 50 percent. As a result of this proportional consolidation the following amounts are included in the consolidated financial statements:

in KEUR	2012	2011
Non-current assets	1,145	1,709
Current assets	6,676	7,274
Non-current financial liabilities	43	2,782
Current financial liabilities	4,371	1,962
Income	17,434	20,468
Expenses	17,018	19,890

31 subsidiaries, of which twelve are non-operating companies, with no material influence on the net assets, financial situation and results, are not consolidated. Its total operating results amount to about 0.7 percent of the Group operating result.

The estimated effect of a consolidation of all companies on the total assets of the Group amounts to approx. 2.3 percent of the total assets of the Group.

All other interests in these companies, as well as all other investments are accounted for at fair value in accordance with IAS 39. If no reliable fair value can be determined, measurement is at acquisition cost.

The list of JENOPTIK AG investments is held by the Commercial Register at the Jena District Court (HRB 200146). The list of investments of Jenoptik in accordance with § 313 Para. 2, No. 1 to 4 HGB is published in the Federal Gazette.

Companies that have utilized the exemption clauses of § 264 Para. or § 264b HGB have been disclosed under obligatory and supplementary disclosures under HGB.

PRINCIPLES OF CONSOLIDATION

The assets and liabilities of the domestic and foreign companies which are either fully or partially included in the consolidated financial statements, are subject to the uniform accounting policies applicable to the Jenoptik Group.

At the time of acquisition capital consolidation is performed by using the acquisition method. The assets and liabilities of the subsidiaries are recognized at this point at fair values. Furthermore, identifiable intangible assets are capitalized as well as contingent liabilities are recognized as defined in IFRS 3.23. The remaining difference represents the goodwill. This is not amortized systematically in subsequent periods but subject annually to impairment testing in accordance with IAS 36.

Receivables and payables, as well as expenditure and income between consolidated companies, are eliminated. Inter-company trade transactions are performed based on market prices and on transfer prices that are determined based on the "dealing at arm's length" principle. Profits on inter-company transactions included in inventories have been eliminated. Consolidation transactions affecting income are subject to deferred tax, whereby deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset actual tax reimbursement claims against actual tax liabilities, or if these relate to income taxes that are administered by the same tax authority.

The consolidation methods applied have not changed in comparison to the prior year.

COMPANY ACQUISITIONS

In the fiscal year 2012 there were no company acquisitions.

In the past fiscal year JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd., Shanghai was included for the first time in the consolidated financial statements. The inclusion of the company was based on preliminary amounts since the reliability of the data basis at the time of initial inclusion could not be finally assessed. The finalization of these amounts in fiscal year 2012 did not lead to any material changes in the original amounts.

DISCONTINUED BUSINESS OPERATIONS

A disclosure of income amounting to KEUR 4,678 (prev. year KEUR 1,879), based on the reversal of a provision, was made in the fiscal year for those business operations discontinued in previous years. This presentation was selected to improve transparency and clarity of the results of operations – including the required adjustment of comparative information.

CURRENCY CONVERSION

Translation of financial statements of companies included in the consolidation, prepared in foreign currency, is performed based on the concept of functional currency in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" using the modified closing rate method. Since our subsidiaries conduct their operations financially, commercially, and organisationally independently the functional currency is identical with the relevant country currency of the company.

Assets and liabilities are consequently translated at the balance sheet date rate and expenses and income, for practical reasons, at the average rate for the year. The difference arising on foreign currency translation is offset against shareholders´ equity as a special currency translation reserve with no effect on income.

If Group companies are no longer included in the consolidation then the relevant foreign exchange difference is released to income.

In the separate financial statements of consolidated companies prepared in local currency receivables and liabilities are translated at the balance sheet date rate in accordance with IAS 21. Foreign currency translation differences are recorded in income under other operating income (see Note 6) and expenses (see Note 7).

The rates used for translation can be seen from the following table:

		Average annual rate		Year-end rate	
	1 EUR =	2012	2011	31.12.2012	31.12.2011
USA	USD	1.2946	1.4203	1.3194	1.2932
Switzerland	CHF	1.2041	1.2993	1.2072	1.2165
China	CNY	8.0930	8.4189	8.2207	8.1630
Malaysia	RGD	4.0347	–	4.0347	–

Accounting policies

GOODWILL

The rules of IFRS 3 are applied to all business combinations. The Jenoptik Group does not utilize the option under IFRS 3 to apply the full-goodwill method. Subsequently, only the portion of the goodwill allocable to the majority interest is recorded.

Goodwill in accordance with IFRS 3 represents the positive difference between the acquisition costs for a business combination and the newly valued assets and liabilities acquired, including contingent liabilities, which remains after the purchase price has been allocated and, thus, the intangible assets identified. The assets and liabilities identified as part of this purchase price allocation are not measured at their carrying values to date but at their fair values.

Goodwill is recognized as an asset and tested at least annually at a specific time for impairment or whenever there is an indication of impairment in the cash-generating unit. Impairment losses are recorded immediately in profit or loss as expenses and are not allowed to be reversed in subsequent periods.

Negative goodwill on capital consolidation is credited immediately to other operating income impacting income in accordance with IFRS 3.

INTANGIBLE ASSETS

Intangible assets acquired for a consideration, mainly software, patents, customer relationships, are capitalized at acquisition costs. Intangible assets with a finite useful life are amortized straight-line over their useful economic lives. Useful lives are between three and ten years. The Group reviews its intangible assets with finite useful lives as to whether they are impaired (see section "Impairment of tangible and intangible fixed assets").

For intangible assets with an indefinite useful life an impairment test is performed at least annually and their value is adjusted to reflect future expectations as appropriate.

Internally generated intangible assets are capitalized if the recognition criteria of IAS 38 "Intangible Assets" are met. Manufacturing costs comprise all directly attributable costs.

Development costs are capitalized if a newly developed product or process can be clearly separately identified, is technically feasible and its production as well as its internal use or sale is intended. Furthermore, in order to capitalize the development costs it should be reasonably certain that these are covered by future financial inflows and are reliably determinable. Ultimately, sufficient resources should be available in order to finalize development and to be able to use or sell the asset.

Capitalized development costs are amortized over the expected sales period of the products. Amortization is included in the research and development expenses. Acquisition or production costs include all costs directly attributable to the development process and appropriate portions of the general overheads related to development. Where the recognition criteria as an asset are not met the costs are treated as an expense in the year they are recorded.

Research costs shall be recognized as operating expenses in accordance with IAS 38.

Amortization of intangible assets is included in the respective expense items of the statement of comprehensive income.

TANGIBLE ASSETS

Tangible assets are carried at historical acquisition or production cost less accumulated straight-line depreciation. The depreciation method reflects the expected course of future economic use. Where necessary amortized acquisition or production costs are reduced by impairment losses. Government grants are deducted from acquisition or production costs in accordance with IAS 20 "Accounting for Government Grants" (see section "Government Grants"). Production costs are based on directly attributable costs and proportional material and production overheads including depreciation. In accordance with IAS 23 "Borrowing Costs" borrowing costs which are directly attributable to the acquisition or manufacturing of a qualified asset are capitalized as part of the acquisition and manufacturing costs.

Tangible asset repair costs are always expensed. Subsequent purchase costs are capitalized for components of tangible assets which are renewed at regular intervals to the extent that a future economic benefit is probable and the related costs can be reliably measured.

Depreciation and amortization are based primarily on the following useful lives:

	Useful life
Buildings	25 – 50 years
Technical equipment and machines	4 – 20 years
Other equipment, factory and office equipment	3 – 10 years

If assets are no longer used, sold or abandoned the profit or loss from the difference between the sale proceeds and the net book value is recorded in other operating income or other operating expenses.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

For tangible and intangible assets which have finite useful lives, an assessment is made at each year end whether the appropriate assets show any indications of impairment in accordance with IAS 36 "Impairment of Assets". If such indications are identified for individual assets or a cash generating unit then an impairment test is performed on these.

The cash generating units are primarily defined based on the structure of the divisions or of the business units forming the divisions.

As part of an impairment test initially the recoverable amount of the asset or rather the cash generating unit is determined and this is then compared with the relevant carrying value in order to determine any impairment losses.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties.

The determination of value in use is based on the present value of the future cash flows expected. This is based on a market-relevant interest rate before tax which reflects the risks of the use of the assets which have not yet been accounted for in the estimated future cash flows.

If the recoverable amount of an asset is estimated as lower than its carrying value it is then written down to the recoverable amount. Impairment losses are recorded immediately as expenses.

Where there is a reversal of impairment in a subsequent period the carrying value of the asset is adjusted to reflect the recoverable amount determined. The maximum limit for reversal of an impairment loss is determined as the carrying value of the acquisition or production costs which would have been determined had no impairment loss been recognized in previous periods. The impairment loss reversal is recorded immediately to income.

GOVERNMENT GRANTS

IAS 20 differentiates between capital grants for non-current assets and income-related grants.

IAS 20 basically provides for the treatment of grants to impact income in the correct period.

Grants for non-current assets in the Jenoptik Group are deducted from acquisition costs. Accordingly the depreciation volume is determined on the basis of reduced acquisition costs.

LEASING

Leased tangible assets fulfil the conditions for finance leasing in accordance with IAS 17 "Leasing" if all the significant risks and rewards related to ownership are transferred to the relevant group company. All other leasing contracts are classified as operating leases.

Finance lease. As lessee under finance lease the Group capitalizes the relevant assets at the inception of the lease at the lower of the fair value of the assets and the present value of the minimum lease payments. These assets are depreciated straight-line for the shorter of their useful economic lives or term of the leasing agreement if the purchase of the leased asset is not probable at the end of the leasing period. Liabilities from finance lease agreements are stated at the net present value of the minimum lease payments.

If the Group is the lessor the net investment in the lease is capitalized as a receivable. Finance income is recognized in the appropriate period through income ensuring a constant periodic rate of return on the net investment.

Operating lease. Rental income from operating lease agreements is recorded straight-line to income in accordance with the term of the appropriate lease. Any discounts received as incentives to enter into a leasing contract are also apportioned on a straight-line basis over the term of the lease.

INVESTMENT PROPERTIES

Investment properties comprise land and buildings held to earn rentals or for capital appreciation. These properties are not used for the production or supply of goods and services or for administrative purposes or for sale in the ordinary course of business.

In accordance with IAS 40 "Investment Properties" these are recognized at amortized acquisition or production costs (see Note 16). The fair value of these properties is additionally disclosed in the Notes to the financial statements. The fair value is determined using available purchase price offers applying official land values or using the discounted cash flow model.

Straight-line depreciation is based on useful economic lives of 25 to 50 years.

Impairment losses on investment properties are accounted for in accordance with IAS 36 if the value in use or fair value, less disposal costs for the relevant asset, have fallen below its carrying value. Where the reasons for accounting for an impairment loss in previous years are no longer relevant then an appropriate impairment loss reversal is accounted for.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. In accordance with IAS 32 these include, on the one hand, primary financial instruments such as trade accounts receivable and trade accounts payable or financial receivables and financial payables. On the other hand, they also include derivative financial instruments which are used to hedge risks from exchange rate and interest rate fluctuations.

Financial assets and financial liabilities are recognized in the group balance sheet from the point at which the Group becomes a contractual party to the financial instrument. Financial assets are capitalized on their settlement date.

Financial instruments are measured depending on their classification in the categories "Receivables and loans" (at amortized cost) and "Available-for-sale" (at fair value).

The amortized cost of a financial asset or liability is the amount at which the financial asset or financial liability is initially measured:

- less potential repayments and
- less any impairment losses or provisions for non-payment as well as
- plus / less accumulated allocation of any difference between the original amount and the repayment amount (for example premium) when finally due. The premium is apportioned using the effective interest method over the term of the financial asset or financial liability.

For current receivables and current payables the amortized costs generally represent nominal value or repayment value.

The fair value is generally the market or stock exchange value. If there is no active market the fair value is determined using financial mathematical methods, e. g. by discounting estimated future cash flows at the market interest rate or by applying recognized option price models and checked by confirmation from the banks who deal with the transactions.

(A) PRIMARY FINANCIAL INSTRUMENTS

SHARES IN COMPANIES

Initial recognition is at acquisition cost including transaction costs.

For the Jenoptik Group all shares in listed subsidiaries and investments in quoted stock corporations which are not fully consolidated, partially consolidated or accounted for at equity in the consolidated financial statements, are classified as "available for sale" and valued in subsequent periods at fair value. Changes in value of "financial assets available for sale" are recorded neutrally in other comprehensive income. Where impairment is of a permanent nature this shall be recorded as expense.

Shares in non-quoted subsidiaries and other investments also qualify as "financial assets available for sale". However, they are stated at their relevant acquisition costs since there is no active market for these companies and their fair values cannot be reliably determined with a reasonable amount of effort. Where there are indications of lower fair values these are applied.

LOANS

Loans relate to the amounts lent by the Jenoptik Group which, in accordance with IAS 39, have to be valued at amortized cost.

Non-current non-interest bearing and low-interest bearing loans are accounted for at present value. Where there are objective substantial indications of impairment then impairment losses are accounted for. Carrying values are reduced using a valuation adjustment account.

SECURITIES

Securities belong to the category "financial assets available for sale" and are measured at fair value. Up to the sale the measurement is accounted for neutrally under consideration of deferred taxes within other comprehensive income. On disposal of the securities, or where permanent impairment occurs, the cumulative gains or losses accounted for until now directly in shareholders equity are reclassified to the profit or loss for the current period. Initial valuation is at cost on the settlement date and corresponds with fair value.

TRADE ACCOUNTS RECEIVABLE

Trade receivables do not attract interest due to their short-term nature and are measured at nominal value less allowances estimated for bad debts. These account for both the individual default risk as well as the general default risk derived from experience values.

OTHER RECEIVABLES AND ASSETS

Other receivables and assets are measured at amortized cost. All recognizable bad debt risks are accounted for in the form of write-downs.

Non-current, non-interest bearing or low-interest bearing material receivables are discounted.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash balances, cheques and immediately accessible bank balances at financial institutions, the original maturity of which is up to three months. These are measured at nominal value.

RESTRICTED CASH

Restricted cash is separately disclosed.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities are measured at amortized cost applying the effective interest method. Financial liabilities which have an effect on income being measured at fair value are not effected. This type of financial liability does not currently exist.

Liabilities from finance leasing agreements are stated at the net present value of the minimum lease payments.

An equity instrument is a contract that represents a residual interest in the assets of an entity after deducting all of its liabilities. Subscribed capital was classified as shareholders´ equity, whereby the costs (reduced by the related income tax benefits) which are allocable directly to the issue of own shares were deducted from equity.

LIABILITIES TO BANKS

Bank loans attracting interest and overdrafts are accounted for at the amounts received less directly allocable issuing costs. Finance costs, including repayment or capital repayment of payable premiums, are accounted for in accordance with the accruals principle applying the effective interest method and increase the book value of the instrument where they are not repaid at the time they arise.

(B) DERIVATIVE FINANCIAL INSTRUMENTS

Within the Jenoptik Group derivative financial instruments are used as hedges to control risks from interest and currency fluctuations. They serve to reduce the volatility in results from interest and currency risks. The fair values were determined on the basis of the market conditions existing at the balance sheet date – interest rates, exchange rates – and the following measurement methods.

Derivative financial instruments are not used for speculative purposes. The use of derivative financial instruments is subject to a group guideline authorized by the Executive Board which represents a written fixed guideline with regard to the treatment of derivative financial instruments. In order to secure risks from currency and interest fluctuations the Group mainly uses cash flow hedges.

Cash flow hedging is described as the process of fixing future variable cash flows. Within cash flow hedging the Jenoptik Group protects against interest and currency risks. Currency derivatives, which can clearly be allocated to future cash flows from foreign currency transaction and capital services fulfil the criteria of IAS 39 with regard to documentation and effectiveness, are concluded directly with banks.

Changes in the fair value of derivative financial instruments hedging a cash flow risk are documented. If hedging relationships are classified as effective the changes in fair value are recorded in other comprehensive income without affecting results. The reclassifications from shareholders´ equity to profit or loss are performed in the period where the underlying transaction impacts income. Changes in value from financial instruments classified as non-effective are recorded directly in profit or loss.

INVENTORIES

Inventories are stated at the lower of acquisition or production cost and net realisable value.

The net realisable value is the estimated selling price less the expected costs of completion and costs arising up to sale.

Acquisition costs include all purchase costs as well as other costs incurred in order to bring the inventories to their current state. These include acquisition cost reductions such as price rebates, premiums or discounts.

Production cost includes production-related full costs determined on the basis of normal utilization of capital. In addition to direct costs they include a share of material and production overheads as well as depreciation of assets used in production to the extent that these are attributable to the production process. In particular those costs are accounted for which are incurred under the specific production cost centres. Administration costs are accounted for if they can be allocated to production. Where amounts are lower at the balance sheet date due to decreased prices in the sales market, these should be applied. Similar items in inventories are principally valued using the average method. If the reasons for previously devaluing inventories no longer exist and the net realizable value thus rises, the reversals are recorded as decreases in the cost of materials in the appropriate period in which the increases in value take place.

BORROWING COSTS

Borrowing costs which can be directly allocated to the building or production of a qualifying asset are also recognized as parts of the acquisition cost of this asset.

ON-ACCOUNT PAYMENTS RECEIVED

On-account payments received from customers are accounted for under liabilities unless they are for construction contracts.

CONSTRUCTION CONTRACTS

Sales and profit from construction contracts are recorded according to their stage of completion in accordance with IAS 11 "Construction Contracts" (percentage of completion method). The stage of completion results from the proportion of contract costs incurred for work performed until the end of the fiscal year to the estimated total contract costs (cost to cost method). Losses on construction contracts shall be fully recognized immediately in the fiscal year in which the losses are identified irrespective of the stage of completion of contract activity.

