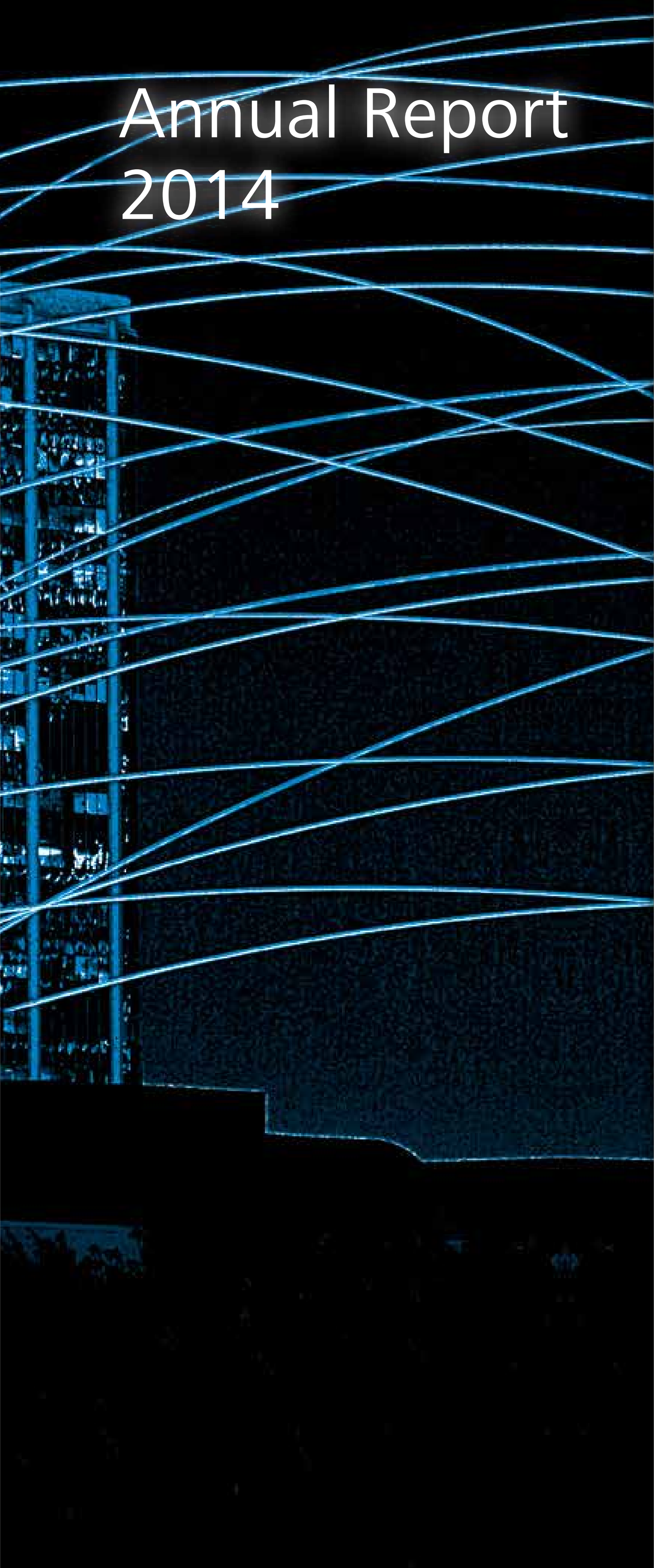
JENOPTIK

Experts in

PHOTONICS

Annual Report 2014

Annual Report 2014



A portrait of Jenoptik

We are a globally operating integrated Photonics Group which is present in more than 80 countries. Optical technologies are the very basis of our business. Our customers primarily include companies in the semiconductor equipment, automotive and automotive supplier, medical technology, defense and security as well as the aviation industries. In 2014, Jenoptik had 3,553 employees.

590.2
Group revenue 2014 in million euros

76.1
EBITDA 2014 in million euros

51.6
EBIT 2014 in million euros

8.7
EBIT margin in percent

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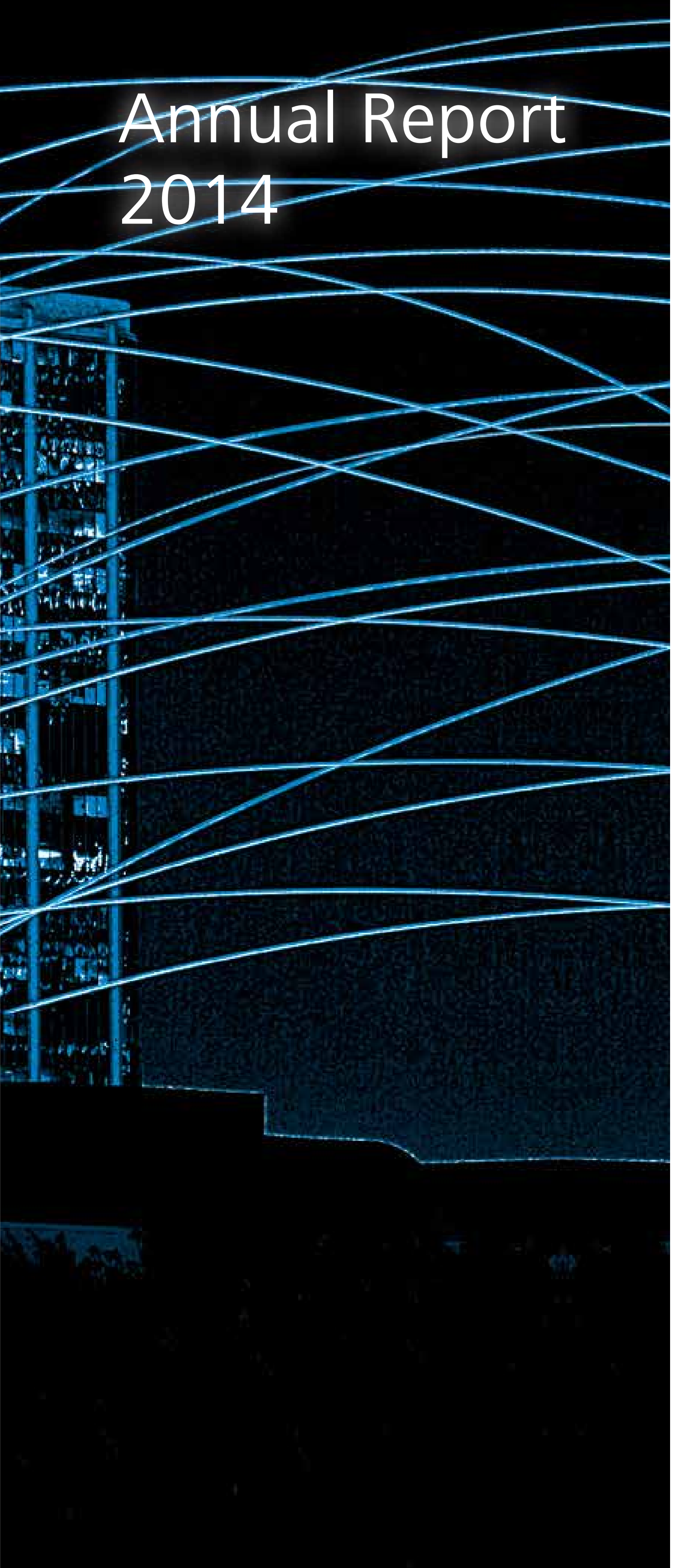
Annual Report 2014



Key figures of Jenoptik

in million euros	2014	2013	Change in %
Sales	**590.2**	**600.3**	**–1.7**
Domestic	211.1	228.4	–7.5
Foreign	379.1	371.9	1.9
EBITDA	**76.1**	**74.8**	**1.7**
EBIT	**51.6**	**52.7**	**–2.2**
EBIT margin (EBIT in % of sales)	**8.7**	**8.8**	
Earnings before tax	**46.1**	**47.2**	**–2.4**
Earnings after tax	**41.6**	**47.2**	**–11.8**
Free cash flow (before income tax)	**22.5**	**47.0**	**–52.2**
Investment in tangible and intangible assets	**29.9**	**24.4**	**22.9**
Order intake	**589.2**	**575.3**	**2.4**

in million euros	31/12/2014	31/12/2013	Change in %
Order backlog	**422.5**	**411.4**	**2.7**
Employees	**3,553**	**3,433**	**3.5**

You may find a digital version of our Annual Report on our web page at www.jenoptik.com/annual-report. Our Jenoptik app provides an optimized view of the report on mobile devices. The app is available for download in the App Store and at Google Play.

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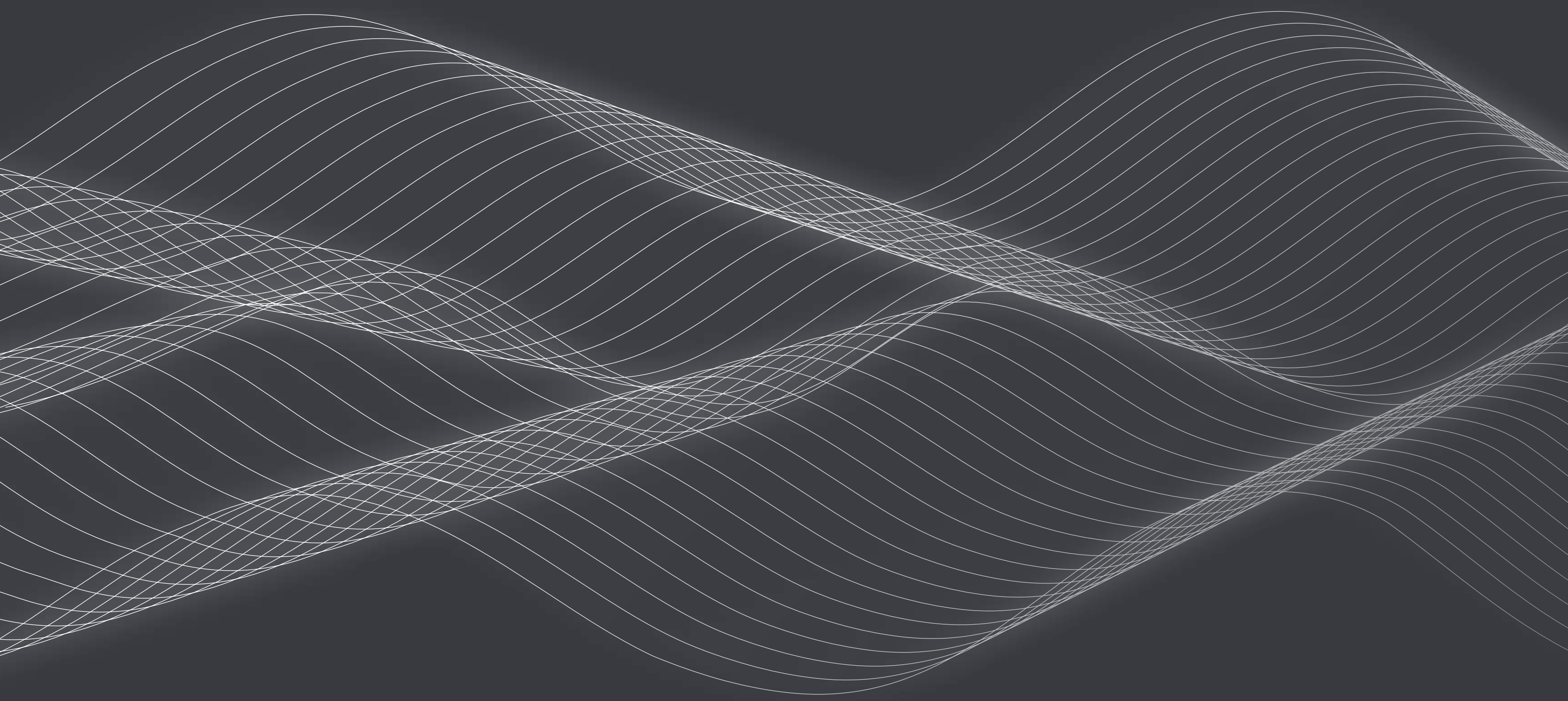
Light:

A tool for the future



▪ **Communications:** Exchanging information efficiently, bridging distances rapidly, storing large amounts of data in a small space ▪ **Health and life sciences:**

At Jenoptik, we are able to put light to use as a tool in all of its many facets and possibilities. We have been employing the special qualities of light to bring about excellent **new products and solutions** for several decades.

The significance of photonics will continue to grow dynamically in the years to come, and it will play a major role in boosting technological efficiency. As a crossover technology, photonics is one of the main motors of innovation and economic growth today. And at Jenoptik, we are excellently positioned to take part in this development.

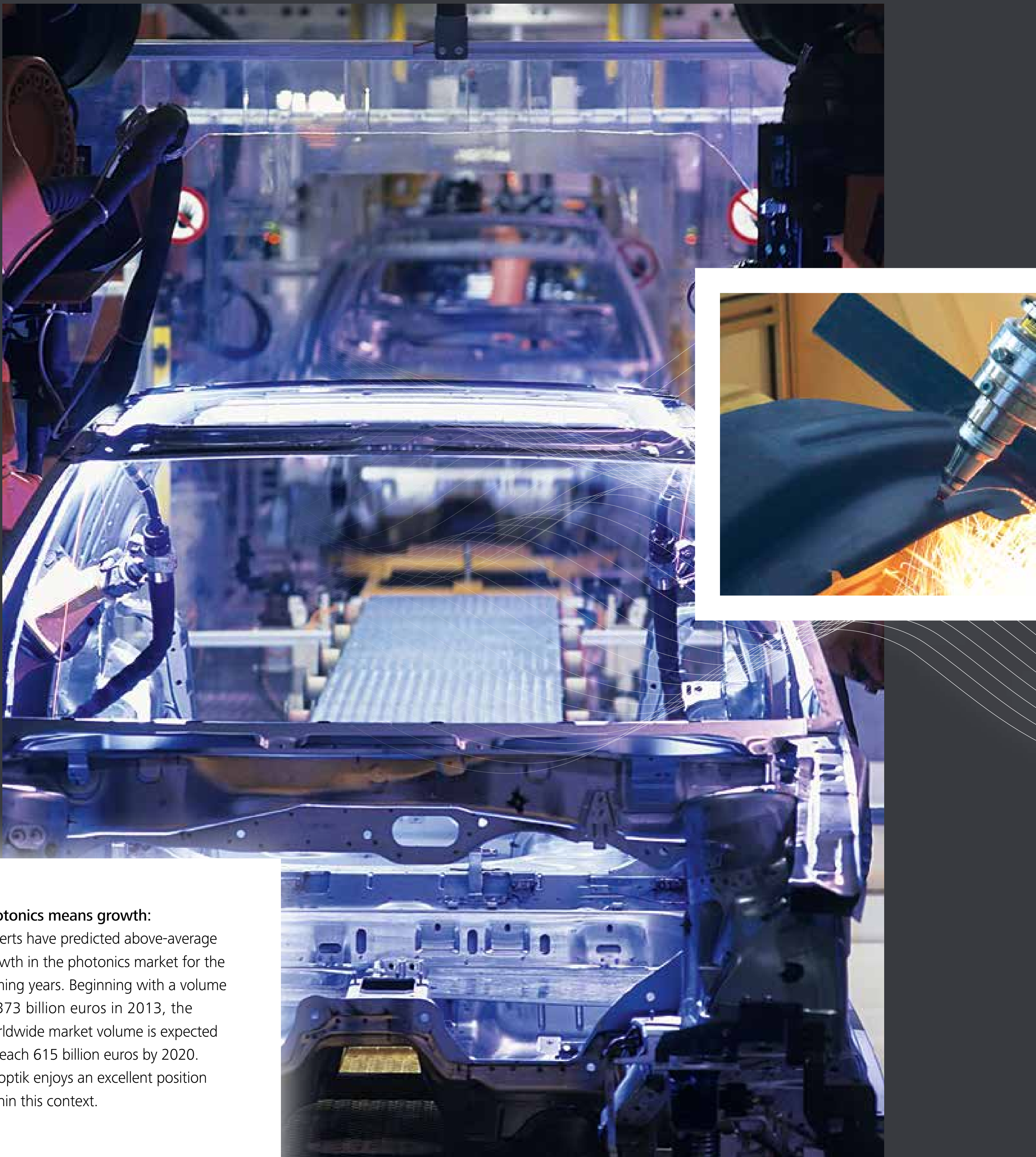
Recognizing illnesses more rapidly, providing people with gentle medical treatment, improving people's quality of life, improving food security ■ **Protection of the climate**

What is photonics?
Photonics makes use of the particular qualities of light for use in modern technical applications and solutions in virtually all important areas of industry and our lives. The term reflects the importance of the photon, or light particle, just as the term “electronics” refers to the electron.

and the environment: Detecting, eliminating, or reducing hazardous materials, recognizing heat loss ▪ **Safety and security:** Saving lives, keeping people safe, monitoring

Making mobility safer

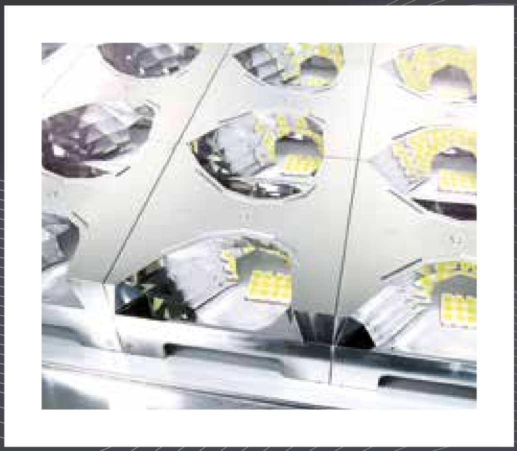
Photonics lays the foundations for intelligent traffic solutions. Complex traffic movements can be recorded and large amounts of data processed in the blink of an eye. Driver assistance systems can defuse critical situations in almost real time. Photonic technologies are crucial to the implementation of futuristic mobility solutions such as automatic vehicles and pilotless air and rail traffic.

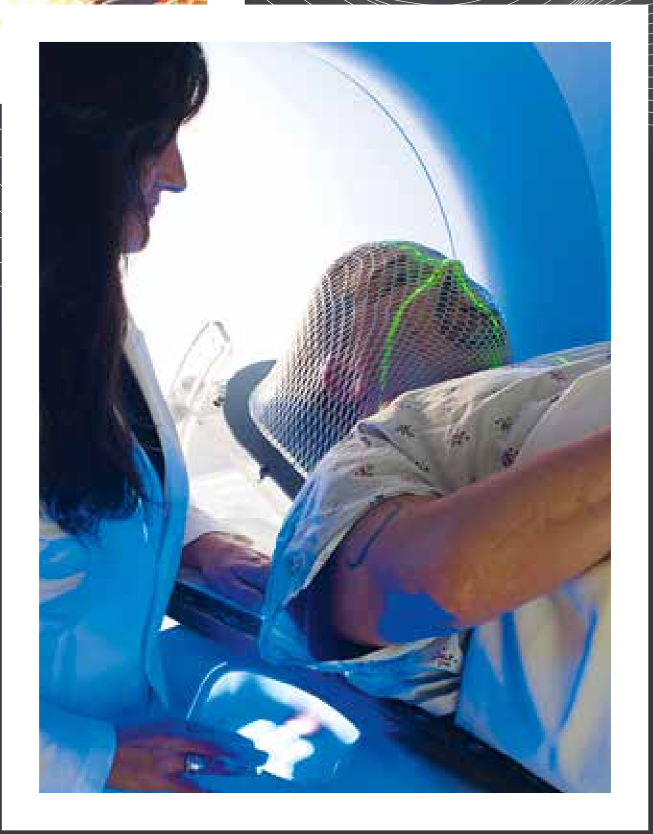


Photonics means growth:
Experts have predicted above-average growth in the photonics market for the coming years. Beginning with a volume of 373 billion euros in 2013, the worldwide market volume is expected to reach 615 billion euros by 2020. Jenoptik enjoys an excellent position within this context.

mobility possible, making engines more efficient ■ **Aerospace:** Reducing weight, increasing capacities, safeguarding communications, making navigation more reliable

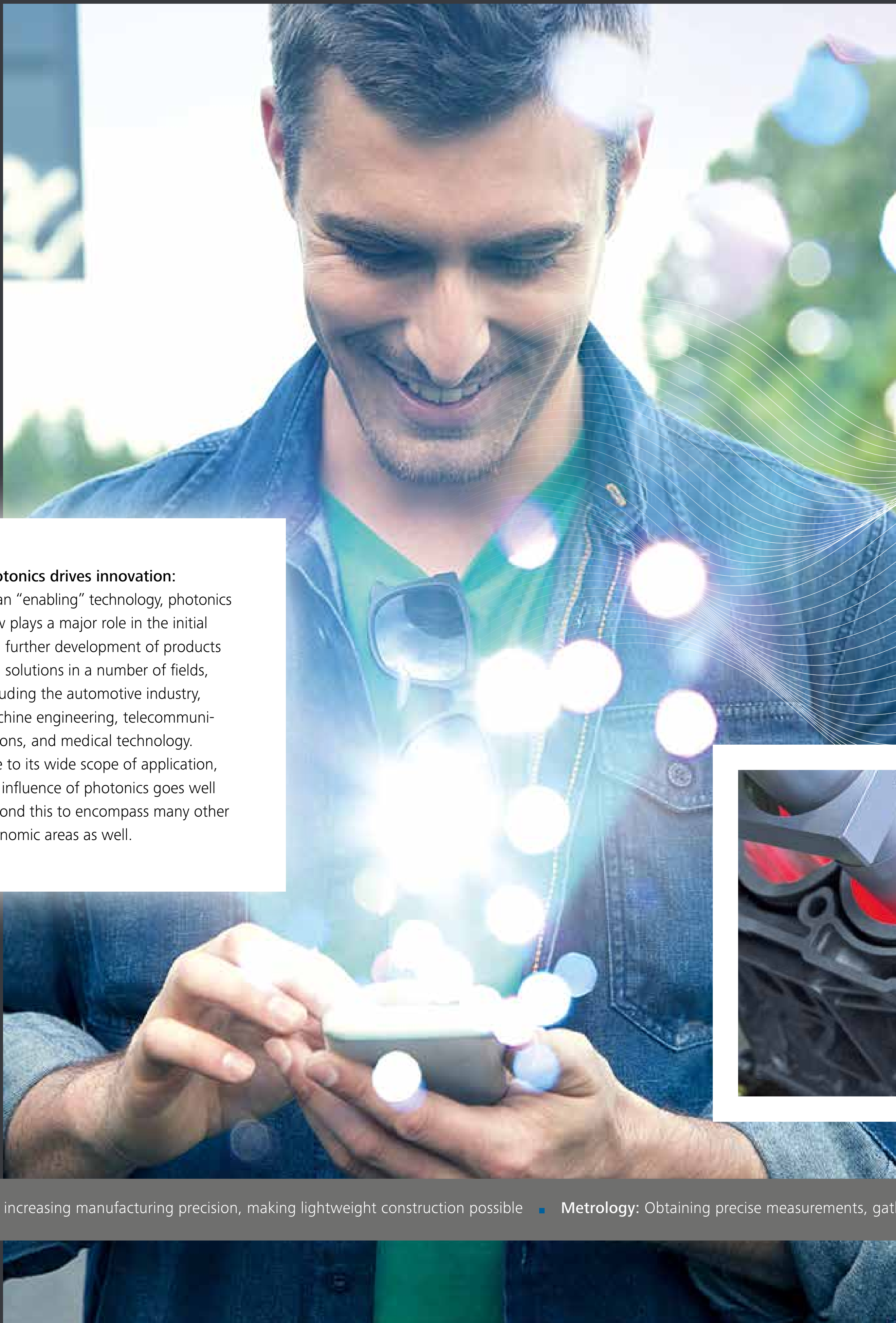
Using light energy with efficiency and precision





Light energy is used in photonics with precision for a wide variety of applications. Lasers are now being used in growth markets the world over as a high-performance precision tool, adaptable to each task at hand – from automobile production and aerospace to the manufacturing of highly efficient LED lighting modules. Lasers also now allow for minimally invasive medical procedures with fewer and weaker side effects.

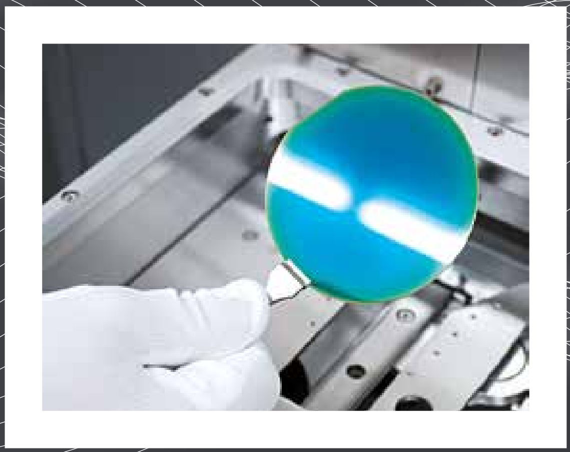
- **Infrastructure:** Making complexity manageable, steering and monitoring processes
- **Car and vehicle manufacturing:** Reducing resource use, improving energy



Photonics drives innovation:
As an "enabling" technology, photonics now plays a major role in the initial and further development of products and solutions in a number of fields, including the automotive industry, machine engineering, telecommunications, and medical technology. Due to its wide scope of application, the influence of photonics goes well beyond this to encompass many other economic areas as well.

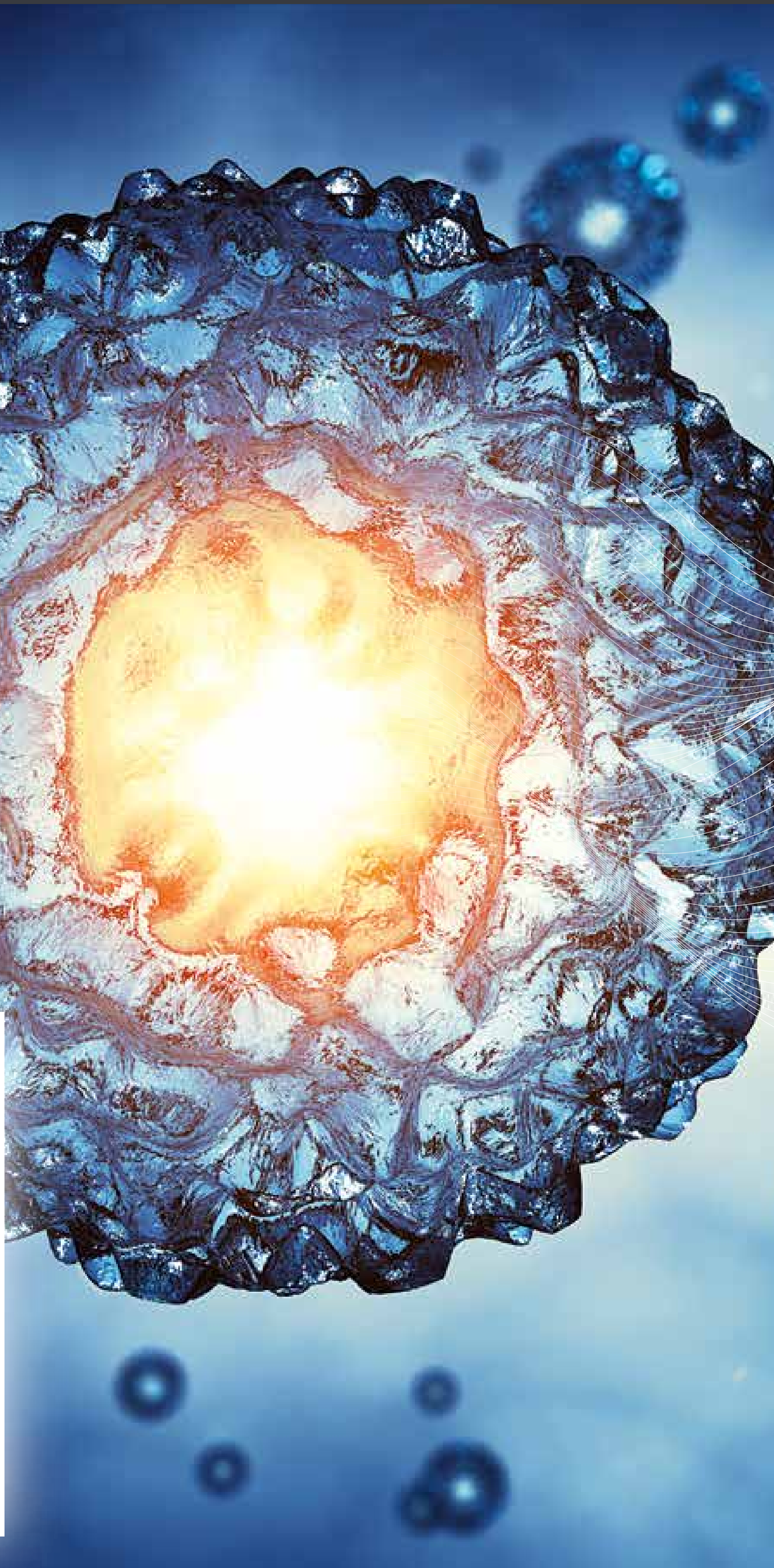
efficiency, increasing manufacturing precision, making lightweight construction possible ▪ **Metrology:** Obtaining precise measurements, gathering new knowledge,

Forming the future with precision performance



Precision photonics is used in the production of highly complex computer chips for countless industrial fields of application. These chips are indeed already a major component of our everyday mobile electronics. Innovative coating processes protect their surfaces better from damage, and ultrashort laser pulses provide for an improved microstructuring of sensitive materials in areas such as medical technology. With high-precision processing methods, photonics helps to improve conventional materials while making it possible to use new materials as well.

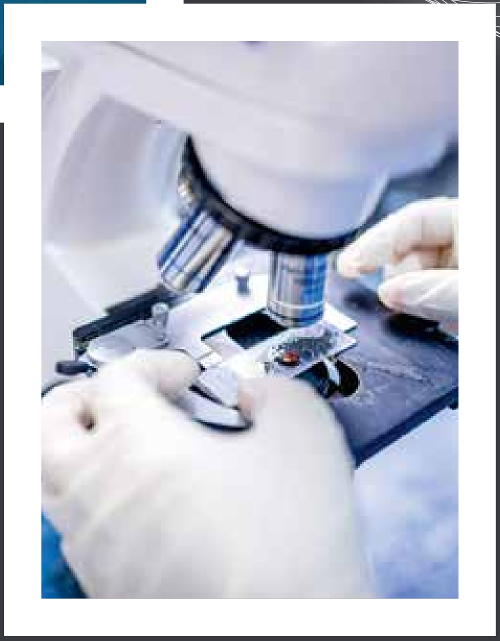
improving efficiency, reducing costs, raising product longevity, improving quality ▪ **Sources of light:** Saving energy, creating an atmosphere, supporting efficient work



Photonics is Jenoptik:
A major portion of our revenue is directly related to photonics. This includes areas of importance such as 3-D laser material processing, the production of high-performance microchips and medical diagnostic and therapeutic instruments, industrial metrology, sensors for modern street traffic monitoring systems, and energy-saving lighting methods as well as LED display technologies.

methods, improving safety at work ▪ **Production and machine construction:** Reducing waste, optimizing production times, reducing throughput times, improving

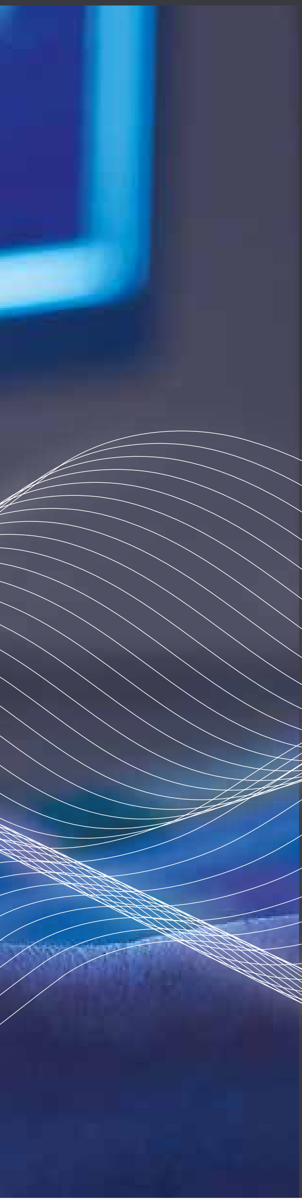
Protecting people's health into the future



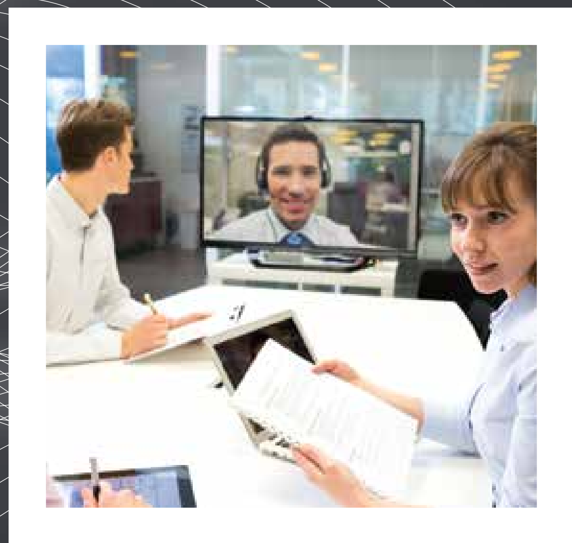
Optical imaging processes provide new insights into the complex interplay of various factors within our bodies. These methods allow for better diagnoses and make the microscopic analysis of living cells possible alongside the parallel analysis of a variety of substances. Illnesses can thus be researched with increasing precision and individual therapies can be developed such as genetic analysis and cancer therapy. Photonics technologies also play a key role in the production of medical instruments and implants.

Photonics is the future!
Whether it comes to saving resources or providing energy, protecting the environment, the food supply or healthcare, people today are faced with numerous challenges that can be met with the help of "solutions with light". In connection with other technologies, this will lead to numerous new areas of development, as we move forward into the future.

research ▪ **Sensors and analysis:** Improving analysis results, making detailed analysis more precise, creating innovative solutions ▪ **Lithography:** Establishing



Bringing worlds together in the blink of an eye



The mobile age has brought about a merging of our communications channels. We are able to be everywhere in real time with the multi-functional systems we use to communicate, take photographs, make films, and use as projection devices. Exchanging large amounts of data across the world has become a regular part of our everyday lives. Modern communications is indeed unthinkable without the use of photonics. Optical transmission and data storage allows us access to information from all around the world within seconds.

innovative areas of application, manufacturing nanostructures, making mobile devices more powerful, saving energy through downsizing

Dr. Michael Mertin, President & CEO

Foreword by the Executive Board

Dear shareholders,

Even though the past year was quite challenging for us, Jenoptik is on a stable track. We had hoped for better economic results in 2014 and cannot be satisfied with these. Nevertheless, we did make progress on the operational front, for example in the ongoing development of our processes and systems, and with our internationalization strategy. We look forward to the current year with confidence. As long as the underlying sentiment in the political and economic environment remains stable, we are sure of significant growth in both revenue and earnings in 2015.

But let's now cast our eyes over the past year. We got off to a good start, but did have to deal with a range of adverse external influences from the middle of the year. As you know, we therefore downgraded our economic targets in the course of 2014. This meant a drop in revenue for the full year from 600.3 million euros in 2013 to 590.2 million euros.

Key factors were persistently weak markets in other European countries, the continuing geopolitical crises, customer project postponements and demand far below our expectations from the machine construction, automotive and semiconductor equipment industries. Tightened export restrictions issued by the German government, in particular, thwarted our growth plans.

Although these unexpected developments heavily impacted on our business, we still managed to improve our gross margin and earnings before interest, taxes, depreciation and amortization (EBITDA) in 2014. At 51.6 million euros and an EBIT margin of around 8.7 percent, we again achieved good results – without neglecting to make considerable investment in our future. In this respect, we benefited from our robust financing and improved cost and process management across the Group.

We also made good progress on the strategic front in 2014, extending our reach into global growth markets with two company acquisitions in the United Kingdom and the Netherlands together with the takeover of our joint venture in India. The purchase of the British company Vysionics, a leading supplier of traffic safety technology, was successfully completed. It was our first major acquisition in many years.

We have won new key customers and are pleased to report good project start-ups in the medical technology and life sciences sector. Orders for lasers and energy systems were also received from new customers. Our excellence programs are running to schedule, and this year were expanded by a new "Market Excellence" module which in future will improve sales activities throughout the Group.

These successes prove Jenoptik's competitiveness and unswerving dedication to its adopted strategy, even in a challenging environment. In other words, we've done many things right in the last few years and our strategic orientation remains our benchmark. Nevertheless, we regularly assess whether and to what extent we have to make adjustments in the short term.

Having created a solid basis for the future, however, it is also clear that we cannot afford to sit back. Over the mid-term, we aim to grow Group revenue to 800 million euros and achieve an EBIT margin of between 9 and 10 percent over the market cycles by 2018. This requires concerted efforts to push on with the various measures and changes required in all of our areas.

We look forward to the current fiscal year with optimism: we expect to generate Group revenue of between 650 and 690 million euros in 2015, with the US and Asia making higher contributions to revenue and earnings. We also expect the outcomes of our Group development projects to further positively impact on our quality of earnings, allowing us to achieve an operating earnings margin within the range of 8.5 to 9.5 percent.

These targets may be ambitious, but they are also realistic. They are backed up by a well-filled project and order pipeline, positive developments from the recent acquisition of Vysionics in the United Kingdom and the major orders in our Defense & Civil Systems division, which were postponed from 2014 to the current fiscal year.

The topic of internationalization remains one of our key priorities, as this is an area in which we still have some way to go. Jenoptik today is a "global seller" and therefore needs to put in a good deal of development work to become a "global player". We want to get closer to our goal in 2015 by increasing our reach into global markets, primarily focusing on the above-noted growth regions of the US and Asia.

At the same time, we will continue working on our structures, processes and the growth of our product portfolio. All of this with the aim of stabilizing and boosting our value creation.

Honored shareholders, customers, partners and employees, we have consciously taken the decision to place Jenoptik on a strategic course geared toward mid and long-term targets. This doesn't mean, however, that we've lost sight of day-to-day events, but external uncertainties as seen in recent months once more show how fast short-term planning can be overtaken by events. That's why we, as a company, will fare well by taking these types of external influence into account in our business activities and enhancing sustainable thinking. This is exactly what we do with our central theme of moving "From good to great".

The mainstay of our future success can be summed up in one word: excellence. We share this ambition across all levels of our company, and we also share it with our customers and partners. We want to do justice to it in 2015 as "Experts in Photonics" in 2015 – in full knowledge that the world, its markets and the competitive environment will again set us new challenges we cannot yet foresee. But we're well prepared, and together with our employees we look forward to meeting them with resounding success.

We thank you, dear shareholders and partners, for the trust you have placed in our company. In 2015, we will take every care to make sure we merit it.

Jena, March 2015

Michael Mertin

Rüdiger Andreas Günther

Dr. Michael Mertin
President & CEO

Dr. Michael Mertin joined the company as COO in October 2006 and has been the President & CEO of JENOPTIK AG since July 1, 2007. He is responsible for the operational business as well as for the areas of legal affairs, strategy, business development and innovation management, communication and marketing, quality and processes, purchasing and supply chain management, auditing, corporate governance, data protection, IT, Shared Service Center and, as Human Resources Director, for personnel. He has been appointed until July 30, 2017.

Rüdiger Andreas Günther
Chief Financial Officer

Rüdiger Andreas Günther has been Chief Financial Officer of JENOPTIK AG since April 1, 2012. He is responsible for the areas of accounting & controlling, treasury, taxes, risk & compliance management, mergers & acquisitions, investor relations and the strategic real estate portfolio. He has been appointed until March 31, 2015.

Report of the Supervisory Board

Honored Shareholders,

Global economic and business conditions deteriorated in the past fiscal year, with a decline in demand from the semiconductor equipment and automotive industries together with more stringent export restrictions issued by the German government particularly impacting on Jenoptik's business. The Supervisory Board provided significant support to the Executive Board throughout the fiscal year. Together, we addressed the challenges by resolutely implementing our strategy, improving our processes and further broadening our international reach, and can now look forward with confidence to the current fiscal year.

In the past fiscal year, the Supervisory Board diligently performed the duties imposed on it by law, by the Articles of Association and by the rules of procedure, regularly provided advice to the Executive Board on the management of the company and continuously monitored its work. The Executive Board directly involved the Supervisory Board in all decisions of fundamental importance to Jenoptik and notified it regularly, in good time and in full, both verbally and in writing, of the current status of business, the course of business and the economic situation, the risk position, risk management and issues relating to compliance, strategy and planning. All business operations of key importance to Jenoptik were discussed in detail on the basis of reports issued by the Executive Board in the meetings of the committees and the Supervisory Board, whose members examined the submitted reports carefully and were entitled to put forward their own proposals and suggestions at any time. The Executive Board set out in detail the reasons for any discrepancies between the planned and actual course of business to the Supervisory Board. It further maintained full compliance with the professional duties set out in § 90 of the Stock Corporation Act (AktG) and the German Corporate Governance Code ("Code").

The Supervisory Board gave its approval to business transactions requiring such approval following thorough examination and discussion. This, in particular, included the acquisition of a 91.97 percent stake in the British company Vysionics Ltd. in November 2014. Over the course of 2014, the Supervisory Board met for five ordinary meetings and one extraordinary meeting on the day of the Annual General Meeting, at which the members of the Executive Board were also present. Individual agenda items relating to personnel matters on the Executive Board were addressed without the presence of the members of the Executive Board. In addition, resolutions were adopted by written consent. No member of the Supervisory Board participated in fewer than half of the meetings. Overall, attendance at the meetings was 95 percent. Nine committee meetings were also held; of these, three Personnel Committee meetings and one Audit Committee meeting were held by phone, and one member was absent at each of two meetings.

The Executive Board and the Supervisory Board worked together in an atmosphere of mutual trust and understanding at all times. The Chairman of the Supervisory Board and the chairmen of the committees maintained ongoing contact with the Executive Board between the meetings of the Supervisory Board and the committees. Detailed monthly reports on the company's position were regularly sent to all members of the Supervisory Board between meetings. On a separate strategy day in November, the Supervisory Board discussed in detail the Group's long-term strategic positioning from a market, competition and customer perspective with the Executive Board, the members of the Executive Management Board as well as the Head of Strategy, and debated potential areas of growth for the segments.

Particular Subjects Discussed by the Supervisory Board

A recurrent subject at the regular meetings were the Executive Board's reports on the business situation of JENOPTIK AG and the Group, in particular current revenue and earnings performance and the financial and asset position, the JOE project (Jenoptik One ERP), real estate management, information on the development of the Jenoptik share and recent analyst assessments.

The members of the Supervisory Board adopted their report for the 2014 Annual General Meeting and approved the corporate governance report of the 2013 Annual Report by written consent in February 2014.

At its meeting on March 24, 2014, the Supervisory Board thoroughly examined and discussed JENOPTIK AG's Financial Statements, the Consolidated Financial Statements, the Management Report, the Group Management Report and the appropriation of the net profit in the presence of two representatives of the auditor. Following in-depth discussions, it approved the Executive Board's proposal for the appropriation of profits, providing for an increase in the dividend per no-par value share to 0.20 percent. The Supervisory Board also approved the corporate governance statement, which forms part of JENOPTIK AG's Management Report, and approved the Financial Statements of JENOPTIK AG and the Consolidated Financial Statements. The Financial Statements were thus adopted. Another core issue was the approval of the agenda for the Annual General Meeting on June 12, 2014. The meeting also considered the current Group Risk and Opportunity Report, settlement of the target agreements for Executive Board members in the 2013 fiscal year and the conclusion of new target agreements for 2014. The Supervisory Board additionally dealt with a revision to the Executive Board's rules of procedure.

The meeting on June 11, 2014 focused on the Executive Board's report on the current business and financial position of JENOPTIK AG and the Group following the end of the first quarter and the monthly financial statements as at April 30, 2014. The Executive Board reported at length on the acquisition of a further 70 percent stake in Robot Nederland B.V., the Supervisory Board discussed new legislative proposals in Germany and Europe and returned to the subject of the revision to the Executive Board's rules of procedure.

In a brief extraordinary meeting on June 12, 2014, the day of the Annual General Meeting, current issues relating to the forthcoming Annual General Meeting were discussed.

On September 16, 2014, the Executive Board reported on the Group's current business and financial position with reference to the half-year financial statements and the monthly report as at July 31, 2014. The Supervisory Board dealt in detail with the scheduled acquisition of a majority stake in Vysionics Ltd. and conferred on the Audit Committee its powers to further review the transaction. The Executive Board also presented the latest Group Risk and Opportunity Report.

On a separate strategy day in November, the Supervisory Board, together with the Executive Board, members of the Executive Management Board and the Head of Strategy, discussed the Group, segment and division strategies at considerable length. Subject to final review and approval by the Audit Committee, the Supervisory Board resolved to approve the acquisition of a 91.97 percent stake in Vysionics Ltd. following comprehensive discussion.

At the last meeting of the year, convened on December 10, 2014, the Supervisory Board addressed in detail the corporate planning for the 2015 fiscal year and the medium-term planning following a report on the business and financial position of the Group at the end of the third quarter and as at October 31, 2014. The Executive Board informed the Supervisory Board of the now completed acquisition of a majority stake in Vysionics Ltd. and its scheduled integration within the Jenoptik Group. The Supervisory Board appointed Mr. Hans-Dieter Schumacher as the new Chief Financial Officer to succeed Mr. Rüdiger Andreas Günther, and approved the content of the employment contract with Mr. Hans-Dieter Schumacher. The appointment and employment contract were conditional upon acceptance by Mr. Hans-Dieter Schumacher, who at the time had not given notice to terminate his previous employment relationship. Following a recommendation in the German Corporate Governance Code, the Supervisory Board further asked the Personnel Committee to prepare a resolution setting out the level of provision aimed for the Executive Board members. Together with the Executive Board and following a review of a corporate governance checklist, it also adopted JENOPTIK AG's declaration of conformity according to § 161 (1) of the Stock Corporation Act (AktG). At the recommendation of the Audit Committee and following a resolution at the Annual General Meeting on June 12, 2014, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed auditor and Group auditor for the 2014 fiscal year. The Executive Board informed the Supervisory Board of the status of projects in the finance department and presented Jenoptik's latest patent report. The Supervisory Board also discussed Jenoptik's liquidity planning and conferred on the Audit Committee the power to approve any submitted refinancing proposals. Another subject at the meeting was information relating to the conducted employee surveys and the promotion of the corporate values.

Work in the Committees

The Supervisory Board has established four committees to help perform its tasks with greater efficiency. To the extent permissible by law, in individual cases these committees make decisions in place of the Supervisory Board and prepare topics which are then addressed by the Supervisory Board. The chairmen or their deputies on the committees provided in-depth information on the content and outcomes of each committee meeting at the following meetings of the Supervisory Board. Information on the individual members of each committee can be found in the Group Notes to the Annual Report, from page 164 on.

The Audit Committee is headed by Mr. Heinrich Reimitz and convened four meetings and one conference call in the period covered by the report. The Chief Financial Officer was present at all meetings, the Chairman of the Executive Board participated on particular issues and two representatives of the auditor attended the first meeting in the fiscal year. In between meetings, the Chairman of the Audit Committee regularly shared information with the Chairman of the Supervisory Board, the Executive Board and the auditor. Following statutory requirements and those of the Corporate Governance Code, at least one independent member of the Audit Committee, in particular its Chairman Mr. Heinrich Reimitz, must possess expertise in the fields of financial accounting, internal control procedures and auditing. The Audit Committee discussed in detail the audit of the Financial Statements, the Consolidated Financial Statements, the Management Report of JENOPTIK AG and the Group Management Report, the appropriation of profits and, prior to their publication, each of the quarterly and mid-year reports.

During a conference call in January 2014 prior to publication of the preliminary figures, the Audit Committee together with the Executive Board discussed the key indicators in the 2013 fiscal year as well as current accounting issues in connection with preparation of the financial statements.

In the presence of the auditor, the balance sheet meeting on March 11, 2014 focused on the audit of JENOPTIK AG's Financial Statements, the Consolidated Financial Statements and the Executive Board's proposal for the appropriation of profits. The Audit Committee also dealt with the balance sheets and statements of income of key individual Jenoptik Group companies. It recommended that the Supervisory Board propose to the Annual General Meeting on June 12, 2014, that KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be appointed auditor and Group auditor for the 2014 fiscal year. In this context, the Audit Committee carefully considered the independence and qualifications of the auditor, including a review of the combined services rendered by the auditor outside the scope of audit in the past fiscal year. It also familiarized itself with the latest Group Risk and Opportunity Report, the status of the JOE project and current analyst assessments.

At the meeting on May 9, 2014, the Audit Committee closely examined the quarterly financial statements and the current status of the real estate portfolio. It was given an update on risk and compliance management, took an in-depth look at the status of financing projects and obtained detailed information on particular issues arising from the auditor's report at the balance sheet meeting in March 2014.

Alongside the half-year financial statements and the determination of the main points for audit of the 2014 fiscal year, the key matters discussed in August included the latest Group Risk and Opportunity Report and the status of the real estate portfolio. The Audit Committee also engaged with the JOE project, investor relations work and final issues arising from the financial statements audit for the 2013 fiscal year.

At its last meeting in November, the Audit Committee discussed the auditor's management letter and made preparations to grant the new auditing assignment, including an agreement on fees. As a result of the examination it presented a proposal to the Supervisory Board to appoint KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. The Audit Committee further dealt in detail with the financial statements as at September 30, 2014, and familiarized itself with current audit legislation at European level. The outcomes of the internal audits and their audit plans for the coming fiscal year were also addressed at the meeting. Due to a delegation by the Supervisory Board, the committee also considered the acquisition of Vysionics Ltd. at length and approved the purchase of a majority stake in the company.

The Personnel Committee is headed by the Chairman of the Supervisory Board, Mr. Rudolf Humer. The committee's work includes preparing the Supervisory Board's personnel-related decisions with respect to the executive positions and contracts of service of Executive Board members. It convened four times in the past fiscal year, on three occasions as combined conference call and face-to-face meeting.

The subject of the first meeting in early March was the settlement of the target agreements for the members of the Executive Board. In connection with this, the Personnel Committee submitted corresponding proposals to the Supervisory Board. At the meeting in late April 2014, the Personnel Committee dealt with the topic of a successor Chief Financial Officer following Mr. Rüdiger Andreas Günther's declaration that he would not seek to extend his contract beyond March 31, 2015. Discussions regarding the appointment of a successor CFO were also the subject of two meetings in November and early December. The Personnel Committee shortlisted a number of candidates, discussed the employment contract and then submitted its recommendations to the Supervisory Board.

The task of the Nomination Committee, also headed by the Chairman of the Supervisory Board, Mr. Rudolf Humer and consisting of the three shareholder representatives on the Personnel Committee, is to propose suitable candidates to the Supervisory Board for submission to the Annual General Meeting. It did not convene in the past fiscal year. In the year covered by the report, there was further no occasion for a meeting of the Mediation Committee formed according to § 27 (3) of the Codetermination Act (MitbestG).

Corporate Governance

In the past fiscal year, the Supervisory Board engaged with the principles of corporate governance on an ongoing basis and looked into developments in the German Corporate Governance Code and recent legislative proposals in the field of good governance at its meetings in June and December. In December, following comprehensive examination of a corporate governance checklist, and in conjunction with the Executive Board, the Supervisory Board adopted the updated declaration of conformity according to § 161 (1) of the Stock Corporation Act (AktG). The declaration of conformity is permanently available to shareholders on the company's website and can be found in the Annual Report from page 24 on.

The Supervisory Board uses a formal questionnaire every two years to regularly review the efficiency of its work. No efficiency deficits were established at the last evaluation in September 2013. The next formal self-assessment will take place in August 2015.

Individual members of the Supervisory Board do exercise an executive role at other companies with which Jenoptik has a business relationship. All of these business transactions, which are not of significant interest to Jenoptik, were conducted under the same conditions as would have been maintained with third-party companies. Detailed information on business transactions with such related companies can be found in the Group Notes to the Annual Report on page 160. Every member of the Supervisory Board openly discloses any potential conflicts of interest to the Supervisory Board. There were no conflicts of interest subject to reporting requirements which could have called the independence of the members into question under the directives of the Corporate Governance Code in the past fiscal year.

Detailed information on corporate governance at Jenoptik can be found in the Corporate Governance Report beginning on page 24 on of the Annual Report. A detailed description of the remuneration systems applicable to the Executive and Supervisory Boards, together with changes, can be found in the Remuneration Report from page 33 on. For a detailed remuneration breakdown for members of the Executive and Supervisory Boards, please see the Group Notes from page 163 on.

Financial Statements and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, audited the Financial Statements of JENOPTIK AG prepared by the Executive Board according to the provisions of the German Commercial Code (HGB), the Consolidated Financial Statements prepared according to § 315a of the German Commercial Code and on the basis of International Financial Reporting Standards (IFRS) and the Combined Management Report, and issued its unqualified approval. The auditor confirmed that the Executive Board has adopted suitable measures to ensure that developments which may endanger the continued existence of the company are identified in good time. The auditor undertook its work according to § 317 of the German Commercial Code, giving consideration to the generally accepted German auditing standards defined by the Institute of Public Auditors (IDW) in Germany. On completion, the audit reports were dispatched without delay and, together with the documents submitted by the Executive Board, discussed in great detail by the Audit Committee at its meeting on March 10, 2015 and by the Supervisory Board at its meeting on March 25, 2015. At both these meetings, two of the auditor's representatives reported personally on the key outcomes of their audits and on services rendered beyond the scope of the auditing work. They were also available to answer further questions and provide information. Key weaknesses in the accounting-related internal control system were not reported. The Chairman of the Audit Committee also reported in detail on the audits of the Financial Statements and the Consolidated Financial Statements prepared by the Audit Committee.

Following the final outcomes of the preliminary audit by the Audit Committee and its own review and discussion, the Supervisory Board raised no objections to the outcomes of the audit at its meeting on March 25, 2015 and approved the Financial Statements and Consolidated Financial Statements prepared by the Executive Board. The Financial Statements for 2014 are thus adopted according to § 172 sentence 1 of the Stock Corporation Act (AktG). The Supervisory Board discussed in detail the Executive Board's resolution on the appropriation of profits, which again provides for a dividend payment of 0.20 euros per no-par value share, and approved it following an internal review.

Composition of the Executive Board and Supervisory Board

In late April 2014, Mr. Rüdiger Andreas Günther announced his intention not to extend his contract beyond March 31, 2015. The Supervisory Board thanks him for his dedication and the lasting benefits he has contributed to the company. With effect from April 1, 2015, the Supervisory Board has appointed Mr. Hans-Dieter Schumacher as a Member of the Executive Board and the successor to Mr. Rüdiger Andreas Günther in the position of Chief Financial Officer. Mr. Hans-Dieter Schumacher is a highly experienced financial manager who will provide outstanding support to Jenoptik's Group and growth strategy.

Ms. Astrid Biesterfeldt has been a member of the Supervisory Board of JENOPTIK AG since April 10, 2014. She entered office as the successor representative of senior management to Mr. Ronald Krippendorf, who left Jenoptik of his own volition on March 31, 2014. Ms. Astrid Biesterfeldt was appointed by Jena district court on the request of the Executive Board with the support of the works council and the Supervisory Board. The Supervisory Board thanks Mr. Ronald Krippendorf for his dedicated and committed work.

We also extend our thanks to the members of the Executive Board and to all employees for their outstanding personal dedication, and to our shareholders for the trust they place in us.

Jena, March 2015

On behalf of the Supervisory Board

Rudolf Humer, Chairman of the Supervisory Board

Status Report 2014

Despite a challenging environment, Jenoptik made significant progress on its medium-term strategy of going “From good to great” in 2014 too. We made progress, not only with our internationalization strategy but also in the ongoing improvement of our processes and systems. The purchase of the British company Vysionics, a leading supplier of traffic safety technology was successfully completed; it was our first major acquisition in many years. New in the current year is a group-wide Market Excellence program to boost sales and further improve access to customers. In 2015 we will continue along our track with determination; the actions scheduled for the present fiscal year will help us to return, economically and otherwise, into our target range.

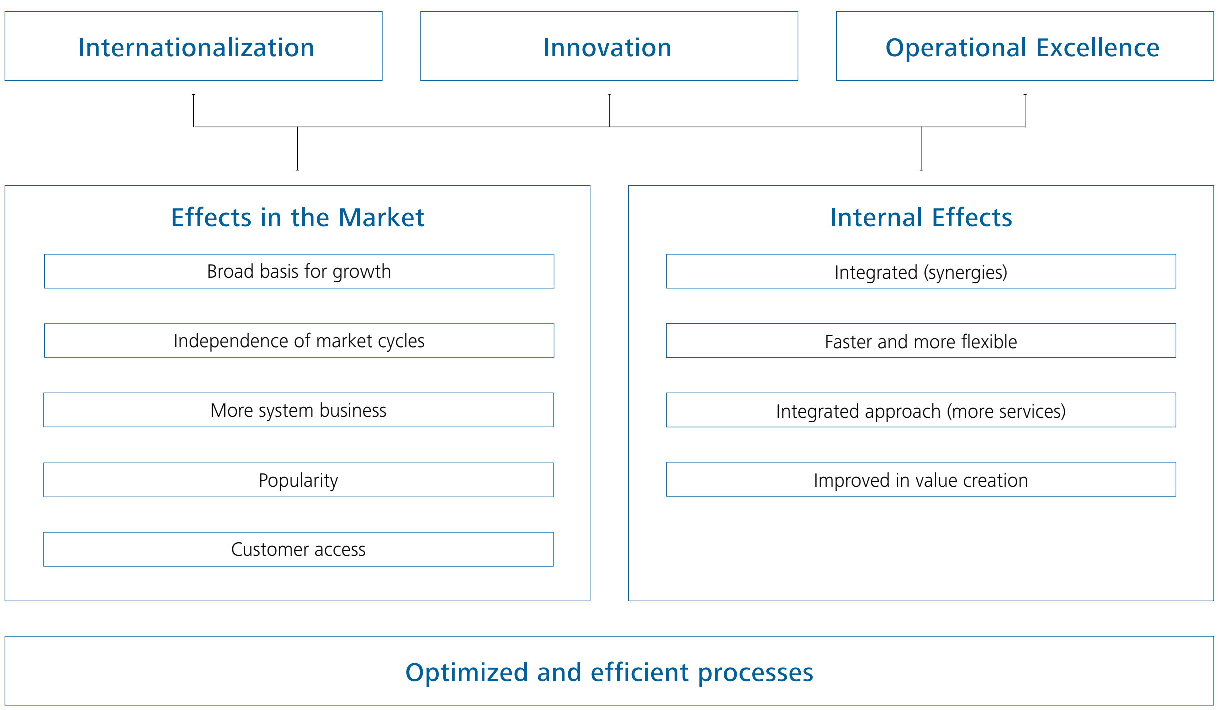
Lasting Profitable Growth as a Photonics Expert

Photonics is a key technology for the 21st century with a high leverage effect on many industries. An enabling technology, it already occupies a central role in the new and ongoing development of products and solutions in a wide range of sectors. Photonics also greatly contributes to increasing the efficiency of technological processes. Within this dynamic environment, we want to continue sustainable profitable growth as an expert in photonics and gradually become a global player.

Our objective, today and in the future, is to support our customers in the international markets as a systems partner with excellent solutions. In this process, we preferably target sectors serving the digital world, healthcare, mobility, safety and infrastructure megatrends. Our mid-term planning on the principle of growing “From good to great” charts our path to this future.

G 01

THE GROWTH MODEL



Strategic Growth Levers optimized in a Challenging Environment

Following a good start to the year, we were forced to contend with a range of adverse circumstances from the middle of 2014. Persistently weak markets in other European countries, unexpected and tangible customer reluctance to invest in the machine construction, automotive and semiconductor equipment markets and project postponements all had a noticeable impact on our business, which was further dampened by the tightened export restrictions issued by the German government.

While this did adversely affect our operational targets for 2014, it was not enough to knock us off our adopted course: on the contrary, the key figures for the year convincingly demonstrate Jenoptik's competitiveness and strength to stay on target, even in a challenging environment. As a result, we made excellent progress on the core strategic topics of "internationalization", "innovation" and "operational excellence" in 2014.

G 02

OUR MEDIUM-TERM TARGETS

Internationalization
Innovation
Operational Excellence

800

approx. 800 million euros
revenue in 2018

9/10

9 to 10 percent EBIT margin
over the market cycles

Internationalization

We stepped up our focus on the Asia-Pacific and US markets in 2014. At the same time and in line with our strategy, we invested specifically in companies which can sustainably assist our growth plans. In April 2014, we increased our stake in Robot Nederland, a Dutch supplier of traffic safety technology, from 30 to 100 percent, and integrated the company within our Group structure. This move is consistent with our strategy to drive forward the internationalization process from within the regional markets. Directly following the acquisition of our long-standing Dutch sales partner, our joint expertise and reach allowed us to secure a further order in the Netherlands.

In June, we increased our stake in the Indian joint venture HOMMEL-ETAMIC Metrology India from 51 to 100 percent. The new company will in future be available not only to Industrial Metrology but also all our other Group divisions. Moving forward, this means that alongside the automotive industry and its supplier companies we will also be targeting the markets served by the Traffic Solutions, Optical Systems and, for civil applications, the Defense & Civil Systems divisions.

In November, we acquired a 92 percent stake in Vysionics, a leading supplier of traffic safety technology in the United Kingdom. This company not only gives us access to the important British growth market but also expands our product range with cutting-edge technologies for key forward-looking solutions to ensure better traffic safety around the world.

The share of revenue generated abroad in the past year rose to 64.2 percent of overall Group revenue.

In the current year 2015, we are focusing on growing our market coverage in the established regions and continuing to invest in the international expansion of sales structures. In Asia, we want to keep growing following excellent progress in 2014. Americas and Asia remain at the heart of our internationalization strategy; we want to generate around 40 percent of revenue in these regions by 2018. We expect to secure further international customer projects in 2015. Alongside organic development, we will continue to buy in products and services wherever we see worthwhile prospects.

Innovation
In line with our aspiration, we selectively added innovative products to our range in 2014. For example, in the Lasers & Material Processing division we expanded the product range to include high-power laser systems for applications in micromaterial and macromaterial processing and in medical technology. We augmented our outstanding expertise in optical systems, in particular with micro-optics and the development of high-end lenses for semiconductor production. In the Metrology segment we actively developed new products: new standardized measuring systems were launched which are easy to integrate within the automated production processes of the automotive industry.

In total, we invested almost 50 million euros in research and development in 2014, putting us slightly below R+D output in 2013 but almost at the prior-year level on the basis of revenue. The number of patent registrations, at 43, was at a high level, with particular importance accorded to registrations in dynamic growth markets such as China, Korea and the US.

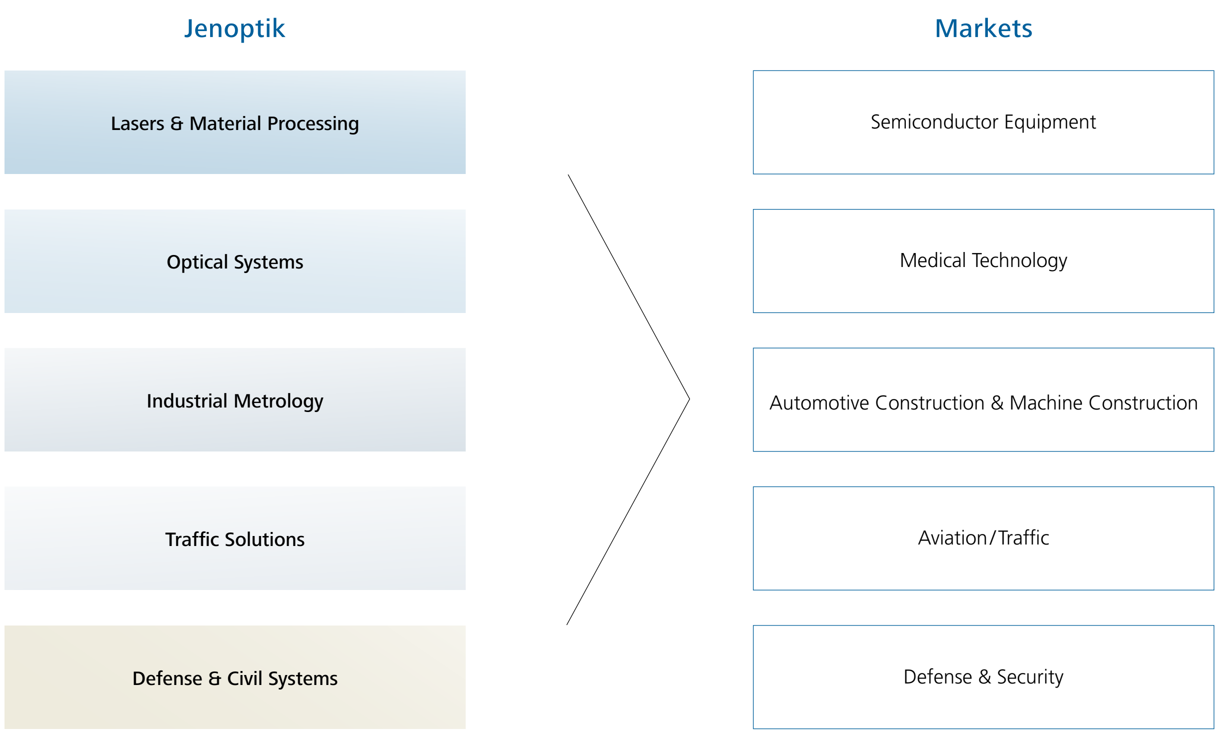
Our expertise in systems development is helping us to successfully complete our desired transformation from being a supplier of components to becoming a systems supplier – with deeper integration in our customers' value-added chains. We expect to forge more intensive relationships and develop more profitable products and services from the systems partnerships.

In 2015, our capital expenditure in research and development will again be substantial. In terms of products, we will be presenting new generations of optical shaft metrology systems and microscope cameras in the spring. We are pressing ahead with the transfer of technical expertise from military to civil applications begun in the Defense & Civil Systems segment.

Operational excellence
In 2014, successful progress was made on the initiatives launched over three years ago for harmonized and excellent processes, both in the operating business and in systems and commercial processes.

The activities planned for 2014 on the JOE project (Jenoptik One ERP), which aims to efficiently standardize processes and settlement systems across all organizational units in the Group, were successfully completed. Following the Industrial Metrology division's switchover to the new system in Germany, successfully implemented in January,

G 03
INTELLIGENTLY MEETING MARKET DEMAND



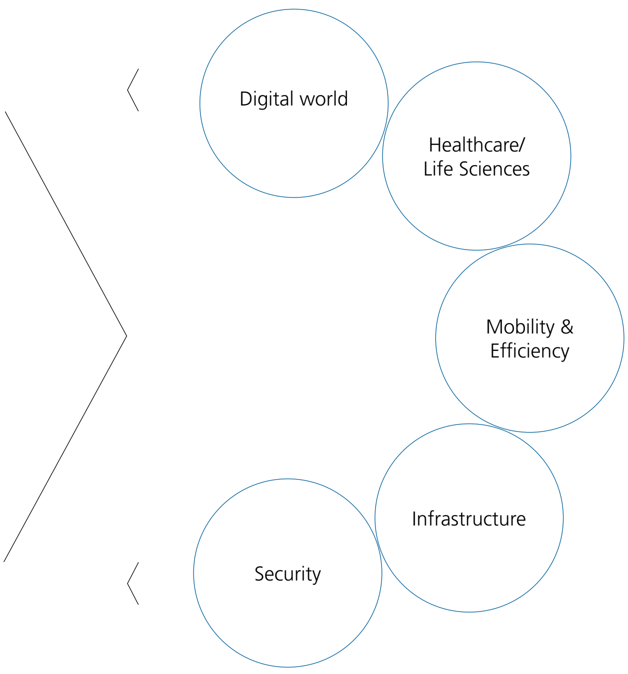
the German locations of the Lasers & Material Processing and Optical Systems divisions followed in July.

We also succeeded in further optimizing our purchasing activities in 2014. Key initiatives here are the Global Sourcing Project, the Purchasing Academy and Material Group Purchasing, which is being further centralized. The strategic and operational purchasing structures in Asia and the US were further expanded over the last year.

Implementation of the Go Lean program, geared toward integrated process improvements and an increase in operational performance, also made good progress: we achieved marked improvements in both our cost structures and processes, reflected in the quality of earnings for 2014. Go Lean focuses on tailoring our production processes to boost efficiency: It cuts operating costs, shortens production lead times, improves quality and leverages synergies thanks to optimized processes.

The efficiency gains obtained from the Group development projects also helped us to increase our gross margin to 34.8 percent despite a marginal fall in revenue.

Megatrends



Our excellence program remains a key priority for 2015, and once again one ongoing topic will be the harmonization of our ERP systems. Go Lean, Global Sourcing and the other Group development programs will yield further cost savings.

Since the start of this year a new excellence component is “Market Excellence”, a group-wide program to optimize the sales organizations and processes. It combines key projects in sales, after-sales service and pricing, and aims to ensure that the organization is consistently geared toward market requirements. The Market Excellence program will in part provide minimum standards for operational sales and ensure the best practice transfer of successful and established methods and tools in the sales and service area.

On Track for Success

Regular status analyses provide us with information on whether we are basically on the right path to achieving our mid-term objectives. We anticipate that the various measures will only take real effect over a certain period of time. Short-term market influences, that we as a company can only predict to a limited extent, must also be considered in this context. The past year, with its many political and economic surprises, demonstrated this all too clearly, and these difficult conditions are not likely to be fully eliminated for a number of years.

According to our plans our activities will result in the following economic indicators by 2018: 800 million euros annual revenue – organic growth including smaller, valuable acquisitions – and a 9 to 10 percent EBIT margin over the market cycles.

We expect business to develop favorably in 2015, with a clear rise in revenue and earnings. Our operational focuses remain on expanding sales structures, further internationalization, ongoing development of our product range and optimization of internal processes.

Jenoptik 2014 – Selected Events

Jenoptik Group

ERGO Versicherungsgruppe Sells Stake in Jenoptik

Longstanding major shareholder ERGO Versicherungsgruppe sells its 8.5 percent stake in Jenoptik to institutional investors in Germany and abroad in early April. In great demand, all of the 4.88 million shares are swiftly placed, reflecting the confidence of investors in the company's economic strength, medium-term targets and sustainable strategy. At the same time, the wider shareholder base improves the tradability of the share and further increases its reputation on the capital market.

Further Expansion in the Netherlands and India

In April, Jenoptik increases its stake in the Dutch company Robot Nederland B.V. from 30 to 100 percent. In June, Jenoptik also boosts its stake in the joint venture HOMMEL-ETAMIC Metrology India Pvt. Ltd., based in Bangalore, to 100 percent. The Group is thus consistently pursuing its strategy of increased internationalization and greater proximity to its customers. To date, the company was mainly present on the Indian market with its Industrial Metrology division as a partner for the automotive industry, but the future subsidiary of the Asian Jenoptik holding company will be open to all operational units within the Group.

Jenoptik Acquires British Traffic Safety Technology Company

The acquisition of Vysionics Ltd., a leading supplier of traffic safety technology in the United Kingdom, continues Jenoptik's strategy of targeted investment in global growth markets. Vysionics' core competencies include measuring average speed over a defined section of road (section control) and automatic number plate recognition (ANPR). Both are key forward-looking solutions for better traffic safety around the world.

Successor CFO found

Chief Financial Officer Rüdiger Andreas Günther will not be extending his contract beyond March 2015. His successor in office will be Mr. Hans-Dieter Schumacher from April 1, 2015. The finance manager will contribute extensive experience gained in the international machine engineering industry as well as in medical engineering. With his competence he will excellently support Jenoptik's corporate and growth strategy.

Lasers & Optical Systems segment

Laser Machine for Precise 3D Metal Processing

Jenoptik adds the new robot-based JENOPTIK-VOTAN® BIM laser machine for cutting and welding metal to its product range. The machine offers industrial manufacturers a highly flexible, fast and cost-effective solution for processing metals. Several companies, for example from the automotive industry, who have already successfully tested the Jenoptik technology, rely on it.

Order to Produce Medical Lasers

In October, Jenoptik receives an order to produce multicolor thin-disk lasers from a well-known German manufacturer of medical technology. These lasers are ideal for integration into laser therapy systems and make medically gentle operations possible. They will mainly be used in ophthalmology, dermatology, surgery and urology.

Expansion of Laser Machine Business in Asia and North America

In the 3rd quarter Jenoptik receives several orders from the growth regions of Asia and North America worth a total of over 10 million euros. The laser machines in the JENOPTIK-VOTAN® A product line are primarily used by international companies in the automotive industry for airbag perforation in vehicle interior paneling.

Robot-based laser machines for cutting and welding metal.

Metrology segment

Boost to Internationalization Strategy

Jenoptik is growing its international business in modern traffic safety technology with major orders from Singapore, Kuwait and the Netherlands. The company is providing 240 digital red light monitoring systems, including evaluation software, to the South-East Asian city-state of Singapore. Kuwait's entire traffic monitoring facilities will be modernized using digital systems from Jenoptik. Jenoptik is also supplying over 80 stationary systems for speed and red light monitoring to the Netherlands.

Jenoptik also boosts its business in Australia. Following the integration into the Group in 2013, Jenoptik's Australian branch office smoothly implemented the first major traffic safety projects in the past year.

First major traffic safety projects successfully implemented in Australia.

Awards for Jenoptik Products

The TraffiTower 2.0 receives the "iF product design award" in the "Public Design" category. It is particularly praised for combining design and function for stationary traffic monitoring with lasers or radar. The TraffiTop, the new design housing for use in mobile traffic monitoring, is the recipient of the "German Design Award – Special Mention" conferred by the German Design Council. The product design meets the ergonomic and technical requirements for a mobile speed measuring system, optimizing safe handling during setup and removal as well as flawless measuring operation.

Defense & Civil Systems segment

Equipment for Military Ground Vehicles

On the commission of two leading German systems companies, Jenoptik will equip military vehicles with turret and weapons stabilization systems and auxiliary power units by the end of 2015. The orders with a combined value in the mid double-digit million euro range confirm Jenoptik's leading technological role in solutions for security and defense technology.

Closer Collaboration on Power Generation Projects

The US Raytheon Group and Jenoptik sign a letter of intent to boost collaboration in September. The two companies will explore new business opportunities in Germany's air defense architecture to increase exports to global markets. Raytheon and Jenoptik have been cooperation partners on the PATRIOT missile defense program for 30 years.

Gensets for Turkish Passenger Trains

From 2015 to 2017, Jenoptik will supply on-board gensets for the Turkish state railway's passenger trains on behalf of the South Korean railway vehicles manufacturer Hyundai Rotem. In the energy systems area, Jenoptik is one of Germany's main providers of subsystems and components for both military and civil applications, and has been successfully operating in the field of power supply for trains for several years.

Being successful in the field of energy systems for military and civil applications.

More press releases of the Jenoptik Group under www.jenoptik.com/press

The Jenoptik Share

STOCK MARKET TRENDS

The stock markets were rather volatile in 2014. At the start of the year, they reacted with great apprehension to the tightening of US monetary policy. Conflicts in Crimea, Ukraine and the Middle East, together with stricter export regulations for German companies, caused further instability on the stock markets. Following a sharp downturn in prices in the summer, the European stock markets only regained their breath on the European Central Bank's announcement of a new expansive monetary policy, allowing several indices to reach all-time highs shortly before the end of the year. The Dax climbed to a new record high of 10,087 points on December 5, 2014, while the TecDax reached its intra-year high of 1,381 points on December 8. In 2014, the Dax sunk to its lowest level of 8,572 points on October 15. After opening the year at 9,400 points, Germany's benchmark index ended 2014 with a slight increase of 4.3 percent. The TecDax started the year covered by the report at 1,167 points, achieving an increase of 17.5 percent to 1,371 points by year-end.

JENOPTIK SHARE TREND

Jenoptik began the year 2014 with a closing price of 12.20 euros on the first day of trading. The share passed the 13 euro mark several times in the first quarter, but again and again fell back to around 12 euros, resulting in a predominantly sideways trend in the first three months of the year. The share first saw a stable upswing at the start of the second quarter, reaching its annual high of 13.61 euros on June 9, 2014. Due to unstable economic conditions, it then lost considerable traction, also in comparison to the indices. After Jenoptik reduced its short to mid-term guidance in October, the share price fell to its annual low of 8.26 euros on October 20, 2014. On the announcement of the growth prospects for the 2015 fiscal year, it regained some ground in the final days of the year, to close trading at 10.37 euros on December 30, 2014. The Jenoptik share diminished in value by 16.0 percent in the period covered by the report. The share's volume-weighted average price (VWAP) in 2014 was 10.47 euros, equating to a year-on-year increase of 5.4 percent (prior year VWAP 9.93 euros). Through February 27, 2015, the share price increased further to 12.34 euros. In the first two months of 2015 the share rose, therefore, by 16.4 percent. All figures are Xetra closing prices. G 04 G 05

Sluggish share price performance in the 2014 fiscal year resulted in a concomitant fall in market capitalization (number of issued shares multiplied by the closing price). At 57,238,115 shares issued, the figure came to 593.6 million euros at the end of the year (prior year 706.9 million euros). Through February 27, 2015, the company's stock exchange value increased to 706.3 million euros.

Investors' growing interest in Jenoptik was also reflected in stock exchange turnover. In 2014, the average number of Jenoptik shares traded per day on all the German stock exchanges was 167,876: the turnover thus rose on the prior year (prior year 135,827 shares). In the TecDax ranking of the Deutsche Börse, the Jenoptik share finished the year 21st in market capitalization based on the free float (31/12/2013: 18th place). In terms of stock exchange turnover, the company rose one place to 22nd. T 01 T 02

T 01

JENOPTIK SHARE INFORMATION

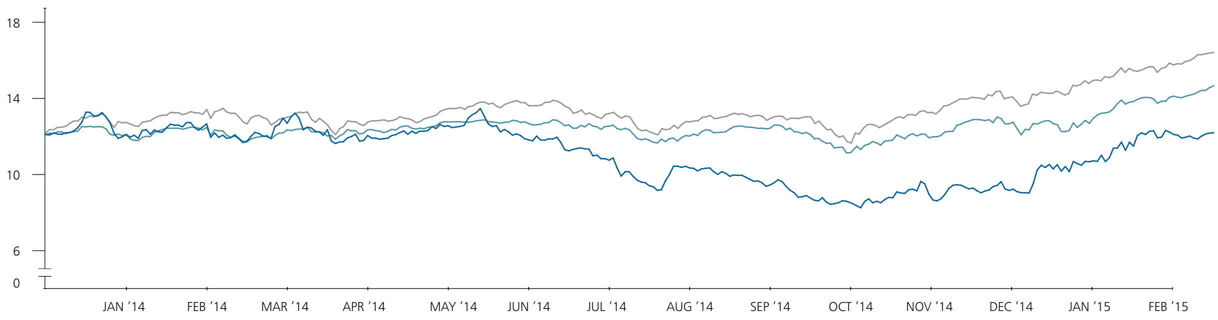
ISIN DE0006229107 – WKN 622910 – Ticker symbol JEN – Reuters Xetra JENG.DE – Bloomberg JEN GR

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

G 04

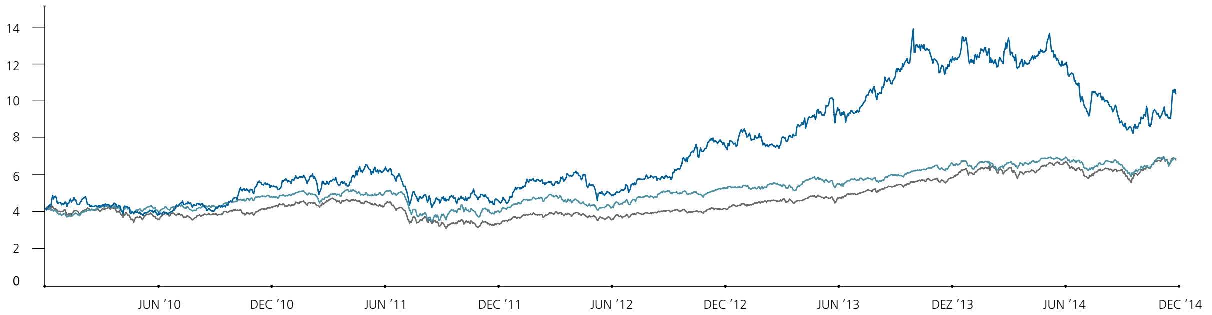
JENOPTIK SHARE PRICE DEVELOPMENT – JANUARY 2, 2014 TO FRIDAY, FEBRUARY 27, 2015 (in euros)



Jenoptik Xetra TecDax (indexed) Dax (indexed)

G 05

JENOPTIK SHARE PRICE DEVELOPMENT 2010 TO 2014 (in euros)



Jenoptik Xetra TecDax (indexed) Dax (indexed)

T 02

JENOPTIK SHARE KEY FIGURES

	2014	2013	2012	2011	2010
Closing price (Xetra end-year) in euros	10.37	12.35	7.38	4.56	5.40
Highest/lowest price (Xetra) in euros	13.61/8.26	13.84/7.46	7.99/4.50	6.58/4.30	5.70/3.85
Issued no-par value bearer shares (31/12) in millions	57.24	57.24	57.24	57.24	57.24
Market capitalization (Xetra end-year) in million euros	593.6	706.9	422.5	261.0	309.1
Average daily trading volume (shares)[1]	167,876	135,827	121,486	120,407	174,627
P/E ratio (based on highest price/based on lowest price)	18.64/11.32	16.88/9.10	9.09/5.12	10.61/6.93	35.63/24.062[2]
Operating cash flow per share in euros	0.90	1.17	1.41	1.07	0.74[2]
Group earnings per share in euros	0.73	0.82	0.88	0.62	0.16[2]

1) Source: Deutsche Börse; all German stock exchanges
2) Adjusted for discontinued business unit

SHAREHOLDER STRUCTURE

At the start of the second quarter 2014, a long-standing major shareholder, ERGO Versicherungsgruppe, sold its approximately 8.5 percent stake in Jenoptik to institutional investors in Germany and abroad as part of an accelerated book-building process. The company's free float, at 74.99 percent, remained unaffected by this development. G 06

ANNUAL GENERAL MEETING

Page 87

Further information in the report on Post Balance Sheet Events

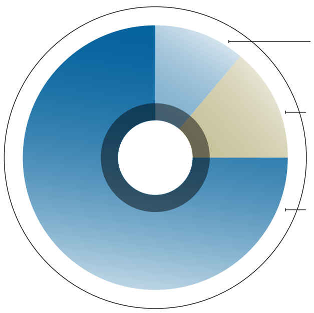
Over 350 shareholders, representing around 58 percent of nominal capital, and numerous guests participated in the JENOPTIK AG Annual General Meeting on June 12, 2014 in Weimar. The Executive Board reported on the success attained in the 2013 fiscal year and the company's further strategic development. The Jenoptik shareholders approved all items of the presented agenda with a vast majority.

DIVIDENDS

The Jenoptik management aspires to a continuity in its dividend policy in which shareholders participate in the company's success through payment of an appropriate dividend. A solid basis of equity is also in the interests of shareholders, both as a means of sustaining organic corporate development and making use of acquisition opportunities. The Executive and Supervisory Boards of JENOPTIK AG therefore review their dividend recommendation with considerable prudence every year. In the 2014 fiscal year, Jenoptik paid a dividend of 0.20 euros per share (prior year 0.18 euros per share) to its shareholders. The Executive and Supervisory Boards have resolved to retain their stable dividend policy for 2015 and are thus proposing a payment of 0.20 euros per share to the 2015 Annual General Meeting. T 03

G 06

SHAREHOLDER STRUCTURE – AS OF FEBRUARY 27, 2015 (in %)



T 03

DIVIDEND KEY FIGURES

	2014	2013
Dividend per share in euros	0.20	0.20
Payout amount in million euros	11.4	11.4
Dividend yield on year-end price in %	1.93	1.62
Pay out ratio in %	27.5	24.3

CAPITAL MARKET COMMUNICATIONS

It is our aim to conduct open and reliable communication with all the company's stakeholders, and especially with shareholders, investors, analysts and media 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. One of our central concerns is to increase transparency and boost trust in the company by engaging in ongoing dialog.

In the 2014 fiscal year, we attended a total of 13 capital market conferences in Frankfurt/Main, London, New York, Paris, Zurich and other cities. The company also held 13 roadshows at other financial centers in Austria, Denmark, Germany, Finland, France, Luxembourg, Switzerland, the United Kingdom and the US. Jenoptik organized two analyst conferences in Frankfurt/Main to mark the publication of its annual and half-year financial statements. The publication of annual and quarterly financial statements was also followed by both conference calls and numerous individual conversations with institutional investors, analysts and journalists to explain the development of business, key figures and strategy. An increasing number of investors also took the opportunity to tour Jenoptik's production facilities.

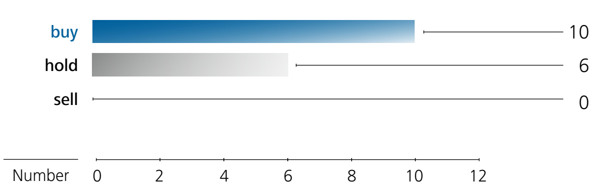
Sixteen analysts published regular recommendations on the Jenoptik share in 2014: Baader Helvea, Bankhaus Lampe, Berenberg Bank, Commerzbank, Deutsche Bank, DZ Bank, fairesearch, HSBC, Independent Research, Kepler Cheuvreux, M.M.Warburg, Montega and Oddo Seydler Bank; new analysts in 2014 were equinet, LBBW and Steubing Equity. An already good level of coverage thus improved further in the fiscal year. G 07

twitter.com/
Jenoptik_Group

App for Jenoptik's corporate publications at the Apple App Store (iOS) or at Google Play (Android)

G 07

ANALYST RECOMMENDATIONS – AS OF FEBRUARY 27, 2015



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

Stock Corporation Act §

161

Declaration of conformity

CORPORATE GOVERNANCE

For us as an international Group, excellent corporate governance is an essential prerequisite to the sustainable success of our business. Therefore, Jenoptik explicitly affirms its commitment to responsible, transparent corporate management and control which is oriented towards long-term value creation. Good corporate governance strengthens the confidence which our shareholders, business partners and employees as well as the financial markets place in our company.

Corporate Governance Report

In the following Corporate Governance Report, the Executive Board and Supervisory Board are reporting in accordance with Point 3.10 of the German Corporate Governance Code ("Code") in the version dated June 24, 2014. We also consider the "Remuneration Report" (from page 33 on) to be a part of the Corporate Governance Report .

The Corporate Governance Statement in accordance with § 289 a of the German Commercial Code [Handelsgesetzbuch (HGB)] is an unaudited part of the Combined Management Report. It contains the declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG), a description of the functions of the Executive Board and Supervisory Board, the structure and function of the committees of the Supervisory Board, as well as information on methods of corporate governance. The corporate governance statement can be found on our website at www.jenoptik.com under the category Investors/Corporate Governance.

CORPORATE GOVERNANCE

The JENOPTIK AG Executive Board and Supervisory Board affirm their commitment to responsible and value-based corporate governance, oriented towards a sustained increase in the company value. This includes, at its core, a sound corporate governance system throughout all of the Group's business units. This promotes trust in Jenoptik on the part of shareholders, business partners, employees, and the general public, and allows for the appropriate management of risk. Dr. Michael Mertin was appointed to the Government Commission for the German Corporate Governance Code in 2013. As a member of the Commission, he places particular importance on intensive dialog with politicians and members of society on topics of good corporate governance.

Jenoptik structures its policies to adhere to the recognized standards and supports the recommendations of the Code. While doing so, we support the statement of the Code in its preamble, that a well-founded deviation from a recommendation made by the Code may definitely be in the interest of good corporate governance. The Executive and Supervisory Boards issued their declaration of conformity in adherence with § 161 of the German Stock Corporation Act [Aktiengesetz (AktG)] on December 10, 2014. Jenoptik has also followed the majority of the suggestions contained in the Code. If changes should arise in the future, the declaration of conformity will be updated also during the year.

For the current declaration of conformity along with those of previous years please refer to www.jenoptik.com/corporate-governance

Over the past fiscal year, the Executive Board and Supervisory Board have been occupied with the further development of corporate governance at a German and European level, with particular reference to the draft bill for a stock law amendment in 2014, the act for equal participation by women and men in management positions in the private sector, as well as the EU Commission proposal to amend the Shareholders' Rights Directive and the quality of reporting.

DECLARATION OF CONFORMITY BY THE EXECUTIVE BOARD AND SUPERVISORY BOARD OF JENOPTIK AG IN THE 2014 FISCAL YEAR

Under § 161 (1) (1) of the German Stock Corporation Act (AktG), the Executive and Supervisory Boards of a stock-listed company are required to issue a 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 Executive and Supervisory Boards of JENOPTIK AG support the recommendations of the "Government Commission on the German Corporate Governance Code", and state that pursuant to § 161 (1) (1) of the German Stock Corporation Act (AktG):

Since the last declaration of conformity of December 2013, the recommendations of the "Government Commission on the German Corporate Governance Code" ("Code") in the version dated May 13, 2013 have been complied with and will be followed in the future in the version dated June 24, 2014 with the following exceptions stated under 1 to 4:

1. In accordance with Point 4.2.3 (2) (6) of the Code, the remuneration of the Executive Board shall be capped both overall and for its variable components.

This new recommendation, which was added to the Code dated May 13, 2013 has not been followed since the last declaration of conformity and will not be followed in the future. The functioning of the variable remuneration for the members of the Jenoptik Executive Board is described in the Remuneration Report on pages 45 and 46 of the 2013 Annual Report. The variable remuneration is capped.

To ensure a long-term incentivizing effect, half of it is payable in the form of so-called virtual shares, which are only paid out after a holding period of four years. This ensures that it is highly consistent with the interests of the shareholders in a sustainable development of the company and the share price. The system has proven successful and will be retained in the future. The conversion of the share of variable remuneration granted in form of virtual shares is calculated on the basis of the average price of the Jenoptik share over the last quarter of the year before last. Therefore, in the event of a rise in the share price, there is a theoretical possibility that, on the allocation date, the value of the total variable remuneration will exceed the cap. However, as a rule, this will require a high level of target attainment and a positive development of the share price. A negative share price development results in the opposite effect. The Executive and Supervisory Boards take the view that the reference to a share price of the year before last is appropriate as this price is the basis for assessing the share price development of the subsequent year relevant for remuneration. Therefore, the Executive Board also participates in share price development like each shareholder. There is no cap on the payment of virtual shares. The Executive and Supervisory Boards are of the opinion that, with such a cap, disincentives would be set with respect to the share price development. In addition, by applying a volume-weighted average annual share price, ”windfall profits” are avoided when calculating the amount to be paid.

2. In accordance with Point 4.2.3. (3) of the Code, the Supervisory Board shall establish for pension schemes a level of provision aimed for in each case – also considering the length of time for which the individual has been a member of the Executive Board – and take into account the annual and long-term expense for the company.

The recommendation to establish for pension schemes a level of provision aimed for in each case **has not been followed since the last declaration of conformity.** The retirement pension scheme of the members of the Jenoptik Executive Board involves purely a defined contribution scheme within the framework of a provident fund reinsured by a life insurance company. Annual payments are made to the insurance company, which are disclosed in the Remuneration Report and are taken into account in full in the Income Statement and the cash flow for the year of payment. The annual and long-term expense for Jenoptik is therefore clearly defined. On reaching retirement age, the payments will no longer affect Jenoptik.

The Supervisory Board of Jenoptik is currently working on defining the targeted contribution level. It is planned to reach a decision which is compliant with the Code in early 2015. Until then, a **deviation** is declared.

3. In accordance with Point 4.2.3. (4) of the Code, care shall be taken in concluding Executive Board contracts to ensure that payments made to a member of the Executive Board upon premature termination of his/her 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 compensation for the past full fiscal year and, if appropriate, the expected total compensation for the current fiscal year as well.

This recommendation **has not been followed since the last declaration of conformity and will not be followed in the future** with respect to the Chairman of the Executive Board who has served as a member of the Executive Boards since October 1, 2006; in this respect, the status quo was upheld. It has been found that this type of regulation on severance payments 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 an employment contract normally requires a serious cause. In such a case, no severance payment will be made. Except in the event of a change of control, the employment contract for the Chairman of the Executive Board does not provide for a severance payment with a defined amount resulting from premature termination of the contract. Therefore, in the event of termination of the employment contract without a serious cause, a mutual agreement must be reached. In this event, it would be difficult for the company to unilaterally enforce a severance payment cap included in the contract of employment; it could also not be ensured that the specific circumstances for the premature termination would be taken into account to a sufficient extent. The idea behind the regulation of Point 4.2.3 (4) of the Code will be taken into account by ensuring that the compensation will be appropriate in the event of premature termination of the contract by mutual agreement. In contrast, employment contracts with new members of the Executive Board have and will continue to take into account the recommendation.

4. In accordance with Point 5.4.6. (2) (2) of the Code, the remuneration of the members of the Supervisory Board shall be oriented toward sustainable growth of the enterprise if they are promised performance-related remuneration.

This recommendation has not been followed since the last declaration of conformity and will not be followed in the future. The Executive Board and Supervisory Boards take the view that the performance-related remuneration as stipulated in the Articles of Association is appropriate. Accordingly, members of the Supervisory Board will only receive performance-related remuneration in the amount of 10,000 euros or 20,000 euros 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 entitlement to remuneration beyond the fixed remuneration.

The Code does not define what is meant by sustainable development of the company. If the term was to be interpreted according to § 87 (1) (2) and (1) (3) of the German Stock Corporation Act (AktG), performance-related remuneration components for Supervisory Board members should always have a calculation base which is several years in length. As this is not the case at Jenoptik and due to the lack of clarity of the definition, we disclose a deviation from Point 5.4.6 (2) (2) of the Code as a precautionary measure. The members of the Supervisory Board are obliged to serve exclusively the interests of the company and are not affected in their decision-making process by the opportunity for variable remuneration and its amount. Just as for the members of the Executive Board, employees and shareholders, they profit from a generally sustainable development of the company. The return on equity of 10 percent or 15 percent respectively which triggers payment of the variable remuneration is ambitious enough and was approved by the Annual General Meeting in June 2012 with almost 98 percent of the votes.

December 10, 2014
JENOPTIK AG

On behalf of the Executive Board

Dr. Michael Mertin, President & CEO

On behalf of the Supervisory Board

Rudolf Humer, Chairman of the Supervisory Board

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

www.jenoptik.com/annual-general-meeting

JENOPTIK AG shareholders exercise their rights at the Annual General Meeting which takes place at least once a year. They may either participate directly in the Annual General Meeting, or exercise their voting rights via a company-nominated proxy who is bound by the shareholder's instructions, via postal voting, or by authorizing a person of their choice. The shareholders are adequately supported by the company in this process. Each JENOPTIK AG share is accorded one vote. The reports, documents and information required by law for the Annual General Meeting are available for inspection at the company's premises or on our website www.jenoptik.com. Following the Annual General Meeting, the attendance figures, voting results and speech by the Executive Board are also published on this site.

TRANSPARENT INFORMATION

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For further information on our investor relations activities please refer to the section "The Jenoptik share"

In its communication with participants in the capital market as well as the general public, Jenoptik follows the principle of providing equal, continual, prompt and comprehensive information in order to guarantee as much transparency as possible. We use the annual and interim reports to provide extensive information about the Group's earnings, assets, and finances. In addition, important events and current developments are reported in ad-hoc announcements and press releases. Jenoptik uses the Internet as a further information platform. Press releases, reports, presentations and other information can be found in German and English under the categories Investors and Press at www.jenoptik.com. Shortly after publication of the financial reports, we hold conference calls with journalists, analysts, and investors. To mark the publishing of our annual and half-yearly financial statements, analyst conferences as well as an annual balance sheet press conference are also held.

In accordance with the German Securities Trading Act [Wertpapierhandelsgesetz (WpHG)], inside information is published immediately insofar as JENOPTIK AG is not, in individual cases, exempt from this obligation. A working group established for this purpose evaluates individual facts for their ad-hoc relevance on a monthly basis and in the event of specific concerns. We want to ensure that any potential inside information is identified in good time and handled according to legal requirements. A Group guideline regarding compliance with the regulations of the German Securities Trading Act (WpHG) regulates significant obligations and responsibilities on the part of board members and employees concerning inside information law, ad-hoc publicity, market manipulation, and directors' dealings. There is a directory which lists the people authorized to have access to inside information.

Jenoptik immediately publishes major changes to its shareholder structure when it is informed that reportable voting rights thresholds have been achieved, fallen short of or surpassed. At the beginning of 2015 ODDO Asset Management, Paris, France, and Oddo & Cie., Paris, France, informed us that they have fallen below the threshold of 3 percent of voting rights. In the past fiscal year, Deutsche Asset & Wealth Management Investment GmbH, Frankfurt, Germany, informed us on April 9 and August 21 that, in April, it has exceeded the threshold of 3 percent of the voting rights and, in August, the 5 percent threshold. In addition, ERGO Lebensversicherung AG, ERGO Versicherungsgruppe AG, MEAG MUNICH ERGO AssetManagement GmbH, MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH and Münchner Rückversicherungs-Gesellschaft AG notified us on April 7, 2014, in essentially identical notifications, that they have fallen below the 5 and 3 percent thresholds for voting rights. The notifications are available on our website.

Also published by Jenoptik are reportable securities transactions ('Directors´ Dealings') by the members of the Executive Board and Supervisory Board in accordance with § 15 a of the German Securities Trading Act (WpHG).

As at December 31, 2014 the Jenoptik Group maintains securities-oriented incentive plans in the form of virtual shares for the members of the Executive Board and parts of senior management. The principles of the system for allocation and issue of the virtual shares are chiefly identical for the Executive Board and members of senior management, and are described in the Remuneration Report for the Executive Board and for senior management.

As at December 31, 2014, no shares or derived financial instruments were held by the members of the Executive Board. The members of the Supervisory Board held a combined total of 976,155 shares. This figure includes 685,000 shares held directly and indirectly by Rudolf Humer, Chairman of the Supervisory Board.

ACCOUNTING AND AUDITING

The Consolidated Financial Statements as well as all Consolidated Interim Financial Statements are compiled in accordance with the International Financial Reporting Standards (IFRS), as they are to be used in the European Union. JENOPTIK AG's Financial Statements are compiled in accordance with the requirements of the German Commercial Code (HGB). The Consolidated Financial Statements and the Financial Statements, including the Combined Management Report, are examined by the auditor. At the Annual General Meeting on June 12, 2014, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, ("KPMG AG") was selected as the auditor for the 2014 fiscal year.

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 discover facts during the audit that point to inaccuracies in the declaration of conformity submitted by the Executive Board and Supervisory Board in accordance with § 161 of the German Stock Corporation Act (AktG).

Before submitting the 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 audit managers, and the company and its board members. KPMG AG 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 current year. It is also established that none of the auditors involved in the audit had exceeded the seven-year overall limit for authorizing the issue of audit certificates. The position of responsible auditor for the auditing of the Consolidated Financial Statements and the Financial Statements as well as the Combined Management Report 2014 was assumed by Dr Markus Kronner.

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For further information on the shareholder structure please refer to the section "Share capital" in the Notes

www.jenoptik.com /voting-rights-announcements

www.jenoptik.de/ directors-dealings

Page 33 ff.,
Page 163 ff.

For further information please refer to the Remuneration Report and the Notes

RISK AND OPPORTUNITY MANAGEMENT, INTERNAL AUDITING, COMPLIANCE

Jenoptik sees the basic principles of responsible company management as including the continual and responsible evaluation of opportunities and risks which can result from entrepreneurial activity. The goal of risk and opportunity management is 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, thereby ensuring that the value of the Jenoptik Group systematically increases on a sustainable basis for its shareholders and the other stakeholders.

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Detailed information please refer to the Risk and Opportunity Report

With the objective of improving business processes, Internal Auditing at Jenoptik provides independent and objective auditing and consulting services for the Executive Board.

Compliance with national and internationally recognized compliance requirements is an integral part of risk prevention and of the processes of Jenoptik's risk management system.

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For further information on compliance and supplier management please refer to the section "Quality management and sustainability"

In order to improve employee awareness, and to achieve company-wide uniform understanding of our compliance standards, special training courses on subjects relevant to compliance, such as anti-corruption and anti-trust law, are regularly held at both the German and foreign business units. In addition, the beginning of 2014 saw the introduction of an online compliance training course for all employees that will gradually be rolled out in all business units around the world, with its content being continually expanded. To date, more than 1,000 employees worldwide have already taken part in the online training course on the principles of compliance and the Jenoptik code of conduct.

A newly compiled supplier code of conduct was introduced at the beginning of 2014. This requires Jenoptik's suppliers, in accordance with international standards, to comply with a number of different compliance requirements. These include, for example, the prohibition of child labor or transparency with respect to the use of minerals from conflict regions as per the US Dodd-Frank Act. Furthermore, a project was launched for group-wide uniform handling of so-called conflict minerals, which also extends across the entire supply chain.

Code of conduct see www.jenoptik.com/corporate-governance

The business partner screenings introduced as part of measures to prevent corruption, and centralized in 2013, have been intensified and expanded to all locations. The purpose of this is to ensure that Jenoptik only cooperates with business partners who meet all of its compliance requirements.

Employees can use the intranet as well as a help desk for all questions relating to risk or compliance issues at Jenoptik. By using specific practical examples, they are able to familiarize themselves with the compliance requirements and any risks resulting from them. They can also receive advice on relevant issues.

The corporate guidelines implemented within the Jenoptik Group with regard to important company processes are continually being reexamined, expanded, and updated. They are published on the group-wide intranet. Jenoptik therefore has a system of regulations, processes, and controls which enable it to identify any possible deficits in the company and to minimize them using appropriate measures at an early stage.

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 of conduct. This is equally binding for all employees at all levels of the Jenoptik Group. It sets out minimum standards, and serves as a criteria to ensure a high level of integrity, as well as ethical and legal standards in our company. These efforts contribute to the safeguarding of Jenoptik's reputation, avoid potential conflicts of interest and ensure transparency in this regard. The code of conduct is of particular use in conflict situations.

Each new employee receives a copy of the code of conduct when hired. Compliance with the code is regularly reviewed by Internal Auditing. Any possible violations are investigated and their causes eliminated in the interests of the company and all its employees. Any employee may lodge a personal complaint or draw attention to circumstances which are indicative of violations of the code of conduct or statutes and guidelines. In addition, 2014 saw the group-wide implementation of the six corporate values – performance, responsibility, change, integrity, trust and openness. They form the basis for the development of a uniform Jenoptik corporate culture.

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For further information on the Jenoptik corporate values please refer to the "Employees" section

OBJECTIVES FOR COMPOSITION OF THE SUPERVISORY BOARD

In accordance with Point 5.4.1 of the German Corporate Governance Code, the Supervisory Board of JENOPTIK AG 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. Taking into consideration the size of the company, its purpose and the international orientation of the Jenoptik Group, the Supervisory Board has defined objectives for its future composition and regularly checks whether adjustments are required. In accordance with the objectives it has adopted for its composition, the Board will ensure that it includes, at all times, members who particularly fulfill the criterion of internationality, such as foreign citizens or those with relevant experience abroad.

In addition, the members of the Supervisory Board will 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 interest. In cases of such conflicts of interest, especially with regard to responsibilities at companies in direct competition with JENOPTIK AG or a Group company, the Supervisory Board will normally refrain from nominating such a person for election.

The Supervisory Board will also ensure that at least two seats are held by women. One of the objectives for the composition of the Supervisory Board is also that at least half of the shareholder representatives on the Supervisory Board have an independent status. No persons 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 account their expertise and personal integrity.

The last election of shareholders to the Supervisory Board took place at the Annual General Meeting in 2012. The Nomination Committee and the Supervisory Board took into account the resolution on the objectives of its composition when proposing their candidates.

The composition of the Supervisory Board on December 31, 2014 is in line with the objectives outlined above which are also to be adhered to in the future. Following the court's appointment of Astrid Biesterfeldt to represent senior management, Jenoptik's Supervisory Board currently has three female members, two of whom are employee representatives. At least five members of the Board can call on extensive international experience. The Supervisory Board is also characterized by a wide variety of professional expertise, reflecting the broad scope of its members' career backgrounds. It is the view of the Board that all current shareholder representatives are independent in the sense of the regulations of the Code. However individual members do exercise an executive role at other companies with which Jenoptik has a business relationship. All of these business transactions, which are not of significant interest to Jenoptik, were conducted under the same conditions as would have been maintained with a third-party company. Consequently, it is the belief of the Supervisory Board that the transactions do not affect the independence of the members.

Additional information on the Executive Board and Supervisory Board, especially on their work procedures and their members' other responsibilities can be found in the Supervisory Board Report, in the Group Notes, and in the Corporate Governance Statement published on the Internet.

Information and Notes relating to Takeover Law

REPORTING ON § 289 (4), § 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB) ACCORDING TO THE TAKEOVER DIRECTIVE IMPLEMENTATION ACT

This information is part of the Combined Management Report.

1. Composition of the Share Capital

As of the balance sheet date on December 31, 2014, the share capital totaled 148,819,000 euros (prior year 148,819,000 euros). It is divided into 57,238,115 no-par value bearer shares (prior year 57,238,115). Each share is therefore worth 2.60 euros of the nominal capital.

The same rights and obligations apply to all the shares of the company. Each share represents one vote in the Annual General Meeting and is the determining factor for the shareholders' proportion of company profits (§ 58 (4), § 60 of the Stock Corporation Act (AktG)). The shareholders' rights also include the subscription right to shares in the event of increases in capital (§ 186 of the 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. Under § 4 (3) of the Articles of Association, any claim by a shareholder to the securitization of his/her shares is excluded.

2. Restrictions relating to Voting Rights or the Transfer of Shares

In accordance with § 136 (1) of the Stock Corporation Act, legal restrictions affecting voting rights exist with respect to votes for annual approval of the actions regarding shares which are held directly or indirectly by members of the Executive and/or Supervisory Boards.

3. Direct or indirect Participations in the Capital which exceed 10 Percent of the Voting Rights

Information on direct or indirect investments in capital which exceed 10 percent of the voting rights can be found in the Group Notes under note "Equity" from page 143 on.

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 according to the statutory regulations of § 84, § 85 of the Stock Corporation Act and § 31 of the Codetermination Act (MitbestG). In accordance with this, the Articles of Association stipulate in § 6 (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 (2) of the 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 possible for serious due cause (§ 84 (3) of the Stock Corporation Act).

§ 6 (1) (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 (1) (1) of the Stock Corporation Act). The Supervisory Board can appoint a Chairman of or Spokesperson for the Executive Board (§ 84 (2) of the Stock Corporation Act, § 6 (2) (2) of the Articles of Association).

In accordance with § 119 (1) (5), § 179 (1) (1) of the Stock Corporation Act, changes to the content of the Articles of Association are passed by the Annual General Meeting. Changes relating purely to the wording of the Articles of Association, however, can be passed by the Supervisory Board in accordance with § 179 (1) (2) of the Stock Corporation Act and § 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 2013. Under § 24 (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 contribution and/or contribution in kind ("authorized capital 2010"). 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 contribution in kind, 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 against cash contributions, to the extent that the percentage of new shares in the nominal capital neither exceeds a total of 10 percent of the nominal capital as of the date of registration for such authorized capital, nor exceeds a total of 10 percent of the nominal capital in existence as of the date of issuance of the new shares and the issuance price of new shares is not significantly below the stock exchange price, taking into account resolutions at the Annual General Meeting and/or the utilization of other authorizations to exclude the subscription right in direct or corresponding application of § 186 (3) (4) of the Stock Corporation Act since the date on which such authorization becomes effective; (d) for the issuance to employees of the company and in companies in which Jenoptik has a majority interest. Decisions on the details of the issuance 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 28.6 million euros through the issuance of up to 11,000,000 new no-par value bearer shares ("conditional capital 2013"). The conditional capital increase will only be executed to the extent that

- the creditors/holders of option certificates or conversion rights issued up to June 3, 2018 by the company or a domestic or foreign company in which the company has a direct or indirect majority interest, pursuant to the resolution of the Annual General Meeting dated June 4, 2013, exercise their option 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 interest, on the basis of the resolution of the Annual General Meeting on June 4, 2013, fulfill their conversion obligation by June 3, 2018

- and neither treasury shares are used nor is payment made in cash. The Executive Board is authorized to define further details regarding the execution of the conditional capital increase.

Under a resolution passed by the Annual General Meeting on June 12, 2014, the Executive Board is authorized up to June 11, 2019 to purchase own no-par value bearer shares not exceeding a proportion of ten percent of the nominal capital at the time of the resolution for purposes other than trading in treasury shares. The treasury shares purchased, together with shares that the company has already purchased and still owns (including shares to be attributed according to §§ 71a et seq. of the Stock Corporation Act), may not account for more than 10 percent of the nominal capital of the company. The authorization may be exercised in whole or in part, on a single occasion or several times and for one or more authorized purposes. The purchase and sales of treasury shares may be exercised by the company or, for specific authorized purposes, by dependent companies, by companies in which the company holds a majority interest, or by third parties for its or their account. At the decision of the Executive Board, acquisition is by purchase, subject to compliance with the principle of equal treatment (§ 53a of the Stock Corporation Act), on the stock exchange or by means of a public offering or a public invitation to the shareholders to submit an offer for sale. As of December 31, 2014, the company had no treasury shares.

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For detailed information on the authorized capital 2010 and on the conditional capital 2013 please refer to the Group Notes

For further details regarding the buyback of shares please refer to the invitation to the Annual General Meeting 2014 at www.jenoptik.com/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 since been terminated and financing agreements with a total utilized volume of approximately 158.0 million euros (prior year 106.6 million euros) in the event of a change of control in the ownership structure of JENOPTIK AG as the result of a takeover bid.

Page 33 ff.

For detailed information on the compensation schemes please refer to the Remuneration Report

The conditions for accepting a change in control are formulated differently in each of the loan agreements. For the debenture loans placed in 2011 with a total utilized volume of 90.0 million euros, a change in control gives the lenders 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.

Under the revolving syndicated loan facility arranged in 2013, every change in the current shareholder base of JENOPTIK AG, under which at least 50 percent of the shares or voting rights are held by one or several persons acting in concert as described in § 2 (5) of the Securities Acquisition and Takeover Act (WpÜG), results in the possibility of refusing further disbursements and immediate termination of loan commitments in full or in part within up to 25 days following notification of the change of control and any disbursements executed becoming immediately due (including subsidiary credit lines and accrued interest). The syndicated loan has a total volume of 120 million euros, of which 68.0 million euros were utilized as at December 31, 2014 (prior year 16.6 million euros).

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

In the event of a change of control, the members of the Executive Board are authorized to terminate their contract of service through acquisition of at least 30 percent of voting rights by a third party. There are no comparable agreements with employees of the company.

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.

This information is part of the Combined Management Report.

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 future prospects. Standard practice within the comparative environment and in relation to established comparative groups within the company is another factor in the remuneration. The remuneration for the Executive Board of Jenoptik consists of non-performance-related and performance-related components. The non-performance-related components include the fixed remuneration, fringe benefits and pension 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) 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 defining the structure of the remuneration system and the composition of the remuneration for the individual Executive Board members. The contractual provisions of the contracts of employment with both members of the Executive Board are essentially identical, unless specified otherwise below. The contract of employment with Dr. Michael Mertin includes an agreement for a regular review of the total remuneration.

Fixed Remuneration

The non-performance related basic salary is paid on a pro rata basis each month. It was not increased in 2014 and is currently EUR 600 thousand per year for Dr. Michael Mertin and EUR 380 thousand per year for Rüdiger Andreas Günther, payable respectively in twelve equal installments at the month end.

Variable Remuneration

The members of the Executive Board are entitled to a bonus payable half in cash and half 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 is oriented towards the company’s sustainable business development. The bases for this are the Group EBIT, operating free cash flow, Group net income for the year, share price-related, strategic and operating targets for the corresponding year and of a long-term nature as well as an individual performance assessment. The variable remuneration has an upper limit of a total of 150 percent of target attainment. With 100 percent target attainment, Dr. Michael Mertin receives EUR 1,000 thousand and Rüdiger Andreas Günther EUR 420 thousand. 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; there is no guaranteed lower limit to the bonus. 50 percent of the bonus is linked to financial targets, 25 percent to short and medium-term operational targets and 25 percent to medium and long-term strategic objectives.

The half 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. Their number is based on the volume-weighted average closing price of the Jenoptik share in the fourth quarter of the calendar year before last ('conversion rate'). The conversion rate for the virtual shares allocated for 2014 is 12.34 euros. Payment is made at the end of the fourth subsequent year after allocation, based on the volume-weighted 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 2014, this would mean that the virtual shares will be allocated within the framework of establishing the level of target attainment in the year 2015, 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 2018 – will be made at the beginning of the year 2019.

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.

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 employment, for which the fourth subsequent year has not yet expired, is made at the value based on the average share price over the last twelve months prior to the date of termination of employment. The employment contracts of the members of the Executive Board contain provisions for the potential consequences of certain circumstances on the virtual shares granted, in particular conversion and capital measures.

Under Point 4.2.3 (2) (6) of the German Corporate Governance Code ("Code"), there are to be maximum limits to the total remuneration for the members of the Executive Board and in respect of their variable portions. In the declaration of conformity dated December 10, 2014, Jenoptik gave an explanation for a deviation from these recommendations with reference to possible effects from calculating the number of virtual shares and their value development; this deviation and the reasons for it are given on page 24 ff. of the Annual Report.

Contracts for occupational retirement benefits were concluded with Dr. Michael Mertin and 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. In 2014 the contribution for the provident fund totaled EUR 240 thousand for Dr. Michael Mertin and EUR 80 thousand for Rüdiger Andreas Günther. The annual and the long-term costs for Jenoptik are clearly defined. On reaching retirement age, the payments will no longer affect Jenoptik. In accordance with Point 4.2.3. (3) of the Code, the Supervisory Board is to define the targeted contribution level for pension commitments – also according to the length of service – and to make allowance for the resulting annual and long-term costs for the company. The Supervisory Board of Jenoptik is currently working on defining the targeted contribution level. The intention is to reach a decision which conforms with the Code at the beginning of 2015. Until then, Jenoptik has given an explanation for a deviation in the declaration of conformity.

Fringe Benefits

Fringe benefits exist in the form of an occupational indemnity insurance for Dr. Michael Mertin and accident insurance for both Dr. Michael Mertin and Rüdiger Andreas Günther. The Executive Board members are also entitled to the private use of a company vehicle. There is a directors and officers 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 of the Executive Board member in question for all claims per year.

If the contract of service with the Chairman of the Executive Board, Dr. Micahel Mertin, is not extended beyond the end of its regular term of June 30, 2017, with effect from this date he shall have an entitlement to **bridging payments** in the sum of 80 percent of one twelfth of the annual salary for a period of twelve 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 payments 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. (4) of the Code, when concluding contracts with 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 service to the Executive Board without serious cause 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 10, 2014, 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 on page 24 ff. of the Annual Report.

In the event of a **change of control** at 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 (1) (1) of the Securities Acquisition and Takeover Act [Wertpapiererwerbs- und Übernahmegesetz (WpÜG)], i.e. an acquisition of at least 30 percent of the voting rights in JENOPTIK AG, granting them 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 the variable remuneration on a pro rata basis depending upon the residual period of his/her contract of employment plus the period for which bridging benefits are granted. In addition, should the pension contributions continue to be paid up to the normal expiry of the respective contract of employment (a maximum period of three years, however), 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 may 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. In its decision of December 10, 2014 the Supervisory Board has waived the post-contractual non-competition clause for Rüdiger Andreas Günther.

TOTAL REMUNERATION FOR THE INDIVIDUAL MEMBERS OF THE EXECUTIVE BOARD

The tables T 04 and T 05 contain 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. The summaries differentiate between five components – the fixed portion, fringe benefits, one-year variable remuneration, multi-year variable remuneration and the retirement benefits.

Following agreement with the Personnel Committee, but subject to the consent of the Supervisory Board, the variable remuneration for the fiscal year 2014 for Dr. Michael Mertin will be EUR 529.0 thousand in cash and 43,080 virtual shares and for Rüdiger Andreas Günther EUR 236.6 thousand in cash and 19,271 virtual shares. Further details on the share-based remuneration in the form of virtual shares can be found under note 5.17 in the Notes from page 149 on. We also consider this to be an integral part of this Remuneration Report.

REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD

The provision in the Articles of Association relating to remuneration for the Supervisory Board of JENOPTIK AG was modified in June 2012. The remuneration comprises a fixed and a performance-related component. The fixed annual remuneration is EUR 20 thousand. The Chairman of the Supervisory Board receives double and his deputy one-and-a-half times this amount. The fixed remuneration is payable after expiry of the fiscal year. In addition, each member of a committee receives an annual remuneration in the sum of EUR 5 thousand per year. The Chairman of the committee receives double this amount. The annual remuneration for members of the Audit Committee, whose duties are particularly labor- and time-intensive, is EUR 10 thousand. The Chairman of the Audit Committee receives double and his deputy one-and-a-half times this amount. Members of committees which have not met during the fiscal year receive no remuneration.

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 will receive a

T 04

REMUNERATION OF THE EXECUTIVE BOARD – BENEFITS GRANTED (in thousand euros)

	Dr. Michael Mertin (President & CEO)					Rüdiger Andreas Günther (Chief Financial Officer)				
	2013	2014				2013	2014			
		Actual	Min.	100%	Max.		Actual	Min.	100%	Max.
Fixed remuneration	600.0	600.0	600.0	600.0	600.0	380.0	380.0	380.0	380.0	380.0
Fringe benefits	45.8	46.5	46.5	46.5	46.5	19.5	13.6	13.6	13.6	13.6
Total	**645.8**	**646.5**	**646.5**	**646.5**	**646.5**	**399.5**	**393.6**	**393.6**	**393.6**	**393.6**
One-year variable remuneration	600.6	529.0	0.0	500.0	750.0	390.4	236.6	0.0	210.0	315.0
Multi-year variable remuneration*	636.0	579.4	50.3	550.3	800.3	199.1	246.5	9.8	219.8	324.8
Thereof LTI 2014 (term until 2019)*	0.0	529.0	0.0	500.0	750.0	0.0	236.6	0.0	210.0	315.0
Thereof LTI 2013 (term until 2018)*	600.6	0.0	0.0	0.0	0.0	195.2	0.0	0.0	0.0	0.0
Thereof dividends on LTI tranches outstanding	35.4	50.3	50.3	50.3	50.3	3.9	9.8	9.8	9.8	9.8
Total*	**1,882.4**	**1,754.9**	**696.9**	**1,696.9**	**2,196.9**	**989.0**	**876.7**	**403.4**	**823.4**	**1,033.4**
Retirement benefits	240.0	240.0	240.0	240.0	240.0	80.0	80.0	80.0	80.0	80.0
Total remuneration*	**2,122.4**	**1,994.9**	**936.9**	**1,936.9**	**2,436.9**	**1,069.0**	**956.7**	**483.4**	**903.4**	**1,113.4**
* each plus/less development of value of the newly granted LTI compared to the share price taken as basis for allocation										
Development of share price LTI 2014	0.0	–78.0	0.0	–73.7	–110.5	0.0	–34.9	0.0	–31.0	–46.4
Development of share price LTI 2013	222.7	0.0	0.0	0.0	0.0	72.4	0.0	0.0	0.0	0.0

performance-oriented annual payment of EUR 10 thousand. The performance-oriented annual payment is increased to EUR 20 thousand, provided that 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 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 ratifies 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 2013 exceeded the above mentioned figure of 10 percent of the Group shareholders' equity at the end of the fiscal year 2013, consequently the members of the Supervisory Board each received a performance-oriented remuneration payment following the Annual General Meeting in June 2014. There is also a performance-oriented remuneration payment for 2014, which will be paid after the 2015 Annual General Meeting.

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

The members of the Supervisory Board are paid a meeting allowance of EUR 1 thousand for attending a meeting. For participation in conference calls or attending multiple meetings on one day, they are paid half of the agreed meeting allowance from the second meeting. 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 600 euros. JENOPTIK AG also reimburses the members of the Supervisory Board for any sales tax applicable to the payment of their remuneration.

In the 2014 fiscal year, EUR 322.5 thousand was set aside as a provision for the fixed remuneration of the Supervisory Board and its committees to be paid in January 2015 and EUR 119.9 thousand for the variable remuneration to be paid after the Annual General Meeting in June 2015. 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 from April 1, 2011. This also applies to any meeting allowances and any performance-oriented remuneration.

Information on the total remuneration for individual members of the Supervisory Board can be found in the Group Notes on page 166.

T 05

REMUNERATION OF THE EXECUTIVE BOARD – INFLOW (in thousand euros)

	Dr. Michael Mertin (President & CEO)		Rüdiger Andreas Günther (Chief Financial Officer)	
	2013	2014	2013	2014
Fixed remuneration	600.0	600.0	380.0	380.0
Fringe benefits	45.8	46.5	19.5	13.6
Total	**645.8**	**646.5**	**399.5**	**393.6**
One-year variable remuneration	731.5	600.6	210.0	390.4
Multi-year variable remuneration	0.0	312.7	0.0	0.0
Thereof LTI 2013 (term until 2018)	0.0	0.0	0.0	0.0
Thereof LTI 2012 (term until 2017)	0.0	0.0	0.0	0.0
Thereof LTI 2011 (term until 2016)	0.0	0.0	0.0	0.0
Thereof LTI 2010 (term until 2015)	0.0	0.0	0.0	0.0
Thereof LTI 2009 (term until 2014)	0.0	312.7	0.0	0.0
Total	**1,377.4**	**1,559.8**	**609.5**	**783.9**
Retirement benefits	240.0	240.0	80.0	80.0
Total remuneration	**1,617.4**	**1,799.8**	**689.5**	**863.9**

8.7

EBIT margin (as percent of revenue)

COMBINED MANAGEMENT REPORT

In a fiscal year characterized by an economically and politically challenging environment, Jenoptik successfully proved both its competitiveness and unswerving dedication to its adopted strategy. Compared to the prior year, Group revenue did fall marginally to 590.2 million euros, but the success of our efficiency programs and a changed revenue mix allowed us to maintain a level of profitability almost equal to the prior year, with income from operations (EBIT) at 51.6 million euros and an EBIT margin of 8.7 percent. With a solid order situation, we are expecting considerable growth in the present fiscal year.