Construction contracts, which are measured using the percentage of completion method, are disclosed as assets or liabilities from construction contracts depending on the amount of payments on account or rather on the progress billings received. These are measured at production cost plus proportional profit in relation to the stage of completion reached. Where the cumulative value (contract costs plus contract result) is higher than the amount of progress billings received, the balance for contracts in progress is disclosed as an asset under receivables due from construction contracts. If a negative balance remains after deducting the progress payments received, then this is disclosed as a liability under payables from long-term construction contracts. Expected losses on contracts are accounted for through deductions or provisions. They are determined under consideration of recognizable risks.

DEFERRED TAX

The accounting for deferred taxes is in accordance with IAS 12 "Income Taxes". Deferred taxes are calculated based on the internationally accepted balance sheet oriented liability method. Deferred tax assets and deferred tax liabilities are disclosed as separate items in the balance sheet in order to account for the future tax effect of timing differences between the measurement of assets and liabilities in the balance sheet as well as of tax losses carried forward.

Deferred tax assets and liabilities are accounted for at the amount of the expected tax charge or tax credit in subsequent fiscal years based on the tax rate valid at the point of realization. The effects of tax rate changes on deferred taxes are recorded in the reporting period in which the legislation for the tax rate change is concluded.

Deferred tax assets on balance sheet differences and on tax loses carried forwards are only recognized if the realization of these tax benefits is probable.

Deferred tax assets and deferred tax liabilities are offset where the tax authority and term are identical. In accordance with the rules of IAS 12 deferred tax assets and liabilities are not discounted.

PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

Pensions and similar obligations include the pension commitments of the Jenoptik Group from defined benefit and defined contribution pension plans.

In the fiscal year 2012 IAS 19R was applied early. The changes resulting from this are included in Note 27.

For defined benefit pension plans pension obligations are determined in accordance with IAS 19R applying the so-called "projected unit credit method". Annual actuarial reports are obtained for this.

The mortality probabilities are determined by the Heubeck "Richttafeln 2005 G" for Germany or by the Swiss LPP 2010 for Switzerland. Actuarial gains and losses are recorded without an effect on results in other comprehensive income. The service cost is disclosed under personnel expenses and the interest portion of the addition to the provision under the financial result.

The defined contribution pension systems (e. g. direct insurance) offset the obligatory contributions directly as cost.

TAX PROVISIONS

Tax provisions include obligations from current income taxes. Deferred taxes are disclosed as separate items in the balance sheet and in the statement of comprehensive income.

Tax provisions for trade tax and corporation tax or comparable taxes on income are based on the taxable income of the companies included in the consolidation less payments made on account. Other taxes to be assessed are accounted for accordingly.

OTHER PROVISIONS AND ACCRUALS

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" provisions are recognized where there is a current obligation to a third party as a result of a past event which will probably lead to an outflow of resources and the amount of which can be reliably estimated. Other provisions are only recognized if there is a legal or constructive obligation to a third party for which there is more evidence of its existence than not at the closing date.

Provisions are measured at their discounted settlement amount at the balance sheet date where the interest effect is material. The settlement amount comprises expected price and cost increases. Discounting is based on pretax interest rates which reflect the current market expectations with regard to interest effects and on those risks specific to the liability, and which are dependent on the appropriate term of the commitment. The interest portion of the increase to the provision is recorded in the financial result.

Provisions and accrued expenses are measured at experience values from the past under consideration of the conditions at the balance sheet date. Provisions for warranties are established at the time of sale of the relevant goods or provision of the appropriate services. The amount of the provision is based in the historic development of warranties and the observation of all future potential warranty cases weighted according to their probability of occurrence.

Provisions and other accrued expenses are not offset against counter claims.

SHARE-BASED REMUNERATION

The long-term incentive components (LTI) for the members of the Executive Board as well as individual members of the Executive Management Board of JENOPTIK AG were accounted for as share-based remuneration with cash compensation. At the balance sheet date a non-current liability was set up amounting to the fair value of the payment obligation. The share program is allocated based on the annual target agreement. Changes in fair value are recorded in profit or loss.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Jenoptik Group. Furthermore, present obligations can represent contingent liabilities if the probability of an outflow of resources is not sufficient to recognize a provision and/or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are measured at the level of the scope of the liability at the balance sheet date. They are not recorded in the balance sheet but disclosed in the Notes to the financial statements.

SALES

Income from the sale of goods is recorded in profit or loss as soon as all material rewards and risks of ownership have been transferred to the purchaser, a price has been agreed or determined and it can be assumed that this will be paid. Sales include the amount invoiced to customers for goods and services – reduced for deductions, conventional penalties and discounts.

Income from services is recorded depending on the stage of completion of the contract at the balance sheet date. The stage of completion of the contract is measured based on the services provided. Income is only recorded when it is sufficiently probable that the company receives the economic benefit from the contract. Otherwise, income is only recorded to the degree that the costs incurred are recoverable.

Income from rental of investment properties is recorded straight-line over the term of the relevant rental contracts and in sales.

COST OF SALES

Cost of sales includes the costs incurred in generating sales. This item also includes the cost of warranty provisions. Amortization and depreciation on intangible assets and tangible assets are recognized as they arise and included in manufacturing cost, selling or administrative expenses. Research and development costs not qualifying for capitalization as well as write-downs against capitalized development costs are also disclosed under research and development expenses.

SELLING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

In addition to personnel and non-personnel costs selling expenses include mailing, advertising, sales promotion, market research and customer service costs. General administrative expenses include personnel and non-personnel costs as well as depreciation and amortization relating to the administration function.

OTHER OPERATING INCOME AND EXPENSES

Income from the reversal of provisions is, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" are recorded in profit or loss. To the extent that underlying provisions were set up in the functional costs the reversal of provisions is also allocated to the relevant functional costs. If a provision was set up in other operating expenses then a reversal of the provision is also shown in other operating expenses, unless the reversal of the provision is higher than other operating expenses before the reversal of the provision. In this case the disclosure of the reversal of the provision is in other operating income.

Other taxes are included in other operating expenses.

Historical summary of financial data in accordance with IFRS (1)

in million euros	2006 [1]	2007	2008	2009	2010 [1]	2011 [2]	2012
Non-current assets	417.0	387.7	376.3	336.9	310.7	312.4	333.8
Intangible assets	89.5	88.3	88.9	78.0	72.4	68.9	70.6
Tangible assets	170.2	175.9	170.5	152.1	139.4	138.2	143.2
Investment properties	34.6	36.0	34.8	24.5	22.1	20.6	19.6
Financial assets	55.0	24.0	18.8	18.9	16.6	22.8	27.2
Shares in associates	1.4	0.8	1.3	0.3	0.2	0.0	0.0
Other non-current assets	11.2	10.8	10.6	11.0	9.1	4.9	4.8
Deferred tax assets	55.1	51.9	51.4	52.1	50.9	57.0	68.4
Current assets	456.7	309.6	312.8	270.2	318.2	331.1	335.8
Inventories	161.5	174.1	179.5	154.7	148.8	169.1	169.2
Accounts receivable and other assets	137.8	119.5	118.8	103.2	103.3	111.9	120.6
Securities	3.6	2.2	2.0	1.1	0.8	1.3	0.6
Cash and cash equivalents	153.8	13.8	12.5	11.2	65.3	48.8	45.4
Shareholders' equity	299.4	280.9	292.8	240.0	282.5	299.5	330.3
of which subscribed capital	135.3	135.3	135.3	135.3	148.8	148.8	148.8
Non-current liabilities	333.2	208.8	133.1	205.8	165.3	172.7	177.6
Pension provisions	6.4	6.4	6.4	6.4	6.4	17.4	31.2
Other non-current provisions	22.3	22.1	18.4	18.6	17.6	12.4	12.1
Non-current financial liabilities	281.6	161.7	92.4	158.2	125.9	123.1	115.8
Other non-current liabilities	20.0	15.2	13.0	20.1	11.7	15.8	15.4
Deferred tax liabilities	2.9	3.4	2.9	2.5	3.7	4.0	3.1
Current liabilities	241.1	207.6	263.2	161.3	181.1	171.3	161.7
Tax provisions	1.2	1.1	2.9	2.6	2.4	6.8	6.0
Other current provisions	41.1	39,9	35.8	40.6	61.9	49.7	52.0
Current financial liabilities	78.8	45.9	113.7	13.6	19.5	4.1	4.7
Other current financial liabilities	120.0	120.7	110.8	104.5	97.3	110.7	99.0
Total assets	873.7	697.3	689.1	607.1	628.9	643.5	669.6
Change compared to prior year							
Non-current assets	−8.3 %	−7.0 %	−2.9 %	−10.5 %	−7.8 %	0,5 %	6,9 %
Current assets	63.4 %	−32.2 %	1.0 %	−13.6 %	17.8 %	4,1 %	1,4 %
Shareholders' equity	−4.7 %	−6.2 %	4.2 %	−18.0 %	17.7 %	6,0 %	10,3 %
Non-current liabilities	−9.8 %	−37.5 %	−36.3 %	54.6 %	−19.7 %	4,5 %	2,8 %
Current liabilities	24.9 %	−13.6 %	26.8 %	−38.7 %	12.3 %	−5,4 %	−5,6 %
Share of total assets							
Non-current assets (asset ratio)	47.7 %	55.6 %	54.6 %	55.5 %	49.4 %	48.5 %	49.9 %
Current assets	52.3 %	44.4 %	45.4 %	44.5 %	50.6 %	51.5 %	50.1 %
Shareholders' equity (equity ratio)	34.3 %	40.3 %	42.5 %	39.5 %	44.9 %	46.5 %	49.3 %
Debt capital (debt capital ratio)	65.7 %	59.7 %	57.5 %	60.5 %	55.1 %	53.5 %	50.7 %
Dividends	0.0	0.0	0.0	0.0	0.0	8.6	
per share	0.00	0.00	0.00	0.00	0.00	0.15	
in % of subscribed capital	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	5.8 %	
Return on dividend based on year-end price 31.12.	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	2.0 %	
Net financial liabilities [3]	203.0	191.6	191.6	159.5	79.3	77.1	74.5
in % of adjusted total assets [4]	32.4 %	32.3 %	32.7 %	30.9 %	16.2 %	14.7 %	13.5 %

Historical summary of financial data in accordance with IFRS (2)

in millio euros	2006 [1]	2007	2008	2009	2010 [1]	2011 [2]	2012
Sales	485.1	521.7	548.3	473.6	478.8	543.3	585.0
Gross profit	151.3	159.9	161.9	128.7	150.2	184.0	203.4
in % of sales	31.2 %	30.6 %	29.5 %	27.2 %	31.4 %	33.9 %	34.8 %
EBITDA [5]	69.9	79.1	67.5	23.3	60.1	76.8	77.7
in % of sales	14.4 %	15.2 %	12.3 %	4.9 %	12.6 %	14.1 %	13.3 %
Result from operating activities [6]	38.2	35.3	37.1	−19.7	29.0	49.2	54.8
in % of sales	7.9 %	6.8 %	6.8 %	−4.2 %	6.1 %	9.0 %	9.4 %
Earnings before tax	19.1	0.7	20.2	−34.3	15.0	36.2	46.1
in % of sales	3.9 %	0.1 %	3.7 %	−7.2 %	3.1 %	6.7 %	7.9 %
Earnings after tax	16.1	−4.6	16.6	−33.9	9.0	35.3	50.2
in % of sales	3.3 %	−0.9 %	3.0 %	−7.2 %	1.9 %	6.5 %	8.6 %
Cash flow from/used in operat. activities [7]	28.8	73.8	46.5	53.3	41.6	65.6	66.6
Free cash flow (before income taxes)	17.5	42.4	27.9	41.0	31.6	44.0	43.7
Changes compared to prior year							
Sales	18.3 %	7.5 %	5.1 %	−13.6 %	1.1 %	13.5 %	7.7 %
Gross profit	21.2 %	5.7 %	1.3 %	−20.5 %	16.7 %	22.5 %	10.5 %
EBITDA	21.1 %	13.2 %	−14.7 %	−65.5 %	157.9 %	27.8 %	1.2 %
Result from operating activities	52.5 %	−7.6 %	5.1 %	−153.1 %	–	69.5 %	11.5 %
Earnings after tax	307.6 %	−128.5 %	460.9 %	−304.2 %	–	292.2 %	42.2 %
Employees (average)	2,849	3,215	3,292	3,206	2,800	2,894	3,066
Personnel expenses (incl. pensions)	180.1	192.3	194.7	187.3	177.5	183.8	201.2
Personnel ratio (in % of sales)	37.1 %	36.9 %	35.5 %	39.5 %	37.1 %	33.8 %	34.4 %
Sales per employee (in KEUR)	170.3	162.3	166.6	147.7	171.0	187.7	190.8
Cost of materials (incl. purchased services)	227.1	252.2	252.5	206.6	207.6	230.5	242.0
Materials ratio (in % company performance)	44.5 %	45.1 %	44.7 %	41.9 %	41.0 %	41.1 %	40.3 %
Research and development expenses	33.8	39.0	34.1	32.6	28.1	32.0	36.0
in % of sales	7.0 %	7.5 %	6.2 %	6.9 %	5.9 %	5.9 %	6.2 %
Net value added	213.3	221.2	226.7	163.8	204.7	231.0	254.4
in % of company performance [8]	41.8 %	39.5 %	40.1 %	33.2 %	40.8 %	41.1 %	42.4 %
of which shareholders, company share	7.6 %	−2.1 %	7.3 %	−20.7 %	4.4 %	15.3 %	19.7 %
Return on sales based on EBIT	7.9 %	6.8 %	6.8 %	−4.2 %	6.1 %	9.0 %	9.4 %
Total turnover of assets	0.56	0.75	0.80	0.78	0.76	0.84	0.87
Total return on capital based on EBIT	4.4 %	5.1 %	5.4 %	−3.2 %	4.6 %	7.6 %	8.2 %
Return on shareholders' equity before tax (at balance sheet date)	6.4 %	0.2 %	6.9 %	−14.3 %	5.3 %	12.1 %	14.0 %
Adjusted shareholders´ equity ratio [9]	33.5 %	32.5 %	34.8 %	31.3 %	42.8 %	44.0 %	47.0 %
Non-current assets financed by shareholders' equity	71.8 %	72.5 %	77.8 %	71.2 %	90.9 %	95.9 %	99.0 %
Asset cover [10]	175.9 %	159.7 %	171.7 %	157.8 %	202.6 %	216.7 %	230.7 %

1) continuing operations
2) adjusted due to first time consolidation of IAS 19R
3) financial liabilities less cash/cash equivalents and securities
4) balance sheet total less intangible assets and cash including securities held as current investment
5) EBIT before depreciation/write-ups on tangible and intangible assets
6) operating income before interest and investment result
7) earnings after tax + changes in provisions + despreciation/write-up, each excluding effects from first time consolidation and deconsolidation
8) company performance = sales plus other operating income, investment result and income from securities
9) shareholders' equity less intangible assets/balance sheet total less intangible ssets, cash/cash equivalents and securities
10) shareholders' equity/tangible assets without property => ratio of plant, machinery and office equipment financed through shareholders' equity

Segment reporting

The presentation of segments is in accordance with IFRS 8 "Operating Segments".

IFRS 8 follows the management approach. Accordingly the external reporting is based on the group internal organizational and management structure as well as on the internal reporting structure to the chief operating decision maker. The Executive Board analyses the financial information which serves as a decision basis for the allocation of resources and for measuring profitability. The accounting policies for the segments are the same as those for the Group described under accounting principles. Important management indicators in the company are the operating result before net financial result and taxes and the free cash flow.

For the fiscal year 2012 segment reporting is unchanged compared to the previous year and is according to the business segments Lasers & Optical Systems, Metrology, Defense & Civil Systems and Other.

Business activities can be analyzed into three operative business segments and the segment Other which are managed by the Executive Board and supported by the Executive Management Board. In addition to the members of the Executive Board this body consists of the top management of the segments and an Executive Vice President. The three business segments are at the same time the reportable segments.

Further sub-division of the segments is oriented towards the internal divisional structure, whereby the Lasers & Material Processing and Optical Systems divisions are combined to form the Laser & Optical Systems segment and the Industrial Metrology and Traffic Solutions divisions are combined to form the Metrology segment. The Defense & Civil Systems segment represents the division with the same name.

The Lasers & Optical System segment offers the complete value-added chain of laser material processing from the component through to complex systems. The Optical Systems division offers opto-mechanical and opto-electrical systems, modules and components and is development and production partner for optical, micro-optical and optical coating components – made of optical glass, infra-red materials and of plastics.

In the Metrology segment, the division Industrial Metrology is known as a manufacturer and systems provider for high-precision, contact and non-contact production metrology. The Traffic Solutions division develops, produces and sells components and systems for traffic security.

The main focus of the Defense & Civil Systems segment is on the areas of vehicle, train and aircraft equipment, mechanical and stabilization technology, energy systems and opto-electronic systems.

The segment Other includes JENOPTIK AG, JENOPTIK SSC GmbH, the real estate companies, JENOPTIK North America Inc. and JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd. with its business unit SSC. In the prior year all business units of JENOPTIK (Shanghai) Precision Instruments and Equipment Co. Ltd. were provisionally allocated to this segment. In 2012 the business units were allocated to their respective segments.

The item consolidation includes the consolidation of the business relationships between the segments as well as the necessary reconciliations and reclassifications.

The business relationships between companies of the segments of the Jenoptik Group are based on prices which would also be agreed with third parties.

Information by segment

in KEUR	Lasers & Optical Systems	Metrology	Defense & Civil Systems	Other	Consolidation	Group
Sales	212,244 (217,099)	182,725 (140,081)	186,407 (183,345)	26,853 (25,932)	−23,205 (−23,158)	585,025 (543,298)
of which Germany	65,767 (65,974)	48,401 (44,198)	90,288 (108,235)	26,699 (25,871)	−23,054 (−22,447)	208,101 (221,831)
Europe	60,237 (71,303)	33,961 (35,861)	56,490 (58,671)	58 (44)	−58 (−35)	150,688 (165,843)
America	40,211 (43,954)	40,251 (23,595)	29,525 (11,240)	82 (17)	−79 (−676)	109,990 (78,131)
Middle East and Africa	13,663 (11,873)	25,303 (7,813)	8,115 (1,401)	0 (0)	0 (0)	47,081 (21,088)
Asia/Pacific	32,365 (23,995)	34,809 (28,614)	1,990 (3,799)	14 (0)	−14 (-0)	69,165 (56,406)
EBIT	27,109 (29,235)	25,652 (11,950)	7,787 (11,609)	−5,710 −(3,640)	2 (7)	54,840 (49,161)
EBITDA	36,423 (40,539)	28,620 (15,385)	13,230 (16,571)	−611 (4,324)	2 (7)	77,664 (76,826)
Result from investments	−1,392 (−2,009)	148 (107)	−1,008 (194)	209 (−626)	1 (0)	−2,042 (−2,334)
Research and development expenses	14,679 (14,127)	14,158 (9,584)	7,056 (8,232)	370 (353)	−228 (−314)	36,035 (31,982)
Free cash flow (before income taxes)	17,558 (28,705)	24,259 (4,933)	5,453 (2,075)	−3,625 (8,291)	58 (0)	43,703 (44,004)
Working capital	51,095 (47,609)	63,171 (51,402)	98,113 (93,228)	−9,489 (−1,880)	−53 (0)	202,837 (190,359)
Order intake	219,862 (224,444)	198,709 (166,739)	165,034 (254,450)	26,838 (25,932)	−23,244 (−23,628)	587,199 (647,937)
Tangible assets, investment properties and intangible assets	87,182 (82,041)	15,304 (14,291)	36,323 (35,463)	94,633 (95,879)	0 (0)	233,442 (227,675)
Investments excluding company acquisitions	15,251 (12,930)	3,275 (2,175)	6,352 (8,529)	6,347 (1,428)	0 (0)	31,225 (25,061)
Depreciation and impairment	9,314 (11,304)	2,968 (3,434)	5,443 (4,962)	5,099 (7,965)	0 (0)	22,824 (27,665)
Employees (annual average) (without trainees)	1,272 (1,220)	745 (644)	869 (873)	180 (157)	0 (0)	3,066 (2,894)

EBIT = operating result
EBITDA = Earnings before interest, taxes, depreciation and amortization
Amounts in brackets relate to the prior year.

Order intake relates to the estimated volume of sales for the contracts taken on after income reductions under consideration of changes in the contract value. Notices of intention are not included in the order intake.

Free cash flow is calculated from cash flow from operating activities (before income taxes) less investments in intangible assets and tangible assets plus disinvestments.

Working capital comprises inventories, trade accounts receivable and receivables from construction contracts less trade accounts payable, liabilities from construction contracts and on account payments received.

Non-current assets comprise intangible assets, tangible assets, and investment properties.

There were no relationships with individual customers whose share of sales is material relative to group sales.

Non-current assets by region

in KEUR	31.12.2012	31.12.2011
Group	233,442	227,675
thereof Germany	218,100	211,573
Europe	2,101	1,896
America	12,157	13,129
Asia / Pacific	1,084	1,077

The non-current assets include intangible assets, tangible assets and investment properties. The assets are allocated to the respective regions corresponding to the location of the companies.

Notes to the statement of comprehensive income

1 SALES

Sales increased overall by KEUR 41,726 or 7.7 percent to KEUR 585,025 compared to 2011 and mainly result from the sale of goods. Sales resulting from revenues from construction contracts amounting to KEUR 7,365 (2011 KEUR 6,422) of which KEUR 3,894 (2011 0) are due to percentage of completion.

Detailed disclosures on sales by segment and region are shown in the segment reporting.

2 COST OF SALES

in KEUR	2012	2011
Cost of materials	223,783	216,997
Personnel expenses	109,100	101,207
Depreciation and amortization	16,336	16,704
Other cost of sales	32,419	24,378
Total	381,638	359,287

Cost of sales includes the costs incurred in generating sales. This item also includes provisions made for transactions dependent on sales.

Cost of sales increased overall by KEUR 22,351 or 6.2 percent to KEUR 381,638 compared to 2011. Cost of sales thus rose less than proportionally compared to sales.

Cost of sales do not include impairment costs of intangible and tangible assets (2011 KEUR 32).

Cost of sales for long-term contracts amounted to KEUR 7,287 (2011 KEUR 5,364). The profit generated from this in the fiscal year amounted to KEUR 78 (2011 KEUR 1,128) and a loss had to be accounted for of KEUR 453 (2011 0).

3 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include all expenses allocable to research and development. Research and development costs paid for by customers are not included in the research and development expenses but allocated to cost of sales.

Research and development expenses increased overall by KEUR 4,053 or 12.7 percent to KEUR 36,035 compared to the fiscal year 2011. The increase was almost proportional to sales. Research and development costs include impairments amounting to KEUR 567 (2011 KEUR 164).

4 SELLING EXPENSES

Selling expenses mainly comprise marketing costs, sales commissions, publicity work and advertising. Selling expenses increased overall by KEUR 3,169 or 5.1 percent to KEUR 65,077 compared to fiscal year 2011. In addition to the costs for further expansion of the selling function internationally these also include costs proportional to sales such as costs of freight and selling commission.

5 GENERAL AND ADMINISTRATIVE EXPENSES

General administrative expenses include personnel and non-personnel costs as well as depreciation and amortization relating to the administration function. General administrative ex-penses rose by KEUR 3,692 or 9.5 percent to KEUR 42,585 compared to previous year.

Furthermore general administrative expenses include the auditors fees amounting to KEUR 2,156 (2011 KEUR 1,106) of which for auditor's fees KEUR 868 (2011 KEUR 870), fees for other services of the auditor KEUR 1,098 (2011 KEUR 206), for other certification services KEUR 49 (2011 KEUR 10), for tax services KEUR 140 (2011 KEUR 20).

6 OTHER OPERATING INCOME

in KEUR	2012	2011
Foreign exchange gains	5,535	8,449
Income from services, allocation and rental	3,096	3,266
Income from the reversal of allowances on receivables	2,103	1,842
Income from government grants	1,108	2,507
Income from the disposal of fixed assets	600	1,814
Income from compensation / insurance payments	470	67
Miscellaneous	3,564	3,362
Total	16,476	21,307

Other operating income declined overall by KEUR 4,831 (minus 22.4 percent) KEUR 16,476.

Income from exchange rate gains mainly includes gains on exchange rate fluctuations on foreign exchange receivables and payables between transaction date and payment date and exchange gains from the balance sheet date rate valuation. Exchange losses from these transactions are disclosed under other operating expenses.

7 OTHER OPERATING EXPENSES

in KEUR	2012	2011
Expenses of reorganisation and restructuring	5,857	0
Foreign exchange losses	5,053	8,369
Expenses for ERP projects	4,141	696
Expenses due to penalties	2,872	0
Other taxes	1,060	769
Expenses for services and rent	819	4,493
Amortization of intangible assets on first-time consolidation	561	1,611
Losses on disposal of fixed assets	180	3,592
Increase / reversal of provisions and allowances	116	−2,202
Impairment tangible assets / investment properties	0	4,868
Miscellaneous	5,345	3,057
Total	26,004	25,253

Other operating expenses increased compared to the prior year by KEUR 751 or 3.0 percent to KEUR 26,004. The expenses for reorganisation and restructuring exclusively relate to optimization of location in Germany and in the USA. Detailed information is included in the Management Report in Point 1.1. The expenses of the ERP projects mainly relate to the HCM and the Jenoptik One ERP (JOE) projects.

Expenses from exchange rate losses mainly includes losses on exchange rate fluctuations on foreign exchange receivables and payables between transaction date and payment date and exchange losses from the balance sheet date rate valuation. Exchange gains from these transactions are disclosed under other operating income. A net view of exchange rate gains and losses leads to a net profit of KEUR 482 (2011 KEUR 80).

Additions to allowances against trade accounts receivable amounted to KEUR 1,631 EUR. The increases to and reversal of provisions include increases of KEUR 2,020 and reversals of KEUR 3,535. Further details on this can be found in Note 29.

8 RESULT FROM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND FROM INVESTMENTS

In fiscal year 2011 the result from investments in associates and joint ventures include a loss from the disposal of an associated company.

in KEUR	2012	2011
Impairments on financial assets and non-current asset securities	−1,939	−1,748
Results from investments	−103	409
Total	−2,042	−1,339

The impairments on financial assets and on non-current asset securities primarily relate to write-downs of loans to affiliated non-consolidated entities. This position also includes a reversal of a prior year allowance.

9 NET INTEREST RESULT

in KEUR	2012	2011
Income from securities and financial asset loans	409	250
Income from fixed deposits	266	590
Income from guarantees	55	61
Other interest and similar income	594	882
Total interest income	1,324	1,783
Interest expense on debenture loans (impacting cash)	3,244	783
Interest expense on pension provisions	743	610
Interest portion of leasing instalments for finance leasing	91	282
Expense in connection with the premature repayment of guarantee loans	0	518
Other interest and similar expenses	3,931	10,242
Total interest expenses	8,009	12,435
Net interest result	−6,685	−10,652

The net interest result improved by KEUR 3,967 to minus KEUR 6,685 (2011 minus KEUR 10,652). This is mainly due to a reduction of interest expenses of KEUR 4,426 to KEUR 8,009 (2011 KEUR 12,435).

Whilst the income from the fixed deposits reduced due to the persistently low interest level to KEUR 266 (2011 KEUR 590), other interest and similar income decreased by KEUR 288 to KEUR 594 (2011 KEUR 882).

The interest expenses of the prior year was burdened with one-time expenses in connection with the premature redemption of the guarantee loans (2011 KEUR 518).

The rise in interest expenses for debenture loans to KEUR 3,244 (2010 KEUR 783) reflects the interest for the new debenture loan placed in October of the prior year. This increase is matched by a significant decline in other interest and similar expenses to KEUR 3,931 (2011 KEUR 10,242). In the prior year this item included the interest for the guarantee loans which was substantially higher than that of the new debenture loans. Apart from this, liabilities to banks declined in the year under review which also contributed to the reduction in other interest.

The interest proportion of the leasing instalments declined since in May of the year under report, the relevant leasing contracts were prematurely repaid.

10 INCOME TAXES

Income taxes comprise the current taxes (paid or owed) on income in the individual countries as well as the deferred taxes. The calculation of the current income tax expense for the Jenoptik Group is subject to the tax rates applicable at the balance sheet date.

The calculation of domestic deferred taxes is based on a corporation tax rate of 29.3 percent (2011 29.6 percent). In addition to corporation tax amounting to 15 percent (2011 15 percent) and the solidarity levy amounting to 5.5 percent (2011 5.5 percent) of the corporation tax charge there was an effective trade tax rate of 13.48 percent (2011 13.78 percent). For foreign companies the calculation of deferred taxes is based on the tax rates applicable in each relevant country.

Deferred taxes are included in the statement of comprehensive income as tax income or tax expense unless they relate to items not impacting results which are accounted for directly in other comprehensive income. In this case the deferred taxes are also accounted for in other comprehensive income not impacting results.

The tax expense which relates to the result of the continuing business divisions is classified according to its origin as follows:

in KEUR	2012	2011
Current income taxes		
Domestic	3,879	4,156
Foreign countries	1,661	248
Total	5,540	4,404
Deferred tax income		
Domestic	−6,361	−2,731
Foreign countries	−3,283	−799
Total	−9,644	−3,530
Total taxes on income	−4,104	874

Current taxes on income include an expense of KEUR 235 (2011 expense KEUR 206) for current taxes of prior fiscal periods. The deferred tax expense and income include income from a previous year of KEUR 1,373 (2011 income KEUR 594).

The deferred tax income includes an expense of KEUR 4,967 (2011 income KEUR 3,282) based on the development of timing differences.

At the balance sheet date the Jenoptik Group has the following unused tax losses carried forward for offsetting against future profits:

in KEUR	2012	2011
Corporation tax	424,698	438,764
Trade tax	591,675	601,276

The reduction in tax losses carried forward mainly results from utilization in the period under review. After accounting for all currently known positive and negative influencing factors on the future tax results of the Jenoptik Group, it is expected that corporation tax losses carried forward of KEUR 164,086 (2011 KEUR 135,652) and trade tax losses carried forward of KEUR 164,299 (2011 KEUR 131,227) will be utilized.

With regard to these usable losses carried forward a deferred tax asset has been accounted for amounting to KEUR 48,991 (2011 KEUR 39,980). Of this KEUR 22,139 (2011 KEUR 17,960) relate to trade tax loss carry forwards.

With regard to the remaining losses carried forward no deferred tax asset is accounted for for corporation tax purposes on KEUR 260,612 (2011 KEUR 303,112) and for trade tax pur-poses on KEUR 427,376 (2011 KEUR 470,049). Of the losses carried forward KEUR 13,526 (2011 KEUR 13,491) are restricted in terms of the time they can be carried forward.

Furthermore, no deferred tax asset has been accounted for for deductible timing differences amounting to KEUR 36,400 (2011 KEUR 54,511).

The following deferred tax assets and liabilities have arisen from recognition and measurement differences on individual balance sheet items and on tax losses carried forward:

	Deferred tax assets		Deferred tax liabilities	
in KEUR	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Intangible assets	1,899	1,249	2,530	2,949
Tangible assets	712	4,156	2,939	3,049
Financial assets	11,265	17,428	1,217	1,290
Inventories	5,496	3,780	185	46
Receivables and other assets	3,899	4,600	1,681	1,490
Provisions and accruals	13,522	7,683	398	0
Liabilities	1,210	1,756	2,006	2,039
Tax loss carried forward	48,991	39,980	0	0
Gross value	86,994	80,632	10,956	10,863
(of which non-current)	(66,253)	(63,835)	(7,487)	(7,726)
Write-downs	−10,759	−16,746	0	0
Offsetting	−7,884	−6,904	−7,884	−6,904
Balance sheet presentation	68,351	56,982	3,072	3,959

The net balance of the excess deferred tax assets increased by KEUR 12,256. Considering the deferred taxes offset neutrally in the year under review (KEUR minus 2,660), as well as the effects from foreign currency translation (KEUR 48), a deferred tax credit of KEUR 9,644 is disclosed in income.

The following table shows the tax reconciliation of the expected tax expense for the relevant fiscal year to the actual tax expense disclosed. In order to calculate the expected tax expense the Group tax rate valid for the fiscal year 2012 of 29.3 percent (2011 29.6 percent) was multiplied by the earnings before tax.

in KEUR	2012	2011
Earnings before tax	46,113	36,175
of which earnings before tax of discontinued operations	4,678	1,879
Earnings before tax of continuing operations	41,435	34,296
Income tax rate Jenoptik Group	29.3 %	29.6 %
Expected tax expense	12,140	10,152
Tax impact of the following effects led to a difference between actual and expected tax expense:		
Non-deductible expenses, tax-free income and permanent differences	−588	−473
Changes in allowances against deferred taxes and non-recognition of deferred taxes	−17,413	−6,176
Effects of tax rate differences in 2012	−467	245
Effects of tax rate changes	638	−2,277
Taxes from previous years	1,608	−390
Other tax effects	−22	−207
Total adjustments	−16,244	−9,278
Actual tax expense	−4,104	874

11 NON-CONTROLLING INTEREST IN PROFIT / LOSS

The non-controlling interest of Group profit/loss amounts to minus KEUR 19 (2011 minus KEUR 26) and relates to the non-controlling interests in a consolidated company.

12 RESULTS OF DISCONTINUED BUSINESS DIVISION

In connection with the sale of Jena-Optronik GmbH in the fiscal year 2010 a provision for guarantee risks existed as of December 31, 2011. In June 2012 the statutory period of limitation expires for these risks. Consequently, the provisions set up for them were reversed. Income tax only arose to an immaterial degree in this connection. The reversal of the provision had no effect on cash flow.

13 EARNINGS PER SHARE

The earnings per share represent the earnings attributable to shareholders divided by the weighted average number of shares outstanding of 57,238,115 (2011 57,238,115).

	2012	2011
Net profit of shareholder in KEUR	50,236	35,326
Weighted average of outstanding shares	57,238,115	57,238,115
Earnings per share in euro – continuing operations	0.80	0.58
Earnings per share in euro (undiluted = diluted)	0.88	0.62

Notes to the balance sheet

14 INTANGIBLE ASSETS

in KEUR	Development costs from internal development projects	Patents, trademarks, software, customer relations	Goodwill	Other intangible assets	Total
Acquisition/production costs Balance as at 1.1.2012	16,073 (19,745)	44,723 (42,644)	65,758 (65,729)	1,129 (1,959)	127,683 (130,077)
Currency translation	1 (4)	−65 (119)	−73 (110)	−6 (−3)	−143 (230)
Changes in companies consolidated	0 (−1,785)	0 (−19)	0 (−454)	0 (−58)	0 (−2,316)
Additions	1,240 (533)	3,607 (1,238)	0 (0)	1,868 (334)	6,716 (2,105)
Disposals	1,152 (2,423)	824 (194)	0 (−372)	91 (181)	2,067 (2,426)
Reclassifications (+/−)	0 (0)	177 (935)	0 (0)	28 (−922)	205 (13)
Acquisition/production costs Balance as at 31.12.2012	16,162 (16,073)	47,619 (44,723)	65,685 (65,758)	2,928 (1,129)	132,394 (127,683)
Amortization, depreciation and impairments Balance as at 1.1.2012	11,990 (14,842)	36,919 (33,337)	9,889 (9,518)	0 (0)	58,798 (57,697)
Currency translation	1 (4)	−55 (91)	1 (0)	0 (0)	−53 (95)
Changes in companies consolidated	0 (−1,781)	0 (−28)	0 (0)	0 (0)	0 (−1,809)
Additions	849 (1,184)	3,064 (3,460)	0 (0)	0 (0)	3,913 (4,644)
Impairment	567 (164)	0 (212)	0 (0)	0 (0)	567 (376)
Disposals	1,152 (2,422)	494 (166)	0 (−371)	0 (0)	1,646 (2,217)
Reclassifications (+/−)	0 (0)	192 (13)	0 (0)	0 (0)	192 (13)
Amortization, depreciation and impairments Balance as at 31.12.2012	12,255 (11,990)	39,626 (36,919)	9,891 (9,889)	0 (0)	61,772 (58,798)
Net book value as at 31.12.2012	3,907 (4,083)	7,993 (7,804)	55,794 (55,868)	2,928 (1,129)	70,622 (68,884)

(The amounts in brackets relate to the prior year.)