General Group Information

GROUP STRUCTURE

Legal and Organizational Structure

As the holding company and corporate center of the Group, JENOPTIK AG, based in Jena, performs functions including strategic corporate development and innovation management, as well as key tasks in controlling, human resources, real estate, investor relations, mergers and acquisitions, accounting, legal, auditing, risk and compliance management, treasury, taxes as well as corporate communications and corporate marketing. The Group's operating business is divided into three segments: Lasers & Optical Systems, Metrology as well as Defense & Civil Systems. The segment reporting corresponds to the organizational structure of the Group. Within the segments, the operating business is spread over five divisions. The underlying cornerstone is a Shared Service Center (SSC) in which the central functions IT, human resources, purchasing, security, work and health protection, environmental protection and real estate management are organized.

In recent years, Jenoptik has significantly expanded its international structures, most recently with the establishment of an Asian holding company in Singapore, under the umbrella of which the Group combines all its business in Asia and can thus centrally push forward with the strategic development of business in the region and provide resources for overall processes such as shared services, finance and marketing. The US holding company at the Jupiter location in Florida, US, has lead coordination of the Group's overall strategy, financial activities and shared services for the American market.

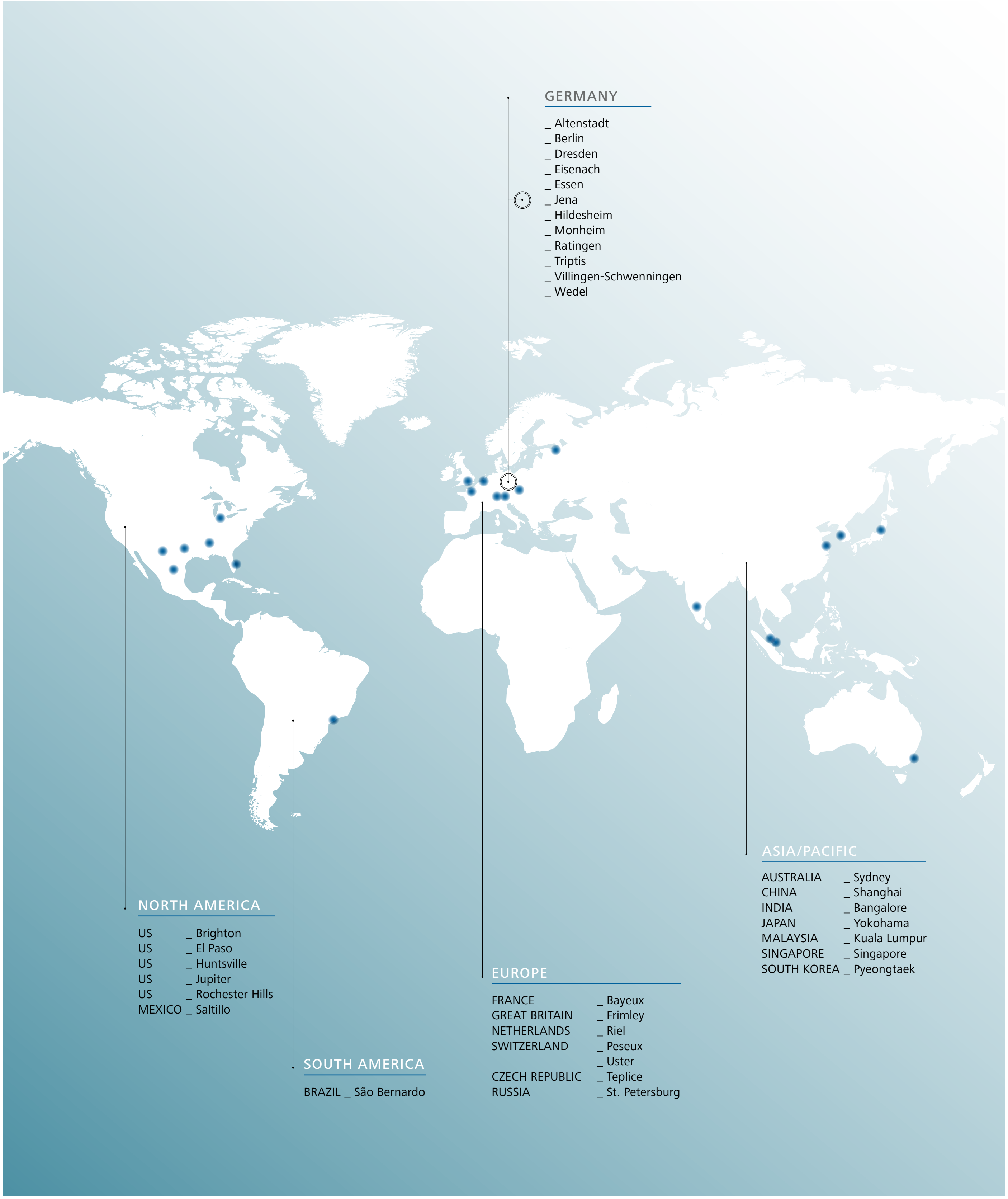
In the course of market expansion in Europe, Jenoptik increased its stake in the Dutch traffic technology specialist Robot Nederland B.V. to 100 percent in 2014. In November, Jenoptik acquired 92 percent of Vysionics Ltd., a British traffic safety technology specialist based in Frimley, southwest of London, UK. To boost its market position in the Asia/Pacific region, the Group also increased its stake in HOMMEL-ETAMIC Metrology India Pvt. Ltd. in India to 100 percent in 2014.

Key Locations

Jenoptik is represented in over 80 countries worldwide, with a direct presence in 18 of these, e.g. through its own companies or participations. The majority of the Group's products are manufactured in Germany, followed by the US. The Jena headquarters is 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, Essen and Altenstadt (Defense & Civil Systems), Monheim near Düsseldorf (Traffic Solutions), Villingen-Schwenningen and Ratingen (Industrial Metrology), Triptis, Dresden and Eisenach (Optical Systems) and Berlin (Lasers & Material Processing).

Outside Germany, Jenoptik maintains production and assembly sites in the US, France, China and Switzerland. The Group is also represented by subsidiaries in Australia, Brazil, the United Kingdom, India, Japan, the Netherlands, Malaysia, Mexico, Russia, Singapore, South Korea and the Czech Republic.

G 08
JENOPTIK: KEY LOCATIONS (AS AT FEBRUARY 2015)



Page 79
For detailed information on the segments' development of busines please refer to the Segment Reporting

GROUP OPERATIONS

Business Model

Jenoptik is a globally operating integrated photonics Group and a supplier of high-quality and innovative capital goods. The Group is thus primarily a partner for industrial companies. Its customers also include the public sector, in part 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 sectors. It further includes total solutions and full-service operator models. Research and development occupy a key position in our work, and cooperations arrangements and developments on behalf of customers are often the beginning of partnerships and business relationships along the value chain.

Segments

Jenoptik operates in the five divisions of Lasers & Material Processing, Optical Systems, Industrial Metrology, Traffic Solutions and Defense & Civil Systems, each of which are subdivided into several business units. The three segments are made up of the five divisions. G 09

Lasers & Optical Systems
All activities relating to lasers and optics are combined within this segment. Jenoptik is a leading provider of laser technology, offering products and services along the entire value chain – from semiconductor material and laser systems through to the complete, automated laser processing system. In the Lasers business unit, the company specializes in high-quality semiconductor lasers, reliable diode lasers as modules and systems and innovative solid-state lasers such as thin-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 sector. The Laser Processing Systems business unit offers laser machines which are integrated into production lines for process optimization and automation. A key focal area are system solutions for processing (cutting, welding, perforating) plastics and metals.

G 09

BUSINESS MODEL (ORGANIZATIONAL STRUCTURE) OF THE JENOPTIK GROUP

Corporate Center

Lasers & Optical Systems segment		Metrology segment		Defense & Civil Systems segment
Lasers & Material Processing	**Optical Systems**	**Industrial Metrology**	**Traffic Solutions**	**Defense & Civil Systems**
We supply reliable, efficient and precise laser technology for industrial processing of various materials. Our customers benefit from our holistic approach, as we cover the entire value chain – from semiconductor material, laser sources, laser system and systems engineering for production facilities through to industrial waste gas cleaning systems.	We are one of very few manufacturers in the world to produce integrated optical systems and precision optics for the most stringent demands in terms of quality. We are a development and production partner for optoelectronic and optomechanical systems, modules and assemblies based on optical, micro-optical and layered optic components made from glass, infrared materials and plastics.	As global metrology specialists, we develop and produce high-precision production measuring technology. Our experience in tactile, optical and pneumatic measuring methods puts us in a position to offer custom solutions for the widest range of measuring tasks – at every stage of the production process and in the metrology room.	We develop and produce components and systems for better traffic safety on the world's roads. This includes mobile and stationary systems such as speed and red light monitoring equipment and special solutions for detecting other traffic violations. In our function as a service provider, Jenoptik also covers all aspects of the associated process chain.	We focus on equipment for military and civil vehicles, trains and aircraft, drive and stabilization engineering, energy systems as well as laser and infrared sensor technology. Optoelectronic instruments and systems for the security industry as well as software, measurement and control technology complement our service range.

Shared Service Center

Jenoptik's Optical Systems division is one of the leading global manufacturers producing precision optics and integrated optical systems designed to meet the most stringent quality requirements. The division is a development and production partner for optoelectronic and optomechanical systems, as well as modules based on optical and micro-optical components made from semiconductor materials, crystals, metals 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 medical technology & life sciences, defense and security, lighting, system solutions and modules for digital imaging and analysis as well as cameras, for instance for digital microscopy.

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. It is also a leader for high-power diode and thin-disk lasers. Jenoptik is a longstanding partner to the automotive industry in the field of plastics processing of vehicle interior paneling for airbag systems. The company has also gained a foothold in a rapidly growing market with its range of high-power fiber lasers in conjunction with 3D metal processing machines for complex moldings. In the year covered by the report, the Lasers & Optical Systems segment added a so-called multi-robot cell in its own customer application center, where customers from the automotive industry could perform near-production testing of innovative laser applications for automated material processing. Jenoptik occupies a prominent position in the market for optical systems. In 2014, the range of integrated system solutions was expanded, thereby increasing the share of added value. We have also significantly strengthened our position in the field of micro-optics. This has enhanced Jenoptik's established role as a development and production partner for leading companies.

Key sales regions of the segment are in Europe and North America, and increasingly also in Asia. Our core markets are the semiconductor equipment, medical technology, defense and security technology, automotive and machine construction industries.

Metrology

In the area of Industrial Metrology, the Group is one of the world's leading manufacturers of high-precision 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 as well as the measurement of dimensions during every phase of the production process as well as in the metrology room. In-depth advice, training, service and long-term maintenance agreements complete the offer.

Jenoptik develops, manufactures and sells components and systems which are making the world's roads safer. The product portfolio includes comprehensive systems covering all aspects of road traffic, such as speed and red light monitoring systems plus OEM (Original Equipment Manufacturer) products and special solutions used, for example, to automatically detect license plates or software to evaluate traffic offenses. Jenoptik is a globally leading company for traffic safety technology and can offer its customers red light and speed monitoring solutions based on all established technologies. In the services area, Traffic Service Provision, the Group covers the entire, supporting process chain – from setup and installation of the monitoring infrastructure, to capturing images of traffic violations and their automatic further processing, through to sending out the penalty notices and collection of the fines as the system operator. The acquisition of the British traffic safety technology supplier Vysionics not only gives the Group access to the important growth market of the United Kingdom but at the same time expands its product range to include cutting-edge technologies, for example automatic number plate recognition or measuring average speeds (section control).

The Metrology segment has a greater international focus than any other within the Jenoptik Group. Its regional areas of focus are primarily determined by the customers. In the Industrial Metrology division, these are thus the centers of the global automotive and automotive supplier industries in Europe, North America and Asia. In traffic safety, Jenoptik is a leading provider of photographic monitoring equipment, with more than 25,000 devices in use around the world. The market served by the Traffic Solutions division is increasingly characterized by major projects. Traffic safety systems in Germany are licensed by the Physikalisch-Technische Bundesanstalt (PTB) in Braunschweig. Foreign deliveries are subject to controls by national institutes, although various countries also partially or fully recognize the German PTB license or licenses from other leading European licensing authorities.

In the reporting year, the Metrology segment also optimized and expanded its structures, chiefly guided by the twin pillars of further internationalization in key sales markets and the expansion of business with industrial metrology. The major production and development locations in Germany, France, Switzerland, the US and China were further established. The Industrial Metrology division has a presence in Brazil, the Czech Republic, India, Singapore, South Korea and Spain through application centers. Work on the standardization of the product portfolio and on internationalization was continued in the Traffic Solutions division. Since 2012, Jenoptik has considerably grown its market share in the growth regions of Asia/Pacific and Europe. The acquisition of Vysionics allowed the company to secure further orders for section control in Europe and substantiates the success of the internationalization strategy while strengthening Jenoptik's position as one of the world's leading suppliers of traffic monitoring systems.

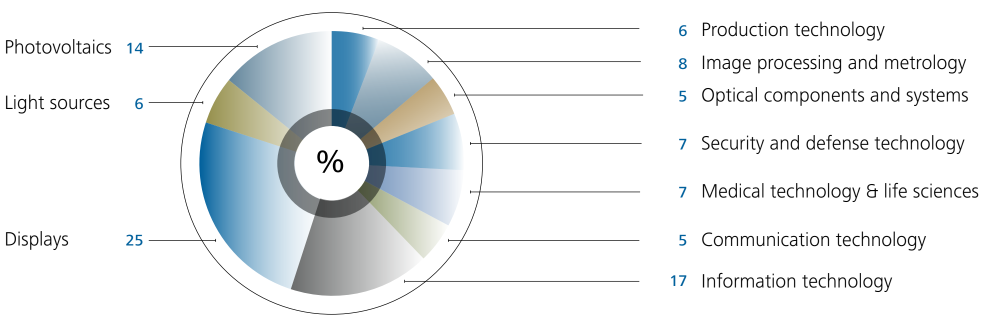
Defense & Civil Systems

The Defense & Civil Systems segment develops, manufactures and markets mechatronic as well as optoelectronic products for civil and military markets. Its portfolio ranges from individual components which customers integrate in their systems to turnkey solutions and final products. The segment specializes in energy systems, optical sensor systems, stabilization systems, aviation subsystems and radomes and composites. The mechatronic products are used in drive, stabilization and energy systems for military and civil vehicle, rail and aircraft equipment. Further products and services include optoelectronic systems for the security industry as well as software development, measurement and control technology. Sensor products include infrared camera systems and laser rangefinders. They are primarily used in automation technology, environmental metrology, security technology and military reconnaissance. Efficient customer service ensures that customers receive support for the service life of the products, which in most cases is a very long time.

The segment sells equipment to major national and international systems companies or supplies directly to official authorities, and its business is predominantly geared toward the long-term. 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 to national and international customers, with end products also exported worldwide by the systems companies it supplies. The business is subject to strict security, certification and export requirements to which Jenoptik stringently adheres. With the launch of a more market-oriented business unit structure, the segment undertook a strategic reorientation at the start of the year. In this process, its business activities were categorized by customer, market and product structure and allocated to the four new Aviation, Energy and Drive, Power Systems and Sensors business units.

G 10

GLOBAL PHOTONICS MARKET 2014 (in %)



Growth

6.5% p.a.

2014

around
425 billion euros

Source: VDMA, ZVEI, Spectaris and own calculation

Sales Markets and Competitive Positioning

The majority of services offered by the Jenoptik Group concern the photonics market. Photonics are understood as the basics and areas of use of optical methods and technologies which address the transmission, storage and processing of information by light and in the process use the special physical properties of light quanta (photons) in place of electrons.

The total market for optical technologies is expected to rise to approximately 615 billion euros by 2020, with an annual growth rate of around 6.5 percent (source: Industry report by VDMA, ZVEI, Spectaris). The fields of application in this market are highly diversified and range, for example, from illumination engineering, to IT-linked applications, through to production engineering and medical technology. As enabling technologies, the extremely precise and flexible manufacturing and measuring techniques used in photonics exert a great economic leverage effect and will thus enjoy an increasing share in industrial value creation. The solutions are a response to global megatrends such as the demand for greater energy efficiency, better environmental compatibility and rising precision in manufacturing and products. G 10

The areas of application for photonic technologies display highly varied rates of growth. Jenoptik's business focus is on market segments in the photonics industry in which average annual growth of around 8 to 9 percent is expected in the years ahead. The Group's products secure it leading market positions in attractive market segments. T 06

A further part of Jenoptik's services is aimed at customers in the rail, aviation and defense industries, in which an average growth rate of between 3 and 5 percent is considered typical. In general, the rail industry is seeing growing international competition. The market dominance of domestic suppliers is increasingly fading, opening up attractive business opportunities for the Defense & Civil Systems segment on the global railway engineering markets. Growing demand for commercial aircraft is the driving force in the global aviation market. The defense market in the West remains tense, while Asia/Pacific has been seeing considerable growth for many years. Market analyses for the defense market confirm an average growth rate of around 1 percent for the period from 2014 to 2017. The greatest demand will be from Asia, Eastern Europe and the Middle East, while the situation in Western Europe will stabilize. The armaments industry in Western countries is characterized by increasing consolidation.

Jenoptik's products compete with a wide range of internationally operating companies which not uncommonly specialize in only one or a few of the technologies listed above. Differing service ranges and highly limited comparability thus make it difficult to provide definite market share estimates.

The Corporate Governance Report as well as the Corporate Governance Statement in accordance with § 289 a of the German Commercial Code [Handelsgesetzbuch (HGB)] can be found on our website at www.jenoptik.com/corporate-governance. In accordance with § 317 (2) (3) HGB they are not included in the audit by the auditor.

Page 64 ff.
For information on future development and strategy please refer to the Forecast Report

Page 100 ff.
Further information on the development of the sectors and markets

T 06
LEADING POSITION IN NICHE MARKETS

Segment	Products	End market
Lasers & Optical Systems	Micro-optics	Semiconductor equipment industry
	Optical systems	Semiconductor equipment industry
	Airbag perforation	Automotive
	Ophthalmological thin-disk lasers	Medical technology
	High-power diode lasers	Medical technology
Metrology	Traffic safety technology	Public sector
	Optical production metrology	Automotive
	Tactile metrology	Automotive
	Pneumatic metrology	Automotive
Defense & Civil Systems	Radome	Aviation
	Stabilization systems	Defense and railway technology

TARGETS AND STRATEGIES

Strategic Orientation of the Group

Profitable growth remains the cornerstone of Jenoptik's strategic development, which the Group is targeting with a focus on highly viable areas of business and its continuing internationalization strategy. In addition, a clear focus on growth markets which serve global megatrends is contributing to growth.

By the year 2018, Jenoptik expects to achieve an average EBIT margin of around 9 to 10 percent over the cycles. Including smaller acquisitions, revenue is due to rise to approximately 800 million euros. In order to achieve these goals, the company is aiming for exceptional growth abroad, particularly in Asia and America. The aim by 2018 is for these growth regions to account for a joint share of revenue above 40 percent (2014: 31.9 percent). Due to the adverse development of business in 2014, however, the Executive Board had extended its time horizon for the medium-term forecast from 2017 to 2018.

As an innovative high-technology company, identifying customer needs and general trends early on and directing strategic actions to accommodate them is of critical importance to Jenoptik. The Group thus accords particular attention to these factors. By continuously investing in research and development, we want to strengthen our position as one of the world's leading suppliers of photonic products and solutions. Sustainable, profitable growth will further be supported by efficiency measures and increasingly by the expansion of the systems business and economies of scale.

Issues relevant to the strategy and the development of business are discussed in the course of the two-stage group-wide rolling strategy process, focusing on detailed technology, market and competitor analyses which are correlated with the company's own skills and expertise. The results are used to identify future areas of growth and develop concepts to grow our business areas, which then form the basis for strategic decisions. Specific strategic actions are pinpointed and their implementation subsequently monitored.

We see our strategic orientation as a **global, integrated photonics group** as offering advantages over our competitors, many of whom only operate in one market or have a local or regional presence. By targeting various markets, Jenoptik is also less heavily dependent upon the cycles in individual markets and is thus able to better compensate for fluctuations in the market and achieve a higher degree of stability.

Photonics Group. Photonics is a cross-section technology that targets a whole range of markets. Photonic technologies will serve different future megatrends, for example increasing digitization, growing demand for healthcare, mobility, security and efficiency and the global expansion of infrastructure.

Integrated Group. Jenoptik's three segments are interlinked in diverse ways. The Lasers & Optical Systems segment, in particular, provides technologies and expertise for the other two segments. The segments also use joint infrastructures and cross-section functions, for example for procurement or in the expansion of the international sales network. Group-wide functions are combined within the Shared Service Center, while the Corporate Center assumes the function of a "strategic architect" for the overall Group. To further boost efficiency while simultaneously strengthening the basis for future growth, we remain committed to our Group development projects and will continue to harmonize processes and structures. Throughout the Group, we use standardized development and technology roadmaps to steer the innovation process in line with the markets. The strong joint Jenoptik brand identity raises our profile and ensures that we are held in high esteem. Major customers can thus 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 common use of infrastructure also facilitates market entry and helps to optimize our cost base through the leverage of synergy. Cost benefits are realized and currency risks minimized through global sourcing and production.

We have defined five value levers for the development of the Group which are specified below.

Profitable growth. Jenoptik remains committed to its objective of achieving sustainable and profitable growth, with internationalization, market development, market penetration, product innovation and quality as the central themes. Market trends will be exploited for future development. Key stimuli for further organic growth will come from the Group's core areas of expertise.

Jenoptik will also push on with its strategic portfolio management in future and optimize it at the level of individual market segments. Acquisitions will only be made if these complement the technology portfolio or existing activities related to markets and customers. This means that we use an acquisition, for example, to complement our technology and product portfolio or enable access to specific markets and customers. Any acquisition must satisfy the criteria of increasing the value of the company and the ability of the acquisition to be integrated. In the future, the Group aims to increase its international acquisitions in strategically relevant areas of business.

Market and customer orientation. Jenoptik has two approaches here: we develop and manufacture products and solutions geared toward market trends and customer needs, and market them ourselves or via our sales partners. As a systems partner, we also seek out new solutions together with our customers, thereby establishing and cementing long-term strategic partnerships.

In the future, too, the company will invest in developing new and existing sales and service structures, particularly abroad, and focus its internal processes on customers and markets. Wherever possible, customers are already involved in the early stages of development processes. This allows us to strengthen our customer relationships and boost value creation.

Internationalization. Jenoptik sees great potential in the growth regions of Asia and in North America, in part due to growing industrial production there, and is therefore concentrating on internationalization in these markets. The global sales and service network is being rigorously expanded. As "strategic architects", JENOPTIK Asia-Pacific Pte. Ltd. and JENOPTIK North America, Inc. steer the business, structural and organizational development in these two regions, identify opportunities for growth and coordinate related actions. Alongside the successful establishment of regional sales and service networks, our medium-term objective is to further develop and consolidate on-site value creation such as production and research. In this way, we will be able to offer local customers products and solutions developed locally to meet their various needs.

In the process of growing the business, the Group's own, direct distribution channels are given preference over dealership structures. Jenoptik, however, also works together with local partners within the framework of participations. Overarching, cross-section functions and the Group's own value creation will also be expanded.

Employees and management. Securing qualified and capable employees and ensuring their loyalty to the company remains the key topic in strategic HR work. Structured HR planning is necessary to achieve this in an environment which is becoming increasingly difficult from the demographic aspect. Jenoptik utilizes HR marketing activities to maintain its position as an attractive employer. Personnel development measures and improved framework conditions help to strengthen employees' loyalty to the company.

Page 56 ff.
For further information on employees please refer to the "Employees" section

Active support of the value project is another key issue within HR work. Six corporate values have been defined on the basis of the Jenoptik vision and the "aspiration statement", aiming to boost integration within Jenoptik across various culture and legal systems and thereby promote a group-wide standardized identity.

Operational excellence. All processes in the Group are subject to regular scrutiny in order to increase their efficiency, harmonize them and optimize costs. The initiatives for creating harmonized and excellent processes – in both the operating business and the commercial processes – are consistently pursued. These essentially include the programs set out on page 55 such as the group-wide Jenoptik Excellence Program (JEP), the JOE project (Jenoptik One ERP) or Go Lean. In 2015 the "Market Excellence" program will start, a group-wide program targeted at optimizing organizations and processes in the field of distribution within the Jenoptik Group.

Page 74 ff.
For more information on the operational excellence initiatives please refer to section "Other intangible assets"

Page 53 f.

Selected products used by Jenoptik to address megatrends

Page 42 ff., Page 79 ff.

For more information on the segments please refer to the Segment Reporting and the section "Group operations"

Strategic Orientation of the Operating Business

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

Lasers & Optical Systems segment. Jenoptik is aiming to be a leader among the global providers of lasers and material processing systems. In the field of lasers, the company focuses on new applications for diode lasers, on high-growth segments for solid-state lasers such as low-power thin-disk lasers and on ultrashort pulse lasers and fiber lasers which use our own diode lasers. A concentration on automated plastic and metal processing will support further growth in the field of laser processing systems. Over the medium term, our sights are set 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 systems for OEM customers. Ongoing internationalization, the expansion of the systems business and a focus on key customers form the basis for future profitable growth, to which the use of economies of scale and both customer and technology synergies will additionally contribute.

Metrology segment. In the area of industrial metrology, Jenoptik sees itself as a leading supplier of production metrology. In the automotive market, the company focuses on trends to reduce fuel consumption and CO_2 emissions, as well as on hybridization, and supports these endeavors with the development of measuring systems. The aim is to expand its position as a leading company in the area of production measuring technologies for engine and gear parts. Growth is expected to come primarily from Asia and North America, and we will also expand into new growth markets, for example in the field of medical technology.

As a globally leading supplier of speed and red light monitoring systems, we support our customers in achieving their targets in improving traffic safety with complete solutions. With the global trend toward increasing mobility, particularly in the emerging countries, Jenoptik is tapping into new sales regions. The acquisition of the British company Vysionics gives Jenoptik access to the important British growth market and adds new technologies such as section control (measuring average speed) to its product range. This will help to strengthen our position on global traffic safety projects. In addition, the trend toward major projects in the global traffic safety technology market can be seen from the combination of the equipment business and services, known as Traffic Service Provision. That's why Jenoptik is focusing on strengthening this aspect of its service business. Our growing presence into international markets, selected cooperation arrangements and a focus on innovative and competitive products are aimed at securing future growth and boosting our position as a leading supplier.

Defense & Civil Systems segment. The segment is positioned as a partner for systems companies and customers who have a need for individual solutions that meet the stringent requirements of the defense, aviation and rail markets. Long-term challenges include falling defense budgets in the industrialized nations and a restrictive German export license policy. The segment is consequently seeking to expand its international sales and service structures, especially in North America and Asia. The focus here is on the high-growth areas of energy as well as optical and electronic systems. Beyond this, the segment is looking to increase the share of systems used in civil fields such as railway engineering.

CONTROL SYSTEM

Control System and Performance Indicators

Jenoptik controls its business units on both the strategic and operational levels. As part of the rolling strategy process, the Executive Board and the Executive Management Board (EMB), with the support of a central project management office, steer the development of business unit strategies and monitor their implementation using a project map with quantified targets for each project. Opportunities and risks are identified on the basis of the global megatrends, portfolio decisions are made, growth paths defined and the areas of focus for research and development – so-called technology roadmaps – determined.

A planning forecast for a five-year period is created annually on the basis of the corporate strategy, summarizing the proposed economic development. In the course of a fiscal year, the planning for that year is updated in several forecast cycles.

Monthly earnings meetings are used for operational control. At these the business units report to the Executive Board on the economic situation, the development of customer relationships, the competitive situation and any special business events. They employ standardized reporting methods to display trends, cost variance analysis and necessary actions on the basis of performance indicators. The Jenoptik system of key indicators essentially covers financial control parameters which chiefly focus on shareholder value, the requirements of the capital market and the strategy of profitable growth. Revenue and order intake are the most important key indicators relevant to the Group's growth targets. EBIT and earnings after tax are our main control parameters for profitability, EBIT margin and return on capital employed (ROCE) for rates of return. Net debt and free cash flow are monitored to secure liquidity with the free cash flow also being a major target for the operating business. Additional personnel indicators (e.g. number of employees, sickness rate, revenue per employee) and process control parameters (throughput and processing times) are monitored as important non-financial control parameters. G 11

In 2014, the control system was revised and expanded in many areas of business. A rolling revenue and order intake forecast was introduced to steer growth. As part of the JOE project, a multi-stage direct costing system has been introduced, making it possible to determine the opportunity for earnings from products, markets and regions. Investment controlling was expanded and more strongly centralized to ensure the management of capital investment in line with the strategy.

In the fiscal years ahead, we will continue to develop the control system. The implementation of a treasury management system to allow for central control of liquidity management and both interest and currency risks will occupy a key role in this context. The project control systems will also be developed further. Beyond this, all control mechanisms are subject to a process of continuous improvement.

Page 103 ff.

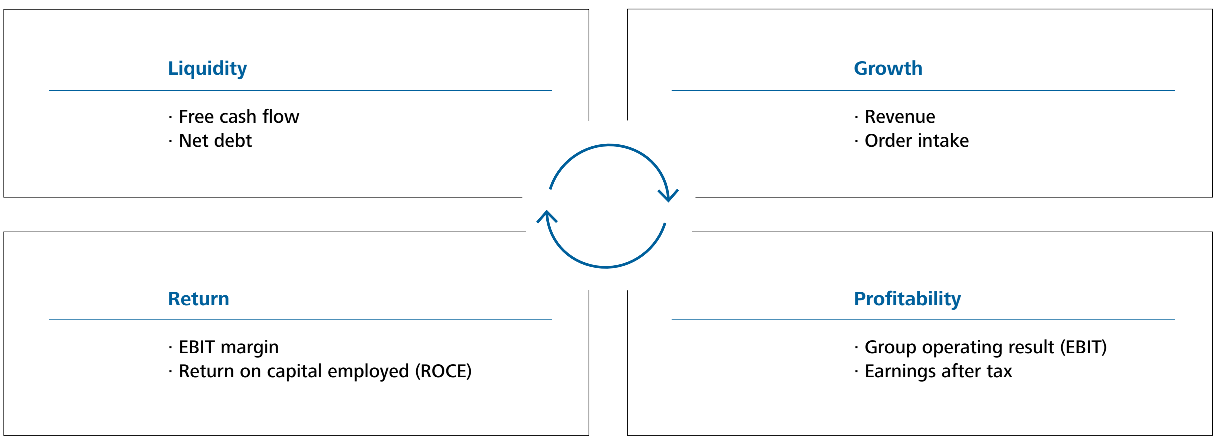
For further information on the planning process please refer to the Forecast Report

Page 56

Further information on the JOE project

G 11

CORPORATE TARGETS AND KEY PERFORMANCE INDICATORS



RESEARCH AND DEVELOPMENT

Strategic Research and Development Orientation

As a technology group, research and development (R+D) are of great importance to Jenoptik. Innovation and all activities involving R+D are crucial to the company's future performance.

One key strategic aim of our R+D work is to acquire, secure and expand our position as an innovation leader in each area. We also strive to develop products with unique selling points and protect them by means of industrial property rights. For positioning in the B2B business, this means making our industry customers more efficient and consequently increasing their own earnings capacity.

Creation of Innovation

A strategic analysis of global megatrends and the requirements of our customers are the first step used to identify potential opportunities for growth. These then become innovation projects aligned with our core competencies, often in direct cooperation with key customers.

The Jenoptik Group's innovation process is multi-stage and follows the guidelines set by the central innovation management. Development projects are evaluated on the basis of milestones in the R+D roadmaps. These involve product, technology and process innovations as well as innovations in business models. G 12

Employees in Research and Development

The experience and expertise of employees are a key factor in the success of our research and development work, and the qualification standards we expect of them are correspondingly demanding. T 07

The knowledge possessed by these key employees is applied to specific tasks and across all segments in corresponding development projects.

Key Cooperation Arrangements and Memberships in Associations

The Group procures external expertise with the help of targeted cooperation arrangements, providing a meaningful addition to and enhancement of its own R+D work. Jenoptik works together with both universities and outside institutions – and also with industrial partners and key customers.

T 07

EMPLOYEES IN R+D

	2014	2013
Number of employees in R+D	430	427
Percentage of overall workforce	11.9	12.2

G 12

IDEA TO MONEY – THE MULTI-STAGE INNOVATION PROCESS AT JENOPTIK

1 CREATION OF IDEAS 〉 2 CONCEPT DEVELOPMENT 〉 3 BUSINESS PLAN 〉

4 DEVELOPMENT 〉 5 MARKET LAUNCH 〉 6 LIFE CYCLE

The objectives of research cooperation arrangements range from market-driven joint projects to reductions in development timeframes through to the creation of specialist expertise. Key R+D partners within the scientific institution environment include:

- the Fraunhofer Institute for Applied Optics and Precision Mechanics (IOF), Jena,
- the Fraunhofer Institute for Laser Technology (ILT), Aachen,
- the Ferdinand Braun Institute, Leibniz Institute for Ultra High Frequency Technology (FBH), Berlin,
- the German Aerospace Center (DLR), Institute of Transportation Systems, Braunschweig,
- Friedrich Schiller University (FSU) Jena,
- the University of Applied Sciences Jena,
- the Leibniz Institute of Photonic Technology (IPHT), Jena,
- Ilmenau University of Technology,
- Kaiserslautern University of Technology,
- the Fraunhofer Institute for Production Technology (IPT), Aachen, including the Machine Tool Laboratory at RWTH Aachen University (WZL) as well as
- Christian Albrechts University (CAU) in Kiel.

The Scientific Advisory Council is a committee of experts available to Jenoptik and provides support in monitoring and assessing long-term technology trends.

Page 174
For more information on the members of the Scientific Advisory Council

Jenoptik also strongly advocates an environment that encourages innovation, promotes the image of photonic technologies and plays an active role in numerous sector and technology-oriented associations. T 08

Development Output

The R+D output of the Jenoptik Group, including developments on behalf of customers, totaled 49.6 million euros in 2014 (prior year 51.1 million euros). Development costs in connection with customer orders are apportioned to the cost of sales. T 09

T 08

JENOPTIK MEMBERSHIP OF COMMITTEES AND ASSOCIATIONS (SELECTION)

- Association of Laser Users
- European Optical Society
- European Technology Platform Photonics21
- German Aerospace Industries Association (BDLI)
- German Electrical and Electronic Manufacturers' Association (ZVEI)
- German Engineering Federation (VDMA)
- German Industry Association for Optical, Medical and Mechatronical Technologies (SPECTARIS)
- German Institute for Standardization (DIN)
- German Society of Applied Optics (DGaO)
- International Society for Optical Engineering (SPIE)
- Max Planck Society for the Advancement of Science
- Optonet/CoOptics
- Semiconductor Equipment and Materials International (SEMI)
- The Association of German Engineers (VDI)
- The Economic Council of the CDU

T 09

R+D OUTPUT (in million euros)

	2014	2013	2012	2011	2010*
R+D output	**49.6**	**51.1**	**49.1**	**45.4**	**42.0**
R+D expenses	39.4	39.8	36.0	32.0	28.1
Capitalized development costs	0.5	0.2	1.2	0.5	0.6
Amortization of and impairment losses on capitalized development costs	−0.9	−1.2	−1.4	−1.3	−1.1
Developments on behalf of customers	10.5	12.2	13.3	14.2	14.4
R+D ratio 1 (R+D costs/revenue) in %	**8.40**	**8.51**	**8.39**	**8.35**	**8.78**
R+D ratio 2 (R+D costs/revenue) in %	**6.68**	**6.64**	**6.16**	**5.89**	**5.88**

* continuing operations only

The proportion of R+D work by third-party service providers increased by 14.6 percent to 7.3 million euros, allowing us to create flexibility in capacities. G 13

R+D output in the **Lasers and Optical Systems** segment includes development costs on behalf of customers worth 3.9 million euros (prior year 4.0 million euros). In 2014 R+D expenses totaled 16.5 million euros (prior year 15.7 million euros). Key development projects are often pursued on a joint basis with customers.

The R+D output of the **Metrology segment** includes developments on behalf of customers totaling 2.7 million euros (prior year 2.6 million euros). The segment's R+D expenses came to 17.2 million euros (prior year 16.8 million euros).

In 2014, developments directly on behalf of customers in the **Defense & Civil Systems** segment totaled 3.9 million euros (prior year 5.6 million euros). As a result of its business model, the segment accounts for the largest share of the development payments directly apportionable to customers. The segment is also a long-term partner for large systems companies and develops platform technologies in conjunction with its customers. The segment's R+D expenses totaled 5.8 million euros (prior year 7.3 million euros).

Patents

Our R+D capital expenditure is consistently protected via the central innovation management in close cooperation with the operating areas. We accord particular importance to patent registrations in dynamic growth markets such as China, Korea and the US. In 2013 and 2014, 59 and 43 patents respectively were registered, a good increase in development outcomes on 2012. G 14

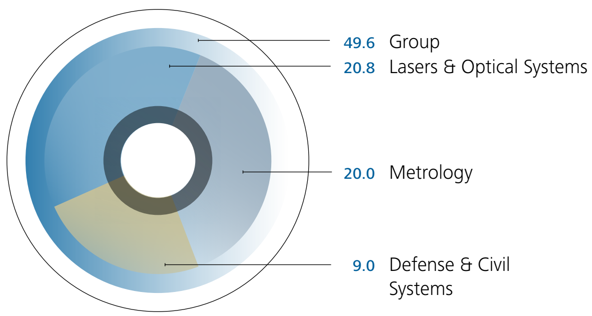
Alongside patent registrations for traffic monitoring systems, expansion of the patent portfolio for module integration was also rigorously pursued in 2014. Various intellectual property rights were registered, particularly in the areas of lens assembly and high-performance optics. Jenoptik expects these patents to produce a sustainable improvement in the competitive situation within the Lasers & Optical Systems segment.

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

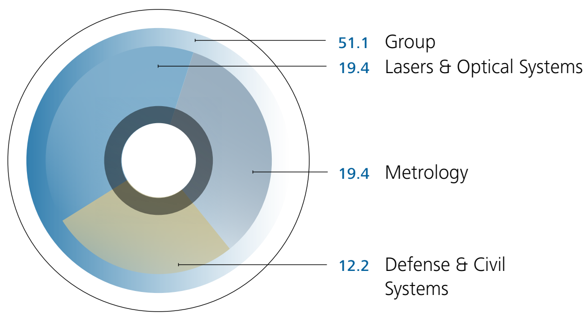
G 13

R+D OUTPUT BY SEGMENT (in million euros)

2014



2013



Change in %

Group –2.9 / Lasers & Optical Systems 7.4 / Metrology 2.9 / Defense & Civil Systems –26.6

Key Projects and Results

Our aim is to offer our customers the very best solutions. We do this by combining our all-round expertise with a broad wealth of experience in managing innovation in photonic technologies to the benefit of our customers.

Several new products were launched in 2014.

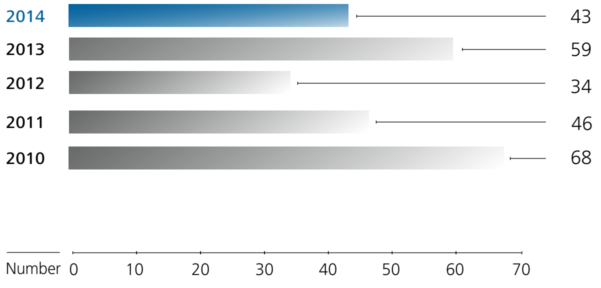
Lasers & Optical Systems segment. The products in the Lasers & Material Processing division are targeted, for example, at the automotive/machine construction and medical technology growth markets. The continuing development of the JenLas® D2.fs series is a compelling response to the growing demands of users in the field of micromaterial processing. The 10 Watt JenLas® femto 10 system, available since 2015, doubles the power of its predecessor model.

A 3 kW fiber laser system was developed for micromaterial processing to enable, for example, efficient cutting and welding of metals. This has created the basis to integrate these high-power laser systems in laser processing systems.

The successful ongoing development of the JenLas® D2 series will allow us to leverage further sales potential. For the first time, with the JenLas® D2.mini series, ophthalmology customers can now acquire not only the beam source but also the control electronics for the laser as a complete system.

G 14

NUMBER OF PATENT REGISTRATIONS



The Optics business unit has stepped up its research and development capacities for system integration and nanolithography for the production of micro-optics. A new generation of microscope cameras is also currently close to launch.

In 2014, further progress was also made in the development of high-performance UV lenses for semiconductor production. The use of stack-mounting technology in the new optical system is a clear response to ever-growing market requirements. The patented stress-free mounting technology of the optical elements is one feature that guarantees a maximum level of accuracy. All this boosts the performance of the optical systems and has grown our market position for high-end lenses used to inspect semiconductor structures.

Metrology segment. In Industrial Metrology, 2014 saw the launch of new standardized measuring systems and the development of specific project solutions for customers.

The HOMMEL-ETAMIC surfscan combines two measuring instruments in one, enhancing the product range in roughness and contour measurements. The automotive industry benefits from the new HOMMEL-ETAMIC toposcan, the ideal system for rapid, precise and reliable testing and measurement of surfaces in cylinder bores. It is suitable for mobile application and thus targeted at quality control within the production environment.

A newly developed measuring system for final inspections of crankshafts can measure all product characteristics in a single run. The system can be perfectly integrated into state-of-the-art production lines, for example at an engine factory.

The Optisens technology, chiefly used for surface inspection of cylinder bore surfaces, also succeeded in the market in 2014. Camera systems detect extremely fine defects such as voids, scratches or pores on inner surfaces. This optical inspection can be performed by any inspector and carried out in short test cycles. It can therefore be integrated within automated production processes and is of particularly relevance to the automotive industry.

In 2014, the Traffic Solutions division developed a modular approach to enable more flexible use of the key components within its own traffic monitoring systems. A compact module combines laser scanners with the SmartCamera and can be used as a stationary system, fitted in the vehicle or on a tripod. Different usage scenarios increase the flexibility of modern traffic monitoring while also maximizing cost effectiveness for customers.

As a technical service provider, Jenoptik is also supporting the nationwide "section control" pilot project to measure average speeds over defined sections of road with its laser scanners.

An innovative solution to monitor trucks which are above the maximum permissible gross weight is in use to protect the weak Rhine Bridge Leverkusen on the A1 federal motorway. Trucks driving over piezo sensors embedded in the road surface generate an electrical voltage which is used to extrapolate the weight of the vehicle.

Defense & Civil Systems segment. Extending the product family of hand-held monitoring devices was a dominant issue in the Defense & Civil Systems segment over the past fiscal year. NYXUS BIRD is now also available in a long-range version which in terms of detection range approximates the performance of cooled thermal imaging devices. Innovative new functions have produced a premium, multi-functional reconnaissance and target acquisition system of the greatest precision under all operating conditions.

For the South Korean railway vehicles manufacturer Hyundai Rotem, the segment manufactured special gensets for passenger train on-board power supplies. They represent a new, performance-enhanced version of the genset which has been successfully used to supply power for heating, air conditioning and illumination to passenger trains for many years.

Depending on where they are deployed, military vehicles are equipped with different modules which must be aimed and stabilized while moving. Jenoptik responded to this demand in 2014 with a new, universal carrier platform which is highly compact and can therefore also be used on smaller vehicles. The platform can hold up to approximately 1.5 times its own weight and both direct and stabilize this load with extreme precision.

Power generating units for the PATRIOT missile defense system were also further developed. The new PATRIOT hybrid power supply reduces fuel and maintenance costs by 50 percent compared to systems currently in use.

Outlook/Research and Development Pipeline

The Group continuously strives to generate new ideas to further boost its market position and offer customers novel and innovative solutions. The best proposals for innovative solutions are nominated annually for the Jenoptik Innovation Award, ensuring that we consistently motivate our employees to create new ideas. There were many highlights at the 2014 edition of the Jenoptik Innovation Days in autumn, including a presentation by the Lasers & Material Processing division of a high-power laser robot for 3D metal processing and an extended platform for femtosecond lasers, and a new tactile form measurement device for mobile use together with two further measuring systems specially adapted to the local needs of the Asian market from the Industrial Metrology division.

NON-FINANCIAL PERFORMANCE INDICATORS

Other Intangible Assets

Customer relationships. Jenoptik predominantly manufactures capital goods and is both a supplier and partner to 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 target audience requirements. That's why successful, longstanding collaborations with key customers are an important intangible asset at Jenoptik. Our good customer relationships are also reflected in a strong order backlog, which at the end of 2014 amounted to 422.5 million euros. Of this sum, approximately 65 percent will be converted to revenue in the current fiscal year, around 35 percent in the years after 2015.

Supplier relationships/procurement. In recent years, purchasing has managed to effect continuous improvements and contribute to an increase in operational excellence on the Group level. The strategic and operational purchasing structures in Asia and the US were further expanded in 2014. Regional buyers were integrated within the global Shared Service Center, who incorporate and implement the strategic requirements for their respective regions. This ensures good access to the relevant markets and thus the creation of synergies.

Key initiatives for achieving our objectives are the Global Sourcing Project, the Purchasing Academy and Material Group Purchasing, which is being further centralized. Alongside on-schedule standard and project procurement, in 2014 the Group again focused on central bundling of material requirements and arranging further international sources of supply, particularly in Asia and the US. The international procurement network with the US was also expanded, making it possible, for example, to successfully leverage proven and competitive US sources in Germany and improve costs. Beyond this, supplier assessments and methods to optimize supplier development were further improved. Preferred strategic suppliers were selected for the various material groups; this process is managed by strategic purchasing together with the segments' quality management.

The growing number of complex customer projects demands a specific method of organizing projects in Purchasing. From the outset, this ensures a customer-oriented approach that takes account of the procurement strategy.

Supplier agreements were also standardized, in due consideration of customer needs, by strategic purchasing in conjunction with the legal and specialist departments.

The US Dodd-Frank Act requires companies listed on the US stock exchange to disclose and document the use of certain minerals throughout the complete supply chain. In order to maintain supplier status with important customers, an interdisciplinary group-wide team headed by strategic purchasing coordinates all required processes relating to certificates of origin for conflict minerals.

For futher information please refer to the Sustainability Report

Process capital (organizational and procedural advantages). Jenoptik has been investing in the improvement of structures and processes for a number of years, one part of which includes the ongoing international expansion of the shared service structures. In addition, the Jenoptik Excellence Program (JEP) was prioritized and successfully pushed forward in 2014. Its aims are to generate cost savings, primarily in production, development and logistical processes as well as in supply chain management.

The Go Lean program also continued, oriented toward integrated process improvements and increasing operating performance. Operating costs are reduced, manufacturing lead times shortened, quality improved and synergies resulting from optimizing processes are used. The establishment of a so-called "Lean Academy" provides training for employees so the program can essentially be implemented on an independent basis. As one example, in 2014 the Laser Processing Systems business unit in the Lasers & Optical Systems segment took advantage of the program to optimize assembly flows. The devised solution was developed by the employees themselves, including a switchover to a kanban system for order processes that has since enabled a considerable boost in productivity. Where lean methods were mostly confined to the company's production areas in recent years, a range of administrative areas were subject to optimizations in 2014. Examples include an improvement in processes within order handling and streamlining in reporting.

The most extensive group-wide project designed to bring about organizational and procedural advantages is the JOE project. It has three objectives at its heart:
- to support international growth with harmonized processes and data together with standardized IT systems,
- to boost efficiency in the operating functions with the development of a standardized and scalable ERP system and
- to improve group control with further development of methods in controlling and accounting.

The program chiefly addresses the key management, core and support processes in every one of the Group's organizational units worldwide. In 2014, it was rolled out to all German locations of the Industrial Metrology division and the Lasers & Optical Systems segment. It will be systematically continued in the current year, additional roll-outs are planned. All relevant software-assisted business processes within the Group will then be subject to identical models and thus simplify the centralized management of the company.

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For more information on the breakdown of personnel expenses please refer to the Notes

Page 79

For information on changes to the organizational and production processes in the operating areas please refer to the Segment Reporting

Responsibility for the organizational and production process lies with the operating units; it is consequently not possible to provide any applicable group-wide statements regarding production methods and processes that would have sufficient relevance for the Combined Management Report.

Human capital. We also see our employees' knowledge and years of experience, together with their high level of commitment and loyalty to the company, as an intangible asset. This is reflected in the low employee fluctuation rate of 3.5 percent in 2014 (prior year 2.9 percent).

Reputation. The Jenoptik Group benefits from the reputation of our headquarters in Jena, which is highly renowned by both scientists and customers as a so-called "Optical Valley". Jenoptik is conscious of this reputation and is involved in various activities aimed at sustainably improving the location. This includes encouraging and training young people and enhancing the attractiveness of the location by promoting a good work-life balance and discerning cultural activities as well as projects for children and young people from disadvantaged social backgrounds.

Page 60 ff.

For more information on this subject please refer to the section on sustainability

Environmental issues Information on this can be found in the section "Sustainability" from page 60 on.

Employees

The number of Jenoptik employees (incl. trainees) increased 3.5 percent as at year-end 2014 to 3,553 (31/12/2013: 3,433). The largest increase, of 13.6 percent, was seen in the Metrology segment. The number of Jenoptik employees abroad rose by 142 to 617 (31/12/2013: 475), thereby increasing the proportion of the workforce abroad to 17.4 percent (31/12/2013: 13.8 percent). T 10 T 11

Peak project periods were cushioned by temporary personnel. As at the reporting date of December 31, 2014, the number of temporary personnel employed in the Group was 141 (31/12/2013: 140).

At 219.7 million euros, personnel expenses in 2014 (wages, salaries, social security contributions, expenses for pensions) were up by 4.1 percent compared with the figure of 211 million euros in the prior year.

Revenue per employee fell by 5.5 percent to 173,000 euros, due to exceptional increase in the average number of employees which were hired in particular in the service business and whose positive impact has not yet shown in full. G 15

The employee age distribution, as can be seen in the table below, is broadly balanced. T 12

T 12

AGE DISTRIBUTION IN THE GROUP (in %)

Under 30 years	30–39 years	40–49 years	50–59 years	60–65 years	Over 65 years
14.03	24.43	24.74	26.50	9.86	0.44

T 10

EMPLOYEES AS AT DECEMBER 31 BY SEGMENT (incl. trainees and academy students)

	2014	2013	Change in %
Group	3,553	3,433	3.5
Lasers & Optical Systems	1,377	1,391	–1.0
Metrology	1,030	907	13.6
Defense & Civil Systems	885	907	–2.4
Other	261	228	14.5

As at the reporting date of December 31, 2014, the proportion of women in the Group (in Germany and abroad) was 26.3 percent, a slight fall on the prior year (31/12/2013: 27.1 percent).

By contrast, the absenteeism rate among Jenoptik employees in Germany increased slightly from 4.9 percent in the prior year to 5.2 percent in 2014. The employee fluctuation rate also rose marginally, from 2.9 to 3.5 percent.

Employee Remuneration

Company collective wage agreement. A company collective wage agreement forms the basis of remuneration for employees and trainees in the Lasers & Optical Systems and Defense & Civil Systems segments, as well as at JENOPTIK AG and JENOPTIK SSC GmbH at the Jena and Berlin sites. The valid collective wage agreement governing wages and salaries saw a two-stage increase in remuneration: 3.0 percent from April 1, 2014 and a further 2.8 percent from January 1, 2015. The collective wage agreement runs for 24 months and can first be terminated on January 31, 2016.

At the Triptis and Berlin sites of the Lasers & Optical Systems segment, recognition agreements for gradual integration into the JENOPTIK AG company collective wage agreement were concluded in the year covered by the report.

General collective wage agreement. Group employees from the Defense & Civil Systems segment and the Industrial Metrology division, for whom the general collective wage agreement of the metal and electrical industry applies, saw an increase in remuneration of 2.2 percent from May 1, 2014. The collective wage agreement was valid through December 31, 2014.

Company pension scheme. Jenoptik provides the foundations for Group employees to secure their standard of living on retirement through an employee-funded pension scheme. It is based on a three-pronged concept comprising the provident fund, the retirement scheme of the metal industry and private annuity policies with Allianz Lebensversicherung AG. As a general rule, Jenoptik does not issue any pension commitments. The existing pension liabilities of ESW GmbH have been taken on by Jenoptik and combined and secured in a Contractual Trust Arrangement (CTA). Further details can be found in the Notes from page 145 on.

Management Remuneration

The remuneration of the Jenoptik management is based on a fixed remuneration and a variable salary component. The variable component is based on the earnings and free cash flow of the respective business unit and, depending on the management level, of the Group as a whole, as well as on the achievement of individual strategic and personal targets. A long-term incentive component (LTI) based on virtual shares is agreed as part of the variable remuneration for members of the Executive Management Board (EMB) and their deputies. This sets long-term behavioral incentives and promotes sustainable strategic corporate development. The system for the allocation and payment of virtual shares is essentially in line with that for the Executive Board and is explained in greater detail see page 149 in this Annual Report. Since the corresponding contracts of service, unlike the contracts of service for the Executive Board, are generally not for a limited period, there are special rules relating to the payment of virtual shares in the event of termination of employment.

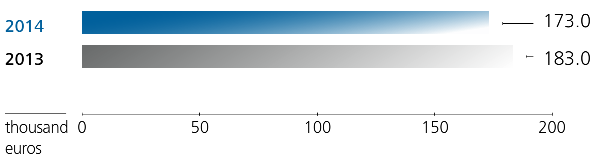
T 11

EMPLOYEES AS AT DECEMBER 31 BY REGION
(incl. trainees and academy students)

	2014	2013	Change in %
Germany	2,936	2,958	–0.7
Abroad	617	475	29.9
Europe (excl. Germany)	154	95	62.1
Americas	263	249	5.6
Asia/Pacific	200	131	52.7

G 15

REVENUE PER EMPLOYEE (in thousand euros)



Change
2014 –5.5%

HR Processes and Key Projects

All strategic and procedural principles of HR work are the responsibility of the officers in the strategic human resources department at the Corporate Center. These include organizational development, HR marketing, executive recruitment and support, HR development, labor law and HR controlling. The strategic HR department is responsible for efficient and high-quality creation, optimization and implementation of all HR processes within the Group. The HR departments in the Shared Service Center and both the Industrial Metrology and Defense & Civil Systems divisions apply the operating processes in their daily work. In 2014, key issues in strategic HR work included the harmonization and standardization of HR processes in the Group and the expansion of the standard group-wide SAP-HCM system.

HR guidelines valid for the entire Group were adopted in the year covered by the report and contain binding rules on all aspects of HR work. Beyond this, a human resources manual for all German locations was introduced, clarifying and specifying all internal processes and remits in HR. This provides for a consistent quality of processes and a harmonization of practices, helping to ensure uniform Group standards. We will be pressing ahead with integration of the locations in Asia and the US in 2015.

Optimization of the SAP-HCM system primarily focused on the launch of web-based services (e.g. paperless request for vacation leave), thereby extending the range of services for employees and managers.

Another priority involved HR reports, increasing transparency of HR data for corporate management.

Attracting Qualified Employees

Jenoptik operates in a rapidly changing economic and socio-cultural environment in which competition for qualified skilled workers and managers is constantly increasing. An additional factor in this equation is the company's continuing process of internationalization that is also leading to increasing demand for recruitment, particularly in Asia and the US. The audiences addressed by recruitment and thus also HR marketing are specialists and skilled workers in the field of natural and engineering sciences as well as experts with business management and legal backgrounds.

The aim of HR marketing is to secure and increase the value of the employer brand, thereby driving performance in recruitment. To this end, the Employer Branding Project initiated in 2013 continued in the year covered by the report. It will also be underpinned by corresponding international recruitment platforms and career portals.

In order to strengthen the employer brand, the Group attends national and international trade fairs and events. In 2014, new activities were implemented in Asia for the graduate and young professional target groups.

For the year covered by the report, the top ranking survey of the most popular employers for students approaching graduation and graduates (Engineering Edition) conducted by the Trendence Institute once again saw Jenoptik ranked within the top 100, in 91st place (prior year 99). In the annual FOCUS ranking, Jenoptik was also one of the top 50 employers in Germany for two sectors, placing 31st in the "electronics and electrical engineering, medical equipment" industry ranking and 5th in the "production and processing of raw and construction materials, metals and paper" industry.

Promoting New Talent

School students. Direct personal contact with students creates early loyalty to the company and awakens interest in Jenoptik as a potential training company. In total, Jenoptik supported six projects on preparation for choosing a career at six schools in 2014. At the heart of this work is supporting teachers to assist in preparation for the world of work and the career choices of students. In addition, 56 students were offered internships across the Group.

Jenoptik also supports the promotion of an early interest in natural sciences, technology and mathematics as a sponsor of “Jugend forscht” (Young Researchers Competition). The company has been supporting the Thuringian regional final since 1991. In 2014, a total of 120 students with 60 projects took part in the competitions.

Trainees and students of the career academies. In addition to the standard training content, trainees and career academy students also receive external supplementary training courses and language teaching. At the Wedel, Villingen-Schwenningen, Jena and Triptis sites, they learn optical, precision engineering, electronic and business occupations at training centers. Within the context of collaborative training, trainees are taught basic practical knowledge and skills. The Jenaer Bildungszentrum gGmbH – Schott, Zeiss, Jenoptik, in which Jenoptik has been a partner since 2009, has positioned itself as a training center for optics and photonics and established at a national level.

As at December 31, 2014, the Group had 136 trainees and career academy students (31/12/2013: 137). In August 2014, 30 new trainees and career academy students were taken on at the German Jenoptik sites for the beginning of a new training year. At the same time, 23 trainees and academy students were able to successfully complete their training in the year covered by the report, going on to take up positions within the Group.

University students and graduates. In addition to the training of skilled workers, targeted support for students and graduates with outstanding potential is another building block of the Group’s strategy for qualified employees.

In order to present itself to students as a potential employer, Jenoptik cooperates with selected universities around the world, with the aim of securing the loyalty of outstanding students at any early stage.

Jenoptik provides support for exceptional and socially committed students undertaking relevant study courses under the German National Scholarship Program. In 2014, four students in the fields of laser and optical technologies and technical physics received financial support.

Jenoptik has offered a trainee program for graduates since 2011. The goal of the program is broad-based training and the loyalty of qualified new talent. Over the past year, five of the six trainees were offered permanent employment at the company. The next generation is due to start in 2015.

Human Resources Development

In 2014, Jenoptik invested around 1.3 million euros in training and professional development (prior year 1.9 million euros), benefiting 1,395 employees (prior year 1,747). HR development requirements within the company are reviewed once a year as part of an analysis of training needs, and the resulting professional development measures are put together in a portfolio. These measures focused on personal, methodological and leadership skills in 2014.

The **Jenoptik Junior Leadership Program (J²LP)** is an important element in HR development, its purpose being to push the targeted development and promotion of potential leaders from within the company’s own ranks. The aims of the program are to provide uniform preparation for new management executives on their continuing career path, to develop a uniform management culture within the company and to encourage cross-divisional networking between the participants. 2014 saw the successful completion of the eighth generation of the program. Currently, 19 participants are enrolled on the ninth and tenth generations of the J²LP.

Executive management program. The executive management program launched in 2013 was applied to the next management level in 2014 and will continue in 2015. It provides training in aspects similar to J²LP, including leadership and change management. This ensures a standard understanding of leadership and the use of consistent management tools at all management levels within the Group.

Technical and project careers. The technical and project career track, piloted in 2012, is another target group-oriented development option for employees of the Jenoptik Group. The objective of the one-year measure is to develop both the personal and technical skills of the participants. Group-wide implementation of the program was reviewed by the divisions in 2014, which found in its favor, and is now scheduled for 2015.

Go Lean – Lean Campus. The Lean Campus was implemented as part of the Go Lean program launched across the Group in 2012. Participants receive instruction in the program topics on targeted training courses. The emphasis is on teaching comprehensive lean method expertise, the improvement tools and the personal development of the involved employees and managers. Since 2014, internal multipliers have been independently organizing the Go Lean basic and advanced training for target groups in the various business units.

Satisfaction at Work, Family Policy and Social Welfare

For the complete 2014 sustainability report please visit our website at www.jenoptik.com

Employee survey. The implementation projects identified on the basis of the 2012 employee survey continued in the year covered by the report. In total, approximately 80 percent of the projects have already been carried out. Late September 2014 saw a second group-wide employee survey to gauge the effectiveness of these projects and determine further key issues.

Daycare centers. Jenoptik has been supporting daycare centers for several years at its Jena (since 2007) and Wedel (since 2012) locations, thereby helping to create a pleasant and family-friendly working environment. Since the summer of 2014, there has also been a new, modern daycare center with places reserved for children of Jenoptik employees at the Monheim location of the Traffic Solutions division.

Healthcare. Jenoptik regularly organizes healthcare days at various locations to raise awareness of the subject. Employees receive tips for healthy living that are easy to incorporate in their everyday work. A healthcare day was held as part of the national "Health for Germany" initiative at the Jena site in autumn 2014, and was supplemented by a cooperation agreement with the POM gym in Jena to offer all employees membership on preferential terms.

Quality Management and Sustainability

Jenoptik sees entrepreneurial activity not purely as the pursuit and realization of commercial objectives but also something that brings with it an obligation to the environment and society. Corporate social responsibility (CSR) encompasses the sustainable and responsible orientation of our business activity, taking into account underlying economic, ecological and social conditions as well as the consequences of our economic activities. In order to provide information on economic, ecological and social work together with the Group's actions and successes relating to the sustainable focus of business activities, the Jenoptik Group published its second Sustainability Report in 2014. A number of key elements in this report are summarized in the following sections.

Quality management. Jenoptik's success as a company rests on the quality of the products and solutions we offer our customers. The 2014 fiscal year therefore saw the continuation of efforts to fully certify the various Group companies. All certifications are subject to annual review audits; these were successfully conducted in all areas in 2014. Nearly all Jenoptik companies met the requirements of the ISO 9001 quality management standard.

In the Lasers & Optical Systems segment, recertification/surveillance audits were successfully carried out in all companies of the Lasers & Material Processing division certified to DIN EN ISO 9001:2008. Also in this segment, JENOPTIK Polymer Systems GmbH met the stringent medical technology standards of ISO 13485 as well as those for the automotive industry codified in ISO/TS 16949.

In the Metrology segment, JENOPTIK Robot GmbH at the Monheim location successfully passed a surveillance audit for order data processing, its certification for data protection and security was confirmed. In addition the company also passed a recertification audit according to DIN EN ISO 9001, carried out by DEKRA and valid for all locations. JENOPTIK Industrial Metrology Germany GmbH was one of the first providers to be awarded a license by the German Accreditation Agency DAkkS for roughness, contour and form calibration. The Industrial Metrology calibration laboratory has been allowed to use the mark of the International Laboratory Accreditation Cooperation (ILAC) since 2012. Products and services thus gain a higher acceptance on an international level. All Industrial Metrology production locations around the world (except China) were also certified to DIN EN ISO 9001:2008. 2014 saw the launch of the SAP QM module in Industrial Metrology, chiefly resulting in optimizations to the product improvement process and in complaint handling.

In the Defense & Civil Systems segment, all of the ESW GmbH locations are certified according to EN 9100, a quality management system specific to the demanding requirements of the aerospace and defense industries. In 2014, the Wedel location also received confirmation that its quality management system meets NATO quality assurance requirements under AQAP 2110/2210. At Wedel, the segment is also certified as a manufacturer for the European Aviation Safety Agency (EASA) and as a maintenance company under the respective regulations of the European, US American, Canadian and Chinese aviation authorities. At the Altenstadt location, Lechmotoren GmbH possesses quality management certification (DIN EN ISO 9001:2008) according to the International Railway Industry Standard (IRIS). T 13

Environmental management. Environmental management is a key part of our business practices. Several Jenoptik companies are certified to ISO 14001. Beyond this, we also require of our suppliers and contract partners that they comply with applicable environmental protection regulations.

Jenoptik has implemented stringent statutory requirements for nature conservation and environmental protection for new buildings and the expansion and modernization of existing production facilities. For example, state-of-the-art technologies for saving resources and protecting the environment have been applied when fitting out production facilities. These included a new heating system with condensing boiler technology installed at the Monheim location of the Traffic Solutions division. Annual savings come to around 250 megawatt hours and have a positive impact on the carbon footprint.

On the basis of the energy certificates that had been issued in prior years, a cost-benefit analysis was carried out for the first time in 2011 for all buildings in Germany and was continued in 2014. Building on this, measures to increase energy efficiency were adopted in the mid-term planning to 2019. In all construction activities undertaken in the 2014 fiscal year, attention was more strongly focused on energy efficiency, leading to a sustainable rise in the sparing use of resources. Key examples of this are roof refurbishments on selected buildings at the Jena site and refurbishment or the new building at the Wedel location.

In the field of environmental management, a CO_2 balance was again drawn up for the German locations in 2014. This provides comparison values that allow for an assessment of the energy consumption levels as a ratio of revenue and consequently the trend in energy efficiency in production. Consumption levels presently cover only the German locations. Nevertheless, a positive trend can be identified from the figures that have been collated. The consumption of resources increased more slowly than the expansion of business. The consumption of the various media (electricity, district heating, gas, heating oil, wood pellets) at all locations in Germany was used to calculate CO_2 emissions, which in 2014 came to 12,220 tons (prior year 16,686 tons). The absolute reduction of over 4,000 tons of CO_2 can primarily be attributed to the use of green electricity by all segments at the Jena location and at one of the sites in Berlin.

For detailed information on environmental management please refer to the Jenoptik Sustainability Report or visit our website at www.jenoptik.com

T 13

CERTIFICATION WITHIN THE GROUP (SELECTION)

ISO 9001	Certification of quality management processes
EN 9100	Certification of quality management processes specific to the aerospace and defense industries
ISO 13485	Certification of comprehensive quality management systems 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-OSH-2001	Certification of occupational safety and health management

Within all segments, types of waste are now systematically recorded and the quantities calculated in Germany. The volume of hazardous waste in the 2014 reporting year totaled 247 tons; this was disposed of at waste treatment/disposal plants through the transportation of hazardous goods (prior year 242 tons). The quantity of non-hazardous waste fell considerably to 659 tons (prior year 779 tons).

As a technology company, Jenoptik is dependent on a wide range of raw materials. In the face of an increasing scarcity of resources and rising global prices, it is both an ecological imperative and good economic sense for the Group to make efficient use of the materials it requires. We comply with applicable regulations to ensure we use these materials in a responsible manner, for example the requirements of the European chemicals regulation REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and the RoHS directive (Restriction of certain Hazardous Substances), and are involved on associated committees.

T 14 T 15 T 16

T 14

ENERGY CONSUMPTION OF THE JENOPTIK LOCATIONS IN GERMANY (in MWh)

	2014	2013	2012
Electricity	34,757	33,478	31,857
Gas	7,957	12,861	11,179
Wood pellets	53	238	212
District heating	9,103	9,095	7,195
Heating oil	39	194	611
Total energy consumption	**51,909**	**55,866**	**51,054**

T 15

WATER CONSUMPTION OF THE JENOPTIK LOCATIONS IN GERMANY (in cbm)

	2014	2013	2012
Water	**57,084**	**57,633**	**55,216**

T 16

CO_2-EMISSIONS OF THE JENOPTIK LOCATIONS IN GERMANY (in t)

	2014	2013	2012
CO_2	**12,220**	**16,686**	**19,976**

Resource management. Many of Jenoptik's innovative products make a contribution to the efficient and responsible use of resources. As a B2B provider, we are normally involved where our customers' production processes and products can be made more efficient. The examples below from our three segments illustrate this:

- Energy efficiency. Diode lasers are one of the most efficient light sources available, with an efficiency of up to 70 percent. With their excellent flexibility and efficiency, lasers are becoming increasingly important tools in production. 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.

  New LED illumination systems such as the "Lucid power high bay" equipped with special optics are primarily used by the logistics sector in high-bay warehouses to achieve energy savings and greater light output.

  Electrical power supply is of growing importance in modern vehicles. Electric motors and generators, power electronics and complete power units are efficient and feature a very good power to weight ratio, i.e. an improved ratio between the level of electrical or mechanical energy generated and the weight of the systems.

- Preserving resources. With continuing advances in development, optical technologies are increasingly opening up potential new areas of application that allow for simpler process design, protect resources or reduce the size of crystalline structures in semiconductor production. Jenoptik also supplies optical systems for new optical analysis processes, e.g. for endoscopies and optoelectronic system solutions in life sciences.

- Fuel and CO_2 savings, hybridization. One objective of the automotive industry is to reduce fuel consumption and both carbon and pollutant emissions. High-precision industrial metrology systems and plants can be used for rapid and accurate testing of forms and surfaces. The results are more precise surfaces on engine components and thus cars that require less fuel. The increasingly widespread use of hybrid drive units is leading to the use of ever more complex transmissions containing a large number of new components, in turn demanding greater use of metrology. For customers, this means longer life cycles and less service expenditure, equating to excellent product sustainability and reduced costs in the manufacturing process.

- Increasing traffic safety. Jenoptik's traffic monitoring systems help to ensure compliance with applicable regulations. They thus help to make road traffic safer, reduce the probability of accidents and injuries and lower pollutant and noise emissions.

Social commitment. In addition to economic and ecological matters, Jenoptik's promotion of sustainability also focuses on social issues. The Group supports a whole range of non-profit projects, organizations and initiatives and is actively involved in science, education and culture as well as in the area of social welfare and charity.

In recent years, this work has been concentrated on projects with a regional connection to the German locations. As part of the process of internationalization, Jenoptik has started promoting social involvement at the foreign locations and to this end has invited proposals for various internal projects.

Support for the work-life balance was provided within the company, particularly in the form of flexible working hour models and a range of childcare places at the workplace for children of Jenoptik employees at three locations. The childcare facilities on offer are geared toward flexible opening hours and integrated, bilingual teaching concepts.

Together with numerous partners, the Group is also active as a member of the "Familienfreundliches Jena e. V." sponsor group for projects conducted by the "Jenaer Bündnis für Familie" (Jena family alliance) to improve general underlying conditions, the work-life balance and equal opportunities in education.

In its social commitment, Jenoptik endeavors to establish close and long-term partnerships aimed at providing both financial and personal support. The Group has long been pursuing this approach, for example since 1996 with its patronage of the "Adult Initiative for Children with Cancer Jena". Donations both made by Jenoptik and collected from partners, and the organization of various events, have helped to support children with cancer and their parents. Particularly worthy of note is the Easter Charity Concert given by the International Youth Orchestra Academy, the proceeds of which are donated to the initiative.

Jenoptik once again took the 2015 New Year's reception as an occasion to ask guests to make a donation for a good cause. For the first time, a social issue at an international Jenoptik location was at the center of the donation campaign: the work of four orphanages in Bangalore, India.

For many years, further priorities in Jenoptik's social work have been the promotion of science, education, art and culture. Examples include the long-term sponsorship of the Thuringian "Jugend forscht" (Young Researchers) state competition, the "Schüler experimentieren" ("Students Experiment") competition since 2012, participation in the Long Night of Sciences and cooperation arrangements with universities and research institutes.

Since 2013, Jenoptik has been offering scholarships to high-performing and socially involved students on relevant courses at the Jena University of Applied Sciences and Ilmenau University of Technology.

From the earliest days of the company's existence, Jenoptik has been enriching Jena life with art and culture projects. 2014 saw the 20th anniversary of the in-house art exhibition series entitled "tangente". Alongside its own projects, Jenoptik also promotes other artistic endeavors at its headquarters, for example the "Prisons" exhibition by the renowned American artist Peter Halley which was organized by the Friedrich Schiller University Jena. Jenoptik has further been both a patron and sponsor of the series of summer concerts at the Thalbürgel monastery church since 1993. On the basis of its own sponsorship, Jenoptik's "BEGEGNUNGEN Kultur Technik Wirtschaft" ("ENCOUNTERS culture technology business") workshop offers students at Jena University of Applied Sciences an innovative style of cultural education.

Jenoptik started off the International Year of Light with a unique light installation: a kinetic light sculpture crafted by the Stuttgart-based artist rosalie has found a permanent home at the Jenoptik headquarters in Jena since early 2015. The sculpture, which was specially made for Jenoptik, creates a changing, three-dimensional illusion out of light.

Economic Report

MACROECONOMIC AND SECTORAL DEVELOPMENTS

Development of the Economy as a Whole

Following a subdued start to the year, the global economy grew 3.3 percent in 2014, according to the International Monetary Fund (IMF). Geopolitical risks, chief among them the dispute involving Russia and Ukraine and armed conflicts in the Middle East, noticeably took their toll on economic development. Although the US saw dynamic growth, ailing economies in the euro zone showed little sign of improvement. Growth in emerging and developing countries, at an average 4.4 percent, remained strong but again lower than in the prior year. T 17

The US economy took a more bullish turn, with a full-year increase in gross domestic product (GDP) of 2.4 percent last seen only in 2010. Growth accelerated considerably from the third quarter of 2014, although a drop in capital expenditure on equipment and falling government spending, together with a higher trade deficit, somewhat weakened economic momentum toward the end of the year.

In the euro zone, GDP rose by just 0.8 percent and thus failed to meet projections in 2014. The key reasons for the downgrade given by the EU Commission are geopolitical risks, less tailwind from the global economy and generally inconsistent growth in the member countries, with particularly weak economic development in France and Italy.

Following a good first quarter for the German economy in 2014, a repeated decline in industrial orders and industrial production in the further course of the year put a damper on progress, although the economy did show signs of stabilizing at the end of the year. Overall, average annual GDP rose 1.5 percent, just above the average for the last ten years. Consumer spending was the key driver of the economy. 2014 was a record year for foreign trade, both in exports (approximately 1,133 billion euros) and imports. Despite the uncertainties regarding economic development, German companies again invested more than in 2013, with spending on plant and machinery rising by 3.7 percent.

T 17

CHANGE IN GROSS DOMESTIC PRODUCT (in %)

	2014	2013
World	3.3	3.3
US	2.4	2.2
Euro zone	0.8	–0.5
Germany	1.5	0.2
China	7.4	7.8
Emerging economies	4.4	4.7

Source: International Monetary Fund, World Economic Outlook, January 2015

In 2014, China's economy grew more slowly than at any time since 1990, with the GDP increase of 7.4 percent falling below the government's target. Weaker exports, a decline in domestic demand and falling real estate prices were behind the slowdown. But stronger growth than expected in industrial production and retail revenues at the end of the year helped to stabilize the economy.

According to current IMF estimates, the Russian economy grew by just 0.6 percent. The ruble crisis, plunging oil prices, falling state revenues and sanctions imposed by the EU and the US all had a significant impact on the economy and consequently also exports by German companies to Russia.

Development of the Jenoptik Sectors

Jenoptik targets the markets of the automotive/machine construction, aviation/traffic, security and defense technology, semiconductor equipment and medical technology industries. The company uses optical technologies in all segments and is an established partner of the global photonics industry.

According to market analysts Optech Consulting, European photonics industry production grew 3 percent on the prior year to 60 billion euros in 2014. Production was especially strong in applications for industry, medical technology and life sciences, together with the optical components and systems sector.

In the laser market, global revenues in 2014 increased to 9.2 billion US dollars, as reported by the analysts at Strategies Unlimited in the magazine "Laser Focus World". As forecast, that was around 6 percent more than in 2013. Except in the area of lasers for imaging, all the market segments analyzed saw year-on-year revenue growth, again including research and military. Lasers for material processing, lithography and medical technology were once more at the forefront of growth. Fiber lasers continued to make inroads in material processing, for example in metal cutting. High-power diode direct lasers, an alternative launched in 2014, have to date generated very little revenue but were very well received at various trade fairs. G 16

Compared to the weak prior year, the **semiconductor equipment industry** made a strong start to 2014. According to the Semiconductor Equipment and Materials International (SEMI) trade association, however, global revenue fell slightly over each quarter due to postponements in capital expenditure. Despite this, provisional estimates by SEMI indicate that full-year revenue, at 38.0 billion US dollars, was almost 20 percent above the low prior-year figure and also exceeded revenue in 2012. G 17

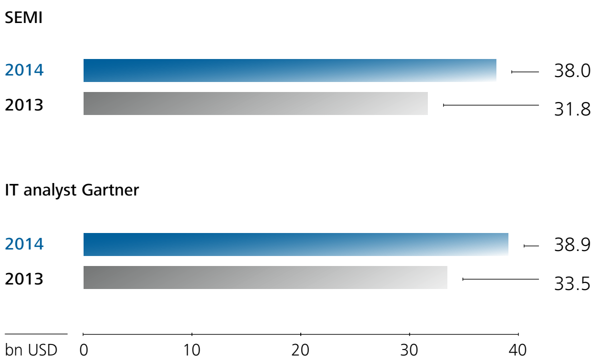
In 2014, the **semiconductor** industry eclipsed the prior year's record revenue levels by just under 10 percent, at approximately 336 billion US dollars, according to the Semiconductor Industry Association (SIA). IT analyst Gartner arrived at similar figures.

In 2014, **medical technology** manufacturers in Germany generated over 25 billion euros of revenue for the first time, according to the German industry association Spectaris. This was 1.6 percent higher than the prior year, although a downturn particularly affecting the second half-year had a noticeable impact on the industry.

Figures in 2014 for the German **machine construction industry** were below expectations. According to provisional calculations, production grew by just 1 percent to approximately 199 billion euros, corresponding to the revised guidance issued in summer 2014. Revenue came to 212 billion euros. Both figures, however, exceed the previous records achieved in 2008. Order intakes coming from both domestic and foreign demand in 2014 were 2 percent higher than in the prior year, with foreign demand growing generally faster than orders from within Germany in the final months of the year. Fewer orders than in the prior year were received from Russia, a number of major emerging countries and EU neighbors. G 18

G 17

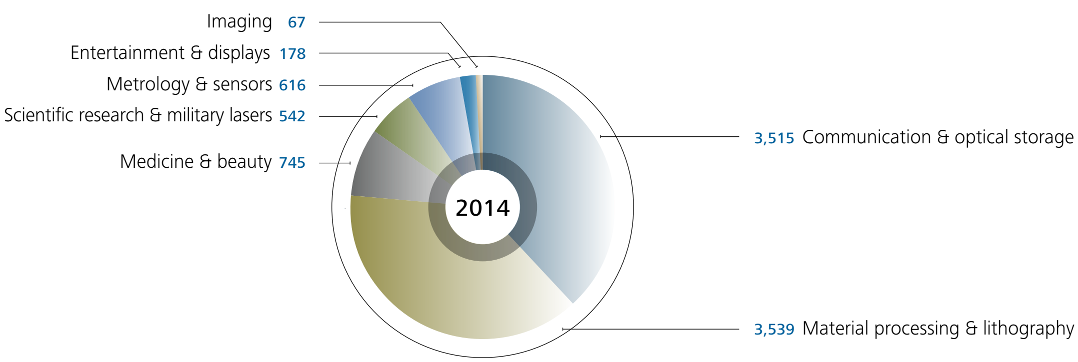
SEMICONDUCTOR EQUIPMENT: GLOBAL REVENUE
(in billion US dollars)



Sources: Semiconductor Equipment and Materials International (SEMI), Gartner

G 16

INDUSTRIAL LASERS: REVENUE BY SEGMENT (in million US dollars)



Source: Laser Focus World, January 2015

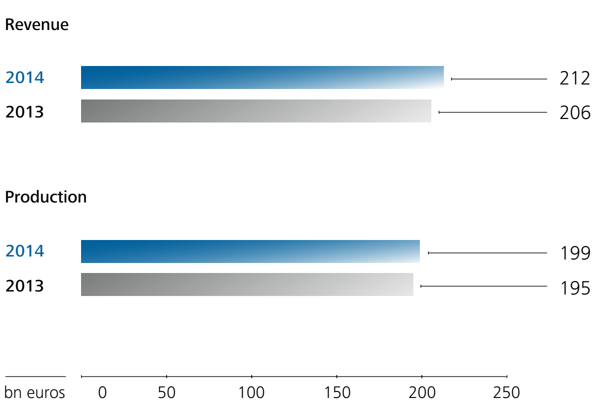
In 2014, the Association of German Machine Tool Manufacturers (VDW) reported a fall in production for the first time in three years. Contrary to an expected rise of 3 percent, a production value of 14.4 billion euros was just under the prior-year level, mainly due to the Ukraine crisis, weak business with Russia and subdued development in China.

According to the German Association of the Automotive Industry (VDA), the US and China remained dominant on the global car market in 2014. In Western Europe, too, car sales rose year-on-year for the first time in six years. Figures released by the VDA indicate that around 2 percent more vehicles (74.7 million) were registered than in 2013. Revenue stagnated or fell in India, Brazil and Russia.

The global market for railway engineering was worth 162 billion euros in 2014, according to the market analysts at SCI Verkehr. The three most important countries in terms of market share remained China, the US and Russia; the European markets stabilized. The German railway industry saw moderate but solid growth in the first half of 2014. According to the German Railway Industry Association (VDB), revenue increased 18 percent to 5.2 billion euros, with manufacturers prioritizing business with trains, locomotives and their components. Following record figures in the prior year, however, order intakes fell by around a third, to 5.6 billion euros.

G 18

GERMAN MACHINE CONSTRUCTION INDUSTRY: REVENUE AND PRODUCTION (in billion euros)



Source: German Engineering Federation (VDMA)

Within the aviation industry, aircraft manufacturer Boeing achieved record numbers of orders and deliveries in 2014, slightly outperformed by Airbus in terms of order intake. Figures released by the International Air Transport Association (IATA) indicate that the international aviation industry generated profits of almost 20 billion US dollars in 2014 (prior year approximately 13 billion US dollars), assisted in good part by lower oil prices and the growth of the global economy.

According to the “Annual Defence Budget Review” issued by market analyst IHS Jane’s, global spending in the security and defense technology market rose in 2014 for the first time since 2009: at 1,547 trillion US dollars, however, the figure was just under 1 percent up on the prior year. By contrast, the export policy adopted by Germany’s Federal Ministry for Economic Affairs in 2014 was more restrictive than in prior years, resulting in a fall in export licenses for armaments and dual-use goods to the lowest level for many years. The combined value of all German export licenses came to 6.52 billion euros; the value of licenses for individual orders, at just under 4 billion euros, was one third down on the prior year and included a major order for submarines and naval equipment.

LEGAL FRAMEWORK CONDITIONS

The legal framework conditions governing business operations essentially remained constant in the fiscal year 2014 and therefore had no significant impact on the business development of the Jenoptik Group. With regard to tightened export controls and sanctions against Russia, we refer to the Segment Reporting on pages 80 and 82.

EARNINGS, FINANCIAL AND ASSET POSITION

Comparison of Actual and Forecast Course of Business

In a challenging environment and despite a slight fall in revenue, Jenoptik managed to achieve a solid quality of earnings in the 2014 fiscal year thanks to cost discipline and continuing implementation of the efficiency programs. In the 2014 fiscal year the Group tipped the upper end of the final forecast range with revenue of 590.2 million euros, business picking up at the end of the year following only a moderate development of revenue in the first nine months. T 18

Despite difficult underlying economic and political conditions in the past fiscal year, income from operations (EBIT) came to 51.6 million euros and was thus slightly above the most recent forecast figure. Profitability was maintained at almost the same level as the prior year. At 92.1 million euros, net debt in 2014 was higher than the figure originally projected, mainly due to the acquisition of a 92 percent stake in Vysionics Ltd., a leading supplier of traffic safety technology in the United Kingdom, in November 2014. Another reason was the increase in working capital, in part due to order postponements. Together with payments for property, plant and equipment, these factors reduced the forecast free cash flow.

Capital expenditure rose to 29.9 million euros, but was below the guidance figure due to a weaker than expected development of business.

Our guidance issued in March 2014 regarding other key indicators for the year as a whole proved to be generally accurate.

2014 saw international structures continue to expand and the advancement of Group development projects. The slightly delayed launch of the new ERP system as part of the JOE project went ahead, as planned, in two segments in Germany in 2014.

T 18

ACTUAL AND FORECAST COURSE OF BUSINESS (in million euros)

Indicator	Year-end 2013	2014 guidance	Year-end 2014
Revenue	600.3	Jan. 2014: 5–10% growth Aug. 2014: revenue growth of approx. 5% Oct. 2014: approx. 600 million euros (incl. major order) Dec. 2014: 580–590 million euros (excl. major order)	590.2
Lasers & Optical Systems	224.7	March 2014: increase up to 10% Nov. 2014: 5–10% revenue growth	231.3
Metrology	187.4	March 2014: slightly positive trend May 2014: revenue at prior-year level Nov. 2014: revenue slightly below prior-year level	185.0
Defense & Civil Systems	185.1	March 2014: increase in high single-digit percentage range May 2014: slight increase in revenue Nov. 2014: revenue at prior-year level (incl. major order)	170.8
EBIT	52.7	Jan. 2014: 55–62 million euros Aug. 2014: EBIT at approx. 55 million euros Oct. 2014: approx. 50 million euros (incl. major order) Dec. 2014: just under 50 million euros (excl. major order)	51.6
EBT	47.2	Trend as Group EBIT	46.1
Order intake	575.3	Considerably above 2013 level	589.2
Net debt	44.1	Stable	92.1
Free cash flow	47.0	Stable positive, fluctuations at reporting date	22.5
ROCE in %	14.0	Around the 2013 level	13.0
Employees	3,433	Slight rise	3,553
R+D expenses	39.8	Somewhat stronger rise than revenue	39.4
Capital expenditure*	24.4	35–40 million euros	29.9

* excluding company acquisitions

The Group published its first forecast for the new fiscal year in January 2014, with the Executive Board expecting revenue growth of between 5 and 10 percent and earnings between 55 and 62 million euros. It also announced its intention to further invest in the expansion of sales activities and innovative products, and streamline internal processes. In the light of growing geopolitical uncertainties and on the condition that economic development would not further deteriorate, revenue and EBIT guidance was then firmed up at the lower end of the original forecast range in August of 2014. Stricter export regulations issued by the German government resulting in lost revenue for the Group, project postponements as well as demand from the machine construction, automotive and semiconductor equipment industries well below the Executive Board's expectations all contributed to guidance being adjusted downward in October 2014. The new published targets for the 2014 fiscal year were conditional upon a major international order in the Defense & Civil Systems segment being completed by the end of the year. In mid-December 2014, the Group announced that, due to customer delays, the project would no longer be commissioned as scheduled within the fiscal year; the order would be postponed to 2015. This resulted in a further minor reduction in revenue and EBIT guidance.

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For more information on the development of revenue in the segments please refer to the Segment Reporting

Earnings Situation

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

Development of Revenue and Earnings

Revenue. In the challenging environment of the 2014 fiscal year, the Jenoptik Group generated revenue of 590.2 million euros, 1.7 percent down on the prior-year figure (prior year 600.3 million euros). With 170.1 million euros, the fourth quarter was the strongest in both the past fiscal year and the years before. The Lasers & Optical Systems segment boosted its revenue in 2014, while the other two segments reported a fall in revenue due to customer reluctance to invest, export restrictions and project postponements. T 19

The acquisition of Vysionics was completed in November 2014, therefore the company's contribution to revenue, earnings and order intake is included for the months of November and December 2014.

T 19

REVENUE BY SEGMENT (in million euros)

	2014	2013	Change in %
Group	590.2	600.3	–1.7
Lasers & Optical Systems	231.3	224.7	3.0
Metrology	185.0	187.4	–1.3
Defense & Civil Systems	170.8	185.1	–7.7
Other	3.1	3.1	–0.3

T 20

REVENUE BY REGION (in million euros and as % of total revenue)

	2014		2013		Change in %
Group	590.2	100.0%	600.3	100.0%	– 1.7
Germany	211.1	35.8%	228.4	38.0%	– 7.5
Europe	159.1	27.0%	150.8	25.1%	5.5
Americas	103.6	17.6%	117.2	19.5%	– 11.6
Asia/Pacific	84.3	14.3%	59.8	9.9%	40.9
Middle East/Africa	32.1	5.4%	44.1	7.3%	– 27.3

On a regional level, growth momentum primarily came from Asia/Pacific. The increase of 40.9 percent was also attributable to projects being transferred from America to this region. In Germany, revenue was down on the prior year due to weakened demand. At 379.1 million euros, Jenoptik generated 64.2 percent of revenue abroad in the past fiscal year (prior year 371.9 million euros or 62.0 percent). This increase in the foreign share of revenue was chiefly due to stronger business in Asia and the decline in Germany. Outside Germany, Europe remained the region with the highest revenue, accounting for 27.0 percent of Group revenue, followed by Americas with 17.6 percent. T 20

In terms of revenue by target market, the automotive and machine construction industries, despite particularly subdued demand from the automotive industry in North America, remained dominant, with a share of 27.0 percent. Successful project start-ups in medical technology & life sciences produced an increase in the share of revenue in this industry. In 2014, 14.7 percent of Group revenue was attributable to the top 3 customers (prior year 13.5 percent). T 21

Despite a difficult economic and political environment and slightly lower revenue, Jenoptik managed to maintain profitability in 2014 at around the same level as in the prior year. Group income from operations (EBIT) came to 51.6 million euros (prior year 52.7 million euros). The EBIT margin in the 2014 fiscal year was 8.7 percent (prior year 8.8 percent). Whereas earnings in the Lasers & Optical Systems segment was substantially increased and remained stable in the Metrology segment, EBIT in the Defense & Civil Systems segment remained substantially below the prior year figure. T 22

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For information on the Segment EBIT please refer to the Segment Reporting

A changed revenue mix and more efficient operational processes resulting from the JEP program, e.g. Go Lean and purchasing, had a positive influence on the development of earnings in the past fiscal year; by contrast, order revaluations in the defense business impacted negatively.

The Group EBIT includes earnings of approximately 2.8 million euros originating in the sale of a former business unit (prior year 2.8 million euros; also earnings in connection with the sale of a former business unit). These earnings are shown in the item Earnings from discontinued operations in the income statement.

Group earnings before interest, taxes, depreciation and amortization (Group EBITDA) rose slightly to 76.1 million euros (prior year 74.8 million euros). T 23

T 21

REVENUE BY TARGET MARKET (in million euros and as % of total revenue)

	2014		2013	
Group	590.2	100.0%	600.3	100.0%
Automotive/machine construction	159.6	27.0%	167.3	27.9%
Aviation and traffic	127.2	21.6%	131.8	22.0%
Security & defense technology	119.5	20.2%	129.9	21.6%
Semiconductor equipment industry	75.8	12.8%	74.1	12.3%
Medical technology	45.3	7.7%	39.3	6.5%
Other	62.7	10.6%	57.9	9.6%

T 22

EBIT (in million euros)

	2014	2013	Change in %
Group	51.6	52.7	–2.2
Lasers & Optical Systems	27.0	24.6	9.6
Metrology	22.5	22.5	0.1
Defense & Civil Systems	2.1	11.6	–81.5
Other	0.0	–6.0	99.5

T 23

EBITDA (in million euros)

	2014	2013	Change in %
Group	76.1	74.8	1.7
Lasers & Optical Systems	36.0	34.0	5.8
Metrology	26.9	25.2	7.0
Defense & Civil Systems	7.2	16.8	–57.3
Other	6.0	–1.0	712.2

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For the method of calculating ROCE please refer to the Glossary

As at December 31, 2014 the ROCE (return on capital employed) in the Jenoptik Group was 13.0 percent (prior year 14.0 percent). Jenoptik shows this indicator inclusive of goodwill and before taxes. T 24

At minus 5.5 million euros, the financial result remained at the prior-year level (prior year minus 5.5 million euros). It was influenced by exchange rate gains amounting to 1.2 million euros and exchange rate losses of 0.5 million euros. By contrast, the interest result alone fell from −5.8 to −6.6 million euros. Interest income reduced to 0.7 million euros (prior year 1.0 million euros), while interest expenses increased to 7.3 million euros (prior year 6.8 million euros). The main reasons for this are the higher financial liabilities arising from the acquisition of Vysionics. Due to the expansion in the group of entities consolidated, investment result was 0.0 million euros (prior year 0.3 million euros).

Fore detailed information on the subject of taxes please refer to the Notes

Earnings before tax. The marginal decline in EBIT was also reflected in earnings before tax (Group EBT), which at 46.1 million euros were 2.4 percent down on the prior year (prior year 47.2 million euros).

Income taxes came to 7.7 million euros (prior year 4.6 million euros), of which 61 percent were levied in Germany, 39 percent abroad. In Germany, JENOPTIK AG's tax losses carried forward had the effect of reducing the tax burden within the framework of the minimum taxation. Tax burden abroad was also reduced by the use of existing tax losses carried forward.

Non-cash deferred tax income reduced to 3.2 million euros (prior year 4.5 million euros).

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For further information please refer to the section “Research and Development“

The Jenoptik Group's cash-effective tax rate, at 16.6 percent (prior year 9.7 percent), remained at a level which is comparatively low compared with other German companies.

The increase is attributable to first-time consolidations as well as higher tax payments abroad.

In 2014, Jenoptik generated earnings after tax (EAT) of 41.6 million euros (prior year 47.2 million euros). Earnings attributable to shareholders, at 41.7 million euros was below the prior year's figure of 47.2 million euros). Earnings per share were therefore 0.73 euros (prior year 0.82 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 course of business. T 25

Cost of sales fell by 2.5 percent to 384.8 million euros and thus at a slightly stronger rate than revenue (prior year 394.6 million euros). The cost of sales includes expenses arising from developments directly on behalf of customers which totaled 10.5 million euros (prior year 12.2 million euros).

Gross profit was 205.5 million euros (prior year 205.7 million euros) and thus at almost the same level as in the prior year. The gross margin improved slightly to 34.8 percent (prior year 34.3 percent). Increases in efficiency resulting from Group development projects as well as the changed revenue mix helped to maintain the good level of profitability from the prior year despite lower overall revenue and negative impact from revaluations of orders. G 19

The research and development expenses are key indicators of the Group's future performance and competitiveness, and at 39.4 million euros remained at a high level (prior year 39.8 million euros). The share of R+D expenses as a proportion of revenue rose from 6.6 percent in the prior year to 6.7 percent.

T 24

CAPITAL EMPLOYED (in million euros) AND ROCE (in %)

	2014	2013
EBIT	51.6	52.7
Long-term, average restricted non-current assets	243.2	236.8
Short-term, average restricted current assets	300.9	291.3
Less non-interest-bearing borrowings	147.7	152.2
Average operating capital	396.5	376.0
ROCE	**13.0**	**14.0**

Jenoptik again consistently pursued its internationalization strategy in the 2014 fiscal year. In the course of expanding these international activities, selling expenses rose by 1.3 percent to 67.5 million euros in 2014. The selling expenses mainly comprise costs for sales commissions, communications and marketing. At 11.4 percent, the selling expenses ratio was slightly up on the prior year level of 11.1 percent.

General and administrative expenses came to 51.1 million euros (prior year 46.4 million euros), and have increased as scheduled with the process of further internationalization, the expansion of infrastructure and as a result of first-time consolidations.

Other operating income increased to 23.2 million euros (prior year 15.7 million euros), mainly attributable to considerably higher foreign currency exchange gains of 7.9 million euros (prior year 4.8 million euros). Government grants and earnings from the disposal of assets did, however, rise, too.

Other operating expenses, at 22.0 million euros, were also above the level of the prior year (prior year 18.8 million euros). They included reorganization expenses amounting to 1.5 million euros, foreign currency exchange losses of 5.9 million euros (prior year 5.5 million euros), but also effects from the reversal of provisions in the sum of 2.2 million euros (prior year 5.2 million euros) and expenses for projects such as JOE and HCM totaling 3.5 million euros (prior year 4.5 million euros).

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Page 131 f.

For more information on the composition of the other operating income and expenses as well as on the Consolidated Statement of Comprehensive Income please refer to the Notes

Order Situation

In the 2014 fiscal year, the order intake rose by 13.9 million euros to 589.2 million euros (prior year 575.3 million euros). This figure does not include anticipated major orders in the Traffic Solutions and Defense & Civil Systems divisions. The order intake matched the level of revenue in 2014; the book-to-bill ratio accordingly rose to 1.00 (prior year 0.96). The Lasers & Optical Systems and Metrology segments saw growth in their order intakes. T 26

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For more information on the order intake of the segments please refer to the Segment Reporting

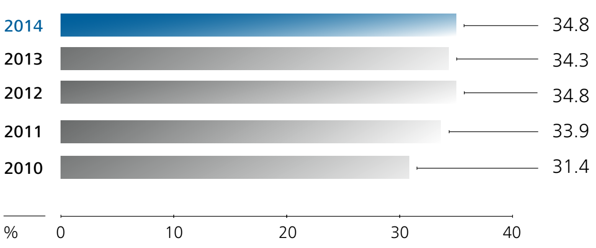
T 25

KEY ITEMS IN THE INCOME STATEMENT (in million euros)

	2014	2013	Change in %
Cost of sales	384.8	394.6	–2.5
R+D expenses	39.4	39.8	–1.1
Selling expenses	67.5	66.6	1.3
Administrative expenses	51.1	46.4	10.1
Other operating income	23.2	15.7	47.6
Other operating expenses	22.0	18.8	17.1

G 19

DEVELOPMENT OF THE GROSS MARGIN (in %)



T 26

ORDER INTAKE (in million euros)

	2014	2013	Change in %
Group	589.2	575.3	2.4
Lasers & Optical Systems	240.1	221.4	8.4
Metrology	174.7	172.5	1.3
Defense & Civil Systems	170.2	179.2	–5.0
Other	4.3	2.2	97.4

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For further information please refer to the Notes

Order backlog. In late 2014, the order backlog rose to 422.5 million euros and forms a solid basis for the growth projected in the 2015 fiscal year. Approximately 65 percent of this order backlog, amounting to 272.8 million euros, will be converted into revenue in the current 2015 fiscal year (prior year 58 percent); some 35 percent will accordingly be converted into revenue beyond the year 2015 (prior year 42 percent). T 27 T 28 G 20

Financial position

Principles and targets of finance management

The central Treasury department of JENOPTIK AG centrally plans and controls the demand for and provision of liquid resources within the Group. The financial flexibility and financial solvency of the Group are guaranteed at all times on the basis of a multi-year financial plan and monthly rolling liquidity planning.

Our cash pooling also ensures the liquidity supply of the individual German companies and limits their liquidity risk. There are also plans to gradually include the foreign companies in the cash pool. So, in 2014, a cash pool was implemented for the companies in North America, which will be managed by Jenoptik North America. Due to these measures as well as the conclusion of a syndicated loan in April 2013, the Group's liquidity was sufficiently secured at any time.

Primarily using currency forward transactions and currency options, Jenoptik hedges orders in foreign currencies, thereby reducing the consequences of exchange rate fluctuations on results and cash flow. Derivative financial instruments are used exclusively to hedge the operational business as well as financial transactions required for operational purposes.

Capital structure and financing analysis

With an equity ratio of 50.1 percent as at December 31, 2014, debenture loans as well as a syndicated loan, Jenoptik has a sound and long-term financing structure. This provides the Group with sufficient room for maneuver to finance both future organic growth and new acquisitions.

The debenture loans issued in 2011 in the sum of 90 million euros have a term of 5 or 7 years. The syndicated loan agreement concluded in 2013 for 120.0 million euros enabled Jenoptik to secure a line of credit at attractive terms for the next five years. Against the background of the

T 27

ORDER BACKLOG (in million euros)

	2014	2013	Change in %
Group	422.5	411.4	2.7
Lasers & Optical Systems	100.8	94.3	6.9
Metrology	77.2	72.8	6.1
Defense & Civil Systems	245.9	246.9	–0.4
Other	–1.4	–2.6	46.0

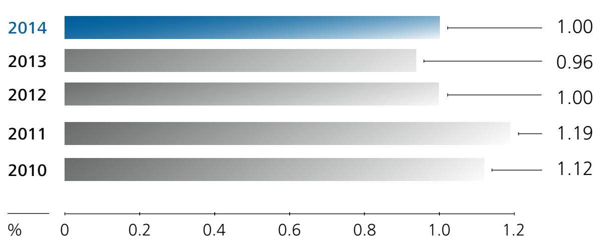
T 28

BOOK-TO-BILL RATIO (in %)

	2014	2013
Group	1.00	0.96
Lasers & Optical Systems	1.04	0.98
Metrology	0.94	0.92
Defense & Civil Systems	1.00	0.97
Other	1.39	0.70

G 20

DEVELOPMENT OF THE BOOK-TO-BILL RATIO (in %)



positive financing conditions as well as the acquisition made in November 2014, Jenoptik is currently endeavoring to adjust the long-term financing framework in respect of both terms and the economic conditions.

In addition to cash on hand, Jenoptik has available liquidity from confirmed, unused capacity from the syndicated loan in the amount of 52.0 million euros.

In 2014, the Group's **non-current financial liabilities** increased particularly due to the acquisition of Vysionics and at year-end totaled 156.8 million euros (31/12/2013: 115.2 million euros). In 2014, the item included exclusively financial liabilities to banks in the amount of 156.8 million euros (31/12/2013: 115.1 million euros). As in the previous year, at the end of 2014, non-current financial liabilities accounted for more than 97 percent of Jenoptik's financial liabilities.

The **current financial liabilities** increased to 5.1 million euros (31/12/2013: 1.2 million euros).

The earnings after tax posted at the end of 2014 resulted in equity increasing by 41.6 million euros. At the same time, borrowings rose in comparison to the previous year by 59.8 million euros. Defined as the ratio between borrowings (385.1 million euros) and equity (386.6 million euros), the debt to equity ratio has therefore improved during the reporting period, amounting to 1.00 (31/12/2013: 0.89). T 29

At year-end the **net cash position** amounted to 64.7 million euros (31/12/2013: 71.1 million euros). It is defined as the total cash and cash equivalents and securities in the sum of 69.8 million euros (31/12/2013: 72.2 million euros) less current financial liabilities.

In 2013, Jenoptik had significantly reduced the **net debt** due to the good free cash flow, particularly in the 4th quarter. In the course of the 2014 fiscal year, the net debt had increased as expected, due to the dividend payment as well as the expansion in the working capital, among other things in preparation for new customer projects. The acquisition of Vysionics Ltd. took place in the 4th quarter of 2014. This led to an increase in the net debt to 92.1 million euros as at December 31, 2014. T 30

Silent investors. The remaining silent investor in a Jenoptik real estate fund ended his investment at the end of 2014. As at December 31, 2014, the claims of the remaining silent real estate investor amounted to 12.4 million euros. The payment was made to the silent investor in January 2015 thus paying back all liabilities to real estate investors. There are no other silent investments or entitlements.

T 29

DEBT TO EQUITY RATIO

	2014	2013	2012	2011	2010
Group	1.00	0.89	1.03	1.15	1.23

T 30

NET AND GROSS DEBT (in million euros)

	2014	2013	2012	2011	2010
Non-current financial liabilities	156.8	115.2	115.8	123.1	125.9
Current financial liabilities	5.1	1.2	4.7	4.1	19.5
Gross debt	**161.9**	**116.4**	**120.5**	**127.2**	**145.4**
minus securities	0.3	0.7	0.6	1.3	0.8
minus cash and cash equivalents	69.5	71.6	45.4	48.8	65.3
Net debt	**92.1**	**44.1**	**74.5**	**77.1**	**79.3**

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For more information on capital expenditure by segment please see the Segment Reporting from page 79 on and for future investment projects the Forecast Report from page 100 on

Analysis of capital expenditure

The focus of capital expenditure is derived from the Group strategy and is in line with the planned growth targets and the asset structure of the Group. To ensure this, the central investment controlling systematically checks the individual investments on the basis of performance and financial indicators with respect to sustainability or their value contribution and thoroughly analyzes the opportunities and risks.

In 2014, Jenoptik invested in the continued expansion of its sales structures and optimized internal procedures, thereby supporting future growth. The level of investment was higher than depreciation, in 2014, the Group invested 29.9 million euros in intangible assets as well as property, plant and equipment. Of this, 20.4 million euros went on investment in expansion, which will secure future growth, and the remaining 9.5 million euros were used for replacement and rationalization investment. Capital expenditure focused on projects for Group development as well as technical systems relating to capacity expansion for customer projects. T 31

Property, plant and equipment accounted for the largest share of capital expenditure at 25.3 million euros. Development costs amounted to 0.5 million euros, and therefore, as in previous years, were capitalized only to a minimal extent (prior year 0.2 million euros). At 24.5 million euros (prior year 22.1 million euros), scheduled depreciation was slightly up on the prior year. Impairments were reduced to 0.0 million euros (prior year 0.1 million euros).

Capital expenditure on intangible assets amounted to 4.6 million euros, remaining below the level of the previous year (prior year 6.8 million euros). Investment was primarily in the software field for the JOE and HCM projects.

Amortization on intangible assets amounted to 5.2 million euros (prior year 4.2 million euros) and, as in the previous year, primarily included amortization on patents, trademarks and software, capitalized development costs as well as customer base. Impairments on intangible assets within the scope of the impairment test were not required.

T 31

CAPITAL EXPENDITURE BY SEGMENT – INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (in million euros)

	2014	2013	Change in %
Group	29.9	24.4	22.9
Lasers & Optical Systems	9.2	8.3	11.8
Metrology	5.5	3.9	41.7
Defense & Civil Systems	5.4	4.7	15.2
Other	9.7	7.5	30.1

T 32

CAPITAL EXPENDITURE AND DEPRECIATION/AMORTIZATION (in million euros)

	2014	2013	Change in %
Capital expenditure	29.9	24.4	22.9
Intangible assets	4.6	6.8	–32.7
Property, plant and equipment	25.3	17.6	44.4
Depreciation/amortization/impairment losses	24.5	22.1	10.8
Intangible assets	5.2	4.4	18.7
Property, plant and equipment	18.8	17.3	8.7
Investment properties	0.6	0.5	17.8

Areas of major capital expenditure on property, plant and equipment included a building in Shanghai, manufacturing capacities primarily in the Metrology segment, for the future business with the semiconductor equipment industry and medical technology, the Laser Processing Systems business unit as well as defense business. At 25.3 million euros, the capital expenditure was significantly greater than in the previous year (prior year 17.6 million euros).

The depreciation on property, plant and equipment and investment properties totaled 19.3 million euros (prior year 17.8 million euros) and was therefore below the figure for capital expenditure on property, plant and equipment. T 32

In the 2014 fiscal year, investment property valued at 2.5 million euros was sold.

Analysis of cash flows

In the reporting year, the cash flows from operating activities were 46.3 million euros, remaining below the high level of the previous year (prior year 60.6 million euros). The cash flows were influenced by the expansion of working capital in preparation for future revenue and by the change in provisions. The change in provisions can be found under the Note “Other provisions” in the Notes from page 148 on.

In the period covered by the report, the cash flows from investing activities were significantly characterized by higher payments for the acquisition of consolidated entities in the amount of 13.2 million euros (prior year 2.8 million euros). Also reflected in this is the increased expenditure by the Group on property, plant and equipment compared with the previous year. The outflow of funds for investing activities in 2014 amounted to 37.6 million euros, significantly above the figure for the previous year (prior year 16.4 million euros).

The free cash flow arises from the cash flows from operating activities before interest and taxes in the amount of 51.5 million euros (prior year 67.2 million euros) less the expenditure for operating investment activities in the amount of 29.0 million euros (prior year 21.0 million euros). During the reporting period, the free cash flow consequently fell to 22.5 million euros (prior year 47.0 million euros).

In the 2014 fiscal year the cash flows from financing activities improved to minus 13.8 million euros (prior year minus 19.1 million euros). They were influenced by the dividend payment in the amount of 11.4 million euros, receipts in the amount of 56.0 million euros, primarily from the utilization of the syndicated loan, payments for the repayment of loans as well as changes in Group financing. The change in the Group financing comprises payments from or to non-consolidated associates and investments. In 2014 this item also included payments relating to the assumption of external liabilities of a newly consolidated company as well as the repayment of liabilities to the investor in a joint venture company. T 33

Asset position

The balance sheet items as at December 31, 2013 and December 31, 2014 can essentially be compared with each other.

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For more information on the changes to the consolidated companies please refer to the Notes

Compared with the year end 2013, the balance sheet total of the Jenoptik Group increased to 771.7 million euros as at December 31, 2014 (31/12/2013: 692.4 million euros) in line with the expansion of business as well as the acquisition of companies, particularly of Vysionics. The increase of 79.3 million euros due primarily to an increase in intangible assets, property, plant and equipment and inventories on the assets side as well as an increase in

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CASH FLOWS (in million euros)

	2014	2013	2012	2011	2010*
Cash flows from operating activities	46.3	60.6	66.6	65.6	41.6
Cash flows from investing activities	−37.6	−16.4	−33.8	−29.3	31.1
Cash flows from financing activities	−13.8	−19.1	−36.1	−53.7	−19.0
Cash-effective change in cash and cash equivalents	−5.0	25.1	−3.4	−17.4	53.7
Non-cash change in cash and cash equivalents	2.9	1.1	−0.1	0.9	0.4
Change in cash and cash equivalents	−2.1	26.2	−3.5	−16.5	54.1
Cash and cash equivalents at the end of the fiscal year	69.5	71.6	45.5	48.8	65.3

* Continuing operations

equity and higher non-current financial liabilities on the liabilities side.

The effects of the initial consolidation of Robot Nederland B.V. and Vysionics Ltd. are shown in the section ”Entities acquired“ from page 120 on.

The **non-current assets** grew to 389.5 million euros. This was the result of an increase in intangible assets by 47.9 million euros to 123.3 million euros, due in part to the acquisitions referred to above. There were only minor changes in the other items.

The largest item in intangible assets was goodwill valued at 96.9 million euros (31/12/2013: 57.5 million euros). The increase was due in particular to the corporate acquisitions.

Property, plant and equipment increased to 150.7 million euros (31/12/2013: 140.6 million euros) and deferred tax assets to 76.3 million euros (31/12/2013: 70.3 million euros).

There were virtually no changes in the other items under non-current assets.

Investment property fell to 16.4 million euros (31/12/2013: 19.1 million euros).

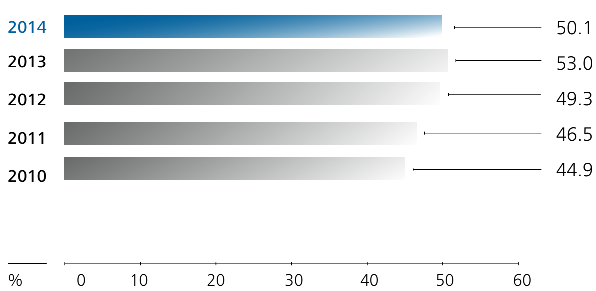
Despite a drop in inventories in the 4th quarter, they increased to 179.0 million euros in the 2014 fiscal year (30/9/2014: 189.3 million euros, 31/12/2013: 165.1 million euros). Trade and other receivables also increased during the period covered by the report to 133.4 million euros (31/12/2013: 125.3 million euros). This led to an increase in the **current assets** of 19.6 million euros to 382.2 million euros (31/12/2013: 362.6 million euros). At 69.5 million euros (31/12/2013: 71.6 million euros), the cash and cash equivalents changed only slightly in comparison with the end of 2013.

Primarily due to preparations for new customer projects and as a result of postponed orders, **working capital** was built up during the past fiscal year. As at December 31, 2014 the working capital was 217.5 million euros (31/12/2013: 195.6 million euros). The working capital ratio, the proportion of working capital to revenue, therefore increased compared with the previous year to 36.9 percent (31/12/2013: 32.6 percent). T 34

In the 2014 fiscal year, the **equity** including non-controlling interests rose by 19.5 million euros to 386.6 million euros (31/12/2013: 367.1 million euros). The equity was positively influenced by the earnings after tax achieved; it was reduced in part due to changes in actuarial losses recognized outside of profit or loss. However, as the balance sheet total as at December 31, 2014 increased more strongly, the **equity ratio**, the proportion of equity to balance sheet total, was reduced to 50.1 percent (31/12/2013: 53.0%). G 21

G 21

EQUITY RATIO (in %)



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COMPOSITION OF NON-CURRENT ASSETS (in million euros and in %)

		2014		2013	Change in %
Intangible assets	123.3	31.6%	75.3	22.8%	63.6
Property, plant and equipment incl. investment properties	167.1	42.9%	159.7	48.4%	4.6
Financial assets	21.1	5.4%	20.1	6.1%	5.0
Other non-current assets	1.8	0.5%	4.4	1.3%	–60.1
Deferred tax assets	76.3	19.6%	70.3	21.3%	8.6
Total	**389.5**	**100.0%**	**329.8**	**100.0%**	**18.1**

At the end of 2014, the non-current liabilities increased to 216.6 million euros (31/12/2013: 173.1 million euros). The growth of 43.5 million euros is due, on the one hand, to higher non-current financial liabilities, which increased to 156.8 million euros (31/12/2013: 115.2 million euros). In addition, an increase in actuarial losses in particular led to an increase in pension provisions to 41.0 million euros (31/12/2013: 28.2 million euros).

The debenture loans are an important element of the non-current liabilities. Jenoptik had successfully placed these loans on the market in October 2011 in the total sum of 90.0 million euros and with a term of 5 or 7 years. The item also includes the syndicated loan taken out in 2013.

The current liabilities rose by 16.2 million euros to 168.5 million euros (31/12/2013: 152.3 million euros). This is primarily attributable to the increase in the other current liabilities by 11.0 million euros to 120.0 million euros (prior year 109.0 million euros). At the end of 2014, this balance sheet item included, reporting date related, higher trade accounts payable. However, the other current liabilities also increased; due to the change in maturity, as at December 31, 2014 they included the payment to the silent investor in a real estate fund, the payment of which took place in January 2015. In contrast, liabilities from on-account payments received were reduced. T 35 T 36

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 the calculations made by semion brand-broker GmbH in November 2014, the value of the brand remained unchanged at 86 million euros. This placed the brand at number 41 (prior year 41) among the 50 leading German brands in the year covered by the report.

Non capitalized tax losses carried forward. Tax losses carried forward arise from losses 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.

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FINANCIAL LIABILITIES BY DUE DATE (in million euros)

	Up to 1 year		1 to 5 years		More than 5 years		Total 31/12	
	2014	2013	2014	2013	2014	2013	2014	2013
Liabilities to banks	5.0	1.1	156.7	93.4	0.1	21.8	161.8	116.3
Liabilities from finance leases	0.0	0.0	0.0	0.1	0	0	0.1	0.1
Total	**5.1**	**1.2**	**156.7**	**93.4**	**0.1**	**21.8**	**161.9**	**116.4**

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ELEMENTS OF INTEREST-BEARING LIABILITIES (in million euros)

	2014	2013	Change in %
Current	5.1	1.2	340.0
Liabilities to banks	5.0	1.1	350.5
Liabilities from finance leases	0.0	0.0	29.1
Non-current	156.8	115.2	36.1
Liabilities to banks	156.8	115.1	36.2
Liabilities from finance leases	0.0	0.1	–49.5

With regard to the remaining losses carried forward, for corporate income tax purposes in the amount of 220.7 million euros (prior year 226.2 million euros) and for trade tax purposes in the amount of 392.4 million euros (prior year 394.0 million euros) no deferred tax asset were recognized as they will probably not be used within a determined planning time frame.

Relevance of off-balance sheet financing instruments to the financial and asset position. 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 the Notes from page 140 on.

Contingent assets and liabilities. Information on contingent assets and liabilities can be found in the Notes from page 159 on.

Clauses in JENOPTIK AG contracts which apply in the event of a change in control within the ownership structure of JENOPTIK AG following a takeover bid exist in connection with a joint venture which has since been terminated as well as for various financing agreements with a total utilized volume of approximately 158.0 million euros (prior year 106.6 million euros). Further information can be found in the Corporate Governance Report from page 24 on as well as in the Information on Takeover Law from page 30 on.

GENERAL STATEMENT BY THE EXECUTIVE BOARD ON THE DEVELOPMENT OF BUSINESS

In 2014 the development of business varied greatly in the individual areas of Jenoptik due to a challenging economic environment, restrained demand and tighter export restrictions. In particular the development in the Defense & Civil Systems segment fell short of expectations. Group revenue fell marginally, but a good quality of earnings was maintained. We successfully completed the purchase of Vysionics, our first major acquisition for a number of years.

Thanks to positive cash flows, we were able to finance our operating business, capital expenditure and acquisitions from our own resources. The equity ratio, our balance sheet total and other financial and balance sheet key indicators correspond to our business model and the development of the company.

Jenoptik also has a long-term and viable financing structure which provides the Group with sufficient room for maneuver to secure future growth and the ongoing implementation of its strategy.

The Executive Board is therefore of the opinion that business as a whole developed favorably.

Segment Reporting

For information on the range of services and the competitive positioning of the segments, we refer to pages 42 ff. of the Annual Report.

Information on the various markets can be found in the Sector Report from page 64 on, and on future developments in the Forecast Report from page 100 on.

LASERS & OPTICAL SYSTEMS SEGMENT

Development of Revenue, Earnings and Orders

In the 2014 fiscal year, the Jenoptik Group continued to strengthen its position as a leading supplier of photonic system solutions in the Lasers & Optical Systems segment. Cooperation as a development and production partner was intensified with numerous international market leaders, in addition, it managed to win further key customers. The segment made, for example, significant progress in integrated solutions for semiconductor production and for modern data transmission. The rapidly expanding medical technology & life sciences market was also an area of technological innovation in the past fiscal year. Improved market coverage and the successful production start-up of new optical products allowed us to successfully increase our international reach in the strategically relevant growth regions of Asia and America in 2014. Both target markets displayed robust growth in the past fiscal year, although some US customers transferred their projects from America to Asia, as a result growth in revenue in Asia/Pacific was stronger.

In 2014, **revenue** in the Lasers & Optical Systems segment rose marginally by 3.0 percent or 6.6 million euros, to 231.3 million euros. The segment benefited from excellent demand for laser machines for plastics processing as well as optoelectronic systems for medical applications. Customer demand in the semiconductor equipment market unexpectedly tailed off in the second half of the year, thereby failing to meet own projections. In total, the segment generated around 73 percent of its revenue abroad, mostly in Europe, America and Asia (prior year just under 69 percent).

With **income from operations (EBIT)** of 27.0 million euros, the segment greatly exceeded prior-year earnings by 9.6 percent (prior year 24.6 million euros), rising at a stronger rate than revenue. This was primarily due to a good development of revenue and an optimized product mix. The EBIT margin consequently improved to 11.7 percent (prior year 10.9 percent). EBITDA rose to 36.0 million euros (prior year 34.0 million euros).

At 240.1 million euros, the **order intake** exceeded the high prior-year level (prior year 221.4 million euros) by 8.4 percent. This solid order intake, particularly relating to laser processing and optoelectronic systems, was an important factor in the segment's robust development of business in the past reporting year. Because the order intake grew at a greater rate than revenue, the book-to-bill ratio rose to 1.04 (prior year 0.99).

The segment's **order backlog** at year-end was 100.8 million euros (31/12/2013: 94.3 million euros).

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LASERS & OPTICAL SYSTEMS SEGMENT AT A GLANCE (in million euros)

	2014	2013	Change in %
Revenue	231.3	224.7	3.0
EBIT	27.0	24.6	9.6
EBIT margin in %	11.7	10.9	
Order intake	240.1	221.4	8.4
Order backlog	100.8	94.3	6.9
Employees	1,377	1,391	–1.0

Other Indicators and Non-Financial Performance Indicators

Employees. The Lasers & Optical System segment employed a total of 1,377 personnel as at December 31, 2014, approximately 1 percent less than in the prior year. As at year-end 2014, the segment had 44 young people in trainee positions.

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For further information on the key development topics in the Lasers & Optical Systems segment please refer to the section on Research and Development

Research and development. In 2014 R+D expenses totaled 16.5 million euros (prior year 15.7 million euros). Including development services on behalf of customers, the segment's overall R+D costs totaled 20.8 million euros, an increase on the same period in the prior year of 7.4 percent (prior year 19.4 million euros).

The segment's **capital expenditure** in property, plant and equipment and intangible assets came to 9.2 million euros (prior year 8.3 million euros). This was offset by depreciation/amortization in the sum of 9.0 million euros (prior year 9.4 million euros). In the 2014 fiscal year, capital expenditure helped, for example, to grow systems business expertise at the Triptis and Dresden sites and complete the expansion of cleanroom capacities. The segment also invested in a new, fully automated production line for a high-volume product in the medical technology & life sciences market at the Triptis site.

With a **free cash flow** of 25.0 million euros (before interest and income taxes), the segment managed to exceed the good level of the prior year (prior year 18.6 million euros) in spite of capital expenditure made.

Production and organization. The Lasers & Optical Systems segment pushed on with its work to optimize internal processes and structures in 2014. As part of the group-wide JOE project, the majority of all business processes are mapped in an SAP-based ERP system, which was actively implemented and went live at all of the segment's German locations in July 2014. A new CRM system to better manage customer relationships was also successfully installed.

METROLOGY SEGMENT

Development of Revenue, Earnings and Orders

In the area of industrial metrology, the Group is one of the world's leading manufacturers of high-precision production metrology used mainly in the automotive industry. In traffic safety, Jenoptik is a top provider of photographic monitoring equipment, with more than 25,000 systems in use around the world.

Revenue in the Metrology segment fell slightly in 2014, by 1.3 percent to 185.0 million euros (prior year 187,4 million euros). Demand from the automotive industry, the key customer sector for industrial metrology, declined due to a continuing reluctance to invest and stricter export regulations, particularly concerning dual-use goods. There were, however, positive effects from the acquisition of Vysionics in November 2014 and major orders for traffic safety technology from the Netherlands, Singapore and the Emirate of Kuwait. At around 74 percent, the segment continued to generate most of its revenue abroad (prior year approximately 72 percent).

The **segment EBIT**, at 22.5 million euros, was practically at the same level as the prior year (prior year 22.6 million euros). Despite only a moderate development of revenue in Industrial Metrology, the stable quality of earnings was maintained thanks to improved cost structures and the successful expansion of the traffic safety service business. Contributions to earnings arising from the acquisition of

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METROLOGY SEGMENT AT A GLANCE (in million euros)

	2014	2013	Change in %
Revenue	185.0	187.4	–1.3
EBIT	22.5	22.6	–0.3
EBIT margin in %	12.2	12.0	
Order intake	174.7	172.5	1.3
Order backlog	77.2	72.8	6.1
Employees	1,030	907	13.6

Vysionics in autumn 2014 were included for the months of November and December. EBITDA rose to 26.9 million euros (prior year 25.2 million euros).

Order intake in the segment increased by 1.3 percent in 2014 to 174.7 million euros (prior year 172.5 million euros). This marginal rise came from both divisions and included Vysionics' order intake for the months of November and December. As one example, Jenoptik's Traffic Solutions division delivered 240 red light monitoring systems to Singapore in 2014. An order received from the Netherlands in 2014 includes the operation and maintenance of around 80 stationary systems for speed and red light monitoring over the next eight years, while a further major order to supply modern digital technology for stationary and mobile speed monitoring was placed with Jenoptik by the Emirate of Kuwait. The segment's order intake did not quite come up to the level of revenue in the year covered by the report, resulting in a book-to-bill ratio of 0.94 (prior year 0.92).