The impairment losses accounted for against intangible assets in the period of KEUR 567 are recorded in research and development expenses.

There are no restrictions on use of intangible assets. The order commitment for intangible assets amounts to KEUR 159 (31.12.2011 KEUR 1,786).

In prior year the change in companies consolidated relate to the deconsolidation of Innovavent GmbH, Göttingen, as the result of a sale, as well as the first-time consolidation of JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd., Shanghai.

Apart from goodwill there are no intangible assets with an undefined useful life.

The impairment test is carried out at the level of the cash-generating unit which benefits from the synergies of the relevant business combination and represents the lowest level at which goodwill is monitored for internal company management.

If the carrying amount of a cash-generating unit is higher than its recoverable amount then the allocated goodwill should be impaired in accordance with the impairment amount. The impairment test is based on the recoverable amount, i. e., the higher of its fair value less costs to sell and its value in use.

Jenoptik determines the value in use based on a discounted cash flow method. The basis for this is the five-year business forecast as approved by management and Supervisory Board. This accounts for the experience of the past and is based on the management's best estimate of the future development. The planning of the cash flow of the detailed forecast is based on different growth rates. These growth rates take into account the development and dynamic of the respective industrial sector and target markets. A perpetuity without a growth component is assumed, the value of which is derived individually by management for each cash-generating unit from the fifth forecast year. One-off effects in the final forecast year are eliminated before the calculation of the perpetual annuity.

For the impairment test risk-adjusted interest rates between 6.59 percent and 8.84 percent (31.12.2011 between 7.60 percent and 8.96 percent) are applied. The discount rates are based on a current cost of capital study for companies of the HDAX and represent the weighted average capital costs before taxes of the Jenoptik Group accounting for the individual risk of the cash-generating units. The cash-generating units are classified into three risk classes, whereby the allocation to the risk classes depends on the standard deviation of the results of the CGUs for the years 2007 to 2011.

As at December 31, 2012 goodwill amounts to KEUR 55,793 (31.12.2011 KEUR 55,868). As in the prior year there were no impairment losses incurred in the fiscal year 2012. The change results from currency effects. The goodwill on the cash-generating unit "Shanghai", which was accounted for for the first time in the prior year, will be allocated to the cash generating unit "Segment / business unit Industrial Metrology". The following table summarises the cash generating units by segment:

in KEUR	2012	2011
Lasers & Optical Systems		
Optoelectronic Systems business unit	38,074	38,086
Optical systems USA	1,328	1,354
Laser business unit	3,071	3,071
Metrology		
Industrial Metrology business unit	4,155	3,586
Business unit traffic safety equipment	1,245	1,245
Defense & Civil Systems		
Energy systems business area	7,920	7,920
Other		
Shanghai	0	606
Total	55,793	55,868

The following table shows the percentage allocation of goodwill to the segments:

in Percent	2012	2011
Lasers & Optical Systems	76	76
Metrology	10	9
Defense & Civil Systems	14	14
Other	0	1
Total	100	100

For all group companies and cash generating units to which goodwill is allocated as at December 31, 2012 a sensitivity analysis was carried out. Even with a reduction in cash flows of 15 percent and a simultaneous increase in the discount rate by 3 percentage points to 9.59 percent to 11.84 points would not lead to a recoverable amount lower than carrying amount.

15 TANGIBLE ASSETS

in KEUR	Land, buildings	Technical equipment and machines	Other equipment, factory and office equpment	Assets under construction	Total
Acquisition/production costs Balance as at 1.1.2012	126,983 (129,212)	143,143 (139,075)	78,615 (77,754)	11,279 (3,160)	360,020 (349,201)
Currency translation	−145 (315)	−331 (564)	−62 (91)	−1 (8)	−539 (978)
Change in companies consolidated	0 (264)	0 (179)	0 (−1,244)	0 (0)	0 (−801)
Additions	2,727 (1,264)	4,340 (6,485)	7,932 (5,348)	10,831 (9,829)	25,831 (22,926)
Disposals	64 (407)	5,962 (3,990)	3,977 (3,648)	22 (142)	10,025 (8,187)
Reclassifications (+/−)	4,222 (−3,665)	1,696 (830)	221 (314)	−8,718 (−1,576)	−2,579 (−4,097)
Acquisition/production costs Balance as at 31.12.2012	133,723 (126,983)	142,886 (143,143)	82,728 (78,615)	13,369 (11,279)	372,706 (360,020)
Depreciation Balance as at 1.1.2012	48,734 (44,517)	111,609 (104,539)	61,487 (60,740)	0 (0)	221,830 (209,796)
Currency translation	−80 (164)	−251 (187)	−40 (53)	0 (0)	−370 (403)
Change in companies consolidated	0 (108)	0 (61)	0 (−1,206)	0 (0)	0 (−1,037)
Additions	4,194 (3,884)	7,826 (8,447)	5,850 (5,431)	0 (0)	17,870 (17,762)
Impairment	0 (154)	0 (2,180)	0 (48)	0 (0)	0 (2,382)
Disposals	14 (−1,080)	4,138 (3,867)	3,778 (3,521)	0 (0)	7,930 (6,209)
Reclassifications (+/−)	−615 (−1,173)	−1.041 (−158)	−277 (−73)	0 (0)	−1,933 (−1,404)
Depreciation Balance as at 31.12.2012	52,219 (48,734)	114,005 (111,609)	63,242 (61,487)	0 (0)	229,466 (221,830)
Net book value as at 31.12.2012	81,505 (78,249)	28,881 (31,534)	19,486 (17,128)	13,369 (11,279)	143,240 (138,190)

(The amounts in brackets relate to the prior year.)

Restrictions on use of tangible assets amount to KEUR 42 (31.12.2011 KEUR 455). Tangible assets order commitments amount to KEUR 5,692 (31.12.2011 KEUR 3,664).

Of the investment grants KEUR 443 (31.12.2011 KEUR 534) was deducted from the acquisition costs of the tangible assets. Land and buildings of the Group of KEUR 81,505 (31.12.2011 KEUR 78,249) include in particular the production and administration buildings in Jena, Triptis, Villingen-Schwenningen and Altenstadt.

16 INVESTMENT PROPERTIES

in KEUR	Investment
Acquisition/production costs Balance as at 1.12.2012	34,260 (36,186)
Disposals	1,975 (5,891)
Reclassifications	801 (3,965)
Acquisition/production costs Balance as at 31.12.2012	33,086 (34,260)
Depreciation Balance as at 1.1.2012	13,659 (14,106)
Additions	472 (574)
Impairment	0 (2,307)
Reversal	0 (380)
Disposals	787 (4,221)
Reclassifications	162 (1,273)
Depreciation Balance as at 31.12.2002	13,506 (13,659)
Net book value as at 31.12.2012	19,580 (20,601)

(The amounts in brackets relate to the prior year.)

Investment properties held as at December 31, 2012 primarily include a real estate fund to which mainly properties located in the industrial area of Jena-Göschwitz belong. This real estate fund has been included in the consolidated financial statements in accordance with IAS 27 in conjunction with SIC-12.

During the fiscal year 2012 reclassifications were carried out from tangible assets to investment properties since the relevant properties now fulfil the criteria of IAS 40. The purchase and manufacturing costs of the reclassified properties amount to KEUR 801 (31.12.2011 KEUR 6,255).

The disposals mainly include the sale of land as well as an office building in the industrial area of Jena-Göschwitz.

The measurement of investment properties is at amortized cost amounting to KEUR 19,580 (31.12.2011 KEUR 20,601). In the fiscal year 2011 there were no impairment losses (2011 KEUR 2,307). Additionally, no reversal of impairment was accounted for (2011 KEUR 380).

Due to a lack of current market data the fair value is determined based on a discounted cash flow method. Under this method the net rentals (excluding energy costs) are determined and discounted over the total remaining useful lives of the properties. Risk-adjusted interest rates are used as a discount rate.

In total the fair values calculated for the investment properties amount to KEUR 22,828 (31.12.2011 KEUR 24,212).

Rental income from investment properties held at the fiscal year end amount to KEUR 2,258 (31.12.2011 KEUR 2,395).

The direct operating costs for the fiscal year 2012 of the rented space of properties and movables held at the year-end amount to KEUR 1,219 (31.12.2011 KEUR 3,722) and for non-rented space KEUR 129 (31.12.2011 KEUR 200). The decline in expenses is mainly due to the fact that there are no impairment losses in the year under review (31.12.2011 KEUR 2,307).

17 LEASING

FINANCE LEASE

The Group as lessee. Finance leasing comprises technical equipment and machinery. This relates to one rental contract which is based on a marginal loan interest rate of 5.4 percent.

The assets held under finance leases are included in capitalized tangible assets at KEUR 718 (31.12.2011 KEUR 2,846). The purchase and manufacturing costs of the assets held under finance leases as at the balance sheet date amount to KEUR 5,031 (31.12.2011 KEUR 8,272). The decline in assets which relate to finance lease contracts results from the premature release of a long-term contract for finance leasing.

In the fiscal year 2012 lease payments were KEUR 433 (31.12.2011 KEUR 908), thereof KEUR 20 (31.12.2011 KEUR 280) have been charged against income.

Leasing payments due in the future can be seen from the following table:

in KEUR	Up to 1 year	1 – 5 years	More than 5 years	Total
Minimum lease payments	44	0	0	44
Interest portion included in payments	1	0	0	1
Present value	43	0	0	43

The Group as lessor. One Group company has concluded finance leases under which it is lessor. The contract is for the delivery of digital speed measurement equipment to Lithuania.

The leasing contracts underlying this have a term of 76 and 83 months, commencing in August and December 2009. The customer has a purchase option at the end of the term. Until this time legal ownership remains with JENOPTIK Robot GmbH, Monheim am Rhein.

For the finance leasing transactions described above amounts due from finance leasing of KEUR 2,223 (31.12.2011 KEUR 2,787) have been accounted for in the fiscal year 2012. Outstanding minimum lease payments and their present value, determined based on an interest rate of 5.7 percent, are presented as follows:

in KEUR	Up to 1 year	1 – 5 years	More than 5 years	Total
Minimum lease payments	400	2,509	0	2,909
Interest portion included in payments	13	673	0	686
Present value	387	1,836	0	2,223

Unrealized finance income amounts to KEUR 686 (31.12.2011 KEUR 462).

OPERATING LEASE

The Group as lessee. Operating leasing mainly consists of rental income for trade properties as well as for office and data processing equipment.

Payments under leasing agreements amounting to KEUR 8,618 (31.12.2011 KEUR 8,281) have been charged against income.

As at the balance sheet date the Group has open commitments from non-cancellable operating leases which are due as follows:

in KEUR	Up to 1 year	1 – 5 years	More than 5 years	Total
Minimum lease payments	8,308	24,478	28,382	61,168

The Group as lessor. Within operating leases the Group rents out trade properties. Income from leasing tangible assets and investment properties in the period under review amounted to KEUR 4,271 (31.12.2011 KEUR 4,762).

At the balance sheet date the following minimum lease payments are agreed between the Group and lessees:

in KEUR	Up to 1 year	1–5 years	More than 5 years	Total
Minimum lease payments	3.670	5,275	615	9,560

Rental income with no specified term is included as the amount of rental income until the earliest possible date for cancellation. Probable sub-letting of space or extension options on rental contracts have not been included in the calculation.

18 FINANCIAL ASSETS

in KEUR	31.12.2012	31.12.2011
Shares in non-consolidated affiliated companies	3,020	2,299
Investments	15,137	14,826
Loans to non-consolidated affiliated companies and investments	1,288	2,949
Non-current securities	1,353	1,592
Other loans	6,407	1,127
Total	27,205	22,793

During the fiscal year 2012 impairment of KEUR 3,351 (31.12.2011 KEUR 18,107) was accounted for against financial assets. Thereof KEUR 1,992 is related to loans to two non-consolidated affiliated entities. Furthermore, expenses of valuating a low interest loan were taken into account with an amount of KEUR 917.

The additions to other loans result from a loan extended as part of a co-financing commitment.

19 OTHER NON-CURRENT ASSETS

Other non-current assets include:

in KEUR	31.12.2012	31.12.2011
Amounts due from leasing contracts	2,223	2,400
Reinsurance coverage	1,521	1,564
Derivatives	167	7
Surplus amount from funded pension obligation [1]	0	0
Miscellaneous	869	960
Total	4,780	4,931

1) Prior year changed due to early application of IAS 19R. See notes for details 27.

The derivatives relate to forward exchange contracts which provide long-term protection against risk. Derivative financing instruments are explained in detail under Note 35.

20 DEFERRED TAX

The development of the balance sheet item of deferred taxes is described under Note 10.

21 INVENTORIES

in KEUR	31.12.2012	31.12.2011
Raw materials, consumables and supplies	64,442	65,631
Work in progress	87,856	88,553
Finished goods and merchandise	16,972	14,932
Total	169,270	169,116

Inventories increased marginally by KEUR 154 compared to the prior year.

The carrying value corresponds to the lower value of net realizable value and acquisition or production costs. At the fiscal year end cumulative write-downs of KEUR 34,017 (2011 KEUR 33,364) were accounted for against the net realizable value. Reversals of previous write-downs amounted to KEUR 826 (2011 KEUR 162) because the reason for impairment in prior years no longer exists. The utilization of inventories mainly affected cost of sales.

For the credit line of a subsidiary amounting to KEUR 30,000 receivables of KEUR 22,708 and inventories of KEUR 64,800 were factored or assigned as of December 31, 2011. The credit lines expired at September 30, 2012 and were no longer extended since the companies joined the cash pool of JENOPTIK AG. Therefore the global assignment to the lending banks no longer exists at the closing date of December 31, 2012.

22 CURRENT ACCOUNTS RECEIVABLE AND OTHER ASSETS

in KEUR	31.12.2012	31.12.2011
Trade accounts receivable	100,110	92,299
Receivables from non-consolidated affiliated companies	4,413	1,718
Receivables from investment companies	1,959	3,073
Other assets	11,160	12,287
Receivables from construction contracts less on-account payments	3,018	2,496
Total	120,660	111,873

Trade accounts receivable rose compared to the prior year by KEUR 7,811 as a result of increased sales. The fair values of trade accounts receivable correspond with their carrying val-ues.

Receivables from construction contracts less payments received on account include customer-specific construction contracts with asset balances where production costs incurred, including profit portions, exceed payments received on account. During the fiscal year payments on account amounting in total to KEUR 781 (2011) KEUR 3,996) were offset against receivables from construction contracts.

There are no further restrictions to access for other assets in addition to those outlined under Note 21.

Bad debts are accounted for using allowances. Other current receivables are predominately not subject to interest.

The following table shows the changes in allowances against trade accounts receivable:

in KEUR	2012	2011
Allowances at the beginning of the fiscal year	3,156	4,787
Increase	3,729	1,149
Utilization	306	1,361
Reversal/Removal	208	1,428
Currencies	−18	9
Allowances at the end of the fiscal year	6,353	3,156

The gross amount of trade accounts receivable before allowances amounts to KEUR 106,463 (31.12.2011 KEUR 96,956). Of this allowances have been made against KEUR 8,409 (31.12.2011 KEUR 5,850) of receivables. The aging structure of trade accounts receivable is as follows:

in KEUR	2012	2011
Not due	68,128	68,406
Overdue	29,926	22,700
of which less than 30 days	18,708	15,295
of which between 30 and 60 days	8,255	3,056
of which more than 60 days	2,964	4,349
Total	98,054	91,106

There was a further increase in overdue receivables not provided for compared to the prior year. At the closing date these amounted to KEUR 29,926 (31.12.2011 KEUR 22,700). Overdue receivables not provided for are principally due from public contractors, companies in the automotive industry and its suppliers. There was no need to make allowance for these at the closing date because receipt of the total payment is expected.

Other current assets include:

in KEUR	31.12.2012	31.12.2011
Other receivables from tax authorities	3,680	3,986
Accruals	3,153	2,035
Receivables from pension trust	1,363	1,264
Subsidies receivable	991	1,600
Derivatives	715	400
Other current assets	1,258	3,002
Total	11,160	12,287

The derivative financial instruments are described in more detail in Note 35.

23 SECURITIES HELD AS CURRENT INVESTMENTS

Securities available for sale:

in KEUR	31.12.2012	31.12.2011
Fair value	561	1,288

Securities held as current investments mainly consist of money market funds.

24 CASH AND CASH EQUIVALENTS

in KEUR	31.12.2012	31.12.2011
Checks, cash in hand, credit bank balances and funds due at any time with a term of < 3 months	45,355	48,828

With regard to the change in the balance of cash and cash equivalents we refer to Note 34.

25 SHAREHOLDERS' EQUITY

The development of JENOPTIK AG's equity is shown in the statement of movements in shareholders' equity.

SUBSCRIBED CAPITAL

The subscribed capital of the company amounts to KEUR 148,819 and is allocated to 57,238,115 no-par value shares.