The order backlog rose by 6.1 percent to 77.2 million euros at year-end (31/12/2013: 72.8 million euros) and includes the order backlog of the acquired company Vysionics in the months of November and December 2014.

Other Indicators and Non-Financial Performance Indicators

Employees. As at December 31, 2014, the number of employees in the segment rose by 13.6 percent or 123 personnel net, to 1,030 (31/12/2013: 907 employees). New local employees were predominantly taken on in connection with acquisitions and major international projects such as the expansion of Traffic Service Provision (TSP) for Australia in the Traffic Solutions division. As at the reporting date, the segment had 31 young people in trainee positions (31/12/2013: 32 trainees).

Foreign companies. The acquisition of the British traffic safety technology supplier Vysionics not only gives Jenoptik access to the important growth market of the United Kingdom but at the same time expands its product range with new cutting-edge technologies. The Group's European reach was further expanded with the acquisition of the remaining shares in Robot Nederland B.V. in June 2014, it also acquired a 100 percent interest in the joint venture HOMMEL-ETAMIC Metrology India Pvt. Ltd. in Bangalore. These transactions shore up the effectiveness of Jenoptik's internationalization strategy and consolidate its position as a leading global supplier in the area of traffic monitoring and production metrology.

Research and development. The segment's R+D output totaled 20.0 million euros (prior year 19.4 million euros). This figure includes developments on behalf of customers worth 2.7 million euros (prior year 2.6 million euros), which are shown under the cost of sales. The segment's R+D expenses came to 17.2 million euros (prior year 16.8 million euros).

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For more information on the key development topics in the Metrology segment please see the section on Research and Development

The segment's capital expenditure in property, plant and equipment and intangible assets totaled 5.5 million euros in 2014 (prior year 3.9 million euros). A level of investment 41.7 percent higher was in main part due to the Traffic Solutions division's investment in new systems for mobile speed monitoring in Australia. This was offset by depreciation/amortization and impairment losses in the sum of 4.4 million euros (prior year 2.6 million euros). As part of the group-wide JOE program, a new ERP system was successfully launched in the German locations of the Industrial Metrology division in January 2014.

The free cash flow (before interest and income taxes) in the segment fell substantially to 15.3 million euros (prior year 27.1 million euros), primarily due to an increase in working capital. In part, this was a reflection of the revenue-related sharper increase in trade receivables and inventories in the acquired companies.

Production and organization. The Metrology segment continued to work on optimizing its structures and internal processes in 2014. Alongside the launch of a new ERP system to improve transparency in operating and commercial processes, a new CRM system was established in Industrial Metrology to optimize and better manage sales processes and customer relationships. The successful implementation of an interdepartmental production system will in the future expedite supply processes and boost product quality, thereby helping to increase customer satisfaction.

In the Traffic Solutions division, the Group continued to work on the expansion of international project management expertise and put in place a range of initiatives for more efficient production. Embracing a lean approach, logistics and production processes for traffic safety products were switched over to cell manufacturing with kanban control in the year covered by the report, to name one example.

DEFENSE & CIVIL SYSTEMS SEGMENT

Development of Revenue, Earnings and Orders

In 2014, this segment has further established itself as a partner for systems companies and customers with a need for individual solutions. Export restrictions as well cuts to defense budgets, particularly in the European Union and the USA, posed challenges during this past fiscal year. For this reason, the segment is focusing on an expansion of the international sales and service structures, especially in North America and Asia, as well as increasing the share of systems used in civil fields, such as railway engineering.

In 2014 revenue in the Defense & Civil Systems segment fell to 170,8 million euros, 7.7 percent below the prior year's figure (prior year 185.1 million euros). This drop is due primarily to the stricter export restrictions imposed on armaments by the German government as well as the postponement and extended time frame of projects. Development of the energy systems business unit was stable during the year covered by the report. At around 42 percent (prior year around 45 percent), the Defense & Civil Systems segment's foreign revenue was markedly lower than in the other two segments since a significant proportion of its products are sold to German customers. However, the goal is to further expand the foreign share in the future.

The segment's EBIT fell to around 2.1 million euros due to the restrained development of revenue, resulting in reduced fixed-cost coverage. This figure was therefore significantly lower than that of the prior year (prior year 11.6 million euros). Order revaluations and the postponement of projects also had a negative influence on the EBIT in the 4th quarter of 2014. Consequently, the EBIT margin of the segment fell to 1.3 percent (prior year 6.2 percent). EBITDA reduced from 16.7 million euros to 7.2 million euros.

In 2014, the order intake of the segment totaled 170,2 million euros, 5.0 percent below the figure for the prior year (prior year 179.2 million euros). A major international project for defense technology originally scheduled for 2014 had to be postponed until the 2015 fiscal year due to customer delays and has therefore not been included in the order intake shown. 2014 was primarily characterized by major orders from leading German systems companies for the delivery of stabilization systems. On the civil systems side, one of the major orders received by the segment during the year covered by the report was for the delivery to Hyundai Rotem of South Korea of on-board gensets for more than 120 Turkish passenger trains. The book-to-bill ratio increased to 1.00 (prior year 0.97).

The order backlog as at December 31, 2014 of 245.9 million euros was at the same level as in the prior year (31/12/2013: 246.9 million euros). However, the time scopes and the order structure changed in this segment with increasing focus on civil products. A falling number of long-term military projects in contrast with more shorter-term private sector projects will have a greater influence on the exact extent of the order backlog in the future.

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DEFENSE & CIVIL SYSTEMS SEGMENT AT A GLANCE (in million euros)

	2014	2013	Change in %
Sales	170.8	185.1	–7.7
EBIT	2.1	11.6	–81.5
EBIT margin in %	1.3	6.2	
Order intake	170.2	179.2	–5.0
Order backlog	245.9	246.9	–0.4
Employees	885	907	–2.4

Other Key Indicators and Non-Financial Performance Indicators

Employees. With a total of 885 employees, the number of people working for the Defense & Civil Systems segment has fallen slightly at the end of the year (31/12/2013: 907 employees). At the year end, the segment had a total of 58 trainees in trainee positions (31/12/2013: 52 trainees).

Research and development. The segment's R+D output in 2014 totaled 9.0 million euros (prior year 12.2 million euros). Developments directly on behalf of customers fell to 3.9 million euros (prior year 5.6 million euros). Due to the joint developments with systems companies, this proportion is normally higher than in the other two segments. The segment's R+D expenses totaled 5.8 million euros (prior year 7.3 million euros).

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For further figures and information on key development themes in the Defense & Civil Systems segment please see the section on Research & Development

Capital expenditure. The segment invested 5.4 million euros in property, plant and equipment and intangible assets (prior year 4.7 million euros). The level of capital expenditure was therefore 15.2 percent greater than in the previous year. Key projects were the modernization of machinery at the Wedel and Altenstadt sites as well as the refurbishment of a building in Wedel. The capital expenditure was offset by depreciation/amortization and impairments mounting to 5.0 million euros (prior year 5.1 million euros).

Due to the sharp drop in earnings and the increased working capital, the free cash flow (before interest and income taxes) fell disproportionately from 9.7 million euros in the prior year to minus 13.1 million euros in the 2014 fiscal year.

Production & organization. In 2014, the integration of the shop floor management was continued as an integral part of the lean-management philosophy in the segment. This resulted in a permanent improvement in processes. With the introduction of a market-oriented organizational structure and the four newly defined business units Aviation, Energy and Drive, Power Systems and Sensors, the segment has undergone strategic reorientation in 2014. Its business activities were reorganized according to customer, markets and products.

In order to meet the increased demand, the production line for the VarioCam III thermographic camera was installed and commissioned at the Jena site. At the Altenstadt site, the renewal of machinery and the optimization of the value flows in production resulted in further reduced lead times and increased productivity.

GENERAL STATEMENT BY THE EXECUTIVE BOARD ON THE DEVELOPMENT OF THE SEGMENTS

Due to their different target markets and international reach, the Jenoptik Group's three operating segments performed differently in 2014. The Lasers & Optical Systems segment set a new revenue record in a demanding economic environment, while the other two segments saw falling revenues due to a reluctance to invest, order postponements and stricter export regulations. Success in implementing the internationalization strategy and actions to optimize internal processes again had a positive impact on the development of business and earnings over 2014. Despite difficult underlying conditions, the Lasers & Optical Systems and Metrology segments once more achieved an EBIT margin of over 10 percent, even slightly increased the prior year ratio, and made a positive contribution to the free cash flow. By contrast, earnings and the margin in the Defense & Civil Systems segment fell sharply. Over the course of the past fiscal year, Jenoptik boosted its capital expenditure on expanding sales structures, optimizing processes and developing cutting-edge products. This, together with successful acquisitions, allowed us to strengthen our position on international growth markets, establish a broader range of systems in new markets and secure major international projects, impressively testifying to our customers' confidence in Jenoptik's performance capability.

Management Report JENOPTIK AG

(condensed version according to HGB)

Supplementary to the reporting on the Jenoptik Group, the development of JENOPTIK AG is set out below.

JENOPTIK AG is the parent company of the Jenoptik Group and based in Jena. Its asset, financial and earnings position is fundamentally defined by its capacity as the holding company of the Jenoptik Group. The operating activities of JENOPTIK AG, which primarily cover the subleasing of commercial premises, are of relatively minor significance.

JENOPTIK AG's Financial Statements are prepared in accordance with German commercial law (HGB). The Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) valid on the reporting date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) whose application is mandatory within the European Union. This gives rise to differences in the accounting and measurement methods, chiefly concerning assets, derivatives, provisions and deferred taxes.

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ABBREVIATED INCOME STATEMENT OF JENOPTIK AG

(in thousand euros)

	1/1 to 31/12/2014	1/1 to 31/12/2013
Revenue	2,092	1,882
Cost of sales	2,882	2,959
Selling expenses	1,907	1,660
General administrative expenses	16,391	16,155
Research and development expenses	593	414
Other operating result	9,457	7,000
Income and expenses from profit and loss transfer agreements and income from investments	40,757	59,012
Financial result	1,959	633
Income from operations	32,492	47,339
Income taxes	3,447	3,856
Other taxes	44	–9
Net profit	29,001	43,492
Transfer to revenue reserves*	14,000	30,000
Retained profits from prior year	14,403	12,359
Accumulated profit*	29,404	25,851

* Presentation in accordance with the Executive Board's proposal to the Supervisory Board on the appropriation of the balance sheet profit

ASSET, FINANCIAL AND EARNINGS POSITION

Earnings Position

JENOPTIK AG's net profit fell by 14.5 million euros, or 33.3 percent, to 29.0 million euros (prior year 43.5 million euros). The company's earnings position is mainly influenced by the contributions to earnings made by the subsidiaries, which are then transferred to the company on the basis of existing control and profit and loss transfer agreements. In the 2014 fiscal year, the subsidiaries' net earnings contribution fell year-on-year by 18.3 million euros to 40.8 million euros. This essentially resulted from the earnings contribution of ESW GmbH in Wedel (Defense & Civil Systems segment) which was 13.6 million euros lower than in the prior year.

Gross profit resulting from subleases improved from minus 1.1 million euros to minus 0.8 million euros.

The slight year-on-year rise of 0.2 million euros in administrative expenses was primarily due to higher personnel expenses necessitated by the recruitment of new employees in the 2014 fiscal year.

JENOPTIK AG reports research and development expenses amounting to 0.6 million euros (prior year 0.4 million euros), covering expenses for innovation management and the coordination of research and development actiivities within the Jenoptik Group.

Selling expenses of 1.9 million euros (prior year 1.7 million euros) are for communications and marketing, and also include expenses for advertising and sponsorship.

The other operating result includes other operating income of 22.7 million euros (prior year 22.6 million euros) and other operating expenses of 13.3 million euros (prior year 15.6 million euros).

Other operating income remained at the prior-year level in the 2014 fiscal year. As in the prior year, the key elements of the other operating income in the reporting year were earnings from internal Group recharges (intra-Group charges and cost alloations). Furthermore, the other operating income in the period covered by the report was influenced by the partial reversal of a provision (1.8 million euros) in connection with the disposal of a former subsidiary and the partial dissolution of an obligation of a subsidiary to renovate the premises taken on in the prior year (1.2 million euros). Previously disputed VAT refunds from the tax authorities for the 2005 and 2006 fiscal years, in the amount of 1.0 million euros, also had a positive impact.

Other operating expenses cover cost allocations to subsidiaries, services for subsidiaries and consulting services for the efficiency, cost-reduction and IT programs. The fall of 2.3 million euros in other operating expenses, to 13.3 million euros, is mainly the result of cost allocations reduced by 1.4 million euros compared to the prior year and of project expenses 1.1 million euros lower. Over the fiscal year, the other operating expenses were significantly influenced by a contractually agreed compensatory payment for the sale of an item of real estate (2.2 million euros). The prior year saw a one-off effect from the allocation of a provision for obligations of a subsidiary undertaken to renovate the premises (2.1 million euros).

The financial result, consisting of income from securities and loans, depreciation on loans and the interest result, improved considerably on the prior year to 2.0 million euros (prior year 0.6 million euros).

The interest result (interest income minus interest expenses) of minus 1.0 million euros improved by 1.0 million euros on the prior-year figure. In part, this was due to the low interest rates on the capital market for variable-rate borrowing and the interest payments from the tax authorities for disputed VAT refunds relating to the 2005 and 2006 fiscal years.

The reduction in income taxes by 0.5 million euros to 3.4 million euros (prior year 3.9 million euros) is mainly due to a lower net profit. The increased tax expenses in relation to earnings before tax (EBT) are primarily the result of lower tax-exempt income compared to the prior year. The comparatively low overall income taxes are attributable to the use of tax losses carried forward.

T 41

BALANCE SHEET OF JENOPTIK AG (in thousand euros)

	31/12/2014	31/12/2013
Assets		
Non-current assets	476,551	423,765
Inventories, trade receivables, securities and other assets	123,943	82,520
Cash and cash equivalents	26,953	57,588
Current assets	150,896	140,108
Prepaid expenses	1,141	1,641
Total assets	**628,588**	**565,514**
Equity and liabilities		
Share capital	148,819	148,819
(conditional capital 28,600,000 euros)		
Capital reserves	180,756	180,756
Revenue reserves*	73,671	59,671
Accumulated profit*	29,404	25,851
Equity	432,650	415,097
Pension provisions	4,193	3,998
Other provisions	12,330	14,925
Provisions	16,523	18,923
Liabilities to banks	136,001	90,000
Trade accounts payable	1,663	2,654
Other liabilities	41,751	38,840
Liabilities	179,415	131,494
Total equity and liabilities	**628,588**	**565,514**

* Presentation in accordance with the Executive Board's proposal to the Supervisory Board on the appropriation of the balance sheet profit

Asset and Financial Position

The company's balance sheet total increased 11.1 percent on the prior year to 628.6 million euros (prior year 565.5 million euros). The differences can be seen in several balance sheet items.

The asset side of the balance sheet reflects JENOPTIK AG's status as a holding company. Alongside a large share of financial assets (73.1 percent) in the balance sheet total, loans to associated companies comprise a further 19.4 percent on the balance sheet total. The high liquidity level (4.3 percent of the balance sheet total) reflects the concentration of liquidity due to cash pooling.

Property, plant and equipment assets increased by 13.1 million euros on the prior year, due to the exercise of a put option for a sale and leaseback agreement of SAALEAUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullbach, for real estate worth 13.1 million euros.

Shares in associated companies increased by 7.1 million euros. The Asian holding company was provided with capital increase funds worth 4.6 million euros in connection with the broadening of Jenoptik's international reach. To boost equity, a capital injection of 2.5 million euros was also granted to a subsidiary.

The increase of 37.2 million euros in loans to affiliated companies is mainly due to the assumption of loan liabilities of the newly acquired subsidiary Vysionics (35.3 million euros) and the issue of a loan to a special purpose vehicle (5.0 million euros) for repayment of a Eurohypo AG external loan that expired in the course of the fiscal year. This was countered by an unscheduled loan repayment by a subsidiary (3.9 million euros) following the sale of an item of real estate.

Loans to associated companies rose by 41.1 million euros, and chiefly affect the cash pool holdings of subsidiaries. The increase in the fiscal year is primarily due to the acquisition of shares in Vysionics Ltd. and Robot Nederland B.V., capital expenditure for property, plant and equipment, order prepayments and cost allocation.

The reduction in liquid funds by 46.8 percent to 27.0 million euros must be seen in this context.

The holding status, which signifies the financing function for the Jenoptik Group, also defines the structure of the liabilities. Equity comes to 432.7 million euros; liabilities to bank rose 46.0 million euros to 136.0 million euros (21.6 percent of the balance sheet total). Liabilities to associated companies are valued at 40.9 million euros, corresponding to 6.6 percent of the balance sheet total.

Thanks to the positive annual result, equity rose 29.0 million euros. This was countered by the payment of dividends worth a total of 11.4 million euros for the 2013 fiscal year. The equity ratio fell from 73.4 percent to 68.8 percent.

The fall in other provisions is primarily attributable to the partial reversal of two provisions. 1.8 million euros concern a provision formed in connection with the sale of a former subsidiary in 2005 and 1.2 million euros the dissolution of an obligation of a subsidiary to renovate the premises taken on in the prior year.

Liabilities to banks increased by 46 million euros due to the utilization of a line of credit from the credit facility syndicated last year for 120 million euros.

Reporting-date related liabilities to associated companies increased by 4.5 million euros.

JENOPTIK AG's debt ratio rose in the reporting year due to the increase of 46.0 million euros in credit liabilities and the far smaller rise of 17.6 million euros in equity, from 36.2 percent in the prior year to 45.3 percent.

As of December 31, 2014, JENOPTIK AG had 115 employees, of which 10 were temporary workers and 1 was a trainee (prior year 108 employees, of which 9 temporary workers and 2 trainees).

Risks and Opportunities

Due to its function as a holding company, JENOPTIK AG's development of business is subject to the same risks and opportunities as the Jenoptik Group. It generally participates in the risks of equity holdings and subsidiaries in line with their equity interest. The risks and opportunities of the Group and the segments are set out in the Risk and Opportunity Report from page 88 on.

Forecast Report

The annual result of JENOPTIK AG in its capacity as a holding company is generally dependent on the development of contributions to earnings by the subsidiaries.

For a detailed presentation of the expected future development of the Jenoptik Group and its segments, we refer to the Forecast Report from page 100 on.

Events after the Reporting Date

The Executive Board authorized the Consolidated Financial Statements for review and approval by the Supervisory Board on March 10, 2015.

The Executive Board proposes to the Supervisory Board to transfer an amount of 14,000,000.00 euros of the 2014 net profit of JENOPTIK AG of 29,000,683.05 euros to other revenue reserves.

The Executive Board also recommends to the Supervisory Board to propose to the 2015 Annual General Meeting that a dividend of 0.20 euros be paid per qualifying no-par value share. Thus, an amount of 11,447,623.00 euros of the accumulated profit of 29,404,324.15 euros in the 2014 fiscal year shall be distributed and an amount of 17,956,701.15 euros shall be carried forward.

The silent investor in the remaining third Jenoptik real estate fund ended his investment at the end of 2014. As at December 31, 2014, the claims of the remaining silent investor amounted to 12.4 million euros. The payment was made to the silent investor in January 2015. There are no other silent investments or entitlements of silent real estate investors.

There were no other events of significant importance occurring after December 31, 2014.

Risk and Opportunity Report

PRINCIPLES OF RISK AND OPPORTUNITY MANAGEMENT AT JENOPTIK

Jenoptik sees the basic principles of responsible corporate management as including the constant, responsible evaluation of risks and opportunities which can result from entrepreneurial activity. The goal of risk and opportunity management is to formulate a strategy and define objectives for creating an optimum balance between growth and returns on the one side, and the associated risks on the other, thereby ensuring that the value of the Jenoptik Group systematically increases for its shareholders on a sustainable basis.

Thoroughly revised in 2013, the risk and opportunity management was once again enhanced in 2014, with reporting taking place for the first time via centrally available software. This enables us to guarantee the continued functioning of effective risk and opportunity management in an environment of increased internationality and complexity.

Risks to Jenoptik are defined as being such events that cause a minimum five percent deviation (or more than 100,000 euros) from the average expected value of EBIT for the period under review for the respective risk reporting unit (1 to 4 years depending on the risk category). Risks can also be assessed in terms of quality according to a risk matrix of 1 (very low) to 5 (high).

Correspondingly, opportunities are events that can cause a positive deviation from our expected values. The risks and opportunities described here are the result of the aggregation of locally identified risks and opportunities that were each allocated to the top-down categories. G 22

G 22
RISK CATEGORIES

Operational Risks/Opportunities
Supply Chain Management
Safety and Environmental Protection
Production (incl. quality management)
Marketing & Sales
Patents & IP rights
Human Resources Management
IT (incl. implementation of JOE project)
Compliance
Legal Affairs
Real Estate

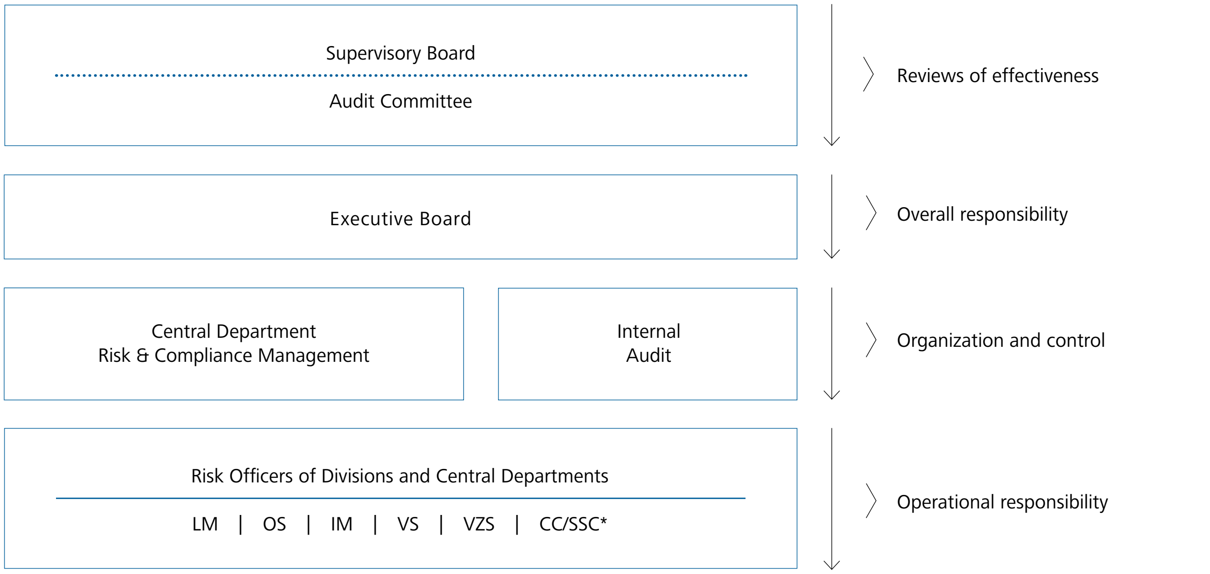
Financial Management Risks/Opportunities
Accounting
Finance Management (Treasury)
Controlling
Taxes

Strategic Risks/Opportunities
Market Development
Product Development (incl. R+D)
Corporate Development (Portfolio and Structure)
Organizational Setup (Processes and Resources)

1 year
2 years
3 years

G 23

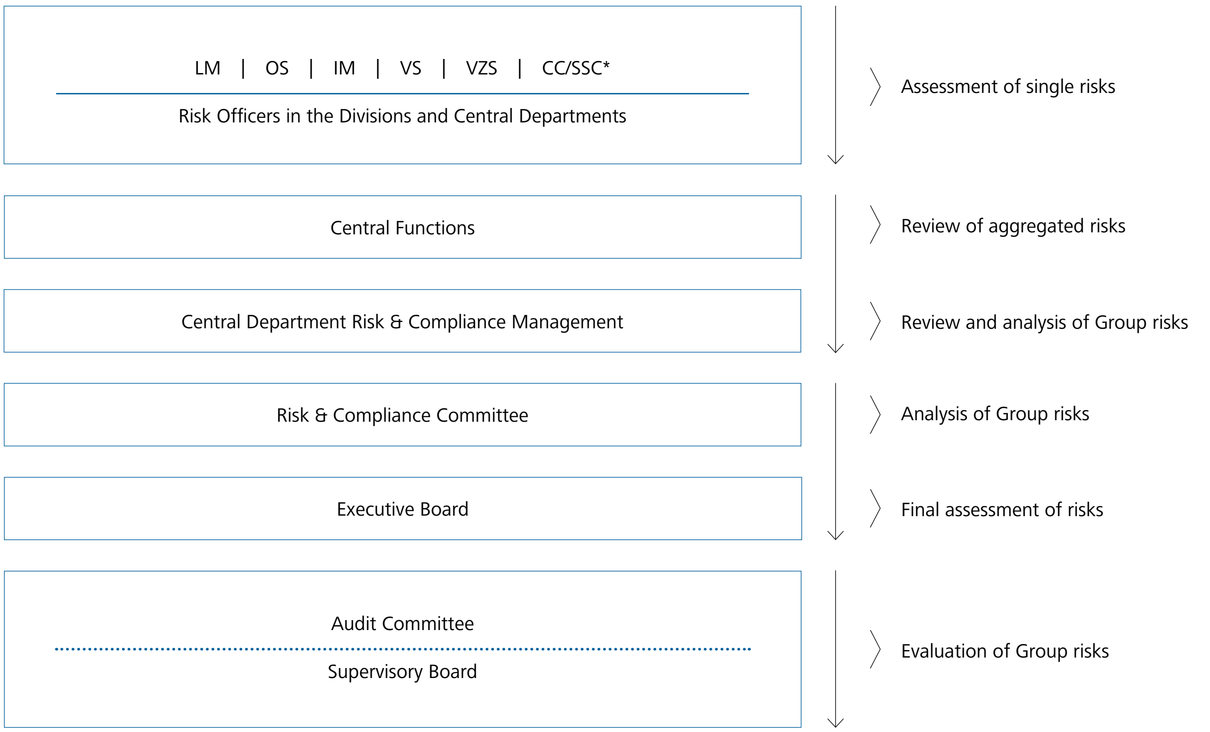
ORGANIZATION OF RISK AND OPPORTUNITY MANAGEMENT



* Abbreviations: LM = Lasers & Material Processing / OS = Optical Systems / IM = Industrial Metrology / TS = Traffic Solutions / DCS = Defense & Civil Systems / CC/SSC = Corporate Center/Shared Service Center

G 24

PROCESS OF RISK REPORTING



* Abbreviations: LM = Lasers & Material Processing / OS = Optical Systems / IM = Industrial Metrology / TS = Traffic Solutions / DCS = Defense & Civil Systems / CC/SSC = Corporate Center/Shared Service Center

Organizational Integration of the Risk and Opportunity Management

Overall responsibility for the Jenoptik Group's risk and opportunity management system lies with the Executive Board which has defined group-wide guidelines for effective risk and opportunity management in a risk manual.

The central Risk & Compliance Management department organizes and manages the system in close collaboration with the risk officers of the divisions and central departments. They are responsible for implementing the risk and opportunity management system in the risk reporting units, i.e. the operational business units. G 23

Internal Auditing monitors the effectiveness of the risk management system as an internal authority, while the Audit Committee takes up the external monitoring function for or in conjunction with the Supervisory Board.

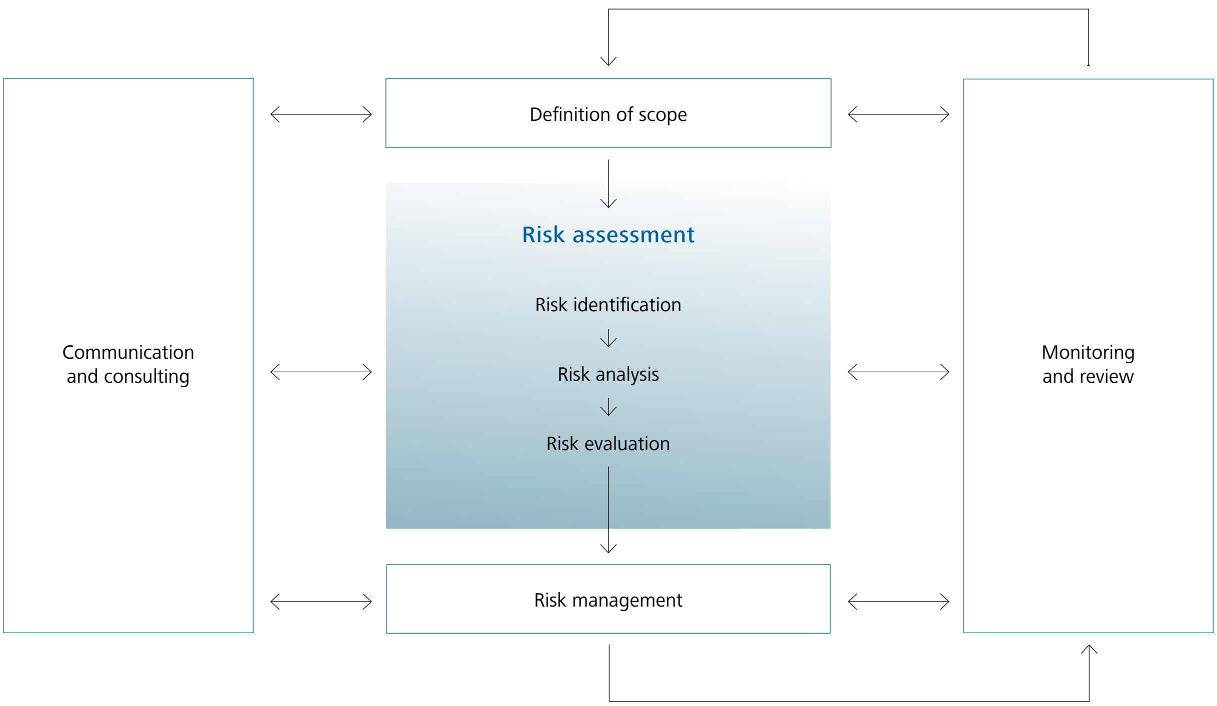
In addition, at least twice a year, a Risk & Compliance Committee reviews the effectiveness of the risk management system and the corresponding processes, initiates changes where appropriate and, following analysis of the aggregated reporting results, recommends to the Executive Board a comprehensive evaluation of the Group's risk situation (for reporting see G 24). The Risk & Compliance Committee comprises the members of the Executive Board and the heads of the central Finance, Legal, Internal Audit and Risk & Compliance Management departments.

The consolidated companies exposed to risk correspond essentially to those included in the consolidated balance sheet (from page 118 on in the Notes).

Structure and Processes of the Risk and Opportunity Management System

The Jenoptik risk management system is derived from the ISO 31000 standard. G 25

G 25
JENOPTIK RISK MANAGEMENT SYSTEM



The definition of the scope and its ongoing development take place in close cooperation between the Risk & Compliance Committee and the Audit Committee of the Supervisory Board. It is adopted by the Executive Board and is its responsibility. The central Risk & Compliance Management department is the link between all involved parties. It is responsible for communication of the risk management requirements, consulting on their efficient implementation, monitoring of the measures and reviewing the results of the risk management processes.

One core process of risk management is the risk assessment. This takes place in a combination of top-down- and bottom-up elements. In order to ensure the most in-depth risk identification possible, a minimum risk register was developed which contains several specified risk categories, to which potential risks are allocated by the risk reporting units. This is to ensure that each risk reporting unit deals with the entire risk landscape and that, simultaneously, an aggregation of the results is guaranteed across the specified categories. Within the scope of the risk analysis, the risk reporting units investigate the risks, in order to be able to undertake a valid risk assessment in the next stage regarding the methods of assessment (qualitative or quantitative), their temporal dimension (operative or strategic) and the measures already taken or still required (risk management). This takes place in accordance with the net method, i.e. mitigating measures are already included in the assessment so that only the assessed residual risk is reported and aggregated. The assessment of a risk is the product of the probability of occurrence and the possible consequences or the extent of damage. The opportunities are evaluated in the same way. G 26

There is a scale of 1 to 5 for both the assessment factors mentioned, with 1 being the smallest possible risk score and 25 the greatest possible risk score. G 27

G 26

RISK ASSESSMENT

Metrics	Probality of occurence	Consequences resp. extent of damage		
		Qualitative		Quantitative (negative impact on EBIT)
5 = High	> 25%	The goal of the Group or the division unit are jeopardized	or	> 20%
4 = Medium-High	10 to 25%	The goal of the Group or the division must be adapted immediately	or	> 15 to 20%
3 = Medium	5 to < 10%	The goal of the Group or the division must be adapted in the medium term	or	> 10 to 15%
2 = Low	1 to < 5%	Further measures are necessary in order to achieve the goals of the Group or the division	or	> 5 to 10%
1 = Very Low	0.1 to < 1%	Minor consequences	or	> 0 to 5%

G 27

OVERVIEW OF RISK SCORES

Probability of occurrence in %	1	2	3	4	5
5	5 Low	10 Medium	15 Medium	20 Medium-High	25 High
4	4 Low	8 Low	12 Medium	16 Medium-High	20 Medium-High
3	3 Very Low	6 Low	9 Medium	12 Medium	15 Medium
2	2 Very Low	4 Low	6 Low	8 Low	10 Medium
1	1 Very Low	2 Very Low	3 Very Low	4 Low	5 Low

Consequences or extent of damage

Every six months, the results of the risk assessments are requested by the central Risk & Compliance Management department via the Chief Risk & Compliance Officer at the risk reporting units and aggregated to the Group Risk Report. The central departments can then undertake a comprehensive evaluation before the results are discussed at the Risk & Compliance Committee and a comprehensive evaluation is recommended to the Executive Board along with other measures if necessary. Once the Executive Board has officially approved the Group Risk Report, it is discussed at the Audit Committee before being submitted to the Supervisory Board.

In addition, any risks identified during the year which have a high probability of occurrence and significant potential for damage, are communicated without delay to the Chief Risk & Compliance Officer and the Executive Board. Following joint analysis with the technical departments and committees, they will then decide upon further steps to be taken and any communication required.

The above mentioned reporting instruments also form the basis for the risk early warning system. This is reviewed within the framework of the audit of the financial statements by the 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.

Risk Prevention and Ensuring Compliance

Risk prevention is a key element of the risk management system, and an integral part of regular business operations and committee work. Consequently, risks and opportunities as well as their impact on the company are discussed during monthly meetings of the Executive Board, the Executive Management Board, the extended Group management committee as well as at strategy and results meetings. In addition to the Executive Board and the heads of Finance, Strategy and the operating units, the Chief Risk & Compliance Officer also participates in the six-monthly strategy meetings, the purpose of which is to be able to evaluate the impact of risks identified throughout the year on the strategic goals of the Group. At the same time, potential risks to achieving the strategic goals can be considered directly in the strategy development process and minimized by taking suitable measures.

Page 24
For further information on compliance please refer to the Corporate Governance Report

Another means of risk prevention is the implementation of the Group guideline "Transactions with particular characteristics". If a contract which is to be concluded or an obligation to be entered into meets one of the criteria defined in this guideline identifying the transaction as deviating from the norm (for example, a particularly high order value, deviating financing conditions, regulations on expertise transfer or strategic aspects), a special control process is started. All the central departments affected and the Group's Chief Risk & Compliance Officer are involved in this. All opinions are submitted to the Executive Board prior to the possible approval being granted, so that the final decision regarding such a transaction can always be made after consideration of all identified potential risks and opportunities.

Compliance with national and internationally recognized compliance requirements is an integral part of risk prevention and the processes of Jenoptik's risk management system. In order to improve employee awareness, and to achieve company-wide uniform understanding of our compliance standards, special training courses on subjects relevant to compliance, such as anti-corruption and anti-trust law, are regularly held at both the German and foreign business units. The beginning of 2014 also saw the introduction of a web-based online compliance training course for all employees. It will gradually be rolled out at all locations of the Group around the world. At the time of reporting, more than 1,000 employees around the world have already successfully completed the training.

A newly compiled supplier code of conduct was also introduced at the beginning of 2014. This requires Jenoptik's suppliers, in accordance with international standards, to comply with various compliance requirements, such as the prohibition of child labor or transparency with respect to the use of minerals from conflict regions as per the US Dodd-Frank Act.

The central business partner screenings (third party due diligence) were continued successfully. They are used to help ensure that cooperation only takes place with business partners who comply with and ensure the Jenoptik compliance requirements. A special section of the group-wide intranet features a help desk which has been set up to help employees with all questions relating to risk or compliance issues at Jenoptik. Using specific practical examples, employees are able to familiarize themselves with the compliance requirements and any risks resulting from them. They may also get advise on relevant issues.

The corporate guidelines implemented within the Jenoptik Group with regard to important company processes are continually being reexamined, expanded, and updated. They are published on the group-wide intranet.

Jenoptik therefore has a system of regulations, processes, and controls which enable it to identify any possible deficits in the company and to minimize them using appropriate measures at an early stage.

The **Internal Control System (ICS)** is an integral part of the risk management system and covers the entirety of all regulations and measures, basic principles and procedures for achieving the corporate objectives. In particular, its intention is to ensure the security and efficiency of transaction processing as well as the reliability of financial reporting. It is regularly reviewed by Internal Auditing.

Internal Auditing is permanently incorporated into the ongoing further development of the internal control and risk management system through process-independent audits. As a staff department, it reports directly to the Chairman of the Executive Board. Internal Auditing conducts audits in the form of what are known as Jenaudits. This involves that the organizational units of the Jenoptik Group are analyzed and audited on the basis of a risk-oriented audit plan. The compliance with and proper implementation of the applicable guidelines form integral parts 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 are prioritized and categorized and reported directly to the persons responsible for the audited units, the respective central departments 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 defined date. This is followed by so-called follow-up audits which review the implementation of the recommendations, with information on the results being sent to the respective management levels and central departments as well as the 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. In 2014, four Jenaudits, three follow-up audits and one special audit were conducted. Four units received support for implementation of the measures.

Key Features of the Internal Control and Risk Management System with regard to the Consolidated Accounting Process (§ 289 (5) and § 315 (2) (5) of the German Commercial Code (HGB))

The accounting-related internal control system is part of the overall Internal Control System (ICS) of the Jenoptik Group. Its purpose is to ensure compliance with statutory regulations, accounting rules and internal guidelines for uniform accounting and valuation principles, 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 implemented. 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 preparing the Consolidated Financial Statements. In this context, clear divisions of responsibility and function, 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 from the statements and financial statements of consolidated companies is verified by checks implemented through the systems. 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 reliable Group accounting process which complies with both the IFRS and statutory requirements. Independent auditors audit the Financial Statements of the companies in accordance with the IFRS regulations, as adopted by the EU, or the data relevant to the Group accounting.

Jenoptik has a centralized financial management system. The central Treasury department coordinates the financing needs of the Group, ensuring liquidity and monitors the currency, interest rate and liquidity risks on the basis of group-wide guidelines. 2014 saw the introduction of the Treasury Committee as part of the realignment of the central Treasury department. One of its functions is to monitor compliance with the risk guidelines as well as the use of hedging instruments and investment guidelines. The Treasury Committee comprises the Chief Financial Officer and the heads of the central Treasury, Finance, Legal, Mergers & Acquisitions and Risk & Compliance Management departments. It meets once every quarter.

The purpose of financial risk management is to limit financial risks arising from changes in market prices, exchange rates and interest rates through operational and finance-oriented activities. 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. The central Treasury department identifies these risks in collaboration with the Group companies and controls them with appropriate measures such as hedging. As a basic principle, all group companies must hedge foreign currency positions on the date they are created.

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 regular treasury reports are used for liquidity control and monitoring.

THE GROUP'S RISK AND OPPORTUNITY PROFILE

The current Jenoptik risk profile for 2014/2015 was based on the 2014 risk and opportunity assessment in accordance with the methodology described. Since there were various optimizations concerning the classification of certain risk subcategories and associated risk symptoms in the risk register after the first application in 2013, a direct comparison of the risk positions cannot yet be represented in all subcategories. T 42

The strategic risks were assessed as the highest with risk scores in the medium range compared with the operational and financial management risks, which correctly depicts the corporate focus on sustainable, economically successful development. These risks are discussed in the six-monthly risk assessment and strategy meetings along with the strategic opportunities.

Jenoptik operates on very different, some very volatile markets such as the semiconductor equipment market, automotive market and defense market, so the market development represents both a continuous risk and opportunity. The internationalization and diversification of the Group mean that fluctuations in individual markets can be offset. However, should massive disruptions or political sanctions occur in key regions or industries, this may also have a significant influence on Jenoptik's results. Opportunities are primarily generated by accelerated internationalization of different elements of the value-added chain. This will also counteract the possible shift of market shares to the benefit of local competitors, for example in Asia, which exists as a result of increasing local purchasing activities. For Jenoptik as an innovative technology company, product development also plays a crucial role in its sustainable economic success. It does entail comparatively high inherent risks but also significant opportunities, as successful new product developments can lead to competitive advantages. With the further development, internationalization and qualification of the Group's internal resources, suppliers and partners, efforts are being made to bring product developments to the market in an efficient and timely manner, thus creating the basis for long-term growth.

In order to be able to guarantee this on the different markets, it is necessary to shape corporate development accordingly. This relates to both the portfolio, i.e. which products will be supplied to which markets, and the necessary structures for this that are constantly undergoing development to fulfill the respective requirements. This provides a continuous optimization, which is reflected by targeted investments in the form of corporate acquisitions or joint ventures, but possibly also in divestments if necessary. On the one hand, this means opportunities to meet the market requirements with an optimized portfolio and adequate structures and to generate corresponding growth, but on the other hand, this poses a challenge to the entire organization, with the risk that the expected growth and synergy effects cannot be implemented in a timely manner to the extent expected. This means that organizational development is a key requirement and therefore an opportunity for successful corporate development. Optimized procedures, e.g. based on uniform IT-based processes as well as the provision of necessary resources represent significant potential for this. In times of rising shortages of skilled workers in Germany and increased competition for qualified employees, particularly in Asia, this does however pose an inherent risk for all market participants. Jenoptik is countering this with various personnel and incentivization measures.

The operational risks were assessed predominantly with low risk scores. Within these assessments, the areas of supply chain management, marketing and sales and human resources management are valued at “medium”. The increasing number of complex international and technically demanding projects makes high demands on supply chain management. One way in which this manifests itself is in the form of particularly high demands on the technical expertise of suppliers who, without the appropriate qualification, are not always able to satisfy them in the short term. Moreover, single sourcing is currently unavoidable for individual products, although by strengthening strategic purchasing in the medium term, an increasing number of suitably qualified suppliers will be ensured and further opportunities in the form of cost reductions will result from international purchasing activities.

In the marketing and sales area, it is necessary to be able to service local demand and the growth targets derived from it via an appropriate sales and service network. Market-specific action concepts were developed for this during the last year which must be implemented in the following periods. To the extent by which qualified resources and systems in Germany and abroad can be provided and expanded also in the future, the corresponding opportunities can also be realized as a result of the increasing internationalization.

T 42

JENOPTIK RISK PROFILE 2014/2015

	Group risk assessment	
	Previous year	Actual
Strategic risks		
Market development	Medium	Medium
Product development (incl. R+D)	Medium	Medium
Corporate development (Portfolio & Structure)	Low	Medium
Organizational setup (Processes & Resources)	Low	Medium
Operational risks		
Supply chain management	Medium	Medium
Safety and environmental protection	Low	Low
Production (incl. quality management)*		Low
Marketing & sales	Medium	Medium
Patents and IP rights	Low	Low
Human resources management	Low	Medium
IT (incl. implementation of JOE project)	Low	Low
Compliance	Low	Low
Legal affairs	Low	Low
Real estate	Medium	Low
Financial management risks		
Accounting	Low	Low
Finance management	Medium	Medium
Controlling	Low	Medium
Taxes	Low	Low
Total risk	Low to medium	Medium

* The risk subcategory ”Production (incl. QM)“ is reported separately for the first time.

The inherent shortage of skilled workers already explained in the area of strategic risks, also has an operational effect. Despite various measures, it also represents a corresponding risk in human resources management.

Due to a gradual portfolio adjustment, the risk in the real estate area, assessed the prior year as “medium”, has been reduced and due to unexpected impairment losses and fluctuating occupancy rates this year was assessed as “low”.

Jenoptik’s global IT systems and processes pose inherent operational risks of group-wide importance. Security and availability of the IT systems have top priority. Data is stored on redundant storage media and secured against data loss by means of a tiered archive system and a sophisticated backup system. Business-relevant data, for example data from enterprise resource planning systems and drawings, as well as e-mails, are stored in additional archive systems which comply with statutory requirements. The base systems for the applications are virtualized. This allows for rapid data recovery in the event of a possible crisis scenario.

Despite all this, damage to a computer center as a result of a natural disaster or an incursion into our infrastructure by hackers cannot be entirely ruled out. The likelihood of such an incursion or damage is assessed as low due to the security systems installed and the technology in use.

The continuous further implementation of the group-wide standardized ERP system in 2014 is giving rise to further opportunities for the standardization of business processes and thus for improved central control. These compare with the inherent project risks of such implementations, even against the background of increasing or changing statutory requirements that must be taken into account in the ERP system.

One group-wide operating risk is compliance with respect to various legal and ethical requirements. As a company with customers and business partners in numerous countries, clients in the public sector and involvement with the US defense market, Jenoptik must address a great many compliance requirements. This is also reflected by the inquiries from the divisions on the subject of compliance systematically recorded and processed in the new compliance help desk.

Although with a group-wide export control organization, a central Risk & Compliance Management department and corresponding processes, the necessary organizational measures have been taken to minimize potential compliance violations, these cannot be entirely ruled out.

In the area of finance management, the financial management risks assessed as “medium” relate to possible fluctuations in the working capital as well as possible stronger exchange rate fluctuations and the inherent liquidity risk. One of the ways in which we address this is continual inventory and receivables management to control the working capital and the use of a new treasury management system which facilitates more effective forecasting and liquidity management. In addition, Jenoptik also has excellent financial resources and access to alternative financing options which can be used to counter short-term fluctuations and the resulting negative effects. In the Controlling area, opportunities arise from the intensive use of the uniform SAP system, although not all efficiency benefits can be realized in the implementation phase of the system. Since Controlling will undergo changes in various key positions in 2015 and its processes contain inherent risks, such as the varied assessment of business transactions and scenarios, the resulting risk is assessed as “medium”.

RISK AND OPPORTUNITY PROFILES OF THE SEGMENTS

The risk and opportunity profile of the Jenoptik Group was derived from the various risk profiles of the segments, which are as follows: T 43

The risk subcategories per segment assessed as the highest with a risk score in the “medium” range are described in the following sections. The financial management risks have already been explained in the Group presentation.

Lasers & Optical Systems Segment

The volatility of market development, especially in the semiconductor equipment market which is currently experiencing lateral movement, is very high, which can have both a negative and positive direct impact on the segment results. Moreover, the focus on major customers does also pose the risk that the loss of one such customer may have a significant effect on results. However, the noticeably larger number of these customers puts the risk of such loss into perspective statistically. At the same time, the loyalty of such customers due to the larger economies of scale brings the prospect of a profitable growth in revenue, although there is always an inherent threat posed by a growing number of mainly Asian competitors as well as the trend among suppliers and customers towards forward and/or backwards integration, however, it will be realized through the continuous expansion of the existing competitive advantages.

As an innovative technology company, it is of great strategic importance for Jenoptik that new product developments become market-ready quickly and efficiently. However, this is associated with various technological and organizational risks, especially because with an increasing number of products, some technologically new and very specific customer requirements must be taken into account. This is being addressed as a result of the targeted corporate development, for example in the form of greater focus on system transactions and end customer transactions and the further organizational development, both with the expansion of efficient organizational structures as well as with the continuous

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RISK PROFILES OF THE SEGMENTS

	Group risk assessment					
	Lasers & Optical Systems segment		Metrology segment		Defense & Civil Systems segment	
	Previous year	Actual	Previous year	Actual	Previous year	Actual
Strategic risks						
Market development	Medium	Medium	Medium	Medium	Medium	Medium-High
Product development (incl. R+D)	Medium	Medium	Low	Low	Medium	Medium
Corporate development (Portfolio & Structure)	Medium	Medium	Medium	Medium	Low	Medium
Organizational setup (Processes & Resources)	Low	Medium	Low	Low	Low	Medium
Operational risks						
Supply chain management	Medium	Medium	Low	Low	Low	Medium
Safety and environmental protection	Low	Low	Low	Low	Low	Low
Production (incl. QM)*		Low		Low		Medium
Marketing & sales	Medium	Medium	Medium	Medium	Medium	Medium
Patents and IP rights	Low	Low	Low	Low	Low	Low
Human resources management	Low	Medium	Low	Low	Low	Medium
IT (incl. implementation of JOE)	Low	Low	Medium	Medium	Low	Low
Compliance	Low	Low	Low	Low	Low	Low
Legal affairs	Low	Low	Medium	Medium	Low	Low
Real estate	Low	Low	Medium	Low	Low	Low
Financial management risks						
Accounting	Low	Low	Low	Low	Low	Low
Finance management	Medium	Medium	Medium	Medium	Medium	Medium
Controlling	Low	Low	Low	Medium	Low	Low
Taxes	Low	Low	Low	Low	Low	Low
Total risk	Low to medium	Low to medium	Low to medium	Low to medium	Low to medium	Medium

* The risk subcategory "Production (incl. QM)" is reported separately for the first time.

optimization of and investment in the necessary resources. Accordingly, the development of new products and technologies gives rise to opportunities resulting from the competitive advantages and the transfer of new developments into mass production if these are accepted by the market as expected.

In operations, the very specific customer requirements named lead to specific challenges or risks in the supply chain management. For many components, there is only a very limited number of qualified suppliers which are able to meet the necessary specifications in a timely manner. When such a supplier is lost or the customer changes specifications, this can result in corresponding problems in the development or production process. Already expanded in 2013, Jenoptik's strategic purchasing will make it possible to qualify additional suppliers with the aim of establishing and expanding a stable base of qualified suppliers in the medium and long term.

In the area of marketing and sales, the further expansion of international service and sales structures is key to achieving the growth targets. Using new incentivization concepts as part of the human resources management, efforts are being made to expand the required base of qualified resources in Germany and abroad.

Metrology Segment

Market development in the Metrology segment also poses both a significant risk and a significant opportunity at the same time. Achieving sales targets in the field of industrial metrology is strongly linked to the automotive market, with the volatility of this market representing both a risk and an opportunity at the same time. Through continuous optimization of the product portfolio as part of the corporate development, strategic opportunities arise that will be able to compensate for these fluctuations in demand within a defined scope. Nevertheless, due to disruptive changes expected in the medium term in what are currently still stable market segments, it is also necessary to develop new markets in the medium term. This has already been initiated by means such as targeted acquisitions, but the resulting positive effects will only show full impact on earnings after complete integration of the respective units.

In the field of traffic solutions, Jenoptik, as a supplier to international public-sector customers in particular, is exposed to both the political and economic development of the respective countries. In the event of political unrest or regime change, this may result in projects being delayed or even stopped entirely. However, in contrast, increasing political stability and economic prosperity of the countries can open up opportunities to service the evolving demand for traffic solutions.

The increasing internationalization of projects and parts of the value chain is reflected in increased requirements in the areas of supply chain management, marketing and sales as well as human resources management.

The strategic risk of corporate development is closely linked with the operational risk in marketing and sales, as the rapid expansion of efficient service and sales structures is of crucial importance for the sales targets, particularly abroad. This applies with respect to innovative measures for attracting qualified employees, which currently represents a major challenge in Europe and Asia due to the skills shortage and stiff competition.

The necessary successive replacement of the legacy systems and the introduction of the new group-wide ERP system has already successfully begun, but has not yet been implemented at all sites for all areas, so in addition to the existing risks inherent in the process of implementing an ERP system, a possible delay in realizing the targeted efficiency gains must also be taken into account. Consequently, the risk situation in the IT area is also assessed as "medium". However, with the integration of external support and permanent project controlling, this should be minimized.

Currently, the segment also faces risks from open legal cases, although a positive outcome is expected from these in the medium term.

Defense & Civil Systems Segment

Market development in the Defense & Civil Systems segment is heavily reliant on the state of public finances within the client countries. These are currently stable, but the German government's increasingly restrictive export policy and the current sanctions against Russia have led to the relevant risks being assessed as "medium to high" overall. They have in part already materialized in the form of a decline in contract awards. Within the scope of corporate development, one means by which this is being addressed is the development of international activities and the expansion of the product portfolio on the civil systems side, for which the necessary processes and resources must be gradually adapted within the framework of strategic organizational development and operationalized via human resources management. Accordingly, the marketing and sales activities will also be intensified or refocused in order to also be able to underpin the corresponding growth options operationally with new orders.

Since a large proportion of sales in the segment is the result of project business, product development and product launches pose both the greatest risk and the greatest opportunity at the same time. There are currently several major development projects, which offer great potential for the generation of future revenue. However, there are also technological and organizational risks inherent in the project business which may jeopardize the timely development success. Operationally speaking, the customer-specific project requirements pose challenges for both supply chain management and production because, in some areas, only single sources can be called upon.

Risks across all Segments (Other Segment)

Part of the risk assessment of the segments is also a review by the central functions of the holding company or the Shared Service Center, so that their risks are included in the segment reporting and in the final Group assessment. Because of their special importance, IT and compliance were discussed in detail in the preceding sections despite their low risk assessment.

GENERAL STATEMENT BY THE EXECUTIVE BOARD ON THE GROUP'S RISK AND OPPORTUNITY SITUATION

Overall, in terms of strategic, operational and financial management risks, the Jenoptik Group has a slightly increased risk exposure compared with the prior year, which is assessed as "medium".

The strategic risks that were assessed as "medium" are offset by adequate opportunities or were met by measures which offer sustainable, beneficial strategic positioning. This is particularly the case for the risks in the subcategories "Product development", "Corporate development" and "Organizational development", as the risks in the subcategory "Market development" are caused mostly by external effects which can only partially be forecast or mitigated.

In the area of operational risk, the continued successful development and expansion of the sales structures is of crucial importance in the achievement of defined strategic targets and was correspondingly identified as a risk which is being addressed with various market-specific measures. The same applies for the area of supply chain management, to which special attention must be paid due to the high technological requirements in an international environment and a resulting single sourcing inherent in the product. Key to all areas is the availability of adequate qualified resources by means of successful human resources management, which in the context of an increasing skills shortage in key markets is a major challenge and corresponding risk.

The finance management risks which were assessed as "medium" relate to possible fluctuations in the working capital as well as possible stronger exchange rate fluctuations and the inherent liquidity risk. One of the ways in which we address this is continual inventory and receivables management to control the working capital and the use of our new treasury management system which facilitates more effective forecasting and liquidity management. In addition, Jenoptik also has excellent financial resources and access to alternative financing options which can be used to counter short-term fluctuations and the resulting negative effects.

Overall, there is a balanced relationship between risks and opportunities in the Jenoptik Group. No risks were identified which may jeopardize the continued existence of the Group.

Forecast Report

FUTURE DEVELOPMENT OF THE JENOPTIK GROUP

Framework Conditions

Future development of the economy as a whole
The International Monetary Fund (IWF) expects continued moderate growth of 3.5 percent in the global economy in 2015. The IMF is confident regarding development in the USA, while growth in the emerging and developing economies is expected to be low and even minimally weaker than in 2014. The recession forecast for Russia and the slowdown in growth compared to prior years in China are seen as negative factors. According to the IMF, the geopolitical risks remain high. T 44

With an increase of 3.6 percent, the IMF expects the economy in the **USA** will grow more strongly than in any other industrial nation in 2015. Thanks also to the low oil price, the strong private consumption should provide a high growth dynamic in the coming quarters. One risk is the increase in value of the US dollar, which makes goods abroad more expensive, thereby slowing exports.

The IMF forecasts economic growth in the **euro zone** of 1.2 percent in 2015. Thanks to domestic factors, the EU Commission also expects stronger growth than in 2014: The low oil prices are relieving the strain on private households, thus promoting private consumption, and the situation on the labor market is to improve. According to the forecast all euro countries will report growth for the first time since 2007, although the range in the individual countries will remain between 0.4 and 3.5 percent. In order to effect a sustained economic recovery, the EU Commission wants to get an investment package worth 300 billion euros off the ground.

In **Germany**, the economic indicators at the beginning of 2015 pointed to a trend reversal. The ifo Business Climate Index rose for the third time in succession. In industry, both the current situation and future prospects are assessed as better than before. The IMF is currently expecting GDP growth of 1.3 percent, thus at a similarly moderate rate as in the prior year. Again the increase is expected to come mainly from the domestic market and will again depend mainly on the positive stimuli of private households.

Economic growth in **China** is expected to slow further. The government is committed to a strengthening of domestic consumption and a more balanced foreign trade. However, economists believe that these reforms to the economic structure will lead to a further reduction in the previously very high growth rates. For 2015, the government's growth target is 7.0 percent; the IMF is anticipating a further cooling to 6.8 percent.

The outlook for the economy in **Russia** is worse than in the prior year. In 2015, Russia is expecting a significant dip in economic output of 3 percent due to the weakness of the ruble, the low oil price and the sanctions by the West due to the Ukraine crisis.

Future development of the individual Jenoptik sectors. **Photonics** has become established as a key technology with considerable leverage effect on other industries and services, especially in the automotive, medical technology, electronics and defense industries. In the update to the "Photonics Industry Report" published in 2013, the authors forecast a rise in revenue of an average 6.5 percent annually, enabling the global photonics market to grow to approximately 615 billion euros by 2020. In the German photonics industry, domestic production worth just under 44 billion euros is expected by 2020. The main factors driving the market are the increasing automation of production, innovative medical procedures and the requirements placed on electromobility, environmental analysis and energy management. Additional stimulus for the industry is also to come from the EU's "Horizon 2020" funding program. G 28

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GROSS DOMESTIC PRODUCT FORECAST (in %)

	2015*	2016*
World	3.5	3.7
US	3.6	3.3
Euro zone	1.2	1.4
Germany	1.3	1.5
China	6.8	6.3
Emerging economies	4.3	4.7

Source: IMF, World Economic Outlook, January 2015
* Forecast

The market researchers from Strategies Unlimited see the laser market as continuing to grow, because the acceptance of laser-based applications and treatments is steadily increasing. Global laser revenue is due to rise by around 6 percent to 9.8 billion US dollars in 2015. In particular, fiber lasers used for cutting and welding, as well as ultrashort pulse lasers for micro material processing offer great potential. Revenue in the medical technology and aesthetics markets should increase in the coming years, because demand for lasers for ophthalmology and dermatology will continue to increase.

Revenue in the semiconductor equipment industry should increase by around 15 percent to more than 43 billion US dollars, before stagnating in 2016 according to the SEMI industry association. After two years of record revenue, the semiconductor industry seems to be on course for further growth. In line with the Semiconductor Industry Association (SIA), IT analyst Gartner expects growth of around 5 percent to 358 billion US dollars in 2015. G 29

The German Engineering Association (VDMA) expects a 2 percent increase in production growth within the industry for 2015; the production value could exceed the threshold of 200 billion euros for the first time. An upturn is overdue due to cyclical reasons alone. The VDMA believes that the following circumstances may pose risks to economic development – the Ukraine crisis, the uncertain situation in Greece, potentially insufficient reforms in Italy and in France as well as the risks resulting from a real estate bubble in China. However, these are offset by opportunities: re-industrialization in the USA, the fall in the external value of the euro, which may boost economic activity in the euro zone in the short term, as well as significantly reduced raw materials prices.

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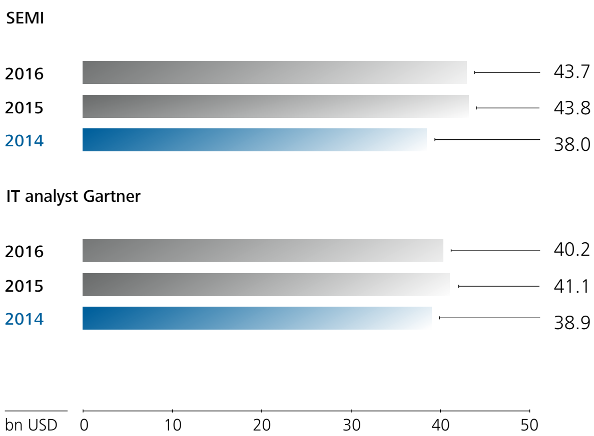
SEMICONDUCTOR EQUIPMENT:
GLOBAL REVENUE FORECAST (in billion USD)



Source: Semiconductor Equipment and Materials International (SEMI), Gartner

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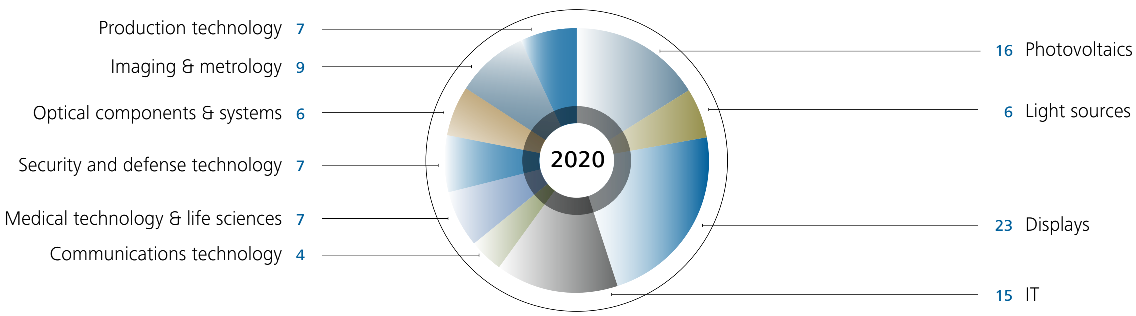
GLOBAL PHOTONICS MARKET FORECAST IN 2020 (in %)



2020
615 billion euros

Source: VDMA, ZVEI, Spectaris: Sector Report Photonics 2013

In 2015, the VDW industry association again expects increasing demand within the German machine tool industry for machine tools, leading to a 3 percent increase in production. America remains the driver of growth: Due to re-industrialization in the USA, a market expansion is predicted beyond the sector's traditional drivers – the automotive industry and aircraft construction. Nevertheless, the VDW reports that there are still no clear signals of growth in many major markets, including Russia.