At the beginning of July 2011 Thüringer Industriebeteiligungs GmbH & Co. KG, Erfurt, Thüringer Industriebeteiligungsgeschäftsführungs GmbH, Erfurt, bm-t beteiligungsmanagement thüringen GmbH, Erfurt, Stiftung für Unternehmensbeteiligungen und -förderungen in der gewerblichen Wirtschaft Thüringens (StUWT), Erfurt, Thüringer Aufbaubank Erfurt and Freistaat Thüringen, Erfurt announced that they had exceeded the thresholds of 3 percent, 5 percent and 10 percent of the voting rights in JENOPTIK AG as of June 30, 2011 and they were entitled to 11.00 percent of the voting rights (6,296,193 shares) at this date. Thüringer Industriebeteiligungs GmbH & Co. KG purchased the voting rights from ECE Industriebeteiligungen GmbH.

ECE Industriebeteiligungen GmbH, Vienna, Austria, announced to us on July 5, 2011 that it had dropped below the thresholds of 25 percent, 20 percent and 15 percent of the voting rights in JENOPTIK AG on June 30, 3011. According to this ECE Industriebeteiligungen GmbH had a right to 14.01 percent of the voting rights (8,021,886 shares) on this date. Of these 1.97 percent of the voting rights (1,125,000 shares) were allocated to ECE Industriebeteiligungen GmbH in accordance with § 22 para. 1 sent. 1 No. 6 WpHG (Securities Trading Act). Alpha Holding GmbH, Hinterbrühl, ECE European City Estates GmbH, Hinter-brühl, HPS Holding GmbH, Hinterbrühl and Humer Privatstiftung indirectly have shareholdings via ECE Industriebeteiligungen GmbH. These are allocated 12.05 percent of the voting rights (6,896,886 shares) in accordance with § 22 Para. 1 sent. 1 No.1 WpHG and 1.97 percent of the voting rights (1,125,000 shares) in accordance with § 22 Para. 1 sent. 1 No. 6 WpHG in connection with § 22 Para. sent. 2 WpHG.

ERGO Lebensversicherung Aktiengesellschaft announced to us on June 16, 2011 that it had exceeded the thresholds of 3 percent and 5 percent of the voting rights in JENOPTIK AG. According to this ERGO Lebensversicherung Aktiengesellschaft had a right to 5.75 percent of the voting rights (3,288,872 shares) on this date. MEAG Munich Ergo AssetManagement GmbH and MEAG Munich Ergo Kapitalanlagegesellschaft mbH have announced to us that they exceeded the thresholds of 3 percent and 5 percent of the voting rights in JENOPTIK AG on June 16, 2011. According to this both had a right on this date to 6.62 percent of the voting rights (3,790,528 shares) which were to be allocated via ERGO Lebensversicherung Aktiengesellschaft to MEAG Munich Ergo AssetManagement GmbH under § 22 Para. 1 sent. 1 No. 6 in connection with § 22 Para. 1 sent. 2 WpHG and to MEAG Munich Ergo Kapitalanlagegesellschaft mbH under § 22 Para. 1 No. 6 WpHG.

Mrs. Gabriele Wahl-Multerer, Germany, communicated to the company on October 10, 2012 that she had dropped below the threshold of 3 percent of voting rights in JENOPTIK AG on October 4, 2012. According to this Mrs. Gabriele Wahl-Multerer held 0.05 percent of the voting rights (28,490 voting rights) as at April 23, 2010. Of these 0.05 percent (28,490 voting rights) were to be allocated via ZOOM Immobilien GmbH under § 22 Para. 1 sent. 1 No. 1 WpHG. ZOOM Immobilien GmbH, Munich, Germany, communicated to the company on October 10, 2012 that it had exceeded the threshold of 3 percent of voting rights in JENOPTIK AG on October 4, 2012. According to this ZOOM Immobilien GmbH had a right to 0.05 percent of the voting rights (28,490 shares) on this date.

Templeton Investment Counsel LLC., Fort Lauderdale, USA, communicated to the company that it had exceeded the threshold of 3 percent of the voting rights in JENOPTIK AG on September 13, 2010. Templeton Investment Counsel LLC. holds 3.11 percent of the voting rights (1,780,218 bearer shares). All these voting rights shall be allocated to Templeton Investment Counsel LLC. in accordance with § 22 Para. 1 sent. 1 No. 6 WpHG.

Voting rights announcements of the last few years and shareholders no longer active are also published on our website under www.jenoptik.com in the section Investors / Share / Voting rights announcements.

AUTHORIZED CAPITAL

By resolution of the Annual General Meeting on June 9, 2010 the resolution "authorized capital 2009", which was limited until May 30, 2014, was cancelled and redrafted as follows: The Executive Board is authorized, with the approval of the Supervisory Board, to increase the nominal capital of the company by up to KEUR 35,000 up to May 30, 2015 through one or several issues of new no-par value bearer shares in exchange for cash and / or non-cash contributions ("authorized capital 2010"). The new shares can be adopted by one or several banks under the obligation of offering them to shareholders (indirect subscription right). The Executive Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders in certain cases. Exclusion is possible for fractional amounts, for capital increases in exchange for non-cash contributions, also in particular as part of business combinations or for the purchase of companies, parts of companies or investments in companies, for capital increases in exchange for cash contributions to the extent that the share of nominal capital attributable to the new share, under consideration of annual general meeting resolutions or the use of other authorizations to exclude the subscription rights under the direct or corresponding application of § 186 Para. 3 sent. 4 AktG (Stock Corporation Act) since this authorization became effective, neither exceeds a total of ten of one hundred (= 10 percent) of the nominal capital in existence at the time of registration of the new shares, nor overall ten of one hundred (= 10 percent) of the nominal capital in existence at the time of the issue of the new shares and the issue price of the new shares is not materially lower than the stock exchange price, as well as for the issue to employees of JENOPTIK AG and of companies with a majority affiliation with it.

The Executive Board, under approval by the Supervisory Board, decides on the details of the issue of the new shares, in particular on their conditions as well as on the content of the rights of the new shares.

CONDITIONAL CAPITAL

By resolution of the Annual General Meeting on June 3, 2009 the nominal capital of the company is conditionally increased by up to KEUR 23,400 through the issue of up to 9,000,000 new no-par value bearer shares (conditional capital 2009). The conditional capital increase will only be executed to the extent that the creditor or owner of the option certificates or conversion rights, which were issued by the company or a domestic or foreign company in which the company holds a direct or indirect majority holding, on the basis of an authorization resolution of the Annual General Meeting dated June 3, 2009 to May 30, 2014, exercises its option or conversion rights and / or – the creditor obliged to convert the issued convertible bonds, which were issued by the company or a domestic or foreign company in which the company holds a direct or indirect majority holding, by May 30, 2014, based on the resolution of the Annual General Meeting dated June 3, 2009, fulfils its right to conversion and own shares are not utilized nor fulfilment is made in cash.

The new shares participate in profits from the beginning of the fiscal year for which, at the time of their issue, there is not yet a resolution by the annual general meeting for the appropriation of profit. The Executive Board is empowered to determine further details of the issue and terms of the convertible and / or option bonds and of the implementation of the conditional capital increase.

RESERVES

Capital reserve The capital reserve includes the adjustments recorded from the first-time application of IFRS and the differences on capital consolidation which were offset against reserves up to December 31, 2002.

Other reserves The other reserves comprise the results generated in the past but not yet distributed by companies included in the consolidated financial statements less paid dividends.

Furthermore, changes in the value of securities available for sale to be accounted for without impacting income amounting to minus KEUR 89 (2011 minus KEUR 208) are included in other reserves. Likewise, the effective part of the change in value of derivatives to be recorded with no impact on income as part of hedge accounting is also included and amounts to minus KEUR 2,254 (2011 minus KEUR 2,662).

Additionally, remeasurement losses of pension liability valuation are included amounting to KEUR 12.112 (2011 KEUR 3.571).

Movements in deferred taxes not impacting income increased reserves in the fiscal year 2012 by KEUR 2,660 (2011 KEUR 1,204). The balance of deferred tax assets in equity amounts in total to KEUR 4,571 (2011 deferred tax liabilities KEUR 1,911).

Furthermore, in this fiscal year payments were made on account to silent shareholders. A reclassification was not made from shareholders' equity to other liabilities to silent shareholders of the real estate companies in the fiscal year 2012.

OWN SHARES

On resolution of the annual general meeting on June 9, 2010 the Executive Board was authorized to purchase own individual shares by May 31, 2015 at a calculated maximum of ten from one hundred of nominal capital (= 10 percent) for purposes other than to deal in own shares. The purchased own shares together with own shares already purchased and still held by the company (including shares allocated under §§ 71a ff. Stock Corporation Act) may not exceed 10 percent of nominal capital of the company. The authorization can be exercised either completely or in partial amounts, once or several times in pursuing one or several permitted purposes by the company or also by the subsidiaries or for its own or the account of third parties. A purchase is carried out as selected by the Executive Board as a purchase via the stock exchange or using a public purchase bid. Further details of re-purchase of own shares are described in the publicly available invitation to the Annual General Meeting 2010 on our Internet page under www.jenoptik.com in the section Investors / Annual General Meeting.

26 NON-CONTROLLING INTERESTS

This balance sheet item represents a reconciling item for shares of other shareholders in the consolidation capital from the capital consolidation as well as their allocable profits and losses. These shares are attributable to a foreign company.

27 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions are set up on the basis of provision plans for commitments for retirement, invalidity and surviving dependants benefits. The cover by the Group varies depending on the legal, fiscal and economic situation of each country and depends, as a rule, on the length of service and the salary of the employee. Pension provision within the Group is based on both defined contribution and defined benefit plans. Under defined contribution plans the company pays contributions on the basis of statutory or contractual conditions or on a voluntary basis to state or private pension plans. Once the contributions have been paid, the enterprise does not have any further obligations to provide benefits.

Most pension plans are based on defined benefit plans, whereby these are distinguished between provision-based and externally financed pension plans.

Pension provisions for the benefit obligations are determined applying the projected unit credit method in accordance with IAS 19R. Under this method future commitments are valued at the balance sheet date according to proportional benefits earned and trend assumptions are considered for the relevant values which affect the amount of the benefit. Actuarial calculations are required for all benefit systems.

Jenoptik determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

Revaluation arising from defined benefit plans comprise actuarial gains and losses and the return on plan assets (excluding interest).

The Group's benefit commitment covers approximately 934 persons entitled, comprising 455 active employees, 85 former employees and 394 pensioners and widows.

The assets held by Mitarbeitertreuhand e. V., Jena are offset against the pension obligations as plan assets in agreement with IAS 19R. The pension obligations of Hommel-Movomatic Suisse SA are also covered by plan assets and are thus presented on a net basis.

Jenoptik has utilised the option to apply IAS 19R early. The application of IAS 19R is retrospective. The changes resulting from this in the prior year relate to pension provisions, shareholders´ equity and the result for the financial year as well as the deferred taxes.

The prior year information below relates to the amended prior year financial statements on the basis of the retrospective application of IAS 19R.

The change in the defined benefit obligation (DBO) is presented as follows:

in KEUR	2012	2011
DBO as at 1.1.	50,323	39,792
Currency effect	65	0
Current service cost for fiscal year	580	509
Interest cost	1,991	1,807
Actuarial gains and losses	11,831	1,321
of which due to changes in balances	−439	5
of which due to changes in parameters	12,270	1,316
Transfers	0	8,543
Pension payments	−2,298	−1,649
DBO as at 31.12.	62,492	50,323

The effects of the expense recorded in the profit or loss is summarized as follows:

in KEUR	2012	2011
Current service cost	580	509
Net interest expense	743	611
Total expense	1,323	1,120

The above amounts are included in the personnel expenses of the functional areas. Interest cost on the obligation and the interest on the plan assets are included in net interest.

The change in plan assets is as follows:

in KEUR	2012	2011
Plan assets as at 1.1.	31,901	25,678
Currency effect	58	0
Return on plan assets	1,248	1,194
Result on plan assets less interest income on plan assets	−302	−1,179
Contributions	349	0
Other changes	−26	0
Transfers	0	7,472
Pension payments	−1,974	−1,264
Plan asssets as at 31.12.	31,254	31,901

The net obligation at the balance sheet date is as follows:

in KEUR	2012	2011
Present value of funded commitment	53,152	42,750
Plan assets	−31,254	−31,901
Net obligation of the funded commitment	21,898	10,849
Net obligation of the unfunded commitment	9,340	7,573
Total	31,238	18,422

The portfolio structure of plan assets is as follows:

in KEUR	2012	2011
Shares and other securities	4,122	3,677
Investments	3,475	3,145
Insurance contracts	7,527	7,472
Loans (loans and receivables)	13,117	13,468
Cash equivalents	3,013	4,139
Total	31,254	31,901

For the shares and other securities within plan assets an active market exists.

The actuarial assumptions were selected as follows:

in percent	2012	2011
Discount rate as at 31.12.	between 1.85 and 2.83	Germany 4.37 Switzerland 2,4
Cost of living increase	2.00	2.00
Future salary increases	2.75	2.75
Future pension increases	0−2.0	0−2.0

The interest income on plan assets is assumed at 4.37 percent (2011 4.65 percent), the appropriate discount rate used for calculating the DBO. The actual return on plan assets in the fiscal year 2012 amounted to KEUR 946 (2011 KEUR 15).

A change in the actuarial assumptions above of one percentage points respectively as at December 31, 2012 would influence the DBO as follows:

	Change in DBO	
in KEUR	Increase	Decrease
Discount rate at 31.12.	−7,962	10,058
Future salary increases	88	−73
Future pension increases	7,514	−5,466

The sensitivity analysis presents the change in the DBO if one assumption is adjusted. Since the changes do not have a straight-line effect on the calculation of the DBO due to financial mathematical effects, the cumulative change to the DBO from the adjustment of several assumptions cannot be directly deduced.

Actuarial gains or losses result from changes in balances and differences in actual trends (e. g. income increases or pension increases) compared to the calculation assumptions. In accordance with the rules of IAS 19R this amount is offset against other comprehensive income in shareholders´ equity.

The weighted average remaining service period amounts to 13 years as of December 31, 2012.

The pension plans of ESW GmbH, Wedel, and JENOPTIK SSC GmbH, Jena, are financed by a CTA construct. The pension plan of Hommel-Movomatic Suisse SA, Peseux, includes a risk participation of the beneficiaries, by payments of both the employer and the employees.

The expected pension payments from the pension plans as of December 31, 2012 are presented as follows (not discounted):

in KEUR	
in 2013	1,983
in 2014 to 2017	9,386
from 2018	19,668

28 TAX PROVISIONS

Tax provisions are presented in detail under Note 10.

29 OTHER PROVISIONS

The development of other provisions and accrued expenses is as follows:

in KEUR	Personnel	Warranty obligations	Provision from disposals	Obligation from property sales	Trademark and license fees	Restruc-turing	Anticipated losses	Miscella-neous	Total
Balance as at 1.1.2012	17,903	14,217	11,975	2,873	1,636	1,087	768	11,679	62,138
Currency translation	−12	−8	3	0	0	−39	−2	−12	−70
Additions	12,257	12,841	1,775	0	65	6,377	2,673	5,948	41,936
Compound interest	138	9	0	0	0	2	0	26	175
Utilization	11,918	5,559	1,559	996	1	590	300	3,484	24,407
Release	1,008	3,466	4,837	1,873	0	106	106	4,259	15,655
Balance as at 31.12.2012	17,360	18,034	7,357	4	1,700	6,731	3,033	9,898	64,117

Material items within personnel provisions are part-time early retirement of KEUR 2,709 (31.12.2011 KEUR 4,420) and long-term service awards of KEUR 2,160 (31.12.2011 KEUR 1,700). For the part-time early retirement obligations actuarial reports were prepared with the assumption of a salary increase of 2.0 percent (2011 2.0 percent). The amount of the obligation for top-up payments already earned as of December 31, 2012 amounts to KEUR 568. In the coming fiscal year top-up amounts of KEUR 327 are to be made, in the years following that top-ups amounts of KEUR 241 are to be made.

Additionally, personnel provisions include performance premiums, profit sharing and similar obligations.

The provision for warranty obligations includes expenses for specific as well as for general warranty cases. The calculation is mainly based on experience values.

The provisions from disposals mainly include expenses and accruals from the sale of discontinued business units and contractual commitments in connection with these as well as legal and consulting costs. Releases of KEUR 4,678 relate to a provision for guarantee risks in connection with the sale of Jena-Optronik GmbH in the fiscal year 2010. With regard to this we refer to the explanations under Note 12.

The provisions for obligations from property sales include risks in connection with the property assets, including obligations for the payment of maintenance expenses and for adoption of rental guarantees. The release relates to a property fund disposal. The provisions in the prior year are partly utilized. The other risks did not materialise and thus the remaining provision was released in 2012.

As in the prior year the provision for trademark and license fees still relates to risks in connection with potential patent infringements.

The increase in the provision for restructuring includes the expenses of location optimization in Germany and in the USA. These include costs of location transfers, compensation payments for employees as well as costs of cancelling contract relationships.

The provision for anticipated losses primarily includes the remaining obligation for a development contract.

Miscellaneous provisions include provisions for price audit risks as well as for potential contract penalties and compensation claims. Furthermore, these relate to many recognizable specific risks and uncertain obligations which are accounted for at the probable amount required to settle them. Detailed information on these can be found in the Management Report under Point 6 Risk Report.

The following table shows the terms of the expected cash flows of the economic benefits:

in KEUR	Up to 1 year	1–5 years	More than 5 years	31.12.2012
Personnel	12,909	2,454	1,997	17,360
Warranty obligations	15,236	2,798	0	18,034
Provision from disposals	3,952	3,405	0	7,357
Obligation on property sales	4	0	0	4
Trademark and license fees	0	1,700	0	1,700
Restructuring	6,673	58	0	6,731
Anticipated losses	3,033	0	0	3,033
Miscellaneous	7,397	2,488	13	9,898
Total	49,204	12,903	2,010	64,117

30 SHARE-BASED REMUNERATION

At December 31, 2012 the Jenoptik Group held share-based payment instruments in the form of virtual shares for Executive Board members and some members of top management.

The virtual shares are measured as share-based remuneration instruments with cash compensation at their relevant fair values at the balance sheet date. The virtual shares will be paid out at the end of their four-year contractually fixed term.

In fiscal year 2012 the following effects resulted in the profit and loss and in the balance sheet in connection with the share-based payments:

	Profit or loss		Balance sheet	
in KEUR	2012	2011	2012	2011
Virual shares	−1,460	−191	2,273	813

The basis of measurement for determining fair value is the share price of JENOPTIK AG. Subject to the consent of the Supervisory Board the Executive Board shall be granted virtual shares with a total volume of 108,737. The virtual shares allocated for the fiscal years 2009 and 2012 were recorded at the balance sheet date 2012 at their fair value of EUR 7.38 per virtual share and included in provisions.

The development of the virtual shares of the Executive Board is illustrated in the following table:

Dr. Michael Mertin	Number 2012	Number 2011
1.1.	117,544	72,222
Granted	75,572	45,322
Granted for dividend protection old shares	3,491	0
Paid out	0	0
31.12.	194,059	117,544

Frank Einhellinger (Board member until 31.3.2012)	Number 2012	Number 2011
1.1.	60,622	42,722
Granted	6,000	17,900
Granted for dividend protection old shares	1,980	0
Paid out	0	0
31.12.	68,602	60,622

Rüdiger Andreas Günther (Board member since 1.4.2012)	Number 2012	Number 2011
1.1.	0	0
Granted	21,694	0
Paid out	0	0
31.12.	21,694	0

With regard to all further information we refer to the remuneration report in the Group Management Report.

Members of the Executive Management Board are granted virtual shares. The system for allocation and payment of the virtual shares principally follows the system described for the Executive Board.

The following table shows the development of the virtual shares of the Executive Management Board:

Members of Executive Management Board	Number 2012	Number 2011
1.1.	12,878	0
Granted	17,521	12,878
Paid out	0	0
31.12.	30,399	12,878

31 FINANCIAL LIABILITIES

Details of current and non-current financial liabilities can be seen in the following table:

in KEUR	Up to 1 year	1–5 years	More than 5 years	31.12.2012
Bank liabilities	4,650 (3,428)	65,158 (68,164)	50,618 (52,936)	120,426 (124,528)
Liabilities from financing leases	42 (681)	0 (1,416)	0 (590)	42 (2,687)
Total	4,692 (4,109)	65,158 (69,580)	50,618 (53,526)	120,468 (127,215)

(The amounts in brackets relate to the prior year.)

The fiscal year 2012 was characterised by the further stabilization and improvement of the liquidity situation within the Group.

For current financial liabilities, which only comprise the current portion of long-term loans amounting to KEUR 4,650 and finance leasing amounting to KEUR 42, interest rates have been agreed ranging from 1.61 percent to 8.05 percent.

In addition to debenture loans, non-current liabilities to banks include property loans of KEUR 26,526 (31.12.2011 KEUR 28,645). These are secured by mortgages. For non-current financial liabilities interest rates have been agreed ranging from 2,09 percent to 4,39 percent.

As at December 31, 2012 the Group had access to credit lines amounting to KEUR 73,294 of which KEUR 60,617 remained unused.

32 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities comprise:

in KEUR	31.12.2012	31.12.2011
Cancellable financial instruments	11,832	11,216
Other non-current liabilities	2,887	4,075
Derivatives	698	518
Total	15,417	15,809

In previous years the Jenoptik Group had formed two property companies in the legal form of a GmbH & Co. KG, in which an silent shareholder held shares. One silent shareholder was paid out in the fiscal year 2012. The silent shareholder of the second fund has an extraordinary right of notice as of December 31, 2014. The real estate companies were included fully in the consolidated financial statements in accordance with IAS 27 in connection with SIC-12. For the Jenoptik Group the extraordinary right of notice represents a conditional purchase price obligation which is accounted for at the present value of the expected compensation payment. Any necessary measurement adjustments to the conditional purchase price obligations will be recorded against equity without any impact on profit and loss. In accordance with expected use this item is presented in non-current liabilities.

Further information on derivatives can be found under Note 35 Financial Instruments.

33 OTHER CURRENT LIABILITIES

This item includes:

in KEUR	31.12.2012	31.12.2011
Trade accounts payable	40,868	40,026
Liabilities from on-account payments received	28,693	33,526
Liabilities to non-consolidated, affiliated companies	3,797	2,135
Liabilities to participating interests	37	112
Other current liabilities	25,533	34,864
Total	98,928	110,663

Trade accounts payable increased by KEUR 841 and liabilities from on-account payments received decreased by KEUR 4,833.

Normal market interest rates have been agreed for liabilities to non-consolidated affiliated companies. This item includes liabilities to joint ventures amounting to KEUR 3,206.

Miscellaneous current liabilities comprise the following:

in KEUR	31.12.2012	31.12.2011
Liabilities to employees	9,792	7,983
Other liabilities from taxes	4,664	5,648
Liability to shareholder of a joint venture	2,750	0
Accruals	1,591	963
Liabilities to employees' accident insurance	1,119	1,032
Other liabilities for social security	716	584
Interest liabilities from financial obligations	519	610
Derivatives	242	2,167
Cancellable financial instruments	0	9,188
Purchase price liabilities	0	2,083
Miscellaneous liabilities	4,140	4,606
Total	25,533	34,864

The cancellable financial instrument, as described under Note 32, relates to the right of notice of a silent shareholder of a consolidated real estate company under IAS 27 in connection with SIC-12. The exercise of this right of notice in the fiscal year 2012 led to the payment of the liability.

Liabilities to employees also include holiday entitlements and flexi-time credits.

The derivative financial instruments are described in more detail in Note 35.

34 CONSOLIDATED CASH FLOW STATEMENT

The cash and cash equivalents in the cash flow statement include liquid funds disclosed in the balance sheet amounting to KEUR 45,355 (2011 KEUR 48,828). Cash and cash equivalents are defined as the sum of cash balances and credit bank accounts with a term of less than 3 months.

The cash flow statement provides information on cash flows, separately for cash flows from operating activities, from investing activities and from financing activities. Changes in balance sheet items required in the development of the cash flow statement are not directly derivable from the balance sheet since effects of foreign currency exchange and changes in companies consolidated are non-cash effective and are eliminated. Cash flow from operating activities is indirectly derived from the earnings before tax. The earnings before tax is adjusted for non-cash expenses and income. Cash flow from operating activities is calculated after accounting for changes in working capital.

Cash flow from operating activities amounts to KEUR 66,578 (2011 KEUR 65,580 KEUR) and is thus slightly above prior year level. A significant operative improvement in cash flow is reflected in the cash flow from operating activities before income taxes which has risen by KEUR 6,385. The expansion of business volume also led to an increase in working capital in the fiscal year 2012. However, compared to the prior year this increase in working capital is substantially reduced and is thus an influencing factor for the operative improvement of Jenoptik.

The cash flow from operating activities is additionally influenced by the income tax payments which increased by KEUR 5,387.

The cash flow from investing activities amounted to minus KEUR 33,817 (2011 minus KEUR 29,339 and is particularly affected by the payments for investments in tangible assets amounting to KEUR 24,511 (2011 KEUR 22,922). The payments for investments in intangible assets of KEUR 6,716 (2011 KEUR 2,105) reflect the investments as part of the Jenoptik One ERP project as well as the licences necessary for this.

The cash flow from financing activities amounted to minus KEUR 36,141 (2011 minus KEUR 53,660). The improvement of KEUR 17,519 is primarily influenced by the financing of the Group, the lower interest payments as well as the dividend paid in the fiscal year 2012 of KEUR 8,585 (2011 0).

The change in Group financing includes payments from or to affiliated non-consolidated companies and investments as well as payments to atypical silent shareholders of the real estate companies. In particular the payment made to a silent investor, on the basis of him giving notice, amounting to EUR 10.7 million euros had an effect on the balance in the past fiscal year. In the prior year the partial compensation of EUR 17.2 million was made to a silent investor.

The reduced interest payments are mainly due to the decline in interest expenses on loans which have fallen due to the issue of the debenture loans in 2011. In the prior year there were also payments for prepayment penalties for the premature repayment of a loan.

More information can be found on the consolidated cash flow statement under Note 2.3 Financial Position in the Group Management Report.

Other notes

35 FINANCIAL INSTRUMENTS

As part of its operating activities the Jenoptik Group is exposed to credit risks, liquidity risks and market risks within the financial area. Market risks relate principally to interest rate and exchange rate fluctuation risks.

More detailed information on risk management and monitoring of risks is given in the Management Report under Point 6 Risk Report. Further information with regard to notes on capital management are included in the Management Report under Point 2.3 Financial situation.

The following comments relate exclusively to the quantitative effects of the risks in the fiscal year.

The risks described above have an effect on the following financial assets and liabilities. The following carrying values of the financial assets and liabilities represent their market values.

in KEUR	Market values 31.12.2012	Market values 31.12.2011
Financial assets	165,555	157,820
Cash and cash equivalents	45,355	48,828
Financial assets available for sale	1,914	2,879
Receivables from finance leasing	2,223	2,787
Loans and receivables	115,181	102,919
Derivatives with hedging relationships	882	407
Financial liabilities	193,162	207,732
Trade accounts payable	40,868	40,026
Liabilities to banks and other financial obligations	120,426	124,528
Liabilities from finance leasing	42	2,687
Other non-derivative financial liabilities	30,886	37,806
Derivatives with hedging relationships	940	2,685

In the table bottom left the shares of non-consolidated a ffiliates and investments are not included in the financial assets available for sale, because they are evaluated at acquisition costs. For detailed information we refer to the accounting policies.

The following table shows the fair value hierarchies which exist for the financial assets and liabilities that are measured at fair value in accordance with IFRS 7:

in KEUR	Market values 31.12.2012	Level 1	Level 2	Level 3
Financial assets available for sale	1,914	1,755	0	159
Derivatives with hedging relationships (asset)	882	882	0	0
Derivatives with hedging relationships (liability)	940	940	0	0

Fair values that are always available as quoted market prices are allocated to Level 1. The measurement parameters underlying level 3 are not based on observable market data.

The explanations of the changes in fair values are included within the relevant comments on the balance sheet items.

The gains and losses of the financial assets available for sale are included in other comprehensive income amounting to KEUR 62. Additionally, an amount of TEUR 36 was reclassified from other comprehensive income into profit/loss.

The risk of credit or default is the risk that a customer or contracting partner of the Jenoptik Group does not meet his contractual obligations. From this results the risk, on one hand, that financial instruments suffer impairment related to creditworthiness and, on the other hand, the risk of partial or full default of contractually agreed payments.

Credit risks are mainly inherent in trade accounts receivable. These are accounted for by setting up allowances. The Jenoptik Group is exposed marginally to default risks from other financial assets which primarily consist of cash and cash equivalents, loans and derivatives. The maximum risk of default is equal to the carrying values of the financial assets at the balance sheet date of KEUR 165,555 (31.12.2011 KEUR 157,820). The gross amount of trade accounts receivable before allowances amounts to KEUR 106,463 (31.12.2011 KEUR 96,956). The allowances accounted for in the fiscal year are related to non-current loans and receivables amounting to KEUR 3,351, current receivables amounting to KEUR 3,729, and financial assets available for sale amounting to KEUR 228.

The liquidity risk of the Group is that the Group is potentially unable to meet its financial commitments. This can, for example, be due to inadequate availability of cash and cash equivalents, capital repayment of financial liabilities, payment of suppliers and obligations from finance leasing. In order to guarantee liquidity and financial flexibility, credit lines and cash availability are planned using a five-year financial plan and a 5-month liquidity forecast on a rolling monthly basis. The liquidity risk has decreased further but still remains the focus of the Group and will be limited by an effective cash and working capital management as well as by credit facilities yet unused.

Through the very stable long-term financing since 2011 provided by the issuance of debentures amounting to KEUR 90,000 and the positive cash flows of our operating companies in the fiscal year 2012, our liquidity risk has continued to be minimised. Since the long-term loans granted have a fixed maturity date no liquidity burden from repayments is to be expected until 2015.

Gross and net debt of the Group have continued to fall.

The cash outflows falling in the terms between 1 and 5 years and over 5 years mainly comprise debenture loans since their remaining terms amount to 3.75 or 5.75 years.

	Carrying value	Cash outflow			
in KEUR	31.12.2012	Total	up to 1 year	1 – 5 years	over 5 years
Variable interest-bearing liabilities to banks	36,842 (37,808)	40,826 (44,309)	1,783 (2,314)	30,890 (33,737)	8,153 (8,258)
Fixed interest-bearing liabilities to banks	83,584 (86,720)	99,375 (109,067)	6,828 (6,052)	47,270 (52,605)	45,277 (50,410)
Fixed interest-bearing liabilities from finance leasing	42 (2,687)	42 (3,457)	42 (904)	0 (1,926)	0 (627)
Total	120,468 (127,215)	140,243 (156,833)	8,653 (9,270)	78,160 (88,268)	53,430 (59,295)

(The amounts in brackets relate to the prior year.)

Cash outflows for variable-interest bank liabilities are based on an interest rate of 2.1 percent (2011 3.5 percent). Fixed interest liabilities are charged interest at rates of between 3.5 and 9.5 percent.

Further details are described under Note 31.

The Jenoptik Group is primarily exposed to interest rate fluctuations in the area of medium-term and long-term interest-bearing financial assets and liabilities due to fluctuations in market interest rates. This risk is met by concluding hedging transactions depending on the market situation.

	Carrying values	
in KEUR	31.12.2012	31.12.2011
Interest-bearing financial assets	53,050	52,904
of which variable interest	45,355	48,828
of which fixed interest	7,695	4,076
Interest-bearing financial liabilities	120,468	127,215
of which variable interest	36,842	37,808
of which fixed interest	83,626	89,407

With a fluctuation in the market interest rate as at December 31, 2012 within a range of 100 base points an opportunity loss or gain of KEUR 77 (2011 KEUR 41) would result for the fixed-interest financial assets.

For financial liabilities with fixed interest within the same range an opportunity loss or gain of KEUR 956 (2011 KEUR 894) would result.

A change of 100 base points for the variable-interest financial assets would have an impact of KEUR 453 (2011 KEUR 488) and for the variable-interest financial liabilities an impact of KEUR 248 (2011 KEUR 378). Because of the low interest rate level at balance sheet date the maximum interest decrease is 40 base points. This would result in an impact of KEUR 99.

JENOPTIK AG meets the risks with interest hedges.

	Nominal volume		Market values	
in KEUR	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Interest cap	12,000	20,000	30	0
Interest swap 1	8,000	0	−501	0
Interest swap 2	4,000	0	−159	0

At the balance sheet date JENOPTIK AG holds KEUR 24,000 variable-interest liabilities to banks secured by interest derivatives. An interest cap for KEUR 12,000 and for a further KEUR 12,000 two interest swaps were concluded.

The derivatives have the following structure:

Interest cap	KEUR 12,000 (2011 KEUR 20,000)
Term	April 28, 2012 to October 28, 2016
Interest rate ceiling	2.00 percent
Reference interest rate	6-month Euribor Reuters

Interest swap 1	KEUR 8,000 (2011 0)
Term	April 28, 2012 to October 28, 2018
Fixed interest rate	1.985 percent p.a.
Variable interest rate	6-month Euribor Reuters

Interest swap 2	KEUR 4,000 (2011 0)
Term	April 28, 2012 to October 28, 2016
Fixed interest rate	1.615 percent p.a.
Variable interest rate	6-month Euribor Reuters

Under the interest cap liabilities of KEUR 12,000 are secured against the 6-month Euribor rising above 2.00 percent for 4.5 years. The underlying and hedge transactions form a hedge item. The market value of the caps as at December 31, 2012, amounts to KEUR 30. Since the derivative has no internal value but only a fair value at the closing date the change in market value is recorded in profit or loss.

For both interest rate swaps the variable interest of additional liabilities of KEUR 12,000 is swapped into fixed interest and, thus, the interest fluctuation risk eliminated. Interest swap 1 has a market value of KEUR minus 501 and interest swap 2 a market value of KEUR minus 159 as at December 31, 2012. The underlying and hedge transactions are evaluated as highly effective though the synchronised structure of the parameters and the market value fluctuation is recorded as a cash flow hedge in other comprehensive income without impacting profit and loss.

The interest swaps mentioned lead to expected cash flows as follows: within one year amounting to KEUR 223, between two and five years amounting to KEUR 818, and above five years amounting to KEUR 132.

Currency rate risks arise from the fluctuation in the financial assets and liabilities denoted in foreign currency.

In order to hedge currency risks forward exchange contracts are used. In the fiscal year 2012 forward exchange contracts with a nominal value of KEUR 42,211 were used in order to hedge and document the underlying transactions as cash flow hedges. In the prior year forward exchange contracts were concluded and accounted for as cash flow hedges. Their total volume in the prior year amounted to KEUR 53,274. These transactions relate to the exchange rate hedging of major cash flows in foreign currency from the operating business (in particular sales and material purchases).

The following positive market values arise from derivative financial instruments:

in KEUR	31.12.2012	31.12.2011
Transactions to hedge against currency risks from future cash flows (Cash flow hedges): Forward exchange contracts:		
non-current	137	7
current	715	400
Interest cap	30	0
Total	882	407

The following negative market values arise from derivative financial instruments:

in KEUR	31.12.2012	31.12.2011
Transactions to hedge against currency risks from future cash flows (Cash flow hedges): Forward exchange contracts:		
non-current	38	518
current	242	2.167
Interest swaps	660	0
Total	940	2.685

The market values shown above were calculated and confirmed by the banks.