The market research company IHS **Automotive** forecasts 88.6 million new cars in 2015, the German Association of the Automotive Industry (VDA) 76.4 million worldwide. This increase would continue the trend of the last five years. China remains the world's largest automotive market, followed by the USA; however, both markets will report lower growth rates in 2015 than in the prior year.

According to market research company SCI Verkehr, the global market for **railway technology** will increase annually up to 2018 by an average of 3.4 percent. The long-term forecast is positive thanks to the continuing market drivers: Urbanization, environmental and climate targets as well as the increasing demand for resources. Measured by revenue, Asia is expected to remain the largest market for railway technology with the greatest growth potential in Africa and the Middle East.

IATA, the international **aviation** association, forecasts profit within the industry to increase in 2015 from just under 20 billion US dollars to 25 billion US dollars, which would equate to 3.2 percent of the revenue. The long-term forecast from aircraft manufacturer Airbus predicts a significant increase in global passenger air traffic over the next 20 years – around 4.7 percent annually – due in particular to the high demand in Asia, Latin America, Africa and the Middle East. Airbus is projecting an additional demand for aircraft of around 31,400 up to 2033 with a total value of 4.6 trillion US dollars. Within the same period, Boeing anticipates demand for 36,770 new aircraft at a value of 5.2 trillion US dollars.

In view of budget cuts in **security and defense technology**, the industry in western countries remains under pressure. In contrast to development in many NATO countries, analysts from IHS Jane's expect that the constant increase in military spending in Russia will result in its 2016 defense budget exceeding those of Germany and France combined. In global terms, military spending by non-NATO countries will exceed that of the alliance in 2021. Contrary to the current budget cap, the USA wants to increase its defense budget for 2016 to its highest level ever (534 billion US dollars). In Germany, the industry is under increased pressure: Not only is the export policy more restrictive, but production sites and key technologies are being called into question.

EXPECTED DEVELOPMENT OF THE BUSINESS SITUATION

Planning Assumptions

Group

The forecast for the future business development was based of the Group planning undertaken in the autumn of 2014. The planning was carried out using the so-called "mixed planning method" (bottom up – top down). The starting point for this planning is formed by the market-oriented strategic plans from the segments and operational business units which are coordinated and integrated in the Group planning. The effects of the acquisition of Vysionics Ltd., which has been included in the group of entities consolidated since November 2014, were also taken into account in the planning.

The JOE project for establishing an integrated ERP system (Enterprise Resource Planning) will also be continued in the current 2015 fiscal year. In 2015, the have been taken into account in the forecast. The Jenoptik Excellence Program (JEP) with the focus on Go Lean and purchasing will be continued for its seventh year in 2015. The principles of Go Lean management will be further incorporated into all operating areas. This is expected to produce annual savings in the low double digit million euro range, resulting from the continual optimization of both the expertise in procurement as well as of the production processes and leading to further improvements in the gross margin. These are already having an effect in many areas and are included in the current planning.

As part of the Jenoptik Excellence Program, the Group is starting another project "Market Excellence" in 2015. Its objective is to optimize organizations and processes in sales across the Group. This will support the consistent strategic orientation and the sales activities will be geared even more towards customer and market requirements.

The group-wide harmonization of HR processes is also to be continued in 2015, in order to ensure a uniform high quality of HR work at all business units around the world. The development of an international employer's brand is also being pursued. This includes the continued collaboration with universities and institutes of higher education around the world. In addition, existing university cooperations in Asia and North America are to be further strengthened and used specifically for the securing of new employees

Based on the results of the employee survey, group and division-specific projects will be defined and implemented in the course of this fiscal year. The "Werte leben" ("Living up to our values") training platform will also be continued in 2015, in order to support managers in their role as value multipliers in the company.

Segments

In the **Lasers & Optical Systems** segment, the Jenoptik Group expects a more positive market environment in 2015 than in the second half of 2014. A slight increase in demand is expected for the semiconductor equipment market in 2015. Here the segment can profit from its position as one of the leading suppliers of optical and micro-optical system solutions for semiconductor production. Jenoptik has also established itself as a development and production partner for numerous international market leaders. We also expect growth in the medical technology & life sciences as well as material processing markets. In 2014, we began a project with a key international customer from the medical technology & life sciences sector to which we supply optoelectronic system solutions. This collaboration is to be further expanded in the current fiscal year. In 2015, the segment will also continue to focus on the acquisition of new key customers. Due to a larger range of integrated system solutions, the Optical Systems division is succeeding in achieving a higher share of added value. With respect to Lasers, in 2015 the segment is concentrating on 3D metal processing and plastics welding in addition to established systems for plastics processing, used primarily in the automotive field. The product range in the area of diode laser modules and femtosecond lasers will also be further expanded. The segment will also invest further in production and sales in 2015, in order to promote future growth and continue the process of internationalization, especially in the regions Americas and Asia/Pacific.

The **Metrology segment** anticipates a recovery in the machine tool industry in 2015 and largely stable development in the automotive sector. Stimulus for growth is expected to come primarily from Asia and the US. On the product side, the trend should continue to be towards production-related integrated metrology. This plays a particularly important role when precision parts are manufactured, such as those required by the automotive industry for efficient and environmentally friendly drives. In order to take into account this trend for production-related metrology, the segment is continuing to invest in the development of tactile, pneumatic, and particularly optical measurement technologies. New major orders are expected in Traffic Solutions. The Traffic Service Provision business model will also be further expanded into established markets, including Germany, as there is increasing demand for it in addition to the equipment business. The integration of Vysionics will be continued so that the potential resulting from the acquisition can be used. 2015 will also see capital expenditure on more efficient processes within the scope of operational excellence.

Despite the continued challenging environment, the **Defense & Civil Systems segment** forecasts significant growth for 2015. The defense market in the Western world remains generally tense, while in contrast the Asia/Pacific region has been experiencing clear growth for many years. One challenge which must be faced however is the restrictive German export license policy. This is reflected, for example, in the refusal of initial inquiries about foreign transactions. In addition, there is the risk that customers will do without supplies from Germany in the future. Nevertheless, internationalization remains an important topic for the segment in 2015. Following successful development of its own structures, the segment expects an expansion of its business abroad, particularly in North America and the Asia/Pacific region. Beyond this, the segment is looking to further increase the share of systems used in civil fields. One such example of this are energy systems for railway technology, a market which is growing internationally. The segment will carry on with its internal reorganization.

Forecast for the Earnings Situation in 2015 and Trend Statement for 2016

Important note. The actual results may differ significantly from the following expectations of the anticipated development. This may 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, also in relation to the economic development.

On the back of an excellent order and project pipeline in conjunction with positive effects from the acquisition in Traffic Solutions, the Executive Board is anticipating significant growth for 2015. This presupposes that the political and economic conditions do not worsen. In particular, these include export restrictions, regulations at European level, the Russian/Ukraine conflict and other disruptions in the euro zone.

Forecast for Group revenue. The Jenoptik Group anticipates revenue of between 650 and 690 million euros for 2015. All three segments should contribute towards this growth in revenue during the current year. At the time of reporting there are no plans for larger acquisitions, although smaller takeovers are not ruled out. In accordance with our medium-term objective, the Executive Board also forecasts further growth for 2016. We expect regional growth to occur primarily in the Americas and the Asia/Pacific region.

Forecast for the Group earnings position. The gross margin should show slight improvement in 2015 with good market development. Stable development will be expected in 2016.

In terms of functional costs, for 2015 the Jenoptik Group is planning a somewhat stronger increase in selling expenses compared with the growth in revenue, due among other things to the continued development and expansion of the Group's own structures, particularly in North America and Asia. In 2015 and 2016 the increase in research and development expenses should correspond to the growth in revenue. In contrast, general administrative expenses are expected to increase at a lower rate in relation to future revenue.

Jenoptik is currently anticipating a significant rise in income from operations (EBIT) in the 2015 fiscal year. The operating earnings margin (EBIT margin) is expected within the range of 8.5 to 9.5 percent. The Executive Board is anticipating an exceptional rise in the EBITDA (earnings before interest, taxes, depreciation and amortization), as the effects of depreciation and amortization – in particular from the acquisition of Vysionics – are not taken into account here. The costs for the projects for Group development should be in the low single digit million euro range and are already included in the EBIT margin range referred to above. In 2016 the EBIT is expected to grow more strongly than revenue.

Owing to the financing of the Vysionics acquisition, Jenoptik expects the financial result to be slightly more negative in 2015. This should remain stable in 2016. The earnings before tax (EBT) should increase significantly in 2015, and show a further rise in 2016. Depending on the future tax burden, this will also be reflected in the earnings after tax.

In 2015, the quality of the Group's ROCE should remain around the same level as the prior year.

The **Lasers & Optical Systems segment** anticipates a growth in revenue of around 10 percent for 2015. This increase will be supported by a further rising demand in the medical technology & life sciences and digital imaging markets as well as due to the continuing business expansion in the growth areas Asia/Pacific and Americas. The EBIT should show a stronger rate of growth than the revenue which is attributable to the use of further synergy potentials. The contributions to revenue by this segment are expected to show another rise in 2016.

In the 2015 fiscal year, the **Metrology segment** is also anticipating an increase in revenue of approximately 10 percent. For the first time the total annual revenue from Vysionics will be included. Due to the effects of depreciation and amortization, the EBIT will increase less strongly than the revenue. In the 2016 fiscal year, we anticipate that there will be a further rise in revenue. The timing of project settlements in Traffic Solutions plays an important role in the Metrology segment.

For the **Defense & Civil Systems segment**, we are predicting an increase in revenue of up to 20 percent for 2015. The postponed major order, increasing international business and higher revenue from civil systems should also contribute to this. We expect that the scheduled growth and the changes in the composition of the revenue will be reflected in a disproportionate increase in the EBIT in comparison with the growth in revenue. The segment should also profit from the cost reduction initiatives which have already been introduced. In 2016 we expect stable development in revenue.

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SUMMARY OF TARGETS FOR GROUP AND SEGMENTS

	Actual 2014 in million euros	Forecast 2015	Trend 2016 compared with 2015 [2]
Revenue	590.2	Between 650 and 690 million euros	Further growth
Lasers & Optical Systems	231.3	Growth of approximately 10 percent	Further growth
Metrology	185.0	Rise of approximately 10 percent	Further growth
Defense & Civil Systems	170.8	Increase of up to 20 percent	Stable development
EBIT	51.6	Marked rise, EBIT margin between 8.5 and 9.5 percent	Rise stronger than revenue
Lasers & Optical Systems	27.0	Rise stronger than revenue	–
Metrology	22.5	Rise lower than revenue (depreciation effects)	–
Defense & Civil Systems	2.1	Rise disproportionate to revenue growth	–
EBT	46.1	Marked rise	Further rise
Order intake	589.2	Significantly above 2014 level	–
Net debt	92.1	Slight reduction	Further reduction
Free cash flow	22.5	Moderate rise, possible fluctuations related to reporting dates	–
ROCE	13.0%	Around the 2014 level	–
Employees	3.553	Slight rise	Slight rise
R+D costs	39.4	Rise as revenue	Rise as revenue
Capital expenditure [1]	29.9	35 – 40 million euros	Continuation at high level of 2015

1) without capital expenditure on financial assets
2) Trend statement, no forecast according to DRS20

Forecast of the Group order situation. The order intake for a period is affected by major orders, particularly in the Defense & Civil Systems and Traffic Solutions divisions. Overall, Jenoptik expects that the 2015 order intake will be significantly up on the 2014 value. Around 65 percent of the order backlog as at the end of December 2014 will impact on sales in 2015.

Employee development and HR work. Jenoptik is planning to increase the size of its workforce at a disproportionately lower rate than the expansion of its business. The aim is to continually increase sales per employee over the medium term. The number of employees should increase slightly in 2015 and 2016. The focus of HR work in this period will be derived from the strategic targets (see page 47).

Forecast of the Group Asset Position and Financial Situation

Equity is expected to substantially rise in 2015 and show further growth in 2016 in accordance with the anticipated surpluses for the periods and despite any dividends to be paid. As a result, the equity ratio is likely to show a further moderate increase this year and in the coming year, with a small rise in the balance sheet total.

Forecast for the financing. Operational financing of the Jenoptik Group is based on the syndicated loan taken out in 2013, debenture loans from 2011 with terms of five and seven years as well as various real estate loans. Against the background of the attractive financing environment, the Executive Board and Supervisory Board decided to refinance maturity dates for 2016 and 2018 early or to increase the financing framework. After the completion of these measures Jenoptik will have further improved financing power, thereby securing the liquidity supply for the next five to seven years.

Forecast for cash flows. In 2015 we expect a moderate increase in positive cash flows from operating activities (before income taxes). However, these may fluctuate significantly due to receipts and payments on the reporting dates. This will also be reflected in the development of the free cash flow (before interests and income taxes).

Forecast for capital expenditure. For 2015, Jenoptik anticipates an increase in capital expenditure of 35 to 40 million euros, and in 2016 this should be continued at a high level. The capital expenditure on property, plant and equipment will focus on the growth areas within the segments or take place within the scope of new customer projects. The capital expenditure should expand capacities, thereby ensuring future growth. At Group level, further capital expenditure will be directed towards the JOE project. Capital expenditure should be covered by the operating cash flow or with available cash.

Future dividend policy. In 2014, Jenoptik paid out a dividend in the amount of 0.20 euros per share. In addition to financing the continued growth of the company, the future aim of the Executive Board is to maintain the continuity of its dividend policy. In the view of the Executive Board, a stable provision of equity for sustainable organic growth to increase the company value as well as the exploitation of opportunities for acquisitions are also of crucial importance to the interests of the shareholders.

The **net debt** is dependent on the financial indicators mentioned above and possibly the financing of acquisitions. For the operating business, Jenoptik expects to be able to meet all interest, tax and dividend 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. After the marked increase in 2014, Jenoptik expects a slight reduction in the net debt for the current fiscal year, despite higher capital expenditure and the payment to the final silent real estate investor made in January 2015 in the amount of around 12 million euros. This should then fall further in 2016.

GENERAL STATEMENT BY THE EXECUTIVE BOARD ON FUTURE DEVELOPMENT

The Jenoptik Group is continuing to pursue its strategic agenda rigorously. The Executive Board's main focus is on profitable growth in all segments. Revenue growth, the resulting economies of scale as well as cost discipline and higher margins from the growing systems and service business should lead to an increase in and sustainability of results.

In 2015, the company will invest a significant portion of its funds in the expansion of the international sales structures and the development of innovative products. In addition, the measures for internal process optimization and Group development projects will also continue or be started as scheduled.

Jenoptik will return to growth in the 2015 fiscal year. In 2015, the Executive Board expects revenue of between 650 and 690 million euros and an EBIT margin of between 8.5 and 9.5 percent. Achieving these targets is dependent on economic and political conditions. As of the reporting date, the Executive Board expects a slightly positive trend over the coming quarters with respect to the development of sectors important to Jenoptik, such as the semiconductor equipment and automotive industries. Consequently, the Executive Board expects overall positive corporate development within the Jenoptik Group during the 2015 fiscal year.

Jena, March 10, 2015

Dr. Michael Mertin
President & CEO

Rüdiger Andreas Günther
Chief Financial Officer

50.1

Equity Ratio Percentage

CONSOLIDATED FINANCIAL STATEMENTS

In the 2014 fiscal year, the Jenoptik Group once again showed a very stable financial and asset position, giving the entity sufficient flexibility for future growth. The increase in the balance sheet total of 11.5 percent is particularly driven by capital expenditure in business expansions and specific prefabrications for orders. Despite an increase in net debt, the equity ratio amounted to 50.1 percent.

Consolidated Statement of Comprehensive Income

CONSOLIDATED STATEMENT OF INCOME

in thousand euros	Note No.	1/1–31/12/2014	1/1–31/12/2013
Sales	4.1	590,213	600,300
Cost of Sales	4.2	384,762	394,555
Gross profit		**205,451**	**205,745**
Research and development expenses	4.3	39,420	39,842
Selling expenses	4.4	67,524	66,635
General administrative expenses	4.5	51,054	46,352
Other operating income	4.7	23,237	15,738
Other operating expenses	4.8	21,967	18,760
EBIT – continuing operations		**48,722**	**49,895**
EBIT – discontinued operations		2,847	2,831
EBIT – Group		**51,569**	**52,726**
Result from other investments	4.9	–22	281
Financial income	4.10	1,869	1,009
Financial expenses	4.10	7,737	6,784
Financial result – continuing operations		**–5,890**	**–5,493**
Financial result – discontinued operations		418	0
Financial result – Group		**–5,472**	**–5,493**
Earnings before tax – continuing operations		**42,832**	**44,401**
Earnings before tax – discontinued operations		3,265	2,831
Earnings before tax – Group		**46,097**	**47,232**
Income taxes	4.11	–4,492	–61
Earnings after tax – continuing operations		**38,340**	**44,341**
Earnings after tax – discontinued operations	4.13	3,265	2,831
Earnings after tax – Group		**41,605**	**47,172**
Results from non-controlling interests	4.12	–50	–24
Earnings attributable to shareholders		41,655	47,197
Earnings per share in euros – continuing operations	4.14	0.67	0.77
Earnings per share in euros – Group (diluted = undiluted)	4.14	**0.73**	**0.82**

OTHER COMPREHENSIVE INCOME

in thousand euros	1/1–31/12/2014	1/1–31/12/2013
Earnings after tax	**41,605**	**47,172**
Items that will never be reclassified to profit or loss	–9,528	2,683
Remeasurements	–13,595	4,011
Deferred taxes	4,067	–1,328
Items that are or may be reclassified to profit or loss	4,896	–2,325
Available-for-sale financial assets	220	351
Cash flow hedges	–1,299	–16
Foreign currency exchange differences	6,217	–2,886
Deferred taxes	–242	226
Total of the profit/loss recognized in equity	**–4,632**	**358**
Total other comprehensive income	**36,973**	**47,530**
Thereof attributable to:		
Non-controlling interest	–28	–24
Shareholders	37,001	47,554

Consolidated Statement of Financial Position

Assets in thousand euros	Note No.	31/12/2014	31/12/2013	Change
Non-current assets		**389,509**	**329,799**	**59,709**
Intangible assets	5.1	123,262	75,346	47,917
Property, plant and equipment	5.2	150,747	140,632	10,115
Investment property	5.3	16,358	19,107	–2,749
Financial assets	5.5	21,064	20,058	1,005
Other non-current assets	5.6	1,755	4,398	–2,642
Deferred tax assets	5.7	76,322	70,259	6,063
Current assets		**382,221**	**362,642**	**19,580**
Inventories	5.8	179,018	165,058	13,959
Trade and other receivables	5.9	133,396	125,338	8,059
Securities	5.10	312	681	–369
Cash and cash equivalents	5.11	69,495	71,565	–2,069
Total assets		**771,730**	**692,441**	**79,289**
Equity and liabilities in thousand euros				
Equity	5.12	**386,593**	**367,056**	**19,537**
Share capital		148,819	148,819	0
Capital reserve		194,286	194,286	0
Other reserves		44,817	23,702	21,115
Non-controlling interests	5.13	–1,329	249	–1,578
Non-current liabilities		**216,612**	**173,067**	**43,544**
Pension provisions	5.14	41,043	28,227	12,815
Other non-current provisions	5.16	9,958	10,972	–1,013
Non-current financial liabilities	5.18	156,825	115,235	41,590
Other non-current liabilities	5.19	7,043	16,865	–9,822
Deferred tax liabilities	5.15	1,742	1,769	–27
Current liabilities		**168,526**	**152,318**	**16,208**
Tax provisions	5.15	5,731	4,762	969
Other current provisions	5.16	37,714	37,426	288
Current financial liabilities	5.18	5,077	1,154	3,923
Other current liabilities	5.20	120,004	108,976	11,028
Total equity and liabilities		**771,730**	**692,441**	**79,289**

Statement of Changes in Equity

in thousand euros	Share capital	Capital reserve	Cumulative profit	Available-for-sale financial assets
Balance at 1/1/2013	**148,819**	**194,286**	**11,635**	**119**
Dividends			–10,303	
Remeasurement of financial instruments				351
Remeasurement loss				
Foreign currency exchange differences				
Net profit for the period			47,197	
Other adjustments			–855	
Balance at 31/12/2013	**148,819**	**194,286**	**47,674**	**470**
Balance at 1/1/2014	**148,819**	**194,286**	**47,674**	**470**
Change in scope of consolidation			–2,941	
Capital increase				
Dividends			–11,447	
Remeasurement of financial instruments				130
Remeasurement loss				
Foreign currency exchange differences				
Net profit for the period			41,655	
Other adjustments			–1,499	
Balance at 31/12/2014	**148,819**	**194,286**	**73,442**	**600**

Cash flow hedges	Cumulative exchange differences	Remeasurements	Non-controlling interests	Total	in thousand euros
–22	**663**	**–25,448**	**273**	**330,325**	**Balance at 1/1/2013**
				–10,303	Dividends
–20				331	Remeasurement of financial instruments
		2,683		2,683	Remeasurement gain
	–2,684	28		–2,656	Foreign currency exchange differences
			–24	47,172	Net profit for the period
	358			–496	Other adjustments
–42	**–1,663**	**–22,737**	**249**	**367,056**	**Balance at 31/12/2013**
–42	**–1,663**	**–22,737**	**249**	**367,056**	**Balance at 1/1/2014**
			–1,916	–4,856	Change in scope of consolidation
			583	583	Capital increase
				–11,447	Dividends
–903				–773	Remeasurement of financial instruments
		–9,528		–9,528	Remeasurement loss
	5,705	–57	22	5,669	Foreign currency exchange differences
			–50	41,605	Net profit for the period
			–217	–1,716	Other adjustments
–945	**4,042**	**–32,322**	**–1,329**	**386,593**	**Balance at 31/12/2014**

Consolidated Statement of Cash Flows

in thousand euros	1/1–31/12/2014	1/1–31/12/2013
Earnings before tax	46,097	47,232
Interest income	5,450	5,774
Depreciation and amortization	24,511	22,066
Impairment losses and reversals of impairment losses	278	357
Profit/loss from asset disposals	–1,080	–176
Other non-cash income/expenses	–2,574	427
Operating profit before adjusting working capital	72,682	75,681
Change in provisions	–4,087	–15,642
Change in working capital	–18,256	6,393
Change in other assets and liabilities	1,188	737
Cash flows from operating activities before income tax	**51,528**	**67,169**
Income tax expense	–5,200	–6,585
Cash flows from operating activities	**46,328**	**60,584**
Thereof discontinued operations	1,003	
Proceeds from sale of intangible assets	288	58
Capital expenditure for intangible assets	–4,584	–6,807
Proceeds from sale of property, plant and equipment	600	3,257
Capital expenditure for property, plant and equipment	–25,344	–17,555
Proceeds from sale of investment property	3,900	0
Capital expenditure for investment property	–142	0
Proceeds from sale of financial assets	2	8,182
Capital expenditure for financial assets	–415	–1,779
Proceeds from sale of consolidated entities	226	0
Acquisition of consolidated entities	–13,173	–2,772
Interest received	1,056	1,010
Cash flows from investing activities	**–37,586**	**–16,406**
Thereof discontinued operations	418	
Proceeds from capital contributions	583	0
Dividends paid	–11,447	–10,303
Proceeds from issuing bonds and loans	56,003	4
Repayments of bonds and loans	–11,179	–4,247
Payments for finance leases	–44	0
Change in Group financing	–41,896	814
Interest paid	–5,778	–5,328
Cash flows from financing activities	**–13,760**	**–19,060**
Change in cash and cash equivalents	**–5,017**	**25,118**
Thereof discontinued operations	1,421	
Effects of movements in exchange rate on cash held	2,335	–692
Change in cash and cash equivalents due to changes in the scope of consolidation	613	1,783
Cash and cash equivalents at the beginning of the period	71,565	45,355
Cash and cash equivalents at the end of the period	**69,495**	**71,565**

Notes

1 PRESENTATION OF THE GROUP STRUCTURE

Parent Company

The parent company is JENOPTIK AG headquartered in Jena and registered in the Commercial Register of Jena in Department B under the number 200146. JENOPTIK AG is a stock corporation publicly listed on the German Stock Exchange in Frankfurt and is also listed in the TecDax index.

The list of shareholdings of the Jenoptik Group has been published in the Federal Gazette in accordance with § 313 (2) Nos. 1 to 4 of the German Commercial Code [Handelsgesetzbuch (HGB)] and is disclosed from page 167 on of the Notes under the title, The List of Shareholdings of the Jenoptik Group. The entities, to whom the simplification relief regulations were applied as specified in § 264 (3) or § 264b of the HGB are disclosed in the section "Required and Supplementary Disclosures" under HGB.

Accounting Principles

The consolidated financial statements of JENOPTIK AG were prepared for the 2014 fiscal year in accordance with the International Financial Reporting Standards (IFRS) and the binding interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in force at the reporting date for use in the European Union.

The consolidated financial statements were presented in euros. If not otherwise specified, all amounts were presented in thousand euros. Please note that there may be rounding differences as compared to the mathematically exact amounts (monetary units, percentages, etc.). The statement of comprehensive income was prepared by using the cost of sales method.

The fiscal year of JENOPTIK AG and those of the subsidiaries included in the consolidated financial statements corresponds with the calendar year.

In order to improve the clarity of the presentation, individual items were aggregated in the statement of comprehensive income and in the statement of financial position. The classifications used for these items are listed in the Notes.

The following International Financial Reporting Standards were applied for the first time:

IFRS 10 "Consolidated Financial Statements". As a result of IFRS 10 (2011), the Group changed its accounting policies concerning how to determine if a parent company exercises control over a subsidiary, and if so, how it is to be consolidated. According to the control model introduced in IFRS 10 (2011), the Group is to assess if it has power over a subsidiary, if it is exposed to or has rights to variable returns from its involvement with the subsidiary and if it has the ability to affect those returns through its power over the subsidiary. As stipulated in the transition procedures of IFRS 10 (2011), the Group again assessed if it controlled subsidiaries as of January 1, 2014. No changes resulted from this assessment.

IFRS 11 "Joint Arrangements". In compliance with IFRS 11, the Group changed its accounting policies with regard to its investments in joint arrangements. As defined in IFRS 11, the Group is to classify its investments in joint arrangements either as joint operations (when the Group has rights to the assets and obligations for the liabilities) or as joint ventures (when the Group has the rights to the net assets of the arrangement). In assessing such investments, the Group considered the structure of the arrangements, the legal forms of all independent vehicles, the terms and conditions of contractual agreements and other facts and circumstances. In the past only the structures of such arrangements were focused on for classification purposes.

The Group made a new assessment of its involvement in its sole joint arrangement. No changes resulted in the consolidation methods used previously. Hillos GmbH, located in Jena (Germany), has proportionately been consolidated with a shareholding of 50 percent.

IFRS 12 "Disclosures of Interest in Other Entities". This standard regulates the disclosures required for reporting investments in other entities. As a result, Jenoptik has expanded these required disclosures.

Amendments to IFRS 10, IFRS 11 and IFRS 12 "Transitional Provisions". These changes comprise a clarification and additional simplifications for the transition to IFRS 10, IFRS 11 and IFRS 12. Accordingly, only adjusted comparison information for the previous comparative period is required.

Amendment to IAS 28 "Investments in Associates and Joint Ventures". In connection with the adoption of IFRS 11, "Joint Arrangements", adjustments were also made in IAS 28, which – as it has in the past – regulates the application of the equity method. Nevertheless, its scope of application is considerably expanded through the adoption of IFRS 11 because in the future not only interests in associated entities but also in joint arrangements (see IFRS 11) are required to be stated by the equity method. Thus joint arrangements are no longer to be proportionately consolidated. No changes resulted from this amendment.

A further change affects accounting in accordance with IFRS 5 in the case of only a portion of an interest in an associated entity or in a joint venture has been designated for sale: IFRS 5 is to be applied to the portion to be sold, while the remaining portion is to continue to be accounted for by using the equity method until the portion for sale has been sold. No changes resulted from this amendment.

Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets". Owing to a subsequent amendment from IFRS 13 "Fair Value Measurement", a new disclosure requirement for the goodwill impairment test has been introduced in accordance with IAS 36: the recoverable amount of the cash-generating unit is to be disclosed, independent of whether impairment has taken place. Since this note disclosure was not intentionally introduced, it has once again been withdrawn effective with the amendment in May 2013. No changes resulted from this amendment.

On the other hand, this change does result in additional disclosures when impairment actually does take place, and the recoverable amount is to be determined on the basis of fair value.

Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting". As a consequence of this change, derivatives continue to remain, despite a novation of a hedging instrument, designated to a central counterparty due to legal requirements under certain circumstances as hedging instruments in already existing hedge relationships. No significant changes resulted from this amendment.

Other standards and interpretations that were applied for the first time in 2014 did not have material impact on the consolidated financial statements.

The application of the following financial reporting pronouncements published by the IASB and adopted by the EU is not mandatory up until now, and Jenoptik has not applied any such pronouncements in the consolidated financial statements as at December 31, 2014.

Along with the new standards explained below or changes to standards that may be relevant for Jenoptik from today's perspective, a number of further standards and changes have been published that are not expected to have any influence on the consolidated financial statements.

The new standards or changes to standards are to be applied at the time of enactment or thereafter.

IFRS Improvements (2011–2013). As part of the IASB Annual Improvements Project, amendments were made to four standards. They particularly comprised clarifying existing definitions and areas of application. The standards affected were IAS 40, IFRS 1, IFRS 3, and IFRS 13. They are effective as of July 1, 2014. These improvements have no material effects on Jenoptik's consolidated financial statements.

The application of the following financial reporting pronouncements published by the IASB and not yet adopted by the EU is not mandatory, and Jenoptik has not applied any such pronouncements in the consolidated financial statements as at December 31, 2014.

IFRS Improvements (2010–2012). As part of the IASB Annual Improvements Project, amendments were made to seven standards. The adjusted formulations in individual standards were made to achieve more clarity in the existing regulations. In addition, amendments made to IAS 16, IAS 24, IAS 38, IFRS 2, IFRS 3, IFRS 8, and IFRS 13 affected measurement and disclosures in the Notes. They are effective as of July 1, 2014. These improvements have no material effects on Jenoptik's consolidated financial statements.

Amendment to in IAS 19 "Employee Benefits". With this amendment, the regulations are clarified concerning the allocation of employee contributions or contributions made by third parties to service periods if the contributions are linked to service time. Furthermore, simplifications were established when the contributions are independent on the number of service years. The amendment took effect on July 1, 2014. This change has no material effect on the consolidated financial statements.

IFRS Improvements (2012 – 2014). As part of the IASB Annual Improvements Project, amendments were made to five further standards. Along with clarifying existing regulations, changes impacting the statement of financial position and the required disclosures were adopted. The standards affected are IAS 19, IAS 34, IFRS 2, IFRS 5, and IFRS 7. They are to be effective as of January 1, 2016. These improvements will have no material effects on the consolidated financial statements.

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

Amendment to IFRS 11 "Joint Arrangements". Along with the change made, additional guidance was developed for determining when the purchase of shares in a joint operation as defined by IFRS 11 may lead to a business as defined by IFRS 3 (a joint operation constituting a business). This amendment is to be effective as of January 1, 2016 and will have no material effect on the consolidated financial statements.

Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". With this amendment guidelines were made available for explaining which measurement methods are to be applied for depreciating property, plant and equipment and amortizing intangible assets. This change is to be effective as of January 1, 2016 and will have no material effect on the consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers". With IFRS 15 the principles for recognizing revenue are to be clarified and the existing standards und interpretations on realizing revenue are to be combined (IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 13). This standard is to be effective as of January 1, 2017. At present Jenoptik is analyzing the effects this standard may have on the consolidated financial statements.

IFRS 9 "Financial Instruments". This standard replaces all earlier versions of IFRS 9 for classifying and measuring financial assets and liabilities as well as the accounting treatment for hedging instruments. In this new version of the standard the new impairment method for expected losses and a new category, fair value through other comprehensive income (FVTOCI) was added to the classification and measurement model for financial assets. This standard is to be effective as of January 1, 2018. Jenoptik is currently analyzing the effects this standard may have on the consolidated financial statements.

Estimates

The preparation of the consolidated financial statements in accordance with IFRS, as to be applied in the EU, requires that assumptions be made for certain items that may affect the recognition in the consolidated statement of financial position or in the consolidated statement of comprehensive income as well as how contingent assets and contingent liabilities are to be disclosed. All assumptions and estimates are made with sound business judgment in order to present the actual circumstances reflecting the net assets, the financial position and the results of operations of the Group.

The underlying assumptions and estimates are continually reviewed. The preparer of a set of consolidated financial statements has certain discretionary ranges, which primarily concern the following:

- measuring the recoverable amount of goodwill,
- valuing intangible assets, property, plant and equipment and investment property,
- inventories,
- recognition and measurement of pension provisions and similar obligations as well as assets held in trust,
- recognition and measurement of other provisions and
- realisability of future tax relief.

For further information, we refer to section Disclosures on the Statement of Financial Position from page 136 on.

2 CONSOLIDATION PRINCIPLES

2.1 The Group of Entities Consolidated

The Group of entities consolidated is based on applying the new IFRS standards, IFRS 10 and IFRS 11, as of January 1, 2014. Along with JENOPTIK AG, all significant subsidiaries have been included fully in the consolidated financial statements and a joint operation proportionately.

The consolidated financial statements of JENOPTIK AG contain 35 fully consolidated subsidiaries (prior year 29). Thereof 14 (prior year 14) have their legal seat in Germany and 21 (prior year 15) have theirs abroad. The Jenoptik Group includes one joint operation (prior year 1).

The following entities have been consolidated for the first time as at June 30, 2014:

- JENOPTIK Korea Corp. Ltd., Pyeongtaek (Republic of Korea),
- JENOPTIK Japan Co. Ltd., Yokohama (Japan),
- Robot Nederland B.V., Riel (Netherlands).

As at December 31, 2014, the entity, Vysionics Ltd., located in Milton Keynes (Great Britain) was consolidated with its subsidiaries Vysionics ITS Holdings Limited, Milton Keynes (Great Britain), Vysionics ITS Limited, Camberley (Great Britain), and Computer Recognition Systems Limited, Milton Keynes (Great Britain), for the first time in the Group's consolidated financial statements.

The entities, JENOPTIK Korea Corp. Ltd. and JENOPTIK Japan Co. Ltd., were not consolidated in previous years. In the 2014 fiscal year both entities have become material for Jenoptik, not only quantitatively on the basis of the key ratios of revenue and EBIT, but also qualitatively because of the implementation of the internationalization strategy. Thus both entities have been included in the consolidated financial statements retroactively to January 1, 2014. Robot Nederland B.V. was also included in the consolidated financial statements retroactively to January 1, 2014.

Thus the following additions to assets and liabilities were made at the time of first consolidation:

in thousand euros	Total
Non-current assets	51,286
Current assets	15,182
Non-current liabilities	29,245
Current liabilities	18,901

The consolidated financial statements contain the revenue of the newly consolidated entities, which totaled EUR 15,973 thousand, earnings before tax amounting to EUR 1,481 thousand and earnings after tax amounting to EUR 1,009 thousand. The effects on the revenue of the consolidated base amounted to EUR 6,514 thousand, earnings before and after tax were influenced by the income from the step aquisition of Robot Nederland B.V.

Hillos GmbH, located in Jena, has proportionately been consolidated with a shareholding of 50 percent in accordance with IFRS 11. This entity is a strategic customer of Jenoptik, operating in the area of construction and construction-related applications of laser technology. The following assets and liabilities have been allocated to the Group:

in thousand euros	2014	2013
Non-current assets	532	814
Current assets	5,809	6,045
Non-current liabilities	46	47
Current liabilities	2,017	3,914
Income	19,196	16,718
Expenses	18,792	16,349

In the 2014 fiscal year the shareholdings in Electroop S.A., Madrid (Spain) were sold and the entity was deconsolidated as at August 30, 2014. The deconsolidation resulted in a loss of EUR 0.1 thousand, which was disclosed in other operating expenses.

16 subsidiaries, thereof 8 are non-operating entities, have not been consolidated as their influence on the net assets, the financial position and the results of operations of Jenoptik is of minor significance. The revenue of the non-consolidated entities amounts to about 0.4 percent of Group revenue; EBIT was around minus 1.2 percent of

Group EBIT. The estimated effect of consolidating all of the entities in the Group's assets is approximately 0.4 percent of the Group's assets.

The following subsidiaries have material investments held by non-controlling shareholders:

Name	Legal seat of the entity	Non-controlling interests
JENOPTIK Korea Corporation Ltd.	Korea	33.4
JENOPTIK Japan CO. Ltd.	Japan	33.42
Vysionics Group	Great Britain	8.03

The following table summarizes the financial information of the subsidiaries mentioned, based on the separate financial statements of the entities, including IFRS adjustments as well as adjustments due to purchase price allocations for the Vysionics Group. Effects of the consolidation were hereby not taken into consideration. Because of the first time consolidation of all of the entities mentioned in the 2014 fiscal year, the table does not contain prior year data.

in thousand euros	Jenoptik Korea	Jenoptik Japan	Vysionics
Revenue	3,129	4,636	3,988
Earnings after tax	–202	–18	699
Earnings after tax from non-controlling interests	–68	–6	56
Other comprehensive income	0	0	0
Total results	–202	–18	699
Total results from non-controlling interests	–68	–6	56
Non-current assets	115	198	10,255
Current assets	5,072	2,429	9,744
Non-current liabilities	2	440	37,419
Current liabilities	3,487	2,389	5,351
Net assets	1,697	–202	–22,772
Net assets from non-controlling interests	567	–67	–1,829
Cash flows from operating activities	–567	–641	–63
Cash flows from investing activities	–8	0	–437
Cash flows from financing activities	2,136	962	–498
Change in cash and cash equivalents	1,561	321	–998

2.2 Consolidation Procedures

The assets and liabilities of domestic and foreign entities included fully or proportionately in the consolidated financial statements have been recognized uniformly in accordance with the accounting policies and measurement methods valid throughout the entire Jenoptik Group.

At the acquisition date, the capital consolidation is based on the acquisition method. The assets and liabilities of the subsidiaries are thereby to be measured at fair value. Furthermore, identified intangible assets are to be capitalized, and contingent liabilities as defined in IFRS 3.23 are to be classified as liabilities. The remaining difference is goodwill, which is not amortized under a regular schedule over subsequent accounting periods, but is to undergo an annual impairment test as stipulated in IAS 36.

Receivables and payables as well as income and expenses between the consolidated entities are to be eliminated. The Group's intercompany receivables and payables are measured on the basis of market prices, and transfer prices which are determined on the basis of the arm´s length principle. The inventories contain assets from intercompany transactions that had been eliminated by intercompany results. The consolidation procedures govern the measurement of deferred taxes through profit or loss, whereby deferred tax assets and deferred tax liabilities are netted if there is a legally enforceable right to offset current tax assets against current tax liabilities and only if they concern income taxes levied by the same tax authority.

The consolidation methods applied in this fiscal year have not been changed and thus are the same as those applied in the prior year.

2.3 Foreign Currency Exchange Effects

Annual financial statements prepared by subsidiaries in foreign currencies are translated on the basis of the functional currency concept as defined in IAS 21 "The Effects of Changes in Foreign Exchange Rates" by using the modified reporting date exchange rate method. Since the subsidiaries conduct their business activities independently in view of financial, economic and organizational concerns, the functional currency is generally identical to that of the currency of the country in which the subsidiary is located.

For the year being reported assets and liabilities are thereby translated by using the exchange rate at the reporting date, whereas income and expenses are translated at the average exchange rate, which is determined by weighted revenue. The resulting foreign currency exchange effects are offset outside of profit or loss and presented in equity as a special item called cumulative exchange differences.

If a consolidated entity leaves the Group of consolidated entities, the corresponding foreign currency exchange effects are reversed through profit or loss.

Receivables and payables in the separate financial statements of consolidated entities prepared in a local currency, which are not in the functional currency of the subsidiary, are translated at the exchange rate at the reporting date in accordance with IAS 21. Foreign currency exchange effects are to be recognized through profit or loss in the items other operating income and other operating expenses (see Disclosures on Statement of Income from page 131 on).

The exchange rates used are listed in the following table:

		Average exchange rate		Reporting date exchange rate	
	1 EUR =	2014	2013	2014	2013
USA	USD	1.3071	1.3299	1.2141	1.3791
Switzerland	CHF	1.2114	1.2306	1.2024	1.2276
China	CNY	7.9120	8.2152	7.5358	8.3491
Malaysia	MYR	4.4951	4.2709	4.2473	4.5221
Australia	AUD	1.4654	1.3978	1.4829	1.5423
Singapore	SGD	1.6417	1.7414	1.6058	1.7414
Great Britain	GBP	0.7789	–	0.7789	–
Japan	JPY	141.5810	–	145.2300	–
Korea	KRW	1,358.9254	–	1,324.8000	–

2.4 Entities Acquired and Sold

Jenoptik acquired 70 percent of the shares in Robot Nederland B.V., located in Riel, Netherlands upon signing the purchase agreement dated April 24, 2014. As a result of this transaction, the investment of Jenoptik was increased from 30 percent to 100 percent, and thus Jenoptik gained control over Robot Nederland B.V.

The entity is a supplier of traffic safety technology. With this acquisition Jenoptik has expanded its presence on the continental European market.

For the shares already held in Robot Nederland B.V. at the date of acquisition, the fair value determined was EUR 1,029 thousand. This remeasurement of the shareholdings led to recognizing income amounting to EUR 783 thousand through profit and loss disclosed in other operating income.

The entire purchase price for the newly acquired 70 percent of the shares in Robot Nederland B.V. consisted of a fixed cash component amounting to EUR 2,400 thousand.

In exchange, we acquired the following net assets and liabilities at the date of the first consolidation:

in thousand euros	Total
Non-current assets	1,855
Current assets	2,823
Non-current liabilities	1,372
Current liabilities	309

In the assets taken over are receivables with a gross contract value of EUR 23 thousand, which correspond to the fair value of the receivables. The receivables acquired are expected to be collectible.

Also included in the assets taken over are cash and cash equivalents in the amount of EUR 2,785 thousand.

Contingent liabilities were not taken over in conjunction with the entity acquired.

In conjunction with acquiring the shares in Robot Nederland B.V., a customer base was identified, which is to be amortized over a period of four years. Additionally, goodwill as a benefit for taking over the trained personnel of Robot Nederland B.V. as well as for gaining easier access to markets was capitalized. Goodwill has been allocated to the Traffic Solutions business unit, Traffic Service Provision. No unscheduled impairments of goodwill were performed. Such goodwill is not deductible for tax purposes.

Expenses amounting to EUR 60 thousand related to purchasing 70 percent of the shares in Robot Nederland B.V. were incurred and disclosed in selling expenses.

By including Robot Nederland B.V., the consolidated financial statements showed revenue amounting to EUR 4,918 thousand and earnings after tax totaling EUR 531 thousand.

Furthermore, Jenoptik acquired 92 percent of the shares in Vysionics Limited, located in Milton Keynes, Great Britain, by signing a share purchase agreement on November 14, 2014. By gaining control over Vysionics Limited, control was also gained over the following associated entities of Vysionics Limited: Vysionics ITS Holdings Limited, Milton Keynes (Great Britain), Vysionics ITS Limited, Camberley (Great Britain), and Computer Recognition Systems Limited, Milton Keynes (Great Britain).

The Vysionics Group is a supplier of traffic safety technology. Jenoptik has thereby expanded its presence in the European region.

The purchase price GBP 13,142 thousand (EUR 16,684 thousand) comprises a cash component amounting to GBP 12,884 thousand (EUR 16,356 thousand) as well as liabilities taken over from the selling shareholders by Jenoptik amounting to GBP 258 thousand (EUR 328 thousand).

In exchange, we acquired the following net assets and liabilities at the date of the first time consolidation:

in thousand euros	Total
Non-current assets	10,238
Current assets	9,389
Non-current liabilities	27,488
Current liabilities	15,610

In assets taken over are receivables with a gross contract value of EUR 2,970 thousand, which corresponds to the fair value of the receivables. The receivables acquired are expected to be collectible.

Also included in the assets taken over are cash and cash equivalents taken over in the amount of EUR 3,468 thousand.

Contingent liabilities were not taken over in conjunction with the entity acquired.

In conjunction with the acquisition of the shares in the Vysionics Group, especially technologies, a customer base as well as an order backlog were identified. The amortization of intangible assets is to be spread over the period from 1 to 7 years. Additionally, goodwill as a benefit for taking over the trained personnel of the Vysionics Group, for Jenoptik gaining easier access to the British market and for synergetic effects of the internationalization of the sales of the Vysionics Group as well as for the simplified certification and distribution of Jenoptik products in Great Britain was capitalized. Goodwill was allocated to the Traffic Solutions Equipment Business Unit. No unscheduled impairments of goodwill were performed. Such goodwill is not deductible for tax purposes.

For the remaining shares in the Vysionics Group, put and call options at 8 percent were agreed upon with the shareholders. These options were classified as separate transactions and were accounted for in accordance with the regulations stated in IAS 32. The fair value of the call option is zero and is therefore not accounted for. The financial obligation from the put option was recorded at the present value of the expected price exercised amounting to EUR 1,697 thousand in other non-current liabilities and outside of profit or loss.

Until the options granted are exercised, the remaining shares in the Vysionics Group are to be disclosed as shares in non-controlling interests. At the time of the first time consolidation, the value of the shares in non-controlling interests was derived by remeasuring net assets in the amount of minus EUR 1,864 thousand.

Expenses amounting to EUR 1,265 thousand were incurred by purchasing 92 percent of the shares in Vysionics and were primarily disclosed in other operating expenses.

By including the Vysionics Group, the consolidated financial statements showed revenue amounting to EUR 3,656 thousand and earnings after tax totaling EUR 699 thousand.

The consolidation of the Vysionics Group in accordance with IFRS 3 was based on preliminary amounts since the tax assessments for the fiscal years 2013 and 2014 had not yet been finalized. These preliminary amounts not only could affect changes in the opening balances in tax asset and liability items and thereby affect net assets acquired, but they also were to be included in the calculation of the purchase price. Furthermore, the determination of the purchase price is preliminary with regard to completing the accounts on which it is based. This affects the final purchase price allocation and thereby affects the amount of goodwill to be capitalized. Finalization will be made by the end of the period under review.

Based on the premise that the entities had already been acquired on January 1, 2014 in the 2014 fiscal year, Group revenue would amount to EUR 607,068 thousand and Group earnings after tax would total EUR 40,877 thousand. To determine these data, it was assumed that the fair value of the intangible assets identified in conjunction with the purchase price allocations as at January 1, 2014 were identical with those at the point in time of the first time consolidation. These pro-forma financials were calculated only for the purpose of comparison. This calculation does not allow conclusions regarding the operating results that would have been realized in case of a first-time consolidation at the beginning of the fiscal year or future operating results.

The shares of the Defense & Civil Systems Business Unit amounting to 75 percent of the Electroop S.A., Madrid (Spain) were completely sold to a minority shareholder on August 29, 2014. Owing to loss of control, this entity was completely deconsolidated as at August 31, 2014.

The sales price was completely comprised of a fixed cash component amounting to EUR 500 thousand.

In exchange, the following net assets were deconsolidated on the date of the sale:

in thousand euros	Total
Current assets	820
Current liabilities	63

In the assets transferred cash and cash equivalents amounting to EUR 274 thousand were included.

2.5 Notes on Other Entities

Jenoptik holds shares in 8 (prior year 9) entities with a proportional investment of less than 50 percent for each. The investments in these entities are accounted for at fair value in accordance with IAS 39. If no reliable fair value can be determined, then the purchase price is recognized. These investments are of minor importance to Jenoptik.

The general disclosures regarding interests held are contained in the list of shareholdings of the Jenoptik Group.

2.6 Discontinued Operations

Concerning operations discontinued in previous years, a positive disclosure amounting to EUR 2,847 thousand (prior year EUR 2,831 thousand) was shown under EBIT. Earnings before tax comprised earnings from discontinued operations amounting to EUR 3,265 thousand (prior year EUR 2,831 thousand).

Owing to the sale of M+W Zander Holding AG in 2005, income in the 2014 fiscal year primarily resulted from reversing a provision that had been set up as well as from taxes and interest refunds. In 2013 the provision had also been partially reversed.

3 ACCOUNTING POLICIES AND MEASUREMENT METHODS

3.1 Goodwill

The accounting rules of IFRS 3 are to be used for all business combinations.

Goodwill as stated in IFRS 3 corresponds to the positive difference between the consideration transferred for a business combination and the remeasurement of assets newly acquired and liabilities assumed including certain contingent liabilities remaining after allocating the purchase price and thereby identifying intangible assets. The assets and liabilities identified for such a purchase price allocation are not to be accounted for at their previous carrying amounts but at fair value. In connection with an acquisition of control, non-controlling interests are to be measured in proportion to the net assets identified.

Goodwill is to be recognized as an asset and is to undergo an impairment test at a specific date at a minimum of once a year or if there is any indication that the cash-generating unit could be impaired. Impairment is to be recognized immediately through profit or loss and is not to be reversed in later reporting periods.

In accordance with IFRS 3, negative differences are to be recognized immediately through profit or loss in the item other operating income.

3.2 Intangible Assets

Purchased intangible assets, primarily software, patents and customer relationships, are to be capitalized at their acquisition costs. Intangible assets with finite useful lives are to be amortized in scheduled amounts over their economic useful lives. Generally this is a period of between three and ten years. The Group is to review whether its intangible assets with finite useful lives should undergo impairment testing (see section 3.4 Impairment of Property, Plant and Equipment and Intangible Assets).

Intangible assets with indefinite useful lives are to undergo impairment testing at a minimum of once a year and if necessary their values are to be adjusted in line with the generation of expected future cash flows.

Internally generated intangible assets are capitalized if the recognition criteria given in IAS 38 "Intangible Assets" have been fulfilled.

Development costs are capitalized if a newly developed product or procedure can be clearly identified and technically realized and if the production, the own use or marketing are intended. Furthermore, it is assumed that if capitalized, there is a reasonable probability that the development costs will be covered by future financial cash inflows and can be reliably determined. Finally there must be adequate resources available to finish the development and to be able to use or sell the asset.

Capitalized development costs are to be amortized in scheduled amounts over the selling period of the products. Such amortizations are to be presented in R+D expenses. Thereby the acquisition or production costs include all of the costs directly attributable to the development process as well as appropriate portions of the general and administrative expenses related to the development. If the requirements for capitalization have not been fulfilled, the expenditures are to be recognized through profit or loss in the year they occurred.

IAS 38 requires research costs to be recognized as current expenses.

The amortization of intangible assets is to be classified to the appropriate item in the consolidated statement of comprehensive income.

3.3 Property, Plant and Equipment

Property, plant and equipment are to be measured at acquisition or production costs less scheduled straight-line depreciation. The depreciation method is to reflect the expected period of use for gaining future economic benefits. As far as required, impairment reduces the acquisition or production costs carried. In principle, grants from public institutions (government grants) are to be deducted from the acquisition or production costs as specified in IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" (see section "Government Grants"). Production costs are to be recognized on the basis of directly attributable specific costs as well as in the proportion that they are directly attributable to the cost of materials and production overheads including depreciation. In accordance with IAS 23 "Borrowing Costs", borrowing costs directly attributable to acquisition or production costs of a qualifying asset are to be capitalized as a portion of the acquisition or production costs.

Costs incurred for repairing property, plant and equipment are generally to be recognized as an expense. For any components of property, plant or equipment replaced at regular intervals, acquisition costs can be capitalized subsequently as far as future economic benefits can be reasonably expected and the respective costs can be reliably measured.

In general, scheduled depreciation is based on the following useful lives:

	Useful life
Buildings	10 – 80 years
Machinery and technical equipment	4 – 20 years
Other equipment, operating and office equipment	3 – 10 years

If any items of property, plant and equipment are decommissioned, shut down, sold or have become obsolete, the gain or loss from the difference between the proceeds of the sale and the residual value are recorded in other operating income or other operating expenses.

3.4 Impairment of Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets with finite useful lives are to be assessed at the reporting date to see if there are any indications for possible impairments as specified in IAS 36 “Impairment of Assets”. If any such indications for specific assets or cash-generating units are identified, impairment tests are to be performed on these assets.

The demarcation between cash-generating units is primarily based on the structure of the divisions or business units constituting divisions.

An impairment test is performed by first determining the recoverable amount of an asset or cash-generating unit and then comparing it with the carrying amount in order to identify if there is any need for performing an impairment test.

The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use.

An amount is designated as at fair value less costs to sell if the sale of an asset can be transacted at arm’s length between knowledgeable and willing parties.

Value in use is determined on the basis of discounted expected future cash inflows. This is based on a fair value interest rate before tax that reflects the risks of using the asset that do not yet fall under the estimated future cash inflows.

If the recoverable amount of an asset is estimated to be less than the carrying amount, it is then written down to the recoverable amount. An impairment loss is recognized immediately through profit or loss.

If an impairment loss is reversed in a subsequent accounting period, then the carrying amount of the asset is to be adjusted to the recoverable amount determined. The maximum limit of the impairment loss reversal is determined by taking the amount of the depreciated acquisition or production costs that would have been recorded if an impairment loss had not been recognized in prior periods. An impairment loss reversal is immediately recorded through profit or loss.

3.5 Government Grants

IAS 20 distinguishes between grants related to acquiring non-current assets and grants related to income.

In general, IAS 20 states that grants are to be accounted for through profit or loss in the same period as the relevant expenses.

In the Jenoptik Group a grant for a non-current asset is deducted from the purchase price. Correspondingly, the amount to be depreciated is determined on the basis of the reduced purchase price.

3.6 Leases

When items in property, plant and equipment are leased, the conditions for finance leases as defined in IAS 17 “Leases” are fulfilled if all significant risks and rewards incidental to ownership have been transferred to the respective consolidated entity of the Group. All other leases are classified as operating leases.

Finance leases. The Group, as a lessee of a finance lease, is to capitalize the assets leased at the inception of the lease at the amount equal to their fair value, or if lower, the present value of the minimum lease payments. The straight-line depreciation method is to be used to depreciate the asset over the period of its economic useful life or the shorter term of the lease agreement if it is unlikely that an option to purchase the asset will be exercised. Liabilities from finance lease agreements are to be shown at the present value of the minimum lease payments.

If the Group is a lessor, the amount equal to the net investment in the lease is to be capitalized as a receivable. Financial income is to be recognized through profit or loss in the respective reporting period, so that there is a constant periodic return on the net investment over the term of the lease.

Operating leases. Lease payments from operating lease agreements are to be recognized through profit or loss on a straight-line basis over the lease term.

Any incentives for entering into an operating lease agreement received or outstanding are also to be recognized on a straight-line basis over the lease term.

3.7 Investment Property

Investment property comprises plots of land and buildings held for gaining rental income or for the purpose of their value increasing. These properties are not held for the Group's own production, for supplying goods or rendering services, for administration purposes or for any sales in the ordinary course of business activities.

In accordance with IAS 40 "Investment Property", such assets are to be accounted for at depreciated acquisition or construction costs (see page 139). The basis for determining fair value is standard land values or the discounted cash flow method is to be applied.

The straight-line depreciation method provides for a useful life between 10 to 80 years.

In accordance with IAS 36, depreciation resulting from impairment losses of investment property is charged if the value in use or fair value less costs to sell of the respective asset is less than the carrying amount. If the reasons for an impairment loss from a prior period cease to exist, corresponding write ups are to be recorded.

3.8 Financial Instruments

Financial instruments are contracts giving rise to a financial asset of one entity and to a financial liability or an equity instrument of another entity. As defined in IAS 32, such instruments are either primary financial instruments such as trade receivables and trade payables or financial receivables and financial payables. On the other hand, derivative financial instruments are used for hedging risks arising from fluctuations in interest and foreign currency exchange rates.

Financial assets and financial liabilities are to be recognized in the consolidated statement of financial position as soon as the Group becomes a contractual party in a financial instrument agreement. In principle, financial assets are to be accounted for at the settlement amount. The accounting treatment of financial instruments presently held depends on their classification: those classified as receivables and loans are recognized at amortized cost and those classified as available-for-sale assets are recognized at fair value.

The amortized cost of a financial asset or a financial liability is the amount at which the financial asset or financial liability was measured at initial recognition:

- minus any repayments
- minus any reduction for impairment or uncollectibility as well as
- plus/minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount (e.g. premiums). Under the effective interest method, premiums are spread over the full contractual term of the financial asset or financial liability.

Amortized cost for current receivables and payables generally reflects the nominal amount or the repayment value.

Fair value generally corresponds to the market or stock market value. If no active market exists, the fair value is determined by using financial mathematical methods such as by discounting estimated future cash flows at market interest rates or by applying standard option price models and by checking confirmations issued by the banks that sold the instruments.

A) Primary Financial Instruments
Shares in Entities

Initial recognition of shares in entities in the statement of financial position is based on fair value including transaction costs.

Within the Jenoptik Group all shares in publicly listed subsidiaries and shareholdings in publicly listed stock corporations, which have not been fully or partially consolidated and have also not been accounted for at equity in the consolidated financial statements, are classified available for sale and are measured at fair value without deducting any transaction costs in subsequent reporting periods. Value adjustments of available-for-sale financial assets are recognized not through profit or loss but in other comprehensive income. In the case of permanent impairment, this is to be recognized through profit or loss.

Shareholdings in subsidiaries not publicly listed and other investments are also generally to be classified as available-for-sale financial assets. They are, however, to be shown at their respective acquisition costs since there is no active market for such entities and fair value cannot reliably be determined with a reasonable amount of effort. As far as there are any indications of being lower than fair value, this is to be recognized.

Loans

Loans concern loan commitments granted by the Jenoptik Group, and they are to be measured at amortized cost in accordance with IAS 39.

Non-current non-interest-bearing loans or low interest-bearing loans are to be accounted for at present value. If any objective, substantial evidence of impairment can be identified, then unscheduled impairment losses are accounted for. The carrying amounts are to be reduced by using an impairment loss account.

Securities

Securities belong to the category available-for-sale financial assets and are measured at fair value. Measurement is continued to be reported in other comprehensive income considering deferred taxes until the sale of securities. When securities are sold or if a permanent impairment occurs, the cumulative gains or losses that had been accounted for directly in equity are reclassified in profit or loss of the current reporting period. Initial measurement is recorded at acquisition costs at the settlement date reflecting its fair value.

Trade Receivables

Trade receivables are not interest bearing owing to their being short term and are recognized at nominal value less impairments because of their probable uncollectibility. Both individual default risks as well as general default risks derived from past experiences have been taken into account.

Other Receivables and Assets

Other receivables and assets are recognized at amortized cost. All default risks identified are accounted for by a corresponding impairment.

All material non-current non-interest-bearing or low interest-bearing receivables are discounted.

Cash and Cash Equivalents

Cash and cash equivalents are liquid assets comprising cash on hand, checks, bank balances and demand deposits with an original maturity of up to three months. All are accounted for at their nominal value.

Restricted Cash

Restricted cash is disclosed separately.

Financial Liabilities and Equity Instruments

In principle, financial liabilities are measured at amortized cost by applying the effective interest method. Those not affected are financial liabilities accounted for at fair value through profit or loss.

Liabilities from finance lease agreements are disclosed at present value of the minimum lease payments.

An equity instrument is any contractual agreement containing a residual interest in the assets of the Group after all liabilities have been deducted. Share capital is classified as equity, whereby the costs (less related income tax benefits) attributable to issuing treasury shares have been deducted from equity.

Liabilities to Banks

Interest-bearing bank loans and overdraft lines of credit are accounted for at the amounts received less any directly attributable disbursement expenses. Financing costs, including premiums due to be paid on repayments or redemption, are accounted for on an accrual basis by applying the effective interest method and by increasing the carrying amount of the instrument as far as it has not been settled at the date of its inception.

B) Derivative Financial Instruments

Within the Jenoptik Group derivative financial instruments are used for hedging risks from fluctuations in interest and foreign currency exchange rates. They serve to reduce earnings volatility resulting from interest and foreign currency exchange rate risks. Fair value is determined by taking the market conditions – interest rates, foreign currency exchange rates – at the reporting date into account and by using the measurement methods presented in the following.

Derivative financial instruments are not used for speculation purposes. The use of derivative financial instruments is governed by Group guidelines authorized by the Executive Board, which give fixed written guidelines on how to transact derivative financial instruments. In order to hedge risks from fluctuations in interest and foreign currency exchange rates, the Group uses cash flow hedges.