The gains and losses of hedging are included in other comprehensive income amounting to KEUR 2,254 without impacting on profit and loss. There was a reclassification from other comprehensive income into profit or loss amounting to KEUR 46.

Forward exchange contracts hedge foreign currency risks of KEUR 34,414 for a time frame of until the end of the year 2013. Foreign currency risks of KEUR 7,813 are hedged for a time frame of until the end of the year 2014 as well as until January 2015.

Forward currency transactions are analyzed by currency sales and purchases as follows:

in KEUR	31.12.2012	31.12.2011
USD/EUR sale	39,417	50,923
USD/EUR purchase	1,215	443
GBP/EUR sale	187	0
GBP/EUR purchase	333	342
CHF/EUR sale	1,061	1,058
CHF/EUR purchase	0	508

The underlying transactions mainly relate to the sales of products. The risk hedged is always the currency risk.

Since forward exchange contracts are for the purpose of hedging cash flow and the hedging relationships are assessed as effective, the change in fair value is accounted for in shareholders´ equity.

In accordance with the currency hedging strategy of Jenoptik for 2012, 100 percent of all underlying transactions in foreign currency within the Group were hedged.

The main foreign currency transactions within the Jenoptik Group relate to the US Dollar (USD). The table shows the net foreign currency risk position in USD:

in KUSD	31.12.2012	31.12.2011
Financial assets	24,326	24,747
Financial liabilities	6,228	2,208
Foreign currency risk from balance sheet items	18,134	22,539
Foreign currency risk from pending transactions	19,570	50,891
Transaction related foreign currency item	37,704	73,430
Items hedged economically by derivatives	38,202	68,310
Net position	−498	5,120

There are no net risk items in USD at the closing date. Thus, a change in the USD exchange rate only has an effect on the measurement of the increase in derivatives of KEUR 498 at the closing date. A change in the US Dollar exchange rate as at the balance sheet date of 5 percent would have a positive or negative impact of KEUR 19 and a change of 10 percent a positive or negative impact of KEUR 38 on shareholders´ equity in the balance sheet.

36 COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT RECEIVABLES

Compared to the prior year the volume of guarantees has slightly increased and amounted to KEUR 10,662 as at December 31, 2012 (2011 KEUR 8,651), whereby approximately 34 percent is secured by counter-guarantees.

in KEUR	31.12.2012	31.12.2011
Guarantees for non-consolidated affiliated companies	10,105	6,897
Guarantees for third parties	557	1,753
Contingent liabilities from guarantees	10,662	8,650

The increase in the volume of guarantees for affiliated non-consolidated is substantially due to the issue of a rental guarantee amounting to KEUR 3,504 (2011 KEUR 0) as part of the sale of a property.

Furthermore, a warranty guarantee exists in connection with the Klinikum 2000, Jena and amounts to KEUR 5,500 (2011 KEUR 5,500), the partial release from liability of which is still outstanding by the Free State of Thuringia. From Jenoptik's view potential claims from warranties remaining only amount to KEUR 481 (2011 KEUR 481).

The obligations for guarantees for third parties amounting to KEUR 557 KEUR (2011 KEUR 1,753) have continued to reduce as expected. Furthermore, these risks are completely covered by other companies and therefore do not represent a direct risk for Jenoptik.

In connection with a property in France there is potentially an obligation to remove environmental contamination. The obligation is no yet finally determinable both in terms of substance and amount and is therefore a contingent liability.

37 OTHER FINANCIAL COMMITMENTS

Financial commitments from rental and leasing contracts are described in Note 16.

In addition to order commitments for intangible and tangible assets, there are further purchase orders and other financial commitments amounting to KEUR 55,928 (2011 KEUR 60,748).

38 LEGAL DISPUTES

JENOPTIK AG and its Group companies are involved in several court or arbitration cases.

For more information on pending legal disputes which may have significant influence on the economic position of the Group, we refer to the section "Legal risks" in the Group Management Report.

For any potential financial burdens from court or arbitration cases, adequate provisions have been accounted for regarding process risks and process costs.

39 RELATED PARTY DISCLOSURES ACCORDING TO IAS 24

Related parties are defined in IAS 24 "Related Party Disclosures" as entities or people which / who control or are controlled by the Jenoptik Group to the extent that these are not already included in the consolidated financial statements as consolidated companies or, companies and people that on the basis of the constitutional conditions or contractual agreement, have the possibility to substantially direct the financial and business policies of the management of JENOPTIK AG or to participate in the joint management of JENOPTIK AG. Control exists if a shareholder holds more than half of the voting rights in JENOPTIK AG. The largest single shareholder of JENOPTIK AG is ECE Industriebeteiligungen GmbH, Hinterbrühl, Austria which holds in total directly and indirectly less than 15 percent of the voting rights and, thus, does not control JENOPTIK AG.

Members of the Executive Board and Supervisory Board of JENOPTIK AG also qualify as related parties. In the fiscal year 2012 there were no provisions of goods or services between the company and members of the Executive Board or Supervisory Board.

Two members of the Supervisory Board are members of management of ECE Industriebeteiligungen GmbH and / or of its controlling company which should therefore be classified as related parties as defined in IAS 24. Hower there were no provisions of goods or services with them in fiscal 2012. Two further members of the Supervisory Board are members of the board in other entities with which Jenoptik had an exchange of goods and services in the fiscal year 2012 as part of normal business activities. All transactions were conducted under conditions which are normal between unrelated third parties.

The composition of relationships to non-consolidated companies and joint ventures as further related parties is shown in the table below.

		Of which with	
in KEUR	Total	Non-consolidated companies	Joint venture
Sales	2,191	2,191	0
Purchased services	2,817	2,395	422
Receivables from operations	6,372	5,866	506
Liabilities from operations	3,834	628	3,206
Loans	1,288	1,288	0

Furthermore, there are guarantees in the Group to related parties amounting to KEUR 5,983.

Information on the remuneration of the Executive Board and Supervisory Board required to be disclosed by IAS 24.9 is published in the remuneration report of the Group Management Report from page 48. as well as under obligatory and supplementary disclosures for HGB in the Notes to the consolidated financial statements on pages 181 and 185.

40 POST BALANCE SHEET EVENTS

The Executive Board authorized the consolidated financial statements on March 11, 2013 for review and approval by the Supervisory Board.

The Executive Board proposes to the Supervisory Board to transfer an amount of EUR 25,000,000.00 of the net profit 2012 of JENOPTIK AG to other revenue reserves.

The Exective Board recommends to the Supervisory Board to propose to the Annual General Meeting that a dividend of EUR 0.18 per qualifying no-par value share be paid. Thus, an amount of EUR 10,302,860.70 of the balance sheet profit of EUR 22,661,857.90 shall be distributed and an amount of EUR 12,358,997.20 be carried forward.

There were no further events of significance after December 31, 2012.

In January 2013 Jenoptik purchased 100 percent of the shares in DCD Systems Pty. Ltd., a supplier of traffic safety technology. The acquisition underlines Jenoptik´s international orientation. The transaction is not expected to have a significant impact on the consolidated financial statements 2013.

Obligatory and supplementary disclosures under HGB

OBLIGATORY DISCLOSURES UNDER § 315A HGB AND § 264 PARA. 3 OR § 264B HGB

The consolidated financial statements of JENOPTIK AG have been prepared in accordance with § 315a HGB in line with the rules of the IASB with an exemption from preparation of consolidated financial statements under HGB. At the same time the consolidated financial statements and Group Management Report are in line with the European Union Directive on Consolidated Accounting (83/349/EWG), whereby this directive has been interpreted accordingly in compliance with Standard No. 1 (GAS 1) "Exempt Consolidated Financial Statements under § 315a HGB" issued by the German Accounting Standards Committee (GASC). In order to achieve comparability with consolidated financial statements prepared in accordance with the German Commercial Code all disclosures and information required by HGB, and which are in addition to the obligatory disclosures necessary for IFRS, are published.

Due to their inclusion in the consolidated financial statements of JENOPTIK AG the following fully consolidated affiliated German companies have taken advantage of the simplifications of § 264 para. 3 or § 264b HGB:

- SAALEAUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach im Isartal
- LEUTRA SAALE Gewerbegrundstücksgesellschaft mbH & Co. Vermietungs KG, Jena
- JENOPTIK Robot GmbH, Monheim am Rhein
- HOMMEL-ETAMIC GmbH, Villingen-Schwenningen
- JENOPTIK Automatisierungstechnik GmbH, Jena
- ESW GmbH, Wedel
- JENOPTIK Optical Systems GmbH, Jena
- JENOPTIK Diode Lab GmbH, Berlin
- JENOPTIK Laser GmbH, Jena
- Lechmotoren GmbH, Altenstadt
- JENOPTIK Polymer Systems GmbH, Triptis
- JENOPTIK SSC GmbH, Jena
- JORENT Techno GmbH, Jena

NUMBER OF EMPLOYEES

The average number of employees is analysed as follows:

	2012	2011
Employees	3,066	2,894
Trainees	116	114
Total	3,182	3,008

Proportionally consolidated companies employed an average of 33 (2011 34) employees in the fiscal year 2012.

COST OF MATERIALS AND PERSONNEL EXPENSES

in KEUR	2012	2011
Cost of materials		
Raw materials, consumables, supplies and purchased merchandise	184,577	180,072
Cost of purchased services	57,343	50,409
Total	241,920	230,481
Personnel expenses		
Wages and salaries	178,991	156,178
Social security and pension costs	22,224	27,657
Total	201,215	183,835

German Corporate Governance Code

The Executive Board and Supervisory Board of JENOPTIK AG submitted the statement on conformity with the recommendations of the government commission on the German Corporate Governance Code in the version dated May 15, 2012 in accordance with § 161 AktG (German Stock Corporation Act) on December 13, 2012. The statement has been made permanently accessible to the shareholders on the Internet page of JENOPTIK AG under www.jenoptik.com in the section Investors/Corporate Governance. The statement is also viewable at the business premises of JENOPTIK AG (Carl-Zeiß-Straße 1, 07743 Jena).

Executive Board

The following gentlemen were appointed members of the Executive Board during the fiscal year 2012:

	weitere Mandate bei:
Dr. Michael Mertin Chairman of the Executive Board of JENOPTIK AG	None
Rüdiger Andreas Günther Member of the Executive Board of JENOPTIK AG (since 1.4.2012)	• Schmitz Cargobull AG (Member of Supervisory Board) • Kverneland Group, Norway (until 30.4.2012, member of a comparable control body) • Schöller Holding GmbH (until 31.3.2012, Chairman of Supervisory Board)
Frank Einhellinger Member of the Executive Board of JENOPTIK AG (until 31.3.2012)	None

The following summary shows the remuneration of the Executive Board for the fiscal year 2012. In addition to the direct and indirect components of remuneration this also includes the fair value of the share-based remuneration instrument (LTI).

in KEUR	Dr. Michael Mertin (Chairman of the Executive Board)	Frank Einhellinger (Member of the Executive Board until 31.3.2012)	Rüdiger Andreas Günther (Member of the Executive Board since 1.4.2012)
Fixed remuneration	510.0	83.3	285.0
Variable remuneration	731.5	81.3	210.0
LTI 2012 measured at issue price	365.8	29.0	105.0
LTI 2012 price advance in 2012 1)	192.0	4.6	55.1
Total remuneration	1,799.3	198.2	655.1
Retirement benefits	240.0	24.8	60.0
Fringe benefits	30.2	4.9	34.8
Overall total	270.2	29.7	94.8

1) measured at fair value per December 31, 2012, for Frank Einhellinger per March 31, 2012.

The fringe benefits include contributions to professional disability and accident insurance as well as the provision of company cars.

With regard to more detail on the remuneration system we refer to the remuneration report in the Management Report from page 48.

Pension payments were made to former Executive Board members amounting to KEUR 283 (2011 KEUR 299). Pension provisions for former Executive Board members at the balance sheet date amounted to KEUR 4.973 (2011 KEUR 3,911). The interest cost recorded in fiscal 2012 for these existing provisions amounted to KEUR 170 (2011 KEUR 200).

In the fiscal year 2012 – as in preceding years – no loans or advances were given to members of the Executive Board or Supervisory Board. Consequently, there were no loan repayments.

The Executive Board members do not hold any shares at the balance sheet date.

Supervisory Board

The following ladies and gentlemen were appointed members of the Supervisory Board during the fiscal year 2012:

	Member of:	Additional appointments at:
RUDOLF HUMER Entrepreneur (Chairman of the Supervisory Board)	Personnel Committee (Chairman) Mediation Committee (Chairman) Nomination Committee (Chairman)	• Baumax AG, Austria (Ccb member) • Baumax Anteilsverwaltung AG, Austria (Ccb member) • Ühinenud Farmid AS, Estonia (Ccb member) • K.A.M. ESSL Holding AG, Austria (SB member) • ECE Capital OÜ, Estonia (Ccb member)
MICHAEL EBENAU [1] Trade union secretary, first authorized representative of IG Metall Jena-Saalfeld and first authorized representative of IG Metall Gera	Personnel Committee Mediation Committee	None
BRIGITTE EDERER Member of the Executive Board of Siemens AG (since 6.6.2012)		• Boehringer Ingelheim RCV GmbH, Austria (SB member) • Österreichische Industrieholding AG (ÖIAG), Austria (SB member) • Siemens France Holding SAS, France (ig, Ccb member) • Siemens Holdings plc., Great Britain (ig, Ccb member) • Siemens S.p.A., Italy (ig, Ccb chair) • Siemens Nederland N.V., Netherlands (ig, Ccb chair) • Siemens AG, Austria (ig, SB chair) • Siemens S.A., Spain (ig, Ccb chair) • Siemens Sanayi ve Ticaret, A.S., Turkey (ig, Ccb member) • Siemens Holding S.p.A., Italy (ig, Ccb chair)
MARKUS EMBERT [1] Dipl.-Ing. für Elektrotechnik (Degree in Electrical Engineering) at ESW GmbH (until 6.6.2012)	Capital Market Committee (until 6.6.2012)	None
CHRISTIAN HUMER Chairman of the Executive Board of ECE European City Estates GmbH, Austria	Personnel Committee Nomination Committee	None
WOLFGANG KEHR [1] Trade Union secretary at IG Metall, Bezirk Frankfurt/Main (until 6.6.2012)	Personnel Committee (until 6.6.2012) Mediation Committee (until 6.6.2012)	None
THOMAS KLIPPSTEIN [1] Chairman of Group Works' Council of Jenoptik	Personnel Committee Audit Committee	None
RONALD KRIPPENDORF [1] Werkleiter der JENOPTIK Katasorb GmbH (since 6.6.2012)		None

1) Employee representative Abbreviations: SB – Supervisory Board Ccb. – Comparable controlling body ig – Internal group appointment Dep. – Deputy

	Member of:	Additional appointments at:
DIETER KRÖHN [1)] Process coordinator at ESW GmbH	Capital Market Committee (until 6.6.2012) Audit Committee	None
CHRISTEL KNOBLOCH [1)] Process coordinator at JENOPTIK Automatisierungstechnik GmbH (until 6.6.2012)	Capital Market Committee	None
SABINE LÖTZSCH [1)] Dipl. Mathematikerin, Managerin IT-Helpdesk der JENOPTIK SSC GmbH (since 6.6.2012)		None
DR. LOTHAR MEYER Former Executive Board Chairman of ERGO Versicherungsgruppe AG (until 6.6.2012)	Audit Committee (until 6.6.2012) Capital Market Committee (Chairman until 6.6.2012)	• UniCredit Bank AG (SB member) • ERGO Versicherungsgruppe AG (SB member)
HEINRICH REIMITZ Member of the Executive Board of ECE European City Estates GmbH, Austria	Audit Committee (Chairman) Capital Market Committee (until 6.6.2012)	• Ühinenud Farmid AS, Estonia (Ccb member)
STEFAN SCHAUMBURG [1)] Trade union secretary of IG Metall, Administration of the board of directors, Head of Union Pay Policies Department (since 6.6.2012)	Personnel Committee (since 6.6.2012) Mediation Committee (since 6.6.2012)	• GKN Driveline Deutschland GmbH (SB member) • GKN Holdings Deutschland GmbH (SB member)
PROF. DR. RER. NAT. HABIL., DIPL.-PHYSIKER ANDREAS TÜNNERMANN Director of the Institute for Applied Physics and Lecturer for Applied Physics at the Friedrich-Schiller-University and Head of the Fraunhofer Instituts for Applied Optics and Fine Mechanics Jena	Personnel Committee Mediation Committee Nomination Committee	• BioCentiv GmbH (SB Chair) • Docter Optics GmbH (Ccb member)
GABRIELE WAHL-MULTERER Dipl.-Kauffrau, entrepreneur (until 6.6.2012)	Capital Market Committee (until 6.6.2012)	• Seniorbook AG, Munich (SB member)
MATTHIAS WIERLACHER Chairman of the Board of Thüringer Aufbaubank (since 6.6.2012)	Audit Committee (Dep. Chairman since 6.6.2012)	• Analytik Jena AG (SB member) • Mittelständische Beteiligungsgesellschaft Thüringen mbH (SB member) • bm-t beteiligungsmanagement thüringen GmbH (ig, SB member)