Cash flow hedging is defined as a transaction for fixing future variable cash flows. By using such a procedure, the Jenoptik Group hedges risks resulting from changes in interest and foreign currency exchange rates. Currency derivative agreements, which can unequivocally be allocated to hedging future cash flows from foreign currency exchange transactions and servicing debt capital and which fulfill the requirements given in IAS 39 with respect to documentation and to being effective, are concluded directly with banks.

Changes in the fair value of derivative financial instruments serving to hedge cash flow risks are documented. If hedge accounting has been classified as effective, the changes in fair value are recognized outside of profit or loss in other comprehensive income. Reclassifications from equity to profit or loss are to be performed in the period, in which a hedged underlying transaction affects income. Value fluctuations from financial instruments classified as not effective are to be recorded directly through profit or loss.

3.9 Inventories

Inventories are recognized at the lower of acquisition or production costs and the net realizable value.

The net realizable value is the estimated selling price less the estimated production costs and any costs incurred until sale.

The acquisition costs include all costs incurred in acquiring inventories as well as any other costs incurred to convert them to their present condition. Thereby any measures for reducing purchase prices such as rebates, bonuses or trade discounts are to be considered.

Production costs include all costs related to production that have been determined on the basis of normal production capacity utilization. In addition to direct costs, these also include the appropriate portion of the necessary material and production overheads as well as production related depreciation as far as they can be directly attributable to the production process. In particular, costs are considered that are allocated to specific production cost centers. Administrative expenses are also considered as far as they can be allocated to production. If carrying amounts at the reporting date have decreased owing to lower prices on the sales market, they are recognized. In principle, similar inventory asset items are measured by using the weighted average cost formula. If the reasons that led to a write-down of inventories cease to exist and in turn result in an increase of the net realizable value, reversals of write-downs are to be recognized as a reduction in the amount of material expenses recognized as an expense in the periods in which reversals of the write-downs have occurred.

3.10 Borrowing Costs

Borrowing costs that can directly be attributed to the construction or production of a qualifying asset are capitalized as a portion of the acquisition or production costs of the asset.

3.11 Advances Received

Advance payments received from customers are carried as liabilities in as far as such payments do not deal with any construction contracts.

3.12 Construction Contracts

In accordance with IAS 11 "Construction Contracts", revenue and income from construction contracts are recognized by using the percentage of completion method. The percentage of completion is derived from the proportion of the actual construction costs incurred for work performed by the end of the fiscal year in ratio to the currently estimated total contract costs (cost-to-cost method). Independent of the level of completion, losses from construction contracts are immediately and fully recognized in the fiscal year they are identified.

Construction contracts measured by the percentage of completion method are recognized as receivables or payables depending on the amount of the progress payments received or progress billings outstanding. They are measured at the construction costs plus any proportion of income received corresponding to the percentage completed. As far as the cumulative services rendered (construction costs and construction outcome) are more than the progress payments and advances received in individual cases, construction contracts are to be disclosed in assets under receivables from construction contracts. If after deducting progress payments and advances received, there is a negative balance, this is to be disclosed as a payable under liabilities from construction contracts. Any contract losses expected are considered as write-down or in a provision for impaired construction contracts. They are determined by considering all identifiable risks.

3.13 Deferred Taxes

The accounting for and measurement of deferred taxes is performed in accordance with IAS 12 "Income Taxes". Deferred taxes are computed on the internationally recognized liability method. Deferred tax assets and deferred tax liabilities are presented in separate items in the statement of financial position in order to take into account future tax effects resulting from timing differences between the measurement of assets and liabilities and tax losses carried forward.

Deferred tax assets and deferred tax liabilities are computed in the amount of expected tax burdens or tax relief in the following fiscal years on the basis of the tax rate in effect at the date of realization. Impacts from changes in tax rates affecting deferred taxes are recognized in the reporting period when the legislative procedures creating the change in the tax law have been completed and the tax rates are enacted.

Deferred tax assets resulting from differences between the commercial and tax balance sheets and from tax losses carried forward are only then recognized if there is a high likelihood of gaining any tax advantages.

Deferred tax assets and deferred tax liabilities are offset against each other as far as there is any congruence between the tax creditors and the tax terms. Any discounting of deferred tax assets and liabilities is not performed in accordance with IAS 12.

3.14 Provisions for Pensions and Similar Obligations

Pensions and similar obligations comprised not only the pension obligations of the Jenoptik Group but also of defined benefit plans as well as defined contribution plans.

In accordance with IAS 19, pension obligations for defined benefit plans are determined by using the so-called projected unit credit method. Actuarial expert opinions are annually obtained for this procedure.

Mortality rates are determined by using the Mortality Tables 2005 G for Germany computed by Heubeck Richttafeln and in compliance with the Occupational Pensions Act (BVG 2010) in Switzerland. Actuarial gains and losses are not recognized through profit or loss but in other comprehensive income. Service expenses are disclosed in personnel expenses and the interest portion of the provision increase is recorded in the financial result.

For defined contribution plans (for example, direct insurance schemes), the contributions payable are recognized immediately as an expense.

3.15 Tax Provisions

Tax provisions contain obligations for current income tax payables. Deferred taxes are disclosed in separate items in the statement of financial position and in the statement of comprehensive income.

Tax provisions for trade tax, corporate income tax and other similar taxes on income are determined on the basis of taxable income of the entities consolidated less any prepayments paid. Any other taxes to be assessed are considered in the same manner.

3.16 Other Provisions

In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, provisions are set up as far as any liability to a third party exists from a past event that is likely to lead to an outflow of resources in the future and whose amount can be reliably estimated. Other provisions are only set up for legal or factual obligations to third parties that are more likely than not at the reporting date.

Provisions are recognized at the discounted present value of the expenditures expected to settle the obligations at the reporting date only if the interest effect is material. The present value of the expenditures expected to settle the obligation includes expected price or cost increases. Discounting is based on interest rates before taxes that reflect current market expectations with regard to the interest effect and to risks specific to the liability and that depend on the corresponding term of the obligation. The interest portion of the compounded interest in a provision is recorded in the financial result.

Provisions are measured on the basis of values derived from past events taking the circumstances at the reporting date into consideration. Provisions for warranties and guarantees are set up on the date of sale of the goods affected or of services rendered. The amount of the provision is based on the historical development of such guarantees and warranties as well as on considering all future possibilities of the probability of their occurrence weighted by such cases of guarantee or warranty claims.

Provisions are only offset against any claims to the right of recourse if the claims are virtually certain.

3.17 Share-based Payment

The long-term incentive components (LTI) for the current members of the Executive Board as well as for the top management of JENOPTIK AG are accounted for as cash-settled share-based payments as defined in IFRS 2 “Share-based Payment”. At the reporting date a long-term liability is set up as a payment obligation either at fair value pro rata temporis or at fair value of the total payment obligation depending on the respective contracts. Allocations to share-based payments are made on the basis of annual targets agreed upon. Changes in fair value are recognized through profit or loss.

3.18 Contingent Liabilities

Contingent liabilities are obligations that may possibly occur based on past events, and their existence may only be confirmed by one or more uncertain future events, which are, however, beyond the influence of the Jenoptik Group. Moreover, present obligations can be presented as contingent liabilities if the likelihood of outflows of resources is too uncertain to set up a provision and/or the amount of the obligation cannot be reliably estimated. The carrying amount of each contingent liability corresponds with the existing scope of the liability at the reporting date. In principle, they are not accounted for in the statement of financial position but are explained in the Notes.

3.19 Revenue

Revenue generated from the sale of goods is recognized through profit or loss as soon as all significant risks and rewards related to the ownership of the goods have fully been transferred to the buyer by having agreed upon or set a price and the payment thereof can be assumed. The item revenue shows the calculations of charges to customers for the deliveries of goods and services less sales reductions, penalties and trade discounts.

Revenue from services is recognized according to the percentage of completion of the contract at the reporting date, which is determined by assessing services rendered. Income is only then recognized if it is probable that the entity will receive the economic benefit from the contract. Otherwise income is only recognized to the extent that expenses incurred are refundable.

Rental income received from investment property is recognized on a straight-line basis over the term of the corresponding rental contract and is disclosed in the revenue.

3.20 Cost of Sales

All costs incurred in generating revenue are disclosed in the item cost of sales, which also includes costs allocated to the provisions for warranties and guarantees. The scheduled amortization of intangible assets and the scheduled depreciation of property, plant and equipment are recognized in cost of sales as far as they assigned to the production process. Research and development expenses that do not qualify for being capitalized and amortized development costs are disclosed under the item research and development expenses.

3.21 Selling Expenses and General and Administrative Expenses

Along with personnel expenses and cost of materials, selling expenses comprise expenses for distribution, advertising, promotion, market research, and customer service.

General and administrative expenses consist of personnel expenses and the cost of materials as well as administration-related depreciation and amortization.

3.22 Other Operating Income and Expenses

According to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", income from the reversal of provisions is recognized through profit or loss. In case the underlying provisions were set in functional costs, the provision reversals are also allocated to functional costs. If a provision is set up in other operating expenses, then the provision reversal is also shown in other operating expenses, unless such a provision reversal is higher than the item other operating expenses was before the reversal. In such cases the provision reversal is presented in other operating income.

Other taxes are allocated to other operating expenses.

4 DISCLOSURES ON THE STATEMENT OF INCOME

4.1 Revenue

In contrast to 2013, revenue decreased overall by EUR 10,087 thousand or 1.7 percent to EUR 590,213 thousand and mainly resulted from sales of goods and services:

in thousand euros	2014	2013
Sale of goods	499,540	514,830
Services rendered	88,287	83,017
Rental income	2,386	2,453
Total	**590,213**	**600,300**

In the 2014 fiscal year the expansion of the service business in the Metrology segment led to a shift in the product mix in favor of rendering services.

The item revenue comprises revenue from construction contracts accounted for by the degree of completion at the reporting date at the amount of EUR 3,046 thousand (prior year EUR 4,412 thousand). For these construction contracts progress billings sent to customers amount to EUR 3,738 thousand (prior year EUR 3,960 thousand).

At the reporting date, revenue for construction contracts not yet completed amounted to EUR 6,249 thousand (prior year EUR 11,777 thousand).

Detailed disclosures on revenue according to segments and regions are presented in Segment Reporting see page 154.

4.2 Cost of Sales

in thousand euros	2014	2013
Cost of materials	219,242	228,306
Personnel expenses	114,375	111,997
Depreciation and amortization	18,499	16,137
Other cost of sales	32,646	38,116
Total	**384,762**	**394,555**

In contrast to 2013, cost of sales had an overall decrease of EUR 9,793 thousand or 2.5 percent and totaled EUR 384,762 thousand. Cost of sales comprised all costs incurred to generate revenue. Costs for setting up provisions for sales-related subjects were also recorded in this item.

As in the prior year, cost of sales neither contain any unscheduled impairment costs for intangible assets nor for property, plant and equipment.

Total cost of sales for construction contracts whose terms had not yet completely been fulfilled at the reporting date amounted to EUR 6,242 thousand (prior year EUR 11,241 thousand). The profit realized from these contracts totaled EUR 7 thousand (prior year EUR 536 thousand), and a loss amounting to EUR 2,281 thousand (prior year EUR 574 thousand) was recorded.

4.3 Research and Development Expenses

In contrast to the 2013 fiscal year, research and development expenses were reduced overall by EUR 422 thousand or 1.1 percent to EUR 39,420 thousand.

They consist of all costs allocable to research and development. Research and development expenses did not contain any expenditures covered by customers, which amounted to EUR 10,516 thousand (prior year EUR 12,248 thousand). Such expenditures were allocated to cost of sales.

Research and development expenses had no impairments, as in prior year.

4.4 Selling Expenses

When compared to the 2013 figures, selling expenses increased overall by EUR 889 thousand or 1.3 percent to EUR 67,524 thousand.

They primarily comprised marketing costs, sales commissions and public relations work.

4.5 General and Administrative Expenses

When compared to the prior year, general and administrative expenses rose by EUR 4,702 thousand or 10.1 percent to EUR 51,054 thousand.

General and administrative expenses consisted of personnel expenses and cost of materials as well as any depreciation and amortization related to the administration activities.

4.6 Expenses According to Types of Expense

The following types of major expenses are included in revenue, selling and administrative expenses as well as in research and development expenses:

in thousand euros	2014	2013
Material costs	253,636	250,901
Personnel expenses	219,662	210,948
Depreciation/amortization	24,571	22,072
Other expenses	44,891	63,463
Total	**542,760**	**547,384**

4.7 Other Operating Income

in thousand euros	2014	2013
Foreign currency exchange gains	7,988	4,820
Income from government grants	3,146	1,863
Income from reversed bad debt allowances	2,645	815
Income from services, offsets and rentals	1,865	3,053
Gains from disposals of property, plant and equipment, investment property and financial assets	1,561	1,048
Income from the sale of technologies	1,500	0
Income from step acquisitions	783	0
Income from damage claims/insurance benefits	166	335
Miscellaneous	3,582	3,804
Total	**23,237**	**15,738**

Other operating income thereby increased by EUR 7,499 thousand and thus by 47.6 percent to EUR 23,237 thousand.

Income from gains resulting from foreign currency exchange effects mainly contained gains resulting from fluctuations in exchange rates between the transaction date and the payment date of receivables and payables in foreign currencies as well as gains from exchange rate measurements taken at the reporting date. Losses from foreign currency exchange effects for these items were disclosed in other operating expenses.

Income from government grants generally contains grants from the Free State of Thuringia (Freistaat Thüringen) for research and development projects.

Income from the sale of technologies encompasses revenue from the sale of two plant technologies no longer belonging to the core business.

Income from step acquisition concerns the acquisition of shares in Robot Nederland B.V. in 2014. We refer to our explanation in the section on Entities Acquired and Sold from page 120 on.

The item miscellaneous primarily contained income from non-cash contributions.

4.8 Other Operating Expenses

in thousand euros	2014	2013
Foreign currency exchange losses	5,927	5,507
Expenses for Group projects	3,490	4,509
Additions/reversals of provisions and bad debt allowances for receivables	2,063	1,626
Reorganization and restructuring expenses	1,462	35
Acquisition costs	1,247	0
Amortization of intangible assets from a first time consolidation	1,200	1,177
Other taxes	448	528
Losses from disposals of intangible assets, property, plant and equipment and investment property	428	364
Expenses for services and rentals	396	109
Miscellaneous	5,305	4,905
Total	**21,967**	**18,760**

Other operating expenses increased by EUR 3,208 thousand or 17.1 percent to EUR 21,967 thousand in comparison to those of the prior year. Transaction and consulting costs amounting to EUR 1,247 thousand for the acquisition of the Vysionics Group were included in these expenses in the fiscal year being reported. For further explanations, please refer to Section 2.4.

The expenses incurred for foreign currency exchange losses primarily contained losses from foreign currency exchange transactions between the transaction date and the date of payment of a receivable or a payable as well as any exchange rate losses incurred from the valuation at the exchange rate at the end of the reporting period. Any gains from foreign currency exchange transactions resulting from these items were recognized in other operating income. In taking a net view, foreign currency gains and losses resulted in a net gain of EUR 2,061 thousand (prior year net loss of minus EUR 687 thousand).

The expenses for the Group projects were mainly for JOE and HCM projects.

In the 2014 fiscal year additions to the bad debt allowance of receivables totaled EUR 3,964 thousand (prior year EUR 4,272 thousand). The item containing additions to and reversals of provisions had additions to provisions amounting to EUR 312 thousand (prior year EUR 2,577 thousand) and provision reversals of EUR 2,213 thousand (prior year EUR 5,223 thousand). More detailed information on these items can be found in Disclosures on the Statement of Financial Position from page 136 on.

The item for reorganization and restructuring expenses related to optimizing locations in Germany.

The item miscellaneous was mainly for recharges and expenses for running canteens.

4.9 Investment Result

in thousand euros	2014	2013
Impairments of non-current financial assets	–214	–122
Earnings from shareholdings	192	403
Total	**–22**	**281**

Earnings from investments decreased in total by EUR 303 thousand to minus EUR 22 thousand.

The impairments of non-current financial assets and securities mainly contained write downs of available-for-sale assets.

The investment result in the prior year included, amongst others, Robot Nederland B.V., which was included in the consolidated financial statements for the first time in this fiscal year due to the step acquisition of the entity.

4.10 Financial income and financial expenses

in thousand euros	2014	2013
Income from valuation of financial transactions	1,214	0
Income from securities and financial asset loans	310	401
Other interest and similar income	345	609
Total financial income	**1,869**	**1,009**
Interest expenses for debenture loans	2,936	3,010
Net interest expenses for pension provisions	654	776
Interest expenses for syndicated loan	627	430
Expenses from valuation of financial transactions	479	0
Other interest and similar expenses	3,041	2,567
Total financial expenses	**7,737**	**6,784**
Total	**–5,868**	**–5,774**

Financial income and financial expenses decreased by EUR 94 thousand or 1.6 percent to minus EUR 5,868 thousand (prior year minus EUR 5,774 thousand).

In the 2014 fiscal year income from the valuation of financial transactions amounting to EUR 1,214 thousand and expenses from the valuation of financial transactions in the amount of EUR 479 thousand led to a net gain of EUR 735 thousand. This income and these expenses resulted from foreign currency exchange gains and losses from valuing financial assets in foreign currencies, less the valuation of the respective derivatives. In the prior year foreign currency gains and losses were accounted for outside of profit or loss since the financial investments mentioned qualified as net investments in accordance with IAS 21. This qualification was reviewed in this fiscal year and the financial investments are now no longer classified as net investments.

The item other interest and similar income primarily comprised interest from bank deposits. The item other interest and similar expenses contained guaranty and bank charges as well as interest expenses from accrued interest of non-current liabilities and other provisions.

4.11 Income Taxes

Income taxes disclosed the income tax paid or owing on income generated in the respective countries as well as deferred tax assets and liabilities. The calculation of current income taxes of the Jenoptik Group was performed by using the tax rates valid at the reporting date.

A tax rate of 29.9 percent (prior year 29.3 percent) was used to calculate deferred taxes for domestic entities. Along with a corporate income tax rate of 15 percent (prior year 15 percent) and a solidarity surcharge of 5.5 percent (prior year 5.5 percent) levied on the corporate income tax burden, an effective trade tax rate of 14.08 percent (prior year 13.48 percent) was also considered. The calculation of deferred taxes for foreign companies was based on the tax rates applicable in the respective country where each entity was located.

Deferred taxes were recognized as either tax income or expense in the statement of comprehensive income unless they directly affect items outside of profit or loss in other comprehensive income. In this event, deferred taxes were then also recognized outside of profit or loss in other comprehensive income.

Tax expenses were classified according to origin as follows:

in thousand euros	2014	2013
Current income taxes		
Domestic	4,704	4,196
Foreign	2,967	382
Total	**7,671**	**4,578**
Deferred taxes		
Domestic	–2,406	–1,042
Foreign	–773	–3,476
Total	**–3,179**	**–4,518**
Total income tax	**4,492**	**61**

In current income taxes, tax payables amounting to EUR 49 thousand were incurred due to a discontinued operation.

In current income taxes, tax expenses amounting to EUR 829 thousand (prior year income: EUR 1,554 thousand) were included for current taxes from prior fiscal periods.

Deferred tax income contained income from other accounting periods amounting to EUR 1,511 thousand (prior year expense: EUR 1,408 thousand).

Contained in the item deferred tax income was income of EUR 1,884 thousand (prior year expense: EUR 2,570 thousand) as a result of the development of timing differences.

As at the reporting date, the Jenoptik Group had the following unused tax losses carried forward at its disposal for offsetting against future profits:

in thousand euros	2014	2013
Corporate income tax	380,805	400,977
Trade tax	548,139	566,615

The reduction in tax losses carried forward mainly resulted from their being used in the reporting period. Taking all currently known positive and negative factors influencing future tax results of the Jenoptik Group into consideration, the use of a corporate income tax loss carried forward of EUR 160,088 thousand (prior year EUR 174,744 thousand) and the use of a trade tax loss carried forward of EUR 155,732 thousand (prior year EUR 172,659 thousand) have been anticipated.

With regard to unused tax losses carried forward, a deferred tax asset of EUR 48,287 thousand (prior year EUR 53,011 thousand) was recognized. Thereof EUR 21,919 thousand (prior year EUR 23,266 thousand) was allocated to trade tax losses carried forward.

No deferred tax assets were recognized for the remaining losses carried forward for corporate income tax purposes in the amount of EUR 220,717 thousand (prior year EUR 226,233 thousand) and for trade tax purposes in the amount of EUR 392,407 thousand (prior year EUR 393,956 thousand). Tax losses carried forward in the amount of EUR 9,563 thousand (prior year EUR 11,764 thousand) are subject to a limited period of time in which they can be carried forward.

In addition, no deferred tax assets were recognized for deductible timing differences amounting to EUR 12,208 thousand (prior year EUR 30,132 thousand).

The following recognized deferred tax assets and liabilities were attributed to recognition and measurement differences in individual balance sheet items and to tax losses carried forward:

	Deferred tax assets		Deferred tax liabilities	
in thousand euros	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Intangible assets	1,658	1,782	3,572	1,988
Property, plant and equipment	1,002	914	2,025	3,119
Financial assets	7,023	8,166	1,545	1,022
Inventories	5,912	6,270	123	120
Receivables and other assets	5,379	4,730	1,582	1,970
Provisions	15,315	10,872	266	574
Liabilities	2,839	1,941	1,689	2,034
Tax losses carried forward and tax refunds	49,790	53,361	0	0
Gross value	**88,918**	**88,036**	**10,802**	**10,827**
(thereof non-current)	(67,520)	(62,994)	(8,303)	(7,078)
Impairments	–3,536	–8,719	0	0
Offsets	–9,060	–9,058	–9,060	–9,058
Value presented on the statement of financial position	**76,322**	**70,259**	**1,742**	**1,769**

The balance of the excess deferred tax assets increased by EUR 6,090 thousand. Taking into consideration the deferred taxes (EUR 3,825 thousand) recognized outside of profit or loss when offset in the reporting year, effects of first time consolidations (minus EUR 1,645 thousand) and the foreign currency exchange effects (EUR 731 thousand), deferred tax income as shown in the statement of comprehensive income came to a total of EUR 3,179 thousand.

The following table shows the tax reconciliation between the tax expense expected in the respective fiscal year and the actual tax expense recognized. In order to calculate the expected tax expense, the Group tax rate of 29.9 percent (prior year 29.3 percent) for the 2014 fiscal year was multiplied by earnings before tax.

in thousand euros	2014	2013
Earnings before tax	46,098	47,232
Thereof earnings before tax – discontinued operations	3,265	2,831
Earnings before tax – continuing operations	42,833	44,401
Corporate income tax rate for the Jenoptik Group in percent	29,9	29,3
Expected tax expense	**12,807**	**13,010**
Following tax effects resulted from the difference between the actual and the expected tax expense:		
Non-deductible expenses, tax-free income and permanent differences	–109	1,717
Changes in impaired deferred taxes and unrecognized deferred taxes	–7,228	–14,797
Effects resulting from tax rate differences	585	466
Effects of tax rate changes	–1,183	–98
Taxes for prior year	–680	–162
Other tax effects	300	–75
Total adjustments	**–8,315**	**–12,949**
Actual tax expense	**4,492**	**61**

4.12 Earnings from Non-controlling Interests

The results from non-controlling interests in Group earnings amounted to minus EUR 50 thousand (prior year minus EUR 24 thousand) and concerned non-controlling interests in three consolidated entities.

4.13 Earnings from Discontinued Operations

Earnings from discontinued operations in the 2014 fiscal year significantly resulted from the partial reversals of provisions that were set up as well as tax refunds and interest thereon in conjunction with the sale of M+W Zander Holding AG in 2005.

Earnings from discontinued operations of the prior year also related to provisions in connection with the sale of M+W Zander Holding AG.

An insignificant amount of income tax fell on income generated by discontinued operations. Cash flow was influenced in the amount of EUR 1,421 thousand (prior year 0).

4.14 Earnings per Share

Earnings per share corresponded to shareholder earnings divided by the weighted average of outstanding shares.

	2014	2013
Shareholder earnings in thousand euros	41,655	47,197
Weighted average of outstanding shares	57,238,115	57,238,115
Earnings per share in euros – continuing operations	0.67	0.77
Earnings per share in euros – Group (undiluted = diluted)	**0.73**	**0.82**

5 DISCLOSURES ON THE STATEMENT OF FINANCIAL POSITION

5.1 Intangible Assets

in thousand euros	Development costs from internal develop-ment projects	Patents, trademarks, software licenses, customer relationships	Goodwill	Other intangible assets	Total
Acquisition or production costs Balance at 1/1/2014	**15,961 (16,162)**	**49,819 (47,619)**	**67,371 (65,685)**	**6,528 (2,928)**	**139,678 (132,394)**
Foreign currency exchange effects	3 (–2)	482 (–227)	574 (–344)	2 (–3)	1,060 (–576)
Changes in the group of entities consolidated	0 (0)	9,463 (925)	38,889 (2,030)	0 (0)	48,352 (2,956)
Additions	305 (173)	2,547 (1,983)	0 (0)	1,732 (4,651)	4,584 (6,807)
Disposals	0 (372)	166 (1,358)	0 (0)	449 (245)	615 (1,975)
Reclassifications (+/-)	176 (0)	6,082 (876)	0 (0)	–6,241 (–804)	17 (72)
Acquisition or production costs Balance at 31/12/2014	**16,445 (15,961)**	**68,227 (49,819)**	**106,833 (67,371)**	**1,571 (6,528)**	**193,077 (139,678)**
Amortization and impairments Balance at 1/1/2014	**13,089 (12,255)**	**41,353 (39,626)**	**9,891 (9,892)**	**0 (0)**	**64,332 (61,773)**
Foreign currency exchange effects	3 (–2)	390 (–134)	1 (1)	0 (0)	394 (–136)
Changes in the group of entities consolidated	0 (0)	0 (8)	0 (0)	0 (0)	0 (8)
Additions	916 (1,150)	4,282 (3,079)	0 (0)	0 (0)	5,198 (4,229)
Impairments	0 (58)	0 (0)	0 (0)	0 (94)	0 (152)
Disposals	0 (372)	110 (1,293)	0 (0)	0 (94)	110 (1,759)
Reclassifications (+/-)	–162 (0)	0 (68)	0 (0)	162 (0)	0 (68)
Amortization and impairments Balance at 31/12/2014	**13,845 (13,089)**	**45,915 (41,353)**	**9,892 (9,891)**	**162 (0)**	**69,814 (64,332)**
Net carrying amount at 31/12/2014	**2,599 (2,872)**	**22,312 (8,466)**	**96,941 (57,480)**	**1,409 (6,528)**	**123,262 (75,346)**

Prior year figures are in parentheses.

Prior year impairments were recognized in other operating expenses. As in the prior year, intangible assets were not subject to any disposal restrictions. Purchase commitments for intangible assets amounted to EUR 392 thousand (prior year EUR 83 thousand).

Internally generated intangible assets amounting to EUR 2,776 thousand (prior year EUR 3,128 thousand) were included in the additions.

Other than goodwill, there were no intangible assets with an indefinite useful life.

An impairment test for goodwill is performed at the level of the cash-generating unit benefiting from the synergies of the respective business combination and representing the lowest level at which goodwill is monitored for internal company management. If the carrying amount of a cash-generating unit exceeds its recoverable amount, the goodwill allocated is correspondingly reduced due to the impairment. Determinative for the impairment test is the recoverable amount, which is the higher of fair value less costs to sell or value in use.

Jenoptik computes the value in use by applying the discounted cash flow method and uses a five-year business plan approved by management and the Supervisory Board as the basis for the computation. It takes past experience into consideration and is based on the best estimates of management on future development. Cash flows considered during the detailed planning phase are forecasted on the basis of differentiated growth rates. These growth rates take the development and dynamics of the respective industries and target markets into consideration. A perpetual annuity is assumed, the amount of which is individually derived by management from the fifth plan year of the planning horizon for each cash-generating unit. The perpetual annuity includes a growth component in the form of a deduction at a nominal discount rate of 1 percent. Non-recurring effects in the last year of the plan are eliminated prior to calculating the perpetual annuity.

For the 2014 fiscal year the impairment test used risk adjusted nominal interest rates of between 9.72 percent and 15.62 percent. The discount rates were based on a current study of the cost of capital for HDax companies and represented the weighted average cost of capital before tax of the Jenoptik Group taking the individual risks of the cash-generating units into consideration. The cash-generating units were allocated to three different classes of risk.

Goodwill amounted to EUR 96,941 thousand (prior year EUR 57,480 thousand) as at December 31, 2014. The first time consolidation of the Vysionics Group resulted in capitalizing goodwill in the amount of EUR 38,459 thousand, which was allocated to the Traffic Solutions Equipment Business Unit. The goodwill of the first time consolidation of Robot Nederland B.V. amounted to EUR 431 thousand. This goodwill was allocated to the cash-generating unit, Traffic Solutions Service Providing Business Unit. Both additions concerned the Metrology segment. In addition, a change in the carrying amount of EUR 574 thousand (prior year minus EUR 344 thousand) resulted from foreign currency exchange effects.

In the 2014 financial year no impairments were required for goodwill just as in the prior year.

The following table summarizes the goodwill for each cash-generating unit according to segment:

in thousand euros	2014	2013
Lasers & Optical Systems		
Business Unit optoelectronic systems	38,122	38,051
Optical Systems USA	1,443	1,270
Lasers Business Unit	3,071	3,071
Metrology		
Industrial Metrology Division	4,337	4,082
Traffic Solutions Equipment Business Unit	39,704	1,246
Business Unit Traffic Solutions Traffic Service Provision	2,345	1,840
Defense & Civil Systems		
Energy Systems Business Area	7,920	7,920
Total	**96,941**	**57,480**

The following table represents the allocation of goodwill to the segments by percentage:

in percent	2014	2013
Lasers & Optical Systems	44	74
Metrology	48	12
Defense & Civil Systems	8	14
Total	**100**	**100**

A sensitivity analysis was performed for all cash-generating units to which goodwill was allocated as at December 31, 2014. Even a 29-percent reduction in cash flow or an increase in the discount factor of 2.5 percentage points would not have caused the recoverable amount to fall below the carrying amount of a cash-generating unit.

5.2 Property, Plant and Equipment

in thousand euros	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Assets under construction	Total
Acquisition or production costs Balance at 1/1/2014	**134,627 (133,723)**	**154,450 (142,886)**	**86,683 (82,728)**	**3,776 (13,369)**	**379,535 (372,706)**
Foreign currency exchange effects	1,255 (–292)	2,213 (–673)	509 (–213)	57 (–2)	4,034 (–1,179)
Changes in the group of entities consolidated	4 (66)	8,287 (2,011)	240 (625)	0 (0)	8,531 (2,702)
Additions	5,647 (2,076)	5,374 (4,709)	7,020 (6,273)	7,308 (4,497)	25,349 (17,555)
Disposals	854 (2,614)	2,252 (4,372)	2,807 (4,652)	224 (516)	6,137 (12,153)
Reclassifications (+/-)	321 (1,668)	–269 (9,889)	2,607 (1,921)	–2,241 (–13,573)	417 (–95)
Acquisition or production costs Balance at 31/12/2014	**141,000 (134,627)**	**167,802 (154,450)**	**94,251 (86,683)**	**8,676 (3,776)**	**411,729 (379,535)**
Depreciation and impairments Balance at 1/1/2014	**54,973 (52,219)**	**118,828 (114,006)**	**65,102 (63,241)**	**0 (0)**	**238,903 (229,466)**
Foreign currency exchange effects	583 (–175)	1,759 (–526)	368 (–142)	0 (0)	2,710 (–842)
Changes in the group of entities consolidated	0 (19)	5,742 (1,860)	66 (390)	0 (0)	5,808 (2,269)
Additions	3,870 (3,697)	8,188 (7,500)	6,698 (6,166)	0 (0)	18,756 (17,364)
Impairments	0 (0)	0 (–100)	0 (–2)	0 (0)	0 (–102)
Disposals	634 (785)	2,182 (3,893)	2,707 (4,493)	0 (0)	5,523 (9,172)
Reclassifications (+/-)	–7 (–2)	–1,188 (–18)	1,520 (–59)	0 (0)	326 (–79)
Depreciation and impairments Balance at 31/12/2014	**58,785 (54,973)**	**131,149 (118,828)**	**71,047 (65,102)**	**0 (0)**	**260,982 (238,903)**
Net carrying amount at 31/12/2014	**82,215 (79,654)**	**36,653 (35,621)**	**23,204 (21,581)**	**8,676 (3,776)**	**150,747 (140,632)**

Prior year figures are in parentheses.

Purchase order commitments for property, plant and equipment amounted to EUR 3,043 thousand (prior year EUR 1,841 thousand). Investment subsidies in the amount of EUR 341 thousand were deducted from the acquisition costs of property, plant and equipment (prior year EUR 719 thousand).

At the reporting date property, plant and equipment amounting to EUR 121 thousand (prior year 0) were pledged, and mortgages amounted to EUR 62,994 thousand (prior year EUR 67,476 thousand). There were no further restrictions on property, plant and equipment.

Land and buildings of the Group in the amount of EUR 82,215 thousand (prior year EUR 79,654 thousand) contained in particular the production and administration buildings in Jena, Altenstadt, Huntsville (USA) and Shanghai (China).

5.3 Investment Property

in thousand euros	Investment Property
Acquisition or production costs Balance at 1/1/2014	**33,086 (33,086)**
Additions	142 (0)
Disposals	3,467 (0)
Reclassifications	193 (0)
Acquisition or production costs Balance at 31/12/2014	**29,954 (33,086)**
Depreciation Balance at 1/1/2014	**13,979 (13,506)**
Additions	557 (473)
Disposals	940 (0)
Depreciation Balance at 31/12/2014	**13,596 (13,979)**
Net carrying amount at 31/12/2014	**16,358 (19,107)**

Prior year figures are in parentheses.

Investment property held at December 31, 2014 primarily included a real estate fund containing largely commercial property in the Jena-Göschwitz industrial park. This real estate fund was consolidated in the consolidated financial statements in accordance with IFRS 10.

The additions made were investment measures to real estate in the real estate fund mentioned above during the 2014 fiscal year and totaled EUR 142 thousand (prior year 0). The disposals of net EUR 2,527 thousand (prior year 0) resulted from selling real estate in Jena.

In the 2014 fiscal year reclassifications amounting to EUR 193 thousand were advance payments that had been booked under property, plant and equipment and were reclassified to the item investment property (prior year 0).

Investment property was measured at amortized costs amounting to EUR 16,358 thousand (prior year EUR 19,107 thousand). As in the prior year, there were neither impairments nor reversals of impairments.

Fair value was determined on the basis of the discounted cash flow method. Thereby the net rent without utilities was estimated for the entire remaining useful lives of the real properties and was discounted over the remaining useful lives. Risk-adjusted interest rates were used as the discount rate. Fair value was allocated to level 3 of the hierarchy of fair values because of the use of non-observable parameters such as the interest rate, rent without utilities as well as maintenance and ancillary expenses.

In total, the fair value of the item investment property was determined to be EUR 16,606 thousand (prior year EUR 21,462 thousand).

Rental income from investment property held at the end of the fiscal year amounted to EUR 2,386 thousand (prior year EUR 2,453 thousand).

The direct operating expenses of real property and movable property recognized at year end of the 2014 fiscal year amounted to EUR 1,265 thousand (prior year EUR 949 thousand) for leased space and to EUR 25 thousand (prior year EUR 67 thousand) for unleased space.

5.4 Leases

Finance Leases

The Group as lessee. The item finance leases included other equipment and office equipment. There were several leases for vehicles based on an incremental borrowing rate of interest of 6.5 percent.

The assets contained in finance lease agreements were recognized in property, plant and equipment at EUR 501 thousand (prior year EUR 704 thousand). At the reporting date, the original acquisition or construction costs of the assets in the item finance leases amounted to EUR 5,246 thousand (prior year EUR 5,302 thousand).

In the 2014 fiscal year, EUR 5 thousand (prior year EUR 6 thousand) of the total lease payments amounting to EUR 45 thousand (prior year EUR 93 thousand) were recognized through profit or loss.

Future lease payments are shown in the following table:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	Total
Minimum lease payments	51	47	0	98
Interest portion included in payments	3	1	0	4
Present value	49	46	0	94

The Group as lessor. One entity of the Group in the Metrology segment concluded contracts qualifying as finance lease contracts as the lessor in 2009 allowing a customer in Lithuania to utilize traffic safety equipment.

Of the lease payments received amounting to EUR 385 thousand (prior year EUR 601 thousand) in the 2014 fiscal year, EUR 21 thousand (prior year EUR 35 was) were recognized through profit or loss.

The outstanding minimum lease payments are as follows:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	Total
Minimum lease payments	1,784	689	0	2,473
Interest portion included in payments	101	40	0	141
Present value	1,683	649	0	2,332

Unrecognized finance lease income amounted to EUR 141 thousand (prior year EUR 79 thousand).

Operating Leases

The Group as lessee. Operating leases mainly included lease agreements for commercial space as well as for office and data processing equipment.

Payments made under finance leases amounting to EUR 8,284 thousand (prior year EUR 9,146 thousand) were recorded through profit or loss.

At the reporting date, open obligations from non-terminable operating leases existed with the following maturities:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	Total
Minimum lease payments	7,854	21,775	21,200	50,829

The Group as lessor. Within the framework of operating leases, the Group leases commercial property. Rental income from the leasing of property, plant and equipment and from investment property amounted to EUR 3,615 thousand (prior year EUR 3,998 thousand) during the reporting period.

At the reporting date the following minimum lease payments had been contractually agreed upon with tenants:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	Total
Minimum lease payments	2,848	4,175	1,242	8,265

Lease agreements without a termination date were recorded in rental income only up until the date of the earliest possible termination. The probability of leasing the space further or of granting extensions on the lease agreements was not included in the calculation.

5.5 Financial assets

in thousand euros	31/12/2014	31/12/2013
Shares in unconsolidated associates	2,414	2,718
Investments	15,457	14,352
Loans to unconsolidated associates and investments	1,174	1,274
Long-term securities	2,018	1,708
Other loans	0	6
Total	**21,064**	**20,058**

In the 2014 fiscal year investments, loans and long-term securities were impaired in the amount of EUR 908 thousand (prior year EUR 307 thousand).

The increase in the carrying amount of investments resulted in foreign currency exchange effects when foreign currency translations were made in preparing the financial statements of the entities consolidated.

5.6 Other Non-current Assets

Other non-current assets included the following:

in thousand euros	31/12/2014	31/12/2013
Receivables from lease agreements	649	1,426
Derivatives	32	32
Reinsurance policies	0	1,556
Miscellaneous	1,074	1,384
Total	**1,755**	**4,398**

Since reinsurance policies qualified as plan assets as defined in IAS 19 in the 2014 fiscal year, they were netted out with pension provisions.

Further details on the aggregated item of derivative financial instruments are provided in Note 8.2 from page 155 on.

5.7 Deferred Taxes

The development of deferred taxes shown as an item in the statement of financial position is presented in the Note 4.11 from page 133 on.

5.8 Inventories

in thousand euros	31/12/2014	31/12/2013
Raw materials, consumables and supplies	63,942	60,239
Unfinished goods and work in progress	91,667	85,262
Finished goods and merchandise	23,408	19,557
Total	**179,018**	**165,058**

The carrying amount of inventories was the lower of net realizable value and acquisition or production costs.

Part of the inventories are long-term stocks at the amount of EUR 19.676 thousand (prior year EUR 20.923 thousand), that mainly comprise developments on behalf of customers.

At the end of the fiscal year, cumulative write-downs of EUR 37,213 thousand (prior year EUR 38,059 thousand) were included in the net realizable value. A reversal of write-downs amounting to EUR 890 thousand (prior year EUR 357 thousand) was taken because the reasons for write-downs in previous years no longer applied.

The consumption of inventories influenced expenses in the 2014 fiscal year by EUR 176,503 thousand (prior year EUR 190,687 thousand). Their distribution is displayed in the following table:

in thousand euros	31/12/2014	31/12/2013
Cost of sales	174,826	188,643
Research & development expenses	1,448	1,329
Selling expenses	169	250
Administrative expenses	60	466
Total	**176,503**	**190,687**

At the reporting dates, there were no restrictions on inventories.

5.9 Current Receivables and Other Assets

in thousand euros	31/12/2014	31/12/2013
Trade receivables	115,690	104,944
Receivables from unconsolidated associates	2,356	3,483
Receivables from entities in which investments are held	640	565
Other assets	14,478	12,778
Receivables from construction contracts	233	3,568
Total	**133,396**	**125,338**

The fair value of trade receivables corresponded to their carrying amounts.

With regard to receivables from construction contracts less progress payments, construction contracts satisfying specific customer requirements were recognized as assets if the construction costs incurred plus the portion of profit exceeded the progress payments and partial billings. In the 2014 fiscal year, progress payments totaling EUR 225 thousand (prior year EUR 672 thousand) were applied against receivables from construction contracts.

As in the prior year, no other restrictions applied to other assets.

The current other receivables largely bore no interest.

Trade receivables comprised the following:

in thousand euros	31/12/2014	31/12/2013
Trade receivables (before impairments)	127,193	115,390
Cumulated impairments	–11,504	–10,446
Carrying amount at 31/12	**115,690**	**104,944**

Default risks were taken into account when impairments were performed. The following table shows the changes in bad debt allowances for impaired trade receivables:

in thousand euros	2014	2013
Bad debt allowances at 1/1	**10,446**	**6,353**
Additions	4,261	5,531
Claims	928	376
Reversals/write offs	2,638	815
Foreign currency exchange effects	342	–247
Bad debt allowances at 31/12	**11,504**	**10,446**

The gross carrying amounts of trade receivables amounted to EUR 127,193 thousand (prior year EUR 115,390 thousand). Thereof receivables amounting to EUR 9,075 thousand (prior year EUR 13,160 thousand) were subject to impairments. The age structure of unimpaired trade receivables is as follows:

in thousand euros	2014	2013
Not due	82,355	71,000
Overdue	35,764	31,230
Less than 60 days	24,376	18,012
Between 60 and 120 days	3,053	4,301
Between 120 and 240 days	2,594	1,753
Between 240 and 360 days	1,019	2,664
More than 360 days	4,721	4,501
Total	**118,119**	**102,230**

There was an increase in overdue but unimpaired receivables compared to the prior year. This increase reflected the increase in gross receivables. Overdue but unimpaired receivables were owed primarily by public contractors and companies in the automobile industry as well as their suppliers. The default risk on receivables at the reporting was considered by appropriate impairments.

Other assets contained the following:

in thousand euros	31/12/2014	31/12/2013
Receivables from the tax authorities	3,431	2,934
Accruals	3,286	2,935
Receivables from Pension Trust	1,528	1,462
Receivables from government grants	1,563	1,656
Derivatives	153	830
Other current assets	2,833	2,960
Total	**14,478**	**12,778**

The aggregated item derivative financial instruments is explained in greater detail in Note 8.2 from page 155 on.

5.10 Securities

Information on securities held for sale is provided below:

in thousand euros	31/12/2014	31/12/2013
Fair value	312	681

Short-term securities largely involved stocks and money market funds.

The deconsolidation of Electroop in the 2014 fiscal year, in particular, resulted in a decrease in securities held for sale.

5.11 Cash and Cash Equivalents

in thousand euros	31/12/2014	31/12/2013
Checks, cash on hand, bank balances and demand deposits with a maturity of less than 3 months	69,495	71,565

Regarding the development of cash and cash equivalents please refer to Note 6 form page 152 on.

5.12 Equity

The development of the equity of Jenoptik is shown in the consolidated statement of changes in equity on page 112.

Share capital

Share capital amounted to EUR 148,819 thousand and is divided into 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 the Freistaat Thüringen, Erfurt, disclosed that they had exceeded the thresholds of 3, 5 and 10 percent of the voting rights in JENOPTIK AG on June 30, 2011 and that they had held 11.00 percent of the voting rights (6,296,193 shares) on that day. Thüringer Industriebeteiligungs GmbH & Co. KG acquired the voting rights from ECE Industriebeteiligungen GmbH.

ECE Industriebeteiligungen GmbH, Vienna, Austria, informed us on July 5, 2011 that it had fallen below the thresholds of 25 percent, of 20 percent, and of 15 percent of the voting rights in JENOPTIK AG on June 30, 2011. Accordingly, ECE Industriebeteiligungen GmbH held 14.01 percent of the voting rights (8,021,886 shares) on that day. Thereof 1.97 percent of the voting rights (1,125,000 shares) were attributed to ECE Industriebeteiligungen GmbH in accordance with § 22 (1) (1) (No. 6) of the German Securities Trading Act [Wertpapierhandelsgesetz (WpHG)]. Alpha Holding GmbH, Hinterbrühl, ECE European City Estates GmbH, Hinterbrühl, HPS Holding GmbH, Hinterbrühl, and Humer Privatstiftung indirectly hold shares via ECE Industriebeteiligungen GmbH. They are attributed 12.05 percent of the voting rights (6,896,886 shares) in accordance with § 22 (1) (1) (No. 1) of the WpHG and 1.97 percent of the voting rights (1,125,000 shares) in accordance with § 22 (1) (1) (No. 6) of the WpHG in association with § 22 (1) (2) of the WpHG.

On April 7, 2014, ERGO Lebensversicherung AG, ERGO Versicherungsgruppe AG, MEAG MUNICH ERGO Asset-Management GmbH, MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH and Münchner Rückversicherungs-Gesellschaft AG notified us with very similar notifications that they had all fallen below the thresholds of 3 percent and 5 percent of the voting rights in JENOPTIK AG on April 7, 2014. Accordingly, all of these firms held 0 percent of the voting rights shares in JENOPTIK AG on that day.

On August 21, 2014, Deutsche Asset & Wealth Management Investment GmbH, Frankfurt, Germany, notified us that it had exceeded the threshold of 5 percent of the voting rights in JENOPTIK AG on August 19, 2014. Accordingly, Deutsche Asset & Wealth Management Investment GmbH directly held 5.20 percent of the voting rights (2,978,179 voting rights) in JENOPTIK AG on this day. Thereof 5.06 percent of the voting rights (2,898,579 voting rights) were held directly by Deutsche Asset & Wealth Management Investment GmbH and 0.14 percent of the voting rights (79,600 voting rights) were attributed in accordance with § 22 (1) (1) (No. 6) of the WpHG.

ODDO Asset Management, Paris, France, informed the company on February 10, 2015 that it had fallen below the threshold of 3 percent of the voting rights in JENOPTIK AG on February 6, 2015. Thus ODDO Asset Management held 2.97 percent of the voting rights (1,697,592 voting rights). Thereof, 2.97 percent of the voting rights (1,697,592 voting rights) were attributed to ODDO Asset Management in accordance with § 22 (1) (1) (No. 6) of the WpHG. ODDO & CIE, Paris, France, indirectly holds shares through ODDO Asset Management. Accordingly, 2.97 percent of the voting rights (1,697,592 shares) are attributed to ODDO & CIE in accordance with § 22 (1) (1) (No. 6) of the WpHG in association with § 22 (1) (2) of the WpHG.

The voting right notifications of recent years and the notifications of shareholders that had closed out their investments have been published on our internet page: www.jenoptik.com/voting-rights-announcements.

Authorized Capital

At the annual general meeting (AGM) held on June 9, 2010, the shareholders resolved to revoke the resolution "Authorized Capital 2009", which was subject to a time limit until May 30, 2014, and reformulated it as follows: With the consent of the Supervisory Board, the Executive Board is authorized to increase the share capital of the entity by up to EUR 35,000 thousand through single or multiple issuances of new no-par value bearer shares for cash and/or contributions in-kind ("Authorized Capital 2010") by May 30, 2015. The new shares may be taken on by a bank or by several banks with the obligation to offer them to shareholders (indirect subscription rights). With the consent of the Supervisory Board, the Executive Board is authorized to preclude subscription rights for shareholders in certain cases. A preclusion is possible for fractional amounts, for capital increases against contributions in-kind, in particular within the framework of business combinations or the acquisition of companies, units of companies or investments in companies, for capital increases against cash contributions as well as for issuances of new shares to employees of JENOPTIK AG and to associates in which it holds a majority interest. The condition is that the percentage of new shares in the share capital does not in total exceed 10 percent of the share capital at the time the authorized capital is registered or in total 10 percent of the share capital at the time the new shares are issued, taking into consideration resolutions of the AGM or the use of other authorizations to preclude subscription rights in a direct or corresponding application of § 186 (3) (4) of the Stock Corporation Act [Aktiengesetz (AktG)] since the effective date of this authorization and the issuance price of the new shares is not significantly lower than the stock market price.

With the consent of the Supervisory Board, the Executive Board is to decide on the details for the issuance of new shares, in particular with regard to their conditions as well as the substance of the rights of the new shares.

Conditional Capital

The shareholder resolution resolved at the AGM held on June 4, 2013, to contingently raise the share capital of the entity by up to EUR 28,600 thousand through issuance of up to 11,000,000 new no-par value bearer shares ("Conditional Capital 2013"). The conditional capital increase will be implemented only to the extent that

- creditors or holders of option certificates or conversion rights issued by the entity, or by a domestic and/or foreign corporation in which the entity either directly or indirectly holds a majority interest, make use of their option or conversion rights by June 3, 2018 as resolved by the shareholders in their AGM resolution dated June 4, 2013, and/or
- creditors of the entity or of a domestic and/or foreign corporation in which the entity either indirectly or directly holds a majority interest, and which are obligated to convert, satisfy the conversion obligation no later than June 3, 2018, on convertible bonds issued on the basis of the AGM shareholder resolution dated June 4, 2013, and no treasury shares are to be used or no settlement is to be made in cash. The new shares are to participate in profits from the commencement of the fiscal year,for which an AGM resolution had not yet been made on appropriating net profits retained at the time of their issuance. The Executive Board is authorized to determine additional details on the issuance of the conditional capital increase.

Reserves

Capital reserve. The capital reserve contained the adjustments recognized within the framework of the first-time adoption of IFRS as well as the difference resulting from the capital consolidation being offset against reserves up to December 31, 2002.

Other reserves. A component of other reserves is undistributed past profits realized by companies included in the consolidated financial statements less dividends paid.

Also included in other reserves are value adjustments accounted for outside of profit or loss for

- securities held for sale,
- cash flow hedges,
- cumulative foreign currency differences and
- remeasurements

Changes in the value of securities held for sale in the 2014 fiscal year amounted to EUR 220 thousand (prior year EUR 351 thousand). Within cash flow hedging, the effective part of the change in the value of derivatives amounting to minus EUR 1,299 thousand (prior year minus EUR 16 thousand) serving to hedge cash flows was also recognized outside of profit or loss. Cumulative foreign currency exchange effects encompassed the influences of foreign currency translations of the separate financial statements of subsidiaries, whose functional currency deviated from that of the Group, as well as influences from foreign currency translations of assets and liabilities of overall EUR 6,217 thousand (prior year minus EUR 2,886 thousand).

Actuarial losses from the measurement of pensions in the amount of minus EUR 13,595 thousand (prior year EUR 4,011 thousand) were recognized.

In the 2014 fiscal year the changes in deferred taxes recognized outside of profit or loss increased the reserves by EUR 3,825 thousand (prior year decrease: EUR 1,100 thousand). The amount of deferred tax assets in equity totaled EUR 7,296 thousand (prior year EUR 3,471 thousand).

Within the framework of a profit-sharing agreement, payments were additionally made to one atypical silent investor as well as a valuation adjustment of a contingent purchase price liability as a severance payment to an atypical silent investor.

Treasury Shares

In accordance with the shareholder resolution made by the AGM held on June 12, 2014, the Executive Board was authorized to purchase up to 10 percent of the no-par value shares of the existing share capital as treasury shares for purposes other than trade in treasury shares no later than June 11, 2019. The purchased treasury shares together with treasury shares that the entity had already purchased and still holds (including the attributable shares in accordance with §§ 71a et seq. of the Stock Corporation Act) may not exceed 10 percent of the share capital. The authorization may be fully or partially exercised, on a single occasion or several times, for the purpose of one or several permissible purposes by the entity or by Group entities or for its or their account by third parties. It is the option of the Executive Board to perform the purchase by buying on the stock exchange (§ 53a of the Stock Corporation Act) or by means of a public share purchase offer to the shareholders or a public calling to the shareholders to render an offer for sale. Other details about the repurchase of treasury shares are described in the publically accessible invitation to the 2014 AGM of the shareholders on our internet site under www.jenoptik.de/Investors/Annual General Meeting.

5.13 Non-controlling Interests

This balance sheet item contained reconciliation items from the capital consolidation for shares of other shareholders held in the capital to be consolidated as well as the profits and losses allocated to them.

The shares of Electroop S.A., Madrid, Spain, allocated to a non-controlling shareholder were disposed of when the entity was deconsolidated.

As part of first time consolidations in the 2014 fiscal year, shares belonging to non-controlling shareholders in three foreign entities were disclosed for the first time.

5.14 Provisions for Pensions and Similar Obligations

Pension provisions are set up on the basis of funding schemes for retirement, as well as disability and survivor benefit commitments. The benefits provided by the Group vary according to the legal, tax and economic circumstances of the respective country and, as a rule, depend on the duration of employment and on the compensation of the employee at the commencement of retirement. Within the Group, company pension plans are provided both on the basis of defined contribution plans as well as on the basis of defined benefit plans. In the case of defined contribution plans, the company pays contributions in accordance with statutory or contractual provisions or voluntarily makes contributions to public or private pension insurers. Upon payment of the contributions, the company has no further benefit obligations.

Most pension benefit schemes are based on defined benefit plans, wherein a distinction is made between pension schemes financed through provisions or externally financed pension schemes.

In accordance with IAS 19, pension provisions for benefit obligations are computed by using the projected unit credit method, which requires that future obligations be measured on the basis of acquired benefit claims at the reporting date as well as on trend assumptions for measurement parameters that have an effect on the amount of benefits. All benefit schemes require actuarial calculations.

Jenoptik determines the net interest expense (net interest income) by multiplying the net liability (net asset) at the commencement of the period by the underlying interest rate, discounting the benefit-oriented gross pension obligation.

The revaluation component includes both the actuarial profits and losses from the measurement of the gross defined benefit pension obligation and the difference between the actual yield realized on plan assets and the typical yield assumed at the commencement of the period.

The benefit obligations of the Group included 914 entitled persons, including 388 active employees, 86 former employees as well as 440 retirees and survivors.

In compliance with IAS 19, the assets held by the Mitarbeitertreuhand e. V., Jena, are offset as plan assets against the pension obligations. The pension obligations of JENOPTIK Industrial Metrology Switzerland SA are also covered by means of plan assets and are accordingly shown as a net amount. In addition, the reinsurance for the pension provisions of ESW GmbH qualified as a plan asset for the first time in the 2014 fiscal year.

The change in the defined benefit obligations (DBO) is shown as follows:

in thousand euros	2014	2013
DBO at 1/1	**58,799**	**62,492**
Foreign currency exchange effects	213	–157
Contributions to the plan	805	900
Thereof by employer	668	760
Thereof by plan participants	137	140
Interest expenses	1,509	1,543
Actuarial gains (-) and losses (+)	14,305	–3,306
Thereof due to demographic changes	–198	–608
Thereof due to financial assumptions	14,503	–2,698
Changes in the group of entities consolidated	0	16
Pension benefits	–2,798	–2,688
DBO at 31/12	**72,834**	**58,799**

The effects of the expense recognized through profit or loss are summarized as follows:

in thousand euros	2014	2013
Current service costs	668	760
Net interest expenses	654	776
Total expenses	**1,323**	**1,536**

The amounts shown above were generally contained in the personnel expenses of the departments. The interest expense of the obligation as well as the interest yield on plan assets were recorded in the interest result.

Changes in plan assets were shown as follows:

in thousand euros	2014	2013
Plan assets at 1/1	**30,573**	**31,254**
Foreign currency exchange effects	144	–126
Interest income from plan assets	855	767
Difference between interest income and return on plan assets	708	700
Contributions	316	287
Other changes	1,556	–26
Pension benefits	–2,362	–2,283
Plan assets at 31/12	**31,791**	**30,573**

Other changes in the 2014 fiscal year resulted from the first time qualification of the reinsurances as plan assets in accordance with IAS 19.

The net obligation at the reporting date was as follows:

in thousand euros	2014	2013
Present value of the obligation covered by plan assets	62,609	50,195
Plan assets	–31,791	–30,573
Net liability of the obligation covered by plan assets	30,818	19,621
Net liability of the obligation not covered by plan assets	10,226	8,606
Total	**41,044**	**28,227**

The portfolio structure of the plan assets was composed as follows:

in thousand euros	2014	2013
Loans rendered (loans and receivables)	13,732	8,128
Insurance policies	8,609	6,896
Stocks and other securities	5,142	4,670
Investments	4,400	4,089
Cash equivalents	1,432	8,226
Other assets and liabilities	–1,524	–1,436
Total	**31,791**	**30,573**

There is an active market for the stocks and other securities held in plan assets.

Actuarial assumptions were reached as follows:

in percent	2014	2013
Discount rate at 31/12	Between 0.95 and 1.63	Between 2.15 and 2.89
Cost of living increases	Between 1.0 and 1.9	Between 1.2 and 1.4
Expected salary increase	2.70	2.75
Additional future salary increases (career trend)	0.50	0.50
Expected pension increases	Between 1.0 and 1.9	Between 1.2 and 1.4

Corresponding to the discount factor used in calculating the defined benefit obligation of prior year, a yield of 2.74 percent on plan assets was assumed. The actual yield on plan assets in the 2014 fiscal year amounted to EUR 541 thousand (prior year EUR 674 thousand).

A change in the significant actuarial assumptions of one percent at the reporting date at December 31, 2014 would influence the defined benefit obligation as follows:

	Changes in DBO	
in thousand euros	Increase	Decrease
Discount rate at 31/12	–10,006	12,647
Expected salary increase	189	–171
Expected pension increase	9,552	–7,955

A sensitivity analysis shows the changes in a defined benefit obligation upon a change in an assumption. The cumulative change in the defined benefit obligation resulting from changes in several assumptions cannot be directly derived because the changes do not have a straight-line effect on the calculation of defined benefit obligations due to actuarial effects.

Actuarial gains or losses resulted from changes in pension beneficiaries and deviations from actual trends such as increases in income or pensions vis á vis calculation assumptions. In accordance with the regulations stated in IAS 19, this amount was offset against other comprehensive income in equity.

The weighted average of the remaining service time is six years as at December 31, 2014. The weighted average of the remaining obligation term is 14 years as at December 31, 2014.

The financing of the pension plans of ESW GmbH, Wedel, and of JENOPTIK SSC GmbH, Jena, is performed by using a CTA model. The pension plan of JENOPTIK Industrial Metrology Switzerland SA provides for risk participation of the beneficiaries. Thus the pension plan is financed by contributions made by both the employer and the employees. The payments expected in favor of plan assets totaled EUR 383 thousand.

The expected pension payments from the pension plans as at December 31, 2014, amounted to EUR 3,255 thousand for the subsequent fiscal year and to EUR 10,730 thousand for the fiscal years from 2016 to 2019.

In the subsequent fiscal year contributions amounting to EUR 330 thousand are to be paid into defined contribution pension plans (prior year EUR 320 thousand).

5.15 Tax Provisions

Details on tax provisions are provided in Note 4.11 from page 133 on.

5.16 Other Provisions

The development of other provisions is as follows:

in thousand euros	Balance at 1/1/2014	Foreign currency exchange effects	Changes in the group of entities consolida-ted	Additions	Compound interest	Utilization	Reversals	Balance at 31/12/2014
Personnel	15,453	186	169	15,827	34	–12,414	–1,112	18,141
Guarantee and warranty obligations	15,995	80	756	8,356	8	–6,207	–5,769	13,219
Provisions for disposals	4,481	24	0	114	0	–174	–785	3,660
Trademark and license fees	1,772	0	0	921	0	–19	0	2,674
Restructuring	656	0	0	1,210	0	–321	–178	1,367
Onerous contracts	279	1	0	447	0	–191	–29	507
Other	9,762	107	478	3,032	10	–2,255	–3,029	8,105
Total	**48,398**	**398**	**1,402**	**29,906**	**52**	**–21,581**	**–10,903**	**47,672**

Significant items included in personnel provisions were performance bonuses, profit sharing and similar obligations. In addition, the personnel provisions contained a provision for partial retirement amounting to EUR 781 thousand (prior year EUR 1,478 thousand) and for another provision for employees´ anniversary bonuses in the amount of EUR 2,658 thousand (prior year EUR 2,307 thousand). Expert opinions were obtained for the partial retirement obligations with the assumption of income increasing at 2.7 percent (prior year 2.0 percent). The amount of the liability for already earned top-up payments was EUR 196 thousand as at December 31, 2014 (prior year EUR 454 thousand). Step-up payments in the amount of EUR 174 thousand (prior year EUR 305 thousand) are payable in the coming fiscal year, and in the following years step-up payments in the amount of EUR 22 thousand (prior year 149 thousand) are to be paid.

The provision for guaranty obligations contained expenses for individual guaranty cases as well as for general guaranties. The calculation was largely based on past experience.

Provisions for disposals mainly contained expenses from the sale of discontinued operations and for related contractual obligations as well as legal and advisory costs. Reversals were predominantly for a partial use of one provision that was set up in 2005 for the sale of M+W Zander Holding AG.

The provision for trademark and license fees was set up for risks in connection with possible patent violations as well as expected expenses resulting from a risk of being under licensed.