SUPERVISORY BOARD REMUNERATION

The members of the Supervisory Board received the following total remuneration payments in the fiscal year 2012:

in KEUR	Total remuneration 2012	Of which: Fixed annual remuneration 2012	Of which: Variable remuneration 2012	Of which: Meeting fees (plus reimbursement of expenses)	Value added tax [2]	Prior year [1] (where not paid in 2011): Fixed annual remuneration 2011	Prior year [1] (where not paid in 2011): Variable remuneration 2011
Rudolf Humer (Chairman) [3]	–	–	–	–	–	14.8	3.7
Michael Ebenau (Dep. Chairman)	61.9	40.4	15.9	5.6	9.9	42.9	13.4
Brigitte Ederer (from 6.6.2012)	22.8	13.6	6.8	2.4	3.6	–	–
Markus Embert (until 6.6.2012)	15.4	10.2	3.8	1.4	2.5	23.8	8.9
Christian Humer	44.4	27.8	8.9	7.7	–	25.0	7.5
Wolfgang Kehr (until 6.6.2012)	18.7	12.8	3.8	2.1	3.0	29.8	8.9
Thomas Klippstein	59.1	36.5	10.6	12.0	9.5	29.8	8.9
Christel Knobloch (until 6.6.2012)	15.2	10.2	3.8	1.2	2.2	20.0	7.5
Ronald Krippendorf (from 6.6.2012)	20.1	11.4	5.7	3.0	–	–	–
Dieter Kröhn	52.7	33.1	10.6	9.0	7.0	21.5	7.5
Sabine Lötzsch (from 6.6.2012)	20.1	11.4	5.7	3.0	–	–	–
Dr. Lothar Meyer (until 6.6.2012)	22.1	15.4	3.8	2.9	3.5	35.7	8.9
Heinrich Reimitz	56.2	35.7	8.9	11.6	–	30.0	7.5
Stefan Schaumburg (from 6.6.2012)	24.4	14.2	5.7	4.5	–	–	–
Prof. Dr. rer. nat. habil. Andreas Tünnermann	52.6	35.7	10.6	6.3	8.4	35.7	8.9
Matthias Wierlacher (from 6.6.2012)	30.6	19.9	5.7	5.0	–	–	–
Gabriele Wahl-Multerer (until 6.6.2012)	15.4	10.2	3.8	1.4	2.5	23.8	8.9
Total	**531.7**	**338.5**	**114.1**	**79.1**	**52.1**	**332.8**	**100.5**

1) In the prior year the Supervisory Board remuneration was presented individually using the so-called accrual principle. This method of disclosure was, based on GAS 17, changed such that now all emoluments earned for activities performed in the past fiscal year are presented. Therefore, the components of remuneration for activities of the Supervisory Board in 2011 which were not paid until 2012 and, thus, not yet recorded in the disclosure of Supervisory Board remuneration in the prior year consolidated financial statements, were uniquely separately presented.
2) Included in fixed remuneration and meeting fees; the gentlemen Rudolf and Christian Humer and Mr. Heinrich Reimitz have a limited tax liability in Germany due to their place of residence being abroad and, thus, no value added tax was incurred on their remuneration, but rather withholding tax in accordance with § 50 a (1) N0. 4 EStG (Income Taxes Act) was paid.
3) By way of written declaration to the Executive Board the Supervisory Board Chairman, Mr. Rudolf Humer, waived all remuneration claims due to him for his activities as Supervisory Board Chairman and Committee member from April 1, 2011. This also applies to any meeting fees and a potential performance-related payment.

With regard to more detail on the remuneration system of the Supervisory Board we refer to the remuneration report in the Group Management Report from page 51.

At the end of the fiscal year 2012 the members of the Supervisory Board held in total 960,095 shares or financial instruments related to them and, thus held more than 1 percent of the nominal capital of JENOPTIK AG. These include 675,000 shares which are held directly and indirectly by Mr. Rudolf Humer.

ASSURANCE BY THE LEGAL REPRESENTATIVES

We hereby confirm that to the best of our knowledge that, in accordance with the accounting principles applicable for reporting, the consolidated financial statements present a true and fair view of the net assets, financial position and results of operations of the Group and the Group management report gives a true and fair view of the business performance, including the results of operations and the situation of the Group, and describes the main opportunities and risks associated with anticipated development of the Group.

Jena, March 11, 2013

Michael Mertin
Chairman of the Executive Board

Rüdiger Andeas Günther
Member of the Executive Board

AUDITORS´ REPORT

We have audited the consolidated financial statements prepared by JENOPTIK Aktiengesellschaft, Jena, comprising the consolidated statement of comprehensive income, the consolidated balance sheet, statement of changes in equity, consolidated statement of cash flows, and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (Handelsgesetzbuch "German Commercial Code") are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, March 11, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

NEUMANN	BÜCHIN
Wirtschaftsprüfer	Wirtschaftsprüfer

ADDITIONAL INFORMATION

EXECUTIVE MANAGEMENT BOARD

(AS AT JANUARY 2013)

BERNHARD DOHMANN
Metrology segment
Head of Traffic Solutions division

DR. THOMAS FEHN
Lasers & Optical Systems segment
Head of Lasers & Material Processing division

RÜDIGER ANDREAS GÜNTHER
Chief Financial Officer

VOLKMAR HAUSER
Metrology segment
Head of Industrial Metrology division

MELANIE JAKLIN
Head of HR, Purchasing, Supply Chain & Shared Services

DR. MICHAEL MERTIN
Chairman of the Executive Board and Employment Director

DR. DIRK MICHAEL ROTHWEILER
Lasers & Optical Systems segment
Head of Optical Systems division

DR. STEFAN STENZEL
Defense & Civil Systems segment
Head of Defense & Civil Systems division

SCIENTIFIC ADVISORY COUNCIL

(AS AT JANUARY 2013)

DR. MICHAEL MERTIN
JENOPTIK AG, Jena, Chairman

PROF. DR. HARTMUT BARTELT
IPHT Institut für Photonische Technologien e. V., Jena

PROF. DR. KARLHEINZ BRANDENBURG
Ilmenau

PROF. DR. GERHARD FETTWEIS
Technische Universität Dresden,
Fakultät für Elektrotechnik,
Vodafone Chair Mobile Communications Systems

PROF. DR. JOHANN LÖHN
Steinbeis-Hochschule Berlin

PROF. DR. RER. NAT. HABIL. JÜRGEN PETZOLDT
Technische Universität Ilmenau,
Fakultät für Elektrotechnik und Informationstechnik,
Institut für Elektrische Energiewandlungen und Automatisierung

PROF. DR. RER. NAT. JÜRGEN POPP
IPHT Institut für Photonische Technologien e. V., Jena

PROF. DR. ROLAND SAUERBREY
Forschungszentrum Rossendorf, Dresden

PROF. DR. MICHAEL SCHENK
IFF Fraunhofer-Institut für Fabrikbetrieb und -automatisierung, Magdeburg

PROF. DR. HARTWIG STEFFENHAGEN
Rheinisch-Westfälische Technische Hochschule (RWTH), Aachen

PROF. DR. GÜNTHER TRÄNKLE
Ferdinand-Braun-Institut, Leibniz-Institut für Höchstfrequenztechnik, Berlin

PROF. DR. ANDREAS TÜNNERMANN
IOF Fraunhofer-Institut für angewandte Optik und Feinmechanik, Jena

PROF. DR. BERND WILHELMI
Jena

FINANCIAL GLOSSARY A – Z

A

ACCRUALS: Balance sheet liabilities that include future payments and reductions in value as expenses for the accounting period. The exact amount and/or time of payment for these items are not yet determined by the balance sheet date, but their occurrence is quite certain.

ACCRUALS AND DEFERRALS: Payments made or received during the accounting period, but which refer to a period after the balance date.

AFFILIATED COMPANIES: JENOPTIK AG and all its subsidiaries, whether or not they are included in the consolidated financial statements.

ASSET RATIO: Figure used in the analysis of the asset structure which describes the ratio of non-current assets to total assets.

ASSOCIATED COMPANIES: Companies not completely or majority owned by the parent company, but upon which the parent company exercises significant influence (with an ownership interest of more than 20 percent).

AT-EQUITY EVALUATION: The evaluation of an interest in an affiliated company reflecting the company's shareholders' equity and annual earnings proportionate to the interest held.

B

BOOK-TO-BILL RATIO: Order intake to sales for a fiscal year. A ratio of over 1.00 indicates that order intake surpassed sales for the fiscal year, likely leading to an increase in order backlog. This is usually also a good indicator of a future rise in sales.

BORROWED CAPITAL: Capital that a company receives as a credit to finance fixed and current assets.

C

CAP.: In a contractual agreement of this sort, the purchaser pays for a guaranteed interest rate cap for an agreed period of time. If the market interest rate rises above the cap on the specified interest determination dates for the next interest period, the cap seller must pay the difference.

CAPITAL EXPENDITURE: Expenditure on items required for production purposes over a period of more than a year, such as buildings, machinery and computer programs. Capital expenditure is subject to depreciation throughout its useful life.

CASH FLOW: A corporate analysis figure that sheds light on the earnings and financial strength of the company which indicates the amount of liquid funds the company has at its disposal within a specific period of time as a result of its economic turnover.

COMMERCIAL PAPERS: Money market papers with a term of between 7 and 270 days. They are placed on the money market mostly by companies with a very good credit rating. The terms of these debt instruments can be determined flexibly to meet the needs of the companies. Interest payments proceed through the calculation of a loan discount.

CONSOLIDATION: The incorporation of partial accounts into a total account, such as the incorporation of the individual balance sheets of group companies into a group balance sheet.

CONSOLIDATION OF ASSETS AND LIABILITIES: Adjustments necessary in consolidated financial statements that offset all group-internal receivables and payables – not only the positions included in the balance sheet.

CONSOLIDATION OF EQUITY: Equity relationships between companies within a group are consolidated as a part of the overall consolidation process. This entails offsetting the book value of the investment in the subsidiary against the shareholders' equity of the subsidiary.

CONSOLIDATION OF INCOME AND EXPENSES: Only expenses and income arising from transactions with third parties outside the group may be included in the consolidated income statement. Therefore income and expense items which arise from the group-internal supply of goods and services need to be offset against each other in the consolidated financial statements.

CONSOLIDATED COMPANIES: Companies included in a group's consolidated financial statement.

CORPORATE GOVERNANCE (CODE): This code determines the guidelines for the transparent management and supervision of a company. The recommendations of the Corporate Governance Code provide for transparency and increase trust in responsible management. The recommendations protect the shareholders in particular.

D

DEBENTURE LOANS: Debenture loans are another form of (long-term) external financing for companies, in addition to bank credits and bonds. The borrower is granted a loan against a debenture by large financial intermediaries (in general credit institutions) without having to access the organized capital market.

DEBT: This includes all long-term and short-term interest-bearing third-party capital, including bonds, participatory capital, bank loans and loans from social welfare funds.

DEFERRED TAXES: Temporary tax expense differences between individual or consolidated group accounts in accordance with commercial law and tax returns. This figure is a measure of the relationship between company results and tax expenses.

DEPRECIATION: Capital expenditure is subject to depreciation throughout its entire useful life, with the purchase price being amortized over a period of time.

DERIVATIVES: Derivatives are derived financial instruments dependent on the price development of the underlying assets (e. g. shares, interest rates, currencies, or goods). The basic forms are futures and options.

DISAGIO: The difference between the amount of a loan to be repaid and the amount received when the loan was granted.

DISINVESTMENT: The effect of depreciation surpassing replacement investment (e. g. to maintain production machinery).

DUE DILIGENCE: Due diligence is the intensive investigation and evaluation by external experts of the financial, legal and commercial situation of a company including risks and prospects. This analysis is a prerequisite in, e. g., the preparation process for IPOs, the acquisition or sale of companies or company segments, the granting of credits and for capital increases.

E

EBIT: Earnings before interest and taxes.

EBITDA: Earnings before interest, taxes, depreciation and amortization.

ELIMINATION OF GROUP-INTERNAL PROFITS AND LOSSES: For the purposes of the consolidation process, group-internal profits and losses arising from the delivery of goods or services between group companies are not considered valid until the asset in question departs from the group. The elimination of group-internal profits and losses is made possible through the evaluation of deliveries and services according to uniform group acquisition and production costs.

F

FREE CASH FLOW: The free cash flow is the cash flow available. The amount of the free cash flow is regarded by financing institutions as an indicator for the ability to repay credits and is therefore often used as basis to calculate the financing capacity. The free cash flow is calculated taking the cash flow from operating activities (before income taxes and interests) less investments from operating activities plus disinvestments.

FREE FLOAT: Scattered company shares held by a large number of different investors.

FINANCIAL LIABILITIES: These include all current and non-current interest-bearing external finances, e.g. bonds, bank liabilities, and leasing liabilities.

G

GOODWILL: The purchase price of a newly acquired company minus its shareholders' equity (assets minus liabilities).

H

HEDGING: Through hedging, existing securities can be protected against negative price trends though the purchase or sale of derivatives (futures, options, swaps).

I

IFRS / IAS (INTERNATIONAL FINANCIAL REPORTING STANDARDS): These internationally valid accounting standards ensure the comparability of consolidated financial statements and, through their particular transparency, satisfy the information requirements. The sections of the IFRS are known as the IAS (International Accounting Standards), while the newer sections are referred to as IFRS.

J

JOINT VENTURE: Economic cooperation between companies, usually limited in time and scope which is run by the partner companies together.

M

MARKET CAPITALIZATION: Number of shares multiplied by share price.

MINORITY INTERESTS: Interests in Jenoptik Group companies that are not majority-owned by JENOPTIK AG or the group companies. They are included in the earnings and net assets of the subsidiary company.

O

OPTION: The right to purchase (call option) or sell (put option) the underlying of an option (e.g. securities or currencies) at a previously agreed price (exercise price) at a specific time or within a specific period of time.

P

PERCENTAGE-OF-COMPLETION METHOD: A procedure in accordance with IAS 11, which computes sales revenue, order costs, and order results deriving from partial payments on a long-term customer-specific contract or similar services in accordance with the degree to which the project is completed. This method is also valid when the order has not yet been fully completed although the customer has paid the invoice.

PREPAID AND DEFERRED EXPENSES: Payments which are made or received in advance in the period under report but concern a period after the balance sheet date.

PROJECTED-UNIT-CREDIT METHOD: A method used to evaluate pension obligations in accordance with IAS 19, which includes the expected future increase of salaries and pensions in addition to the pension benefits secured before the cut-off date.

PURCHASE PRICE ALLOCATION: The method of dividing the purchase price of a newly acquired company among its assets and liabilities.

R

RETURN ON SALES: Earnings after tax divided by sales.

RETURN ON EQUITY: Ratio of earnings after tax and capital employed.

R + D RATIO: R + D expenditure as a percentage of sales.

REVENUE RESERVES: Reserves that are accumulated from undistributed profits.

S

SHAREHOLDERS' EQUITY: The capital contributed by a company's owners (shareholders) that is gradually accumulated within the company in the form of reserves. It is available for use by the company in the long term.

SHAREHOLDERS' EQUITY RATIO: Ratio used in capital structure analysis depicting the ratio of the shareholders' equity in the total capital (shareholders' equity divided by the balance sheet total).

SWAP: An agreement between two companies to exchange cash flows. In the case of an interest swap, fixed interest payments are swapped for floating payments for a nominal fee.

T

TREASURING: Management of finances – a major task of the corporate finance area. The aim of Treasuring and its control instruments is to optimize liquidity and profitability of the company.

V

VALUE ADDED: The growth in value that is created through company operations, in addition to goods and services purchased from outside the company. Value added is then distributed as labor costs, taxes, interest, profits and dividends.

W

WORKING CAPITAL: Sum of inventories and receivables from operating activities less trade accounts payable, PoC (percentage of completion) liabilities and on-account payments received.

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The contents of this publication address men and women equally.
For better readibility, the masculine forms are used normally.

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

SELECTED INVESTMENT COMPANIES (as at February 2013)

100 %	**ESW GmbH** Germany, Wedel
50 %	**HILLOS GmbH** Germany, Jena
100 %	**Hommel-Etamic GmbH** Germany, Villingen-Schwenningen
100 %	**HOMMEL-ETAMIC America Corp.** USA, Rochester Hills (MI)
100 %	**Hommel-Etamic France SA** France, Bayeux Cedex
100 %	**Hommel-Movomatic Suisse SA** Switzerland, Peseux
100 %	**JENOPTIK Automatisierungstechnik GmbH** Germany, Jena
100 %	**JENOPTIK Diode Lab GmbH** Germany, Berlin
99 %	**JENOPTIK do Brasil Instrumentos de Precisão e Equipamentos Ltda.** Brazil, São Bernardo do Campo
66,58 %	**JENOPTIK Japan Co. Ltd.** 1) Japan, Yokohama City (Kanagawa)
66,60 %	**JENOPTIK Korea Corp. Ltd.** 1) Korea, Pyeongtaek
100 %	**JENOPTIK Laser GmbH** Germany, Jena
100 %	**JENOPTIK North America, Inc.** USA, Jupiter (Florida)
100 %	**JENOPTIK Optical Systems GmbH** Germany, Jena
100 %	**JENOPTIK Optical Systems, Inc.** USA, Jupiter (Florida)
100 %	**JENOPTIK Polymer Systems GmbH** Germany, Triptis
100 %	**JENOPTIK Robot GmbH** Germany, Monheim
100 %	**JENOPTIK Robot Malaysia SDN. BHD.** Malaysia, Kuala Lumpur
100 %	**JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd.** China, Shanghai
100 %	**JENOPTIK South East Asia Pte. Ltd.** Singapore
100 %	**JENOPTIK SSC GmbH** Germany, Jena
100 %	**Lechmotoren GmbH** Germany, Altenstadt
100 %	**Multanova AG** Switzerland, Uster
100 %	**PHOTONIC SENSE GmbH** Germany, Eisenach
100 %	**Traffipax Inc.** USA, Linthicum

The above mentioned investment companies are not necessarily direct shareholdings of JENOPTIK AG.
1) not consolidated

DATES 2013

MARCH 26, 2013
Publication of the Annual Report 2012

MAY 8, 2013
Publication of the Interim Report
January – March 2013

JUNE 4,2013
General Meeting of JENOPTIK AG 2013

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Publication of the Interim Report
January – June 2013

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January – September 2013

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