The provision for restructuring included expenses for improving business locations in Germany. Included are expenses for severance payments for employees as well costs for terminating contractual relationships.

The provision for onerous contracts primarily contained the obligation surplus for a customer project as well as for pending acceptances as part of a service contract.

The other provisions included provisions for price review risks as well as for possible contractual penalties and damage claims. In addition, they involved numerous identified specific risks as well as contingent liabilities that were accounted for in the amount expected for their probable settlement. Reversals in the 2014 fiscal year mainly concerned a provision for real property remediation, whose amount of liability was based on a current expert opinion, as well as a reduction of the provision for price review risks because of new insights gained during the course of a project in the 2014 fiscal year.

The timing of expected outflows of economic benefits is shown in the following:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	31/12/2014
Personnel	14,725	1,276	2,140	18,141
Guarantee and warranty obligations	10,678	2,540	0	13,219
Provisions for disposals	3,178	482	0	3,660
Trademark and license fees	607	2,067	0	2,674
Restructuring	1,367	0	0	1,367
Onerous contracts	507	0	0	507
Other	6,651	1,435	19	8,105
Total	**37,714**	**7,800**	**2,159**	**47,672**

5.17 Share-based Payments

As at December 31, 2014 the Jenoptik Group held share-based payment instruments in the form of virtual shares for two current members of the Executive Board as well as for some members of top management.

In association with share-based payments, the following effects occurred in the statement of profit or loss as well as in the statement of financial position in the 2014 fiscal year:

in thousand euros	Profit or loss 2014	Profit or loss 2013	Balance sheet 2014	Balance sheet 2013
Virtual shares	–1,040	–1,776	4,144	3,413

The measurement basis for determining the fair value was the volume-weighted daily share price of JENOPTIK AG of the last twelve months.

At the end of their four-year contractual term or in the event of premature termination of contract, the virtual shares are to be settled in cash. On the basis of preparations made by the Personnel Committee and subject to the approval of the Supervisory Board, the members of the Executive Board are to be granted a total of 67,405 virtual shares in the 2014 fiscal year. The virtual shares allocated in the fiscal years from 2010 to 2014 were measured at the fair value of EUR 10.47 per virtual share at the reporting date of the 2014 fiscal year and were recognized in provisions.

The development of the virtual shares of the Executive Board is shown in the following table:

Number of shares	Number 2014	Number 2013
Dr. Michael Mertin		
At 1/1	283,187	196,607
Granted	43,080	82,877
Granted for protection of existing shares	4,230	3,703
Paid out	31,473	0
At 31/12	299,024	283,187
Rüdiger Andreas Günther		
At 1/1	49,035	21,694
Granted	19,271	26,932
Granted for protection of existing shares	824	409
Paid out	0	0
At 31/12	69,130	49,035

For further disclosures, we refer to the Remuneration Report in the section Corporate Governance as a component of the Combined Management Report.

Virtual shares have also been granted to some members of top management. The system of allocation and payment of the virtual shares essentially follows the same procedures as those prescribed for the Executive Board.

The development of these virtual shares is shown in the following table:

Number of shares	Number 2014	Number 2013
At 1/1	65,386	30,399
Granted	23,042	34,987
At 31/12	88,428	65,386

5.18 Financial Liabilities

Details of current and non-current financial liabilities are shown in the following table:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	31/12/2014
Liabilities due to banks	5,028 (1,116)	156,691 (93,352)	89 (21,792)	161,807 (116,260)
Liabilities from finance leases	49 (38)	46 (91)	0 (0)	94 (128)
Total	**5,077 (1,154)**	**156,737 (93,443)**	**89 (21,792)**	**161,902 (116,389)**

Prior year figures are in parentheses.

The 2014 fiscal year was characterized by good and stable liquidity situation in the Group.

Current financial liabilities comprised current portions of long-term loans and loans obtained in China amounting to EUR 5,028 thousand as well as finance leases amounting to EUR 49 thousand. The interest rates negotiated for these loans ranged from 3.55 percent to 6.30 percent.

Besides debenture loans and drawings under our syndicated loan property loans in the amount of EUR 20,597 thousand (prior year EUR 25,247 thousand) were included in non-current liabilities to banks. Those are secured by encumbrances on property. Non-current financial liabilities have both fixed and variable interest rates. At December 31, 2014 the interest rates ranged from 0.92 percent to 4.39 percent.

As at December 31, 2014, the Group had a syndicated loan amounting to EUR 120,000 thousand. The syndicated loan contract signed in April 2013 has a term of five years and, along with the debenture loans, constitutes the long-term financing structure of the Jenoptik Group. As at December 31, 2014, EUR 51,950 thousand of the existing credit lines were unused. Owing to improved financial conditions and to acquisitions made in November 2014, we are striving to improve our long-term financing with regard to terms as well as economic conditions.

5.19 Other Non-current Liabilities

Other non-current liabilities included:

in thousand euros	31/12/2014	31/12/2013
Other non-current liabilities	6,326	3,926
Derivatives	717	455
Terminable financial instruments	0	12,484
Total	**7,043**	**16,865**

In previous years the Jenoptik Group had founded real estate firms in the legal form of a GmbH & Co. KG, in which, amongst others, atypical silent shareholders had invested. As at December 31, 2013 one atypical silent investor was still holding an interest in the real estate firms of Jenoptik and as at December 31, 2014 he exercised his extraordinary termination right. Owing to its maturity, the expected severance payment was disclosed as a terminable financial instrument under current liabilities in the 2014 fiscal year. Any required changes in value of the conditional purchase price obligation are to be recognized outside of profit or loss in equity.

Other non-current liabilities contained, amongst others, a put option for purchasing the remaining non-controlling interests amounting to EUR 1,697 thousand as stipulated in the agreement for purchasing the Vysionics Group.

Further disclosures on derivatives are to be found in Note 8.2 from page 155 on.

5.20 Other Current Liabilities

Other non-current liabilities included:

in thousand euros	31/12/2014	31/12/2013
Trade payables	53,599	46,427
Liabilities from advance payments received	23,820	31,048
Liabilities to unconsolidated associates	3,163	4,945
Liabilities to entities in which investments are held	178	98
Liabilities from construction projects	3	537
Other current liabilities	39,241	25,921
Total	**120,004**	**108,976**

Trade payables increased by EUR 7,172 thousand, in contrast to the decrease in liabilities from advance payments received by EUR 7,228 thousand.

Construction projects tailored to specific customer requirements are shown in the item liabilities from construction projects. Cost of sales incurred for such projects along with profit margins are lower than the total amount of progress payments received and partial billings. In the 2014 fiscal year no progress payments were netted with liabilities from construction projects (prior year EUR 427 thousand).

Market interest rates were agreed upon for liabilities to unconsolidated associates. This item contained liabilities to a joint operation amounting to EUR 2,740 thousand, which were not proportionately consolidated.

Other current liabilities comprised the following:

in thousand euros	31/12/2014	31/12/2013
Terminable financial instruments	12,351	0
Liabilities to employees	6,752	9,430
Other tax liabilities	5,499	5,828
Liabilities from purchasing of tangible assets	3,615	0
Accruals	3,179	1,063
Derivatives	2,368	35
Liabilities to employer's insurance association	1,184	1,204
Other social security liabilities	997	934
Interest liabilities from financial liabilities	591	548
Purchase price liabilities	533	832
Miscellaneous liabilities	2,172	4,297
Total	**39,241**	**25,921**

The aggregated item of terminable financial instruments is explained in detail in Note 5.19.

Liabilities to employees included, amongst others, vacation entitlements and flexi-time credits.

Other tax liabilities contained material value added tax payables.

The increase in accruals primarily resulted from the first time consolidation of the Vysionics Group.

The total aggregated item for financial instruments is explained in Note 8.2 from page 155 on.

6 DISCLOSURES ON CASH FLOWS

Liquid funds comprised cash and cash equivalents recognized in the statement of financial position in the amount of EUR 69,495 thousand (prior year EUR 71,565 thousand). Liquid funds are defined as the sum of cash on hand and demand deposits at banks with a maturity of less than three months.

The statement of cash flows explains the flow of payments, divided between the inflow and outflow of cash from operating activities as well as from investing and financing activities. Changes in the balance sheet items used for preparing the statement of cash flows cannot be directly derived from the balance sheet because the foreign currency exchange effects and changes in the Group of entities consolidated are non-cash transactions and are therefore eliminated. Starting with earnings before tax, cash flows from operating activities are indirectly derived. Non-cash income and expenses are eliminated from earnings before tax. Cash flows from operating activities result after taking changes in working capital, provisions and other operating balance sheet items into consideration.

The cash flows from operating activities amounted to EUR 46,328 thousand (prior year EUR 60,584 thousand). This decrease primarily resulted from an increase in working capital of EUR 18,256 thousand. Despite proactive customer and supplier management, the positive course of business and outlays for preparatory work increased earmarked resources. Cash flows from operating activities were also negatively influenced by earnings before tax, which were EUR 1,135 thousand less than in the prior year. Cash flows from operating activities were also positively influenced by, amongst others, the change in other provisions, which with minus EUR 4,087 thousand was an improvement of EUR 11,555 thousand to that of the prior year. For more information, we refer to the explanation about other provisions in the Note 5.16 from page 148 on.

Cash flows from operating activities were additionally influenced by income tax payments, which at EUR 5,200 thousand were just under the level of the prior year (prior year EUR 6,585 thousand).

The cash flows from investing activities amounted to minus EUR 37,586 thousand (prior year minus EUR 16,406 thousand) and were particularly affected by cash payments for investments in property, plant and equipment in the amount of minus EUR 25,344 thousand (prior year minus EUR 17,555 thousand). The cash payments for investments in intangible assets amounting to minus EUR 4,584 thousand (prior year minus EUR 6,807 thousand) reflected in particular the investments made within the framework of the Jenoptik projects, for example JOE and HCM, as well as the software required for this.

From total investments in intangible assets and property, plant and equipment amounting to EUR 20,351 thousand, thereby a 68 percent portion, flowed into expansion investments, consequently investing in future growth. Investments amounting to EUR 9,577 thousand or 32 percent were for replacements and increasing productivity. The focus for investments in the reporting year followed strategic lines by investing in projects for developing the Group, expanding international structures, by pushing integration forward in the areas of optic systems as well as of expanding production capacities mainly in the Industrial Metrology segment.

The gains from the disposal of financial assets disclosed in the prior year mainly resulted from the principal payments on a loan disbursed in order to severe a silent investor’s participation in the CTA model.

Cash flows from investing activities continue to be heavily influenced by payment for the acquisition of consolidated entities amounting to minus EUR 13,173 thousand. This applies to the acquisition of 70 percent of the shares of Robot Nederland B.V. in the second quarter of 2014 as well as 91.97 percent of the shares of the Vysionics Group in the fourth quarter of 2014, less funds acquired. More Information is provided in section Entities Acquired and Sold in the Note 2.4 from page 120 on.

The gains disclosed from the disposal of investment property amounting to EUR 3,900 thousand resulted from the sale of non-operating real estate in Jena.

Cash flows from financing activities amounted to minus EUR 13,760 thousand (prior year minus EUR 19,060 thousand). This decrease of EUR 5,300 thousand was essentially influenced by one-time effects in the fiscal year. The incoming payments from making use of the syndicated loan stood in contrast to increased payments for Group financing, loan principal payments, but also interest payments as well as dividends paid for the 2014 fiscal year that amounted to minus EUR 11,447 thousand (prior year minus EUR 10,303 thousand).

The change in Group financing contained payments from and to unconsolidated associates and investments. In the 2014 fiscal year one-time effects from refinancing the third-party liabilities of a newly consolidated entity into an intercompany loan also occurred as well as effects from payments on liabilities to the shareholder of a joint operation.

The increased interest payments were largely attributable to an increase in interest expenses on loans.

The payment for an equity contribution concerned the portion of a non-controlling shareholder, which increased the share capital of a consolidated associate.

Information regarding the allocation of free cash flows to the segments is provided in the Segment Reporting see page 154.

The total amount of cash flows from operating, investing and financing activities of the proportionately consolidated jointly controlled entities is immaterial for Jenoptik.

Additional information on the statement of cash flows is provided in the Combined Management Report in the section Financial Position.

7 DISCLOSURES ON SEGMENT REPORTING

The segments are presented in accordance with the regulations laid down in IFRS 8 “Operating Segments”.

IFRS 8 follows the management approach. Accordingly, external reporting is made to the chief operating decision makers on the basis of internal Group organizational and management structures as well as the internal reporting structure. The Executive Board analyzes the financial information that serves as the basis for making decisions on allocating resources and for assessing performance. The accounting policies and principles for the segments are the same as those for the Group. Important performance indicators of the company are the operating results before financial results and taxes (EBIT) and the free cash flow.

In the 2014 fiscal year, segment reporting has remained unchanged from the prior year and included the operating segments Lasers & Optical Systems, Metrology, Defense & Civil Systems and Other.

Business activities are classified into three operating segments and the segment Other, which are managed by the Executive Board and are supported by the Executive Management Board.

The three operating segments are also the reporting segments.

In the Lasers & Optical Systems segment, the Lasers & Material Processing division controls the entire value added chain of laser material processing – from semiconductor material, semiconductor lasers up to complete laser machines. The product portfolio of the Optical Systems division contains polymer optics, traditional optics, micro optics, optoelectronic systems, and digital imaging.

In the Metrology segment, the Industrial Metrology division is a manufacturer and system supplier for high precision, contact and non-contact production metrology. Traffic Solutions division develops, produces and sells metrology components and systems for traffic safety.

The focus of the Defense & Civil Systems segment is on the fields of vehicle, rail and aircraft equipment, drive and stabilization technology, energy systems as well as optoelectronic systems.

Contained in the Other segment are JENOPTIK AG, JENOPTIK SSC GmbH, and the real estate firms, JENOPTIK North America Inc., JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd. with its SSC and General Administration business units, JENOPTIK Korea Corporation, Ltd. and JENOPTIK Japan CO., Ltd., respectively with their General Administration business units as well as JENOPTIK Asia-Pacific Pte. Ltd., Singapore.

The consolidation item comprised the consolidation of the business relationships between the segments as well as required reconciliations.

As a matter of principle, the business relationships between the entities of the segments of the Jenoptik Group were based on prices set at arm’s length.

Research and development output comprised development costs resulting from customer orders, capitalized development costs and their amortization, as well as research and development expenses.

Free cash flow was calculated from the cash flows from operating activities (before income taxes) less investments in intangible assets and in property, plant and equipment plus divestments. In addition, incoming payments generated from the liquidation of a subsidiary were allocated to free cash flow in the prior year.

Working capital was calculated by taking inventories, trade receivables and receivables from construction contracts less liabilities from trade payables, liabilities from construction contracts as well as advances received into consideration.

There were no customer relationships with individual customers, whose portion of revenue was material when measured against Group revenue.

7.1 Segment Reporting

in thousand euros	Lasers & Optical Systems	Metrology	Defense & Civil Systems	Other	Consolidation	Group
Revenue	231,342 (224,711)	185,008 (187,431)	170,768 (185,055)	32,041 (28,862)	–28,946 (–25,759)	590,213 (600,300)
Germany	61,360 (70,446)	47,827 (53,412)	98,554 (101,414)	30,659 (28,531)	–27,255 (–25,427)	211,144 (228,375)
Europe	64,190 (60,985)	46,430 (31,625)	48,526 (58,201)	81 (92)	–80 (–92)	159,146 (150,811)
Americas	49,044 (49,805)	38,880 (47,937)	15,951 (19,468)	971 (187)	–1,261 (–190)	103,584 (117,206)
Middle East and Africa	11,241 (15,788)	15,714 (24,403)	5,096 (3,908)	0 (0)	0 (0)	32,052 (44,099)
Asia/Pacific	45,508 (27,689)	36,157 (30,054)	2,643 (2,065)	330 (52)	–350 (–50)	84,288 (59,810)
EBIT	26,967 (24,604)	22,498 (22,575)	2,135 (11,564)	–133 (–6,069)	102 (51)	51,569 (52,726)
EBITDA	35,972 (33,991)	26,931 (25,169)	7,153 (16,665)	5,925 (–1,036)	102 (51)	76,082 (74,841)
Investment income	–253 (–165)	0 (199)	227 (192)	828 (55)	–824 (0)	–22 (281)
Research and development expenses	16,486 (15,713)	17,227 (16,823)	5,817 (7,278)	588 (414)	–698 (–385)	39,420 (39,842)
Free cash flow (before income taxes)	24,973 (18,641)	15,275 (27,133)	–13,052 (9,700)	–3,647 (–8,604)	–1,061 (166)	22,489 (47,035)
Working capital	59,223 (54,557)	60,738 (56,286)	103,381 (92,624)	–5,794 (–7,864)	–30 (–44)	217,518 (195,558)
Order intake	240,052 (221,433)	174,690 (172,500)	170,191 (179,228)	32,041 (28,862)	–27,755 (–26,691)	589,220 (575,332)
Property, plant and equipment, Investment property and intangible assets	85,172 (83,949)	71,304 (18,947)	36,113 (35,913)	97,778 (96,277)	0 (0)	290,368 (235,085)
Investments without acquisitions	9,231 (8,259)	5,545 (3,912)	5,423 (4,709)	9,734 (7,482)	0 (0)	29,933 (24,362)
Depreciation, amortization and impairments	9,005 (9,387)	4,432 (2,594)	5,017 (5,101)	6,058 (5,033)	0 (0)	24,512 (22,116)
Number of employees on average (without trainees)	1,344 (1,326)	943 (843)	845 (857)	243 (208)	0 (0)	3,375 (3,233)

EBIT = Operating result
EBITDA = Earnings before interest, taxes, depreciation, and amortization
Prior year figures are in parentheses.

7.2 Non-current Assets by Regions

in thousand euros	31/12/2014	31/12/2013
Group	290,368	235,085
Germany	216,848	218,448
Europe	52,627	2,067
Americas	12,154	10,658
Asia/Pacific	8,738	3,912

Non-current assets comprised intangible assets, property, plant and equipment as well as investment property. The assets were allocated to the individual regions according to where the consolidated entities were legally seated.

8 OTHER DISCLOSURES

8.1 Financial Management

The aim of the Jenoptik's financial management is to maintain a strong capital base in order to retain the trust of shareholders, creditors and markets as well as to ensure the sustained development of the company. The Executive Board especially monitors equity ratio and net debt as part of the regular management reporting. In the event of significant decreases of those ratios, countermeasures will be developed and implemented.

8.2 Financial Instruments

Within the framework of its operating activities, the Jenoptik Group is exposed to credit, liquidity and market risks in the financial area. Market risks, in particular, include fluctuations in interests and foreign currency exchange rates.

Detailed disclosures on risk management and the control of risks are presented in the Combined Management Report in section Risk and Opportunity Report. Additional information on capital management disclosures is provided in the Combined Management Report in section Financial Position.

The following information refers exclusively to the quantitative effects of risks in the last fiscal year.

The risks described above impact the following financial assets and liabilities. The carrying amounts listed below for cash and cash equivalents, available-for-sale financial assets and financial assets measured at fair value, conditional obligations and derivatives held for hedging purposes corresponded to their fair value. The carrying amounts of the remaining items represent an appropriate approximation of their fair value.

in thousand euros	Carrying amount 31/12/2014	Carrying amount 31/12/2013
Financial assets	**201,434**	**197,543**
Cash and cash equivalents	69,495	71,565
Available-for-sale	2,330	2,389
Finance lease receivables	2,332	1,426
Loans granted and receivables	127,092	121,302
Hedged derivatives	185	862
Financial liabilities	**256,399**	**202,410**
Trade payables	53,599	46,427
Liabilities to banks and other financial liabilities	161,807	116,260
Finance lease liabilities	94	128
Other non-derivative financial liabilities		
Contingent liabilities	2,229	832
Other	35,584	38,273
Hedged derivatives	3,085	490

The hierarchical classification of fair values resulted from the following overview of financial assets and liabilities measured at fair value:

in thousand euros	Carrying amount 31/12/2014	Level 1	Level 2	Level 3
Available-for-sales financial assets	2,330 (1,706)	2,085 (1,507)	0 (0)	245 (199)
Hedged derivatives (assets)	185 (862)	0 (0)	185 (862)	0 (0)
Contingent liabilities	2,230 (832)	0 (0)	0 (0)	2,230 (832)
Hedged derivatives (liabilities)	3,085 (490)	0 (0)	3,085 (490)	0 (0)

Prior year figures are in parentheses.

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

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

The fair value of hedged derivatives was, dependent on the primary instruments available, determined by using the measurements performed by banks.

The fair value of contingent liabilities was measured by taking the expected and discounted payment outflows at the reporting date into consideration. The put option, agreed upon in conjunction with the acquisition of the Vysionics Group, for the purchase of the remaining non-controlling interests in the amount of EUR 1,697 thousand was recognized at the present value of the expected exercise price, discounted in consideration of the term with interest rates between 1.07 and 1.23 percent. The contingent liabilities also comprised the purchase price liability, which was recognized in connection with the acquisition of the entity, DCD Systems Pty Ltd., in the 2013 fiscal year. Since the due date is expected to be very soon, no discounting took place in the current fiscal year.

The development of assets and liabilities allocated to level 3 is shown in the following table:

in thousand euros	Available-for-sale	Contingent liabilities
Balance at 1/1/2014	**199**	**832**
Additions	300	1,697
Disposals	0	–343
Gains and losses recognized in financial result	–254	0
Foreign currency exchange effects	0	44
Balance at 31/12/2014	**245**	**2,230**

Gains and losses from the disposal of available-for-sale financial assets amounting to EUR 220 thousand (prior year EUR 351 thousand) were recorded in other comprehensive income outside of profit or loss. As in the prior year, no reclassifications were made from other comprehensive income into profit or loss in the fiscal year.

A credit or default risk is the risk that a customer or a contract partner of the Jenoptik Group does not fulfill its contractual obligations. This results in both the danger of an impairment of financial instruments due to reduced creditworthiness as well as the danger of a partial or a complete default on contractual payments.

Credit risks primarily exist for trade receivables. These risks are counteracted by a proactive receivables management and are accounted for by setting up bad debt allowances. To a lesser extent, the Jenoptik Group is exposed to default risks from other financial assets, in particular from cash and cash equivalents, loans granted and derivatives. The maximum default risk corresponded to the carrying amount of all financial assets at the reporting date, which amounted to EUR 201,434 thousand (prior year EUR 197,543 thousand). The gross amount of trade receivables before impairments amounted to EUR 127,193 thousand (prior year EUR 115,390 thousand). For further explanations we refer to Note 5.9 from page 141 on.

Impairments made in the fiscal year amounted to EUR 736 thousand for non-current loans and receivables (prior year EUR 648 thousand), to EUR 4,261 thousand for current trade receivables (prior year EUR 5,531 thousand) and to EUR 254 thousand for available-for-sale financial assets (prior year EUR 241 thousand).

The Group liquidity risk involves the possibility that the Group may not be able to meet its financial obligations. In order to ensure our ability to pay as well as financial flexibility, credit facilities and cash are planned by means of a 5-year financial plan as well as a monthly rolling 5-month liquidity forecast. The liquidity risk remains within the focus of the Group and is mitigated by effective cash and working capital management as well as through unused lines of credit in the amount of EUR 51,960 thousand.

Owing to our very stable long-term financing achieved due to issuing debenture loans in the amount of EUR 90,000 thousand and by signing the syndicated loan in the amount of EUR 120,000 thousand in 2013 as well as our stable cash flow, the Jenoptik Group has a solid liquidity reserve. No liquidity burdens are expected up to and including 2015, since the long-term loans are repayable at final maturity.

in thousand euros	Carrying amount 31/12/2014	Cash outflows Total	Up to 1 year	1 to 5 years	More than 5 years
Variable interest-bearing liabilities to banks	86,400 (35,878)	89,070 (38,503)	5,635 (756)	83,388 (37,747)	47 (0)
Fixed interest-bearing liabilities to banks	75,408 (80,382)	84,361 (92,979)	3,694 (4,245)	80,626 (66,942)	41 (21,792)
Fixed interest finance lease liabilities	94 (128)	94 (129)	48 (38)	46 (91)	0 (0)
Total	**161,902 (116,389)**	**173,525 (131,611)**	**9,377 (5,039)**	**164,060 (104,780)**	**88 (21,792)**

Prior year figures are in parentheses.

Expected cash outflows ranging in a time period of between 1 to 5 years include the repayment of debenture loans as well as the repayment of the outstanding drawings under the syndicated loan.

Cash outflows for variable interest-bearing liabilities to banks were based on an average interest rate of 1.5 percent (prior year 2.1 percent). Fixed interest-bearing liabilities bore interest rates of between 3.5 and 4.4 percent.

Further disclosures are provided under Note 5.18 on page 150.

The Jenoptik Group is mainly exposed to the risk of interest rate fluctuations in the area of medium-term and long-term interest-bearing financial assets and liabilities as a consequence of fluctuations in market interest rates. Dependent on market conditions, this risk is mitigated through the use of appropriate hedging transactions.

in thousand euros	Carrying amount 31/12/2014	31/12/2013
Interest-bearing financial assets	70,914	73,044
Thereof with variable interest	70,395	72,565
Thereof with fixed interest	519	479
Interest-bearing financial liabilities	161,902	116,389
Thereof with variable interest	86,400	35,878
Thereof with fixed interest	75,502	80,511

A change in a market interest rate in the range of 100 basis points at December 31, 2014, would result in an opportunity loss or gain in the amount of EUR 5 thousand (prior year EUR 5 thousand) for fixed interest financial assets.

If a change in fixed interest financial liabilities occurred in a similar range, an opportunity loss or gain in the amount of EUR 755 thousand (prior year EUR 805 thousand) would result.

A change of 100 basis points for variable interest-bearing assets would have an effect of EUR 704 thousand (prior year EUR 726 thousand). An interest increase of 100 basis points would have an effect of EUR 864 thousand (prior year EUR 359 thousand) on variable interest-bearing liabilities.

JENOPTIK AG replies to these risks through interest rate hedging.

in thousand euros	Nominal volumes 31/12/2014	31/12/2013	Market values 31/12/2014	31/12/2013
Interest cap	12,000	12,000	0	24
Interest swap 1	8,000	8,000	–553	–325
Interest swap 2	4,000	4,000	–116	–114

At the reporting date, JENOPTIK AG hedged EUR 24,000 thousand of variable interest-bearing liabilities to banks through the use of interest derivatives. An interest rate cap was concluded for EUR 12,000 thousand, and two interest rate swaps were concluded for an additional EUR 12,000 thousand.

Derivatives have the following structure:

Interest cap	EUR 12,000 thousand
Term	April 28, 2012 to October 28, 2016
Maximum interest rate	2.00 percent
Reference interest rate	6-month EURIBOR
Interest swap 1	EUR 8,000 thousand
Term	April 28, 2012 to October 28, 2018
Fixed interest rate	1.985 percent p.a.
Variable interest rate	6-month EURIBOR
Interest swap 2	EUR 4,000 thousand
Term	April 28, 2012 to October 28, 2016
Fixed interest rate	1.615 percent p.a.
Variable interest rate	6-month EURIBOR

The interest rate cap hedged EUR 12,000 thousand in liabilities against a 2.00 percent increase in the 6-month EURIBOR for 4.5 years. The underlying transaction and hedge form a single unit of measurement. The market value of the cap amounted to EUR 0 thousand at December 31, 2014. Because the derivative has no intrinsic value but rather only a fair value at the reporting date, the change in market value is recognized through profit or loss.

The two interest rate swaps resulted in converting an additional EUR 12,000 thousand in variable interest-bearing liabilities into fixed interest-bearing liabilities and thus the interest fluctuation risk was eliminated. As at December 31, 2014, the interest rate swap 1 had a market value of minus EUR 553 thousand, and interest rate swap 2 had a market value of minus EUR 116 thousand. The underlying transaction, together with the hedging transaction, was considered to be highly effective through the correlation of the organizational parameters. Market value changes were recognized as cash flow hedges in other comprehensive income outside of profit or loss.

The following payment streams are expected from the referenced interest rate swaps: EUR 204 thousand for up to one year, EUR 496 thousand for between two to five years.

Foreign currency exchange risks arise from fluctuations of financial assets and liabilities held in foreign currencies.

Currency hedges are used to hedge foreign currency exchange risks. In the 2014 fiscal year, forward currency transactions and options with a nominal value of EUR 79,710 thousand (prior year EUR 26,703 thousand) were used and documented as a cash flow hedge for the hedging of underlying transactions. These transactions were related to exchange rate hedging of material cash flows in foreign currencies from the operating business (in particular for revenue and for the procurement of materials), but also for cash flows from the repayment of intercompany loans in foreign currencies.

The following positive market values resulted from derivative financial instruments.

in thousand euros	31/12/2014	31/12/2013
Cash flow hedges for mitigating foreign currency exchange rate risks: forward exchange contracts		
Long term	32	8
Short term	153	830
Interest cap	0	24
Total	**185**	**862**

The following negative market values resulted from derivative financial instruments:

in thousand euros	31/12/2014	31/12/2013
Cash flow hedges for mitigating foreign currency exchange rate risks: forward exchange contracts		
Long term	48	16
Short term	2,368	35
Interest cap	669	439
Total	**3,085**	**490**

The market values were calculated and confirmed by banks. Due to the change of EUR/USD currency exchange rate by 5 cent at the expense of EUR at December 31, 2014 the market values of the derivative financial instrument developed extremely negative.

Profits and losses from cash flow hedges amounting to minus EUR 650 thousand (prior year minus EUR 16 thousand) were recognized in other comprehensive income outside of profit or loss. In the 2014 fiscal year a reclassification was recognized amounting to minus EUR 649 thousand (prior year EUR 409 thousand) from other comprehensive income into profit or loss.

Foreign currency hedges secured foreign currency exchange risks in the amount of EUR 78,588 thousand for the time period up to the end of 2015. Foreign currency exchange risks in the amount of EUR 717 thousand are also hedged for the time period up to the end of 2016.

Forward exchange transactions are grouped according to sales and purchases of foreign currencies as follows:

in thousand euros	31/12/2014	31/12/2013
USD/EUR sale	31,697	25,128
USD/EUR purchase	11,294	1,351
GBP/EUR sale	35,285	84
GBP/EUR purchase	296	140
CHF/EUR sale	627	0
JPY/EUR sale	215	–

The underlying transactions basically involved the sale of products. The risk hedged is the foreign currency exchange risk in each case.

Because forward exchange transactions were intended to hedge cash flows and the hedges were each classified as being effective, fair value adjustments were recognized in equity.

Besides hedging transactions securing the business operations of the entities of the Group, JENOPTIK AG has also hedged this year cash flows from intragroup loans in foreign currencies with derivatives. This concerns derivatives in Japanese yen (JPY), British pounds (GBP) and Swiss francs (CHF).

In accordance with the foreign currency hedging strategy of Jenoptik in 2014, 80 percent of the underlying transactions in foreign currencies within the Group were hedged.

The material foreign currency exchange transactions of the Jenoptik Group involved US dollars. The table shows the net foreign currency risk item in US dollars:

in thousand euros	31/12/2014	31/12/2013
Financial assets	22,872	22,605
Financial liabilities	5,582	7,076
Foreign currency exchange rate risks resulting from balance sheet items	**17,289**	**15,529**
Foreign currency exchange rate risks resulting from pending transactions	18,393	19,346
Transactions related to foreign currency items	**35,682**	**34,875**
Items effectively hedged by derivatives	29,989	31,515
Net item	**5,693**	**3,360**

At the reporting date a net risk item in US dollars in the amount of EUR 5,693 thousand was reported. A change in the US dollar exchange rate of 5 percent at the reporting date would have had a positive or negative effect of EUR 235 thousand in the statement of financial position and a change of 10 percent would have had a positive or negative effect of EUR 473 thousand.

8.3 Contingent Liabilities and Contingent Payables

In comparison with the prior year, the volume of guarantees remained unchanged and totaled EUR 9,469 thousand (prior year EUR 9,469 thousand) as at December 31, 2014, thereof approximately 38 percent were secured with counter-guarantees.

in thousand euros	31/12/2014	31/12/2013
Guarantees for unconsolidated associates	5,632	5,632
Guarantees for third parties	3,837	3,837
Contingent liabilities from guarantees	**9,469**	**9,469**

With regard to a warranty in connection with Klinikum 2000, Jena, in the amount of EUR 5,500 thousand (prior year EUR 5,500 thousand), a release from the liability through the Free State of Thuringia remained pending. From Jenoptik's perspective, there are no longer any potential warranty claims, since any disputed claims are covered 100 percent by the subcontractor.

The obligations resulting from guarantees for third parties amounting to EUR 3,837 thousand (prior year EUR 3,837 thousand) remained unchanged. This item contained a rent guarantee given in the amount of EUR 3,504 thousand (prior year EUR 3,504 thousand) in conjunction with the sale of real property, whose probability of utilization is, however, estimated to be low from the current assessment.

8.4 Other Financial Obligations

The financial obligations resulting from rental contracts or lease agreements are presented in the explanations given in Note 5.4 from page 139 on.

Along with order commitments for purchasing intangible assets and property, plant and equipment amounting to EUR 3,435 thousand (prior year EUR 1,924 thousand), there were other financial obligations amounting to EUR 68,289 thousand (prior year EUR 62,442 thousand), particularly for inventories amounting to EUR 59,621 thousand (prior year EUR 50,201 thousand).

8.5 Legal Disputes

JENOPTIK AG and its Group entities are involved in court or arbitration proceedings.

In the context of the sale of M+W Zander Holding AG, economic responsibility for specific issues has remained with JENOPTIK AG. Most of them have been resolved in the meantime. The risk remaining from the prior year from an ongoing arbitration proceeding against M+W Zander Holding AG no longer exists after a settlement agreement was concluded stating that Jenoptik has no obligation to make any payments.

Provisions for litigation risks, respectively litigation expenses, were set up in the appropriate amounts to meet any possible financial burdens resulting from any court decisions or arbitration proceedings.

Further legal disputes that may significantly have an influence on the net assets, the financial position and the results of operations of the Group are either unknown or very unlikely.

8.6 Related Party Disclosures in Accordance with IAS 24

Related parties are defined in IAS 24 “Related Party Disclosures” as being entities or persons that have control over or that are controlled by the Jenoptik Group to the extent that they have not already been included in the consolidated financial statements as consolidated entities as well as entities or persons that, on the basis of the Articles of Association or by contractual agreements, have the possibility of significantly influencing the financial and corporate policies of the management of JENOPTIK AG or participate on the joint control 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 directly and indirectly holds in total less than 15 percent of the voting rights and thus does not have control over JENOPTIK AG.

Members of the Executive Board and of the Supervisory Board of JENOPTIK AG also qualify as being related parties. In the 2014 fiscal year no exchange of goods or services were transacted between the entity and the members of either of these bodies.

Two members of the Supervisory Board are members of the management of ECE Industriebeteiligungen GmbH and/or of entities controlling it and thus qualify as being regarded as related parties as defined in IAS 24. In the 2014 fiscal year no exchange of goods or services were transacted with these persons. Another member of the Supervisory Board is an Executive Board member in another entity, with which Jenoptik did exchange goods and services in the course of its normal business activities in the 2014 fiscal year. All business transactions were thereby conducted under terms and conditions at arm’s length.

The following table presents the composition of the business relationships with unconsolidated entities and with joint operations considered to be other related parties.

		Thereof with	
in thousand euros	Total	Unconsolidated entities	Joint operations
Revenue	2,302	1,903	399
Purchased services	1,781	1,366	415
Receivables from operations	2,996	2,986	10
Payables from operations	3,341	601	2,740
Loans	1,174	1,174	0

In addition, there are guarantees amounting to EUR 5,632 thousand (prior year EUR 5,632 thousand) within the Group to related parties.

Information on the remuneration of the members of the Executive Board and of the Supervisory Board, whose disclosure is required by IAS 24.9, has been published in the Remuneration Report as a component of the Combined Management Report in the section Corporate Governance from page 33 on as well as in section 11 of the Notes from page 163 on.

9 EVENTS AFTER THE REPORTING DATE

On March 10, 2015 the Executive Board submitted the consolidated financial statements to the Supervisory Board for review and approval.

The Executive Board proposed to the Supervisory Board to transfer the amount of EUR 14,000,000.00 of the net profit of JENOPTIK AG amounting to EUR 29,000,683.05 for the 2014 fiscal year to the revenue reserves.

The Executive Board recommended to the Supervisory Board that approval be sought at the 2015 AGM for a dividend of EUR 0.20 to be paid for each share eligible for receiving a dividend for the 2014 fiscal year. Thereby the amount of EUR 11,447,623.00 of the accumulated profit of JENOPTIK AG for the reporting period 2014, which totaled EUR 29,404,324.15, was designated for distribution, and the amount EUR 17,956,701.15 was to be carried forward.

The silent shareholder of the third remaining Jenoptik real estate fund ended his investment as at the end of 2014. As at December 31, 2014 the remaining silent real estate investor was entitled to EUR 12.5 million. In January 2015 payment was made to the silent shareholder. No other silent investments or entitlements of silent real estate investors exist.

No further events of significance occurred after December 31, 2014.

10 REQUIRED AND SUPPLEMENTARY DISCLOSURES UNDER HGB

10.1 Required Disclosures in Compliance with § 315a of the HGB and § 264 (3) or § 264b of the HGB

The consolidated financial statements of JENOPTIK AG were prepared in accordance with § 315a of the HGB, which states, if consolidated financial statements are prepared in accordance with the accounting standards issued by the IASB, the entity may be exempted from preparing consolidated financial statements in accordance with the HGB. Concurrently, the consolidated financial statements and the Combined Management Report are to be prepared in conformity with the Directive on Consolidated Accounting (Directive 83/349/EEC) of the European Union. The Accounting Standards Committee of Germany [Deutsche Rechnungslegungs Standards Committee e. V. (DRSC)] has accordingly interpreted this Directive to be in alignment with the German Accounting Standard No. 1 (GAS 1) “Exempting Consolidated Financial Statements in Accordance with § 315a of the HGB”. In order to achieve comparability with a set of consolidated financial statements prepared in accordance with the commercial regulations of the HGB, all of the required disclosures and explanations under the HGB as well any required disclosures above and beyond those needed to be in compliance with IFRS are to be published.

Through having been included in the consolidated financial statements of JENOPTIK AG, the following fully consolidated German associates have made use of the simplifications as defined in § 264 (3) or § 264b of the HGB:

- SAALEAUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach im Isartal
- LEUTRA SAALE Gewerbegrundstücksgesellschaft mbH & Co. Vermietungs KG, Grünwald
- JENOPTIK Robot GmbH, Monheim am Rhein
- JENOPTIK Industrial Metrology Germany 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.

10.2 Number of Employees

The breakdown of the average number of employees is presented in the following table:

	2014	2013
Employees	3,375	3,233
Trainees	129	121
Total	**3,504**	**3,354**

For the 2014 fiscal year the proportionately consolidated entities employed 33 employees (prior year 33 employees) on average.

10.3 Cost of Materials and Personnel Expenses

in thousand euros	2014	2013
Cost of materials		
Expenditures for raw materials, consumables and merchandise	187,492	195,778
Expenditures for services purchased	66,144	55,122
Total	**253,636**	**250,901**
Personnel expenses		
Wages and salaries	190,627	185,933
Social security, pension contributions and retirement benefits	29,035	25,015
Total	**219,662**	**210,948**

10.4 Financial Statement Auditor Fees

The fees for services received from our financial statement auditor amounted to:

in thousand euros	2014	2013
Financial statement audit services fiscal year	971	970
Financial statement audit services prior fiscal years	153	0
Financial statement audit services in total	**1,124**	**970**
Other attestation services	59	46
Fees for other services	138	155
Tax consulting services	8	27
Total	**1,329**	**1,198**

The fees for financial statement audit services are in reference to expenses for the audit of the consolidated financial statements of the Jenoptik Group as well as the statutory annual financial statements of the subsidiaries and joint operations included in the consolidated financial statements.

11 GERMAN CORPORATE GOVERNANCE CODE

On December 10, 2014 the Executive Board and the Supervisory Board of JENOPTIK AG submitted a declaration of conformity in accordance with § 161 of the German Stock Corporation Act as required by the recommendations of the Government Commission's German Corporate Governance Code in the version dated June 24, 2014. The declaration has been made permanently available to shareholders on the JENOPTIK AG website at www.jenoptik.com/corporate-governance. The declaration can also be viewed on site in the offices of JENOPTIK AG (Carl-Zeiss-Straße 1, 07743 Jena, Germany).

11.1 Executive Board

The following persons were appointed as members of the Executive Board for the 2014 fiscal year:

	Positions held:
Dr. Michael Mertin President & CEO of JENOPTIK AG	None
Rüdiger Andreas Günther Chief Financial Officer of JENOPTIK AG	LIS Orbotech GmbH (Ccb)

Abbreviations: Ccb – Comparable controlling body

The following overview presents the remuneration of the Executive Board for the 2014 fiscal year. Along with direct and indirect remuneration components earned, this overview also comprises the fair value of share-based remuneration instruments used as long-term incentives (LTI).

	Dr. Michael Mertin (President & CEO)		Rüdiger Andreas Günther (Chief Financial Officer)	
in thousand euros	2014	2013	2014	2013
Fixed remuneration	600.0	600.0	380.0	380.0
Variable remuneration	529.0	600.6	236.6	390.4
LTI of fiscal year – measured at issue price	529.0	600.6	236.6	195.2
LTI of fiscal year – share price development in fiscal year	–78.0	222.7	–34.9	72.4
Granted for protection of existing shares	50.3	35.4	9.8	3.9
Total remuneration	**1,630.4**	**2,059.3**	**828.2**	**1,041.9**
Retirement benefits	240.0	240.0	80.0	80.0
Fringe benefits	46.5	45.8	13.6	19.5
Total other benefits	**286.5**	**285.8**	**93.6**	**99.5**

Fringe benefits consisted of contributions to disability and accident insurances as well as to the provision of company cars.

A more detailed explanation of the Executive Board remuneration system is provided in the Remuneration Report in the section Corporate Governance, which is a component of the Combined Management Report.

Retirement benefits paid to former Executive Board members amounted to EUR 286 thousand (prior year EUR 286 thousand). The pension provisions for former Executive Board members totaled EUR 5,261 thousand (prior year EUR 4,435 thousand) at the reporting date. In corresponding provisions for the 2014 fiscal year, interest expenses amounting to EUR 115 thousand (prior year EUR 120 thousand) were recorded.

In the 2014 fiscal year – as well as in preceding years – no loans were granted nor any advances paid to the members of either the Executive Board or the Supervisory Board. Consequently, there were no loans to be redeemed.

The members of the Executive Board did not hold any shares at the reporting date.

11.2 Supervisory Board

The following persons were appointed as members of the Supervisory Board for the 2014 fiscal year:

	Member of	Additional positions at
Rudolf Humer Entrepreneur (Chair)	- Personnel Committee (Chair) - Mediation Committee (Chair) - Nomination Committee (Chair)	- Baumax AG, Austria (SB member) - Baumax Anteilsverwaltung AG, Austria (SB member) - Ühinenud Farmid AS, Estonia (Ccb member) - K.A.M. ESSL Holding AG, Austria (SB member)
Michael Ebenau[1)] Trade union secretary, first authorized representative of IG Metall Jena-Saalfeld, first authorized representative of IG Metall Gera (Deputy Chair)	- Personnel Committee - Mediation Committee	- Samag Saalfelder Werkzeugmaschinen GmbH (Ccb)
Astrid Biesterfeldt[1)] (since April 10, 2014) Head of Product Management and Deputy Head of Business Unit Energy & Drive at ESW GmbH		None
Brigitte Ederer Former member of the Executive Board of Siemens AG		- Boehringer Ingelheim RCV GmbH, Austria (SB member) - Österreichische Industrieholding AG (ÖIAG), Austria (SB member, until September 8, 2014) - Infineon Technologies Austria AG, Austria (SB member) - Österreichische Bundesbahn-Holding Aktiengesellschaft (SB Chair, member since February 28, 2014, Chair since September 11, 2014) - Österreichische Bundesbahn Personenverkehr AG, Austria (SB member, since October 6, 2014) - Rail Cargo Austria AG, Austria (SB member, since October 6, 2014) - Schoeller-Bleckmann Oilfield Equipment AG, Austria (SB member, since April 23, 2014) - Wien Holding GmbH, Austria (Ccb Chair since June 24, 2014, member since May 13, 2014)
Christian Humer Merchant, Chair of the Executive Board of ECE European City Estates GmbH, Austria	- Personnel Committee - Nomination Committee	- Ühinenud Farmid AS, Estonia (Ccb Chair)
Thomas Klippstein[1)] Chair of Group Works Council of Jenoptik	- Personnel Committee - Audit Committee	None

	Member of	Additional positions at
Ronald Krippendorf[1)] (until March 31, 2014) Plant manager of JENOPTIK Katasorb GmbH		None
Dieter Kröhn[1)] Process coordinator at ESW GmbH	- Audit Committee	None
Sabine Lötzsch[1)] Graduated in Mathematics, Manager of IT Helpdesk of JENOPTIK SSC GmbH		None
Heinrich Reimitz Member of the Executive Board of ECE European City Estates GmbH, Austria	- Audit Committee (Chair)	- Ühinenud Farmid AS, Estonia (Ccb member)
Stefan Schaumburg[1)] Division chair and trade union secretary of IG Metall Executive Board, Frankfurt	- Personnel Committee - Mediation Committee	- GKN Driveline Deutschland GmbH (SB member until mid-2014) - GKN Holdings Deutschland GmbH (SB member)
Prof. Dr. rer. nat. habil., Graduated in Physics Andreas Tünnermann Director of the Institute for Applied Physics and Lecturer for Applied Physics at the Friedrich Schiller University and Head of the Fraunhofer Institute for Applied Optics and Fine Mechanics, Jena	- Personnel Committee - Mediation Committee - Nomination Committee	- BioCentiv GmbH (SB Chairman) - Docter Optics GmbH (Ccb member)
Matthias Wierlacher Chair of the Board of Thüringer Aufbaubank	- Audit Committee (Deputy Chairman)	- Analytik Jena AG (SB member until September 30, 2014) - Mittelständische Beteiligungsgesellschaft Thüringen mbH (SB member) - bm-t beteiligungsmanagement thüringen GmbH (gi, SB Chairman) - ThüringenForst – Anstalt öffentlichen Rechts – (SB member)

1) Employee representative
Abbreviations: SB – Supervisory Board, Ccb – Comparable controlling body, gi – Group internal appointment, Dep. – Deputy

For the 2014 fiscal year the members of the Supervisory Board received the following remuneration in total:

in thousand euros	Total remuneration	Thereof Fixed annual remuneration 2014	Thereof Variable remuneration 2014	Thereof Meeting fees (plus reimbursement of expenses)	Value added tax[1]
Rudolf Humer (Chair)[2]	–	–	–	–	–
Michael Ebenau (Deputy Chair)	67.8	41.7	17.9	8.3	10.8
Astrid Biesterfeldt (since April 10, 2014)	26.5	14.6	7.3	4.6	–
Brigitte Ederer	34.7	20.0	10.0	4.7	–
Christian Humer	44.7	25.0	10.0	9.7	–
Thomas Klippstein	67.3	41.7	11.9	13.7	10.7
Ronald Krippendorf (until March 31, 2014)	10.0	5.9	2.9	1.2	1.6
Dieter Kröhn	58.9	35.7	11.9	11.3	9.4
Sabine Lötzsch	41.7	23.8	11.9	6.0	6.7
Heinrich Reimitz	62.8	40.0	10.0	12.8	–
Stefan Schaumburg	51.1	29.8	11.9	9.4	8.0
Prof. Dr. rer. nat. habil. Andreas Tünnermann	49.7	29.8	11.9	8.0	7.9
Matthias Wierlacher	63.7	41.7	11.9	10.1	10.2
Total	**578.7**	**349.5**	**129.5**	**99.8**	**65.3**

1) Included in fixed annual remuneration, variable remuneration and meeting fees; Mrs. Brigitte Ederer, Mr. Rudolf Humer, Mr. Christian Humer and Mr. Mag. Heinrich Reimitz have a limited tax liability in Germany due to their place of residence being abroad, since their remuneration is subject to a withholding tax in accordance with § 50 a (1) No. 4 of the German Income Tax Act, no value added tax was incurred.

2) By way of written declaration to the Executive Board, the Supervisory Board Chair, Mr. Rudolf Humer, waived all remuneration claims due to him for his activities as Supervisory Board Chair and Committee member from April 1, 2011 on. This also applies to any meeting fees and any potential performance-related payments.

A more detailed explanation of the remuneration system of the Supervisory Board is provided in the Remuneration Report in the section Corporate Governance, which is a component of the Combined Management Report.

At the end of the 2014 fiscal year the members of the Supervisory Board together held 976,155 shares or thereto related financial instruments, consequently holding more than 1 percent of the share capital of JENOPTIK AG. This figure included the 685,000 shares held directly or indirectly by Mr. Rudolf Humer.

12 LIST OF SHAREHOLDINGS OF THE JENOPTIK GROUP AS AT DECEMBER 31, 2014 IN ACCORDANCE WITH § 313 (2) OF THE GERMAN COMMERCIAL CODE

No.	Name and legal seat of company	Shareholding of JENOPTIK or shareholder directly in percent	Equity 31/12/2014 in thousand euros	Earnings for 2014 in thousand euros
	1.1. Consolidated associates – direct shareholdings			
1	JENOPTIK Robot GmbH, Monheim am Rhein, Germany	100		
2	JENOPTIK Industrial Metrology Germany GmbH, Villingen-Schwenningen, Germany	100		
3	JENOPTIK Automatisierungstechnik GmbH, Jena, Germany	100		
4	ESW GmbH, Wedel, Germany	100		
5	JENOPTIK Optical Systems GmbH, Jena, Germany	100		
6	JENOPTIK Laser GmbH, Jena, Germany	100		
7	JENOPTIK Polymer Systems GmbH, Triptis, Germany	100		
8	JORENT Techno GmbH, Jena, Germany	100		
9	SAALEAUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach in Isartal, Germany	100		
10	LEUTRA SAALE Gewerbegrundstücksgesellschaft mbH & Co. KG, Grünwald, Germany	100		
11	JENOPTIK SSC GmbH, Jena, Germany	100		
12	JENOPTIK North America, Inc., Jupiter (FL), USA	100		
13	JENOPTIK Asia-Pacific Pte. Ltd., Singapore, Singapore	100		
	– indirect shareholdings			
14	Traffipax, LLC, Jupiter (FL), USA	100		
15	Multanova AG, Uster, Switzerland	100		
16	JENOPTIK Robot Malaysia SDN BHD, Kuala Lumpur, Malaysia	100		
17	JENOPTIK Industrial Metrology Switzerland SA (formerly: Hommel-Movomatic Suisse SA), Peseux, Switzerland	100		
18	JENOPTIK Industrial Metrology France SA, Bayeux, France	100		
19	JENOPTIK Industrial Metrology North America, LLC, Rochester Hills (MI), USA	100		
20	JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd., Shanghai, China	100		
21	JENOPTIK Australia Pty Ltd, Sydney, Australia	100		
22	LECHMOTOREN GmbH, Altenstadt, Germany	100		
23	PHOTONIC SENSE GmbH, Eisenach, Germany	100		
24	JENOPTIK Diode Lab GmbH, Berlin, Deutschland	100		
25	JENOPTIK Optical Systems, LLC, Jupiter (FL), USA	100		
26	JENOPTIK Advanced Systems, LLC, El Paso (TX), USA	100		
27	JENOPTIK Defense, Inc., Jupiter (FL), USA	100		
28	JENOPTIK Laser Technologies, LLC, Brighton (MI), USA	100		
29	JENOPTIK Korea Corporation, Ltd., Pyeongtaek, Korea	66.6		
30	JENOPTIK Japan CO., Ltd., Yokohama, Japan	66.58		
31	Robot Nederland B.V., Riel, Netherlands	100		
32	Vysionics Ltd., Milton Keynes, Great Britain	91.97		
33	Vysionics ITS Holdings Ltd., Milton Keynes, Great Britain	100 [10]		
34	Vysionics ITS Ltd., Camberley, Great Britain	100 [10]		
35	Computer Recognition Systems Ltd., Milton Keynes, Great Britain	100 [10]		

No.	Name and legal seat of company	Shareholding of JENOPTIK or shareholder directly in percent	Equity 31/12/2014 in thousand euros	Earnings for 2014 in thousand euros
	1.2. Unconsolidated associates – direct shareholdings			
36	JENOPTIK Asien GmbH, Triptis, Germany, i.i. [9]	100	273	–2
37	JENOPTIK Einundsiebzigste Verwaltungsgesellschaft mbH, Jena, Germany	100	23	0
38	JENOPTIK MedProjekt GmbH, Jena, Germany	100	–4,034	–1
39	FIRMICUS Verwaltungsgesellschaft mbH, Jena, Germany	100		[2]
40	LEUTRA SAALE Gewerbegrundstücksverwaltungsgesellschaft mbH, Grünwald, Germany	100	26	0
	– indirect shareholdings			
41	AD-Beteiligungs GmbH, Monheim am Rhein, Germany	100		[2]
42	RADARLUX Radar Systems GmbH, Leverkusen, Germany	100	0	–95
43	RADARLUX RADAR Systems (UK) Ltd., Stratford upon Avon, Great Britain	75 [5]		[2]
44	Traffipax do Brasil Ltda., Sao Paulo, Brazil	100		[2]
45	JENOPTIK KATASORB GmbH, Jena, Germany	100	300	[3]
46	PHOTONIC SENSE, INC., Nashua (NH), USA	100	3	3
47	JENOPTIK Components, LLC, St. Petersburg, Russia	100	–444	–108
48	JENOPTIK LDT GmbH, Jena, Germany, i.l. [8]	100	–3,086	0
49	JENOPTIK India Private Limited (formerly: HOMMEL-ETAMIC Metrology India Pvt. Ltd.), Bangalore, India	100 [7]	–126	–153
50	JENOPTIK do Brasil Instrumentos de Precisão e Equipamentos Ltda., Sao Paulo, Brazil	100		[2]
51	JENOPTIK South East Asia Pte. Ltd., Singapore, Singapore	100	–219	–157

No.	Name and legal seat of company	Shareholding of JENOPTIK or shareholder directly in percent	Equity 31/12/2014 in thousand euros	Earnings for 2014 in thousand euros
	2. Joint operation			
52	HILLOS GmbH, Jena, Germany	50 1)		
	3. Investments – direct shareholdings			
53	JENAER BILDUNGSZENTRUM gGmbH SCHOTT CARL ZEISS JENOPTIK, Jena, Germany	33.33		2)
	– indirect shareholdings			
54	JT Optical Engine Verwaltungs GmbH, Jena, Germany	50 6)	23	0
55	JJT Optical Engine GmbH + Co. KG, Jena, Germany, i.l. 8)	50 6)	551	–3
56	JENOPTIK Robot Algérie SARL, Algiers, Algeria	49		2)
57	HOMMEL CS s.r.o., Teplice, Czech Republic	40		2)
58	TELSTAR-HOMMEL CORPORATION, Ltd., Pyeongtaek, Korea	33.4		2)
59	Martec S.p.A., Vignate (MI), Italy	25		2)
60	Dr. Teschauer AG, Chemnitz, Germany, i.i. 9)	24.99 4)		2)
61	Zenteris GmbH, Jena, Germany, i.i. 9)	24.9 6)		2)
62	MAZeT Mikroelektronik Anwendungszentrum GmbH Thüringen, Jena, Germany	22.55		2)

1) Proportionately consolidated
2) No data is available.
3) Profit and loss transfer agreement (HGB) with the parent company
4) Fiscal year not the calendar year – as of October 31
5) Fiscal year not the calendar year – as of May 31
6) Fiscal year not the calendar year – as of June 30
7) Fiscal year not the calendar year – as of March 31
8) i.l. = in liquidation
9) i.i. = in insolvency
10) Included in the financials of Vysionics Ltd.

Assurance by the Legal Representatives

To the best of our knowledge, we assure that the consolidated financial statements prepared in accordance with the applicable accounting principles required for financial reporting present a true and fair view of the net assets, the financial position and the results of operations of the Group and that the Consolidated Management Report that is combined with the Management Report of the JENOPTIK AG provides a fair view of the development and performance of the business and the Group's position, together with a description of significant opportunities and risks associated with the expected development of the Group.

Jena, March 10, 2015

Dr. Michael Mertin
President & CEO

Rüdiger Andreas Günther
Chief Financial Officer

Auditor's Report

We have issued the unqualified audit opinion as follows:

"Auditors' Report

We have audited the consolidated financial statements prepared by JENOPTIK Aktiengesellschaft, Jena, comprising the consolidated statement of comprehensive income, the consolidated statement of financial position, the statement of changes in equity, the consolidated statement of cash flows, and the notes to the consolidated financial statements, together with the Combined Management Report of the company and the group for the fiscal year from January 1 to December 31, 2014. 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 Executive Board. 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 Combined 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 10, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

DR. KRONNER	BÜCHIN
Wirtschaftsprüfer	Wirtschaftsprüfer

3.6.

3/6/2015 JENOPTIK AG Annual General Meeting

INFORMATION

The extended management of the Jenoptik Group is the Executive Management Board. It is responsible for making strategic and operational decisions for the entire Group. The Jenoptik management is supported by the Scientific Advisory Board. Twelve scientists from companies, universities and institutions throughout Germany analyze technology trends and advise Jenoptik on innovations as well as the opportunities and risks of promising future market sectors.

Executive Management Board
(as at February 2015)

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 Human Resources, Purchasing,
Supply Chain & Shared Services

Dr. Michael Mertin
President & CEO and Human Resources 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 February 2015)

Dr. Michael Mertin
JENOPTIK AG, Chairman

Prof. Dr. Hartmut Bartelt
Leibniz-Institut für Photonische Technologien e. V. (IPHT), Jena

Prof. Dr. Karlheinz Brandenburg
Ilmenau

Prof. Dr. Gerhard Fettweis
Technische Universität Dresden, Fakultät für Elektrotechnik
Vodafone Chair Mobile Communications Systems

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Glossary

A

Associates – JENOPTIK AG and all its subsidiaries, whether or not they are included in the consolidated financial statements.

B

Book-to-bill ratio – Ratio of order intake to revenue for a fiscal year. A ratio of over 1.00 indicates that the order intake surpassed revenue for the fiscal year, likely leading to an increase in order backlog.

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 rates for the next interest period, the cap seller must pay the difference.

Capital consolidation – Within the framework of the consolidated financial statements, the financial interrelationships between Group companies have to be consolidated. This entails offsetting the carrying amount of the investment against the apportionable share of the equity of the subsidiaries.

Compliance – Behaviour that is compliant with laws and regulations.

Consolidation – The incorporation of partial accounts into a total account, such as the incorporation of the individual balance sheets of group companies into a consolidated balance sheet and elimination of internal Group transactions.

Consolidated companies – Entities included in a consolidated financial statements.

Corporate governance (code) – This code sets the guidelines for the transparent management and supervision of a company. The recommendations of a corporate governance code provide for transparency and increase trust in responsible management. The recommendations protect the shareholders in particular.

Coverage – Publication of so called research reports on a company by financial analysts. Specialists analyse shares, stock-listed companies and stock markets to help investors make their decisions.

D

Debenture loan – In addition to bank loans and bonds, another form of (long-term) external financing for companies. 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.

Deferred taxes – Tax expenses or income from differences between a group's earnings and the tax result, which are inverted over time. They are a meaningful measure of the relationship between company results and tax expenses.

Derivatives – Derived financial instruments dependent on the price development of the underlying assets (e.g. shares, interest rates, currencies). The basic forms are futures and options.

Disinvestment – In this case, the effect of depreciation surpasses replacement capital.

E

EBIT – Income from operations – earnings before interest and taxes.

EBITDA – Earnings before interest, taxes, depreciation and amortization.

EBIT margin – Return on revenue – EBIT divided by revenue.

Equity ratio – Indicator used in capital structure analysis stating the relative proportion of equity in the balance sheet total (equity divided by the balance sheet total).

F

Financial liabilities – All current and non-current interest-bearing outside capital, e.g. bonds, bank liabilities and leasing liabilities.

Free cash flow – Available cash flow. The free cash flow is regarded by financing institutions as an indicator of the ability to repay loans and is therefore often used as a basis to calculate financing capacity. It is calculated from the cash flows from operating activities (before income taxes and interest) less capital expenditure in property, plant, equipment and intangible assets.

Free float – Scattered company shares held by a large number of different shareholders.

G

Goodwill – Difference between the purchase price of a newly acquired company and its equity (assets minus liabilities).

Go Lean program – Internal Group program launched in 2012 with aim of end-to-end process improvements and an increase in operational performance. It will maximize far-reaching synergies thanks to a lean production system, consolidation of functions in areas such as purchasing and support for operational units from central bodies.

Gross margin – The gross margin indicates how much (in percent of revenue) a company is earning after deducting cost of sales. The indicator helps to assess how efficiently a company is operating.

H

HCM-System (Human Capital Management) – Integrated HR management system supporting the HR department to fulfill both its operational and strategic tasks.

Hedging – Through hedging, existing positions can be protected against negative price trends (e.g. interest or exchange rates) through 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, with their higher degree of transparency, satisfy 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

Jenoptik Excellence Program (JEP) – This internal Group program was launched in 2012. It is aimed at generating cost savings, primarily in production, development and logistical processes, as well as in supply chain management.

JOE program – The company's largest program for efficient standardization of processes and settlement systems throughout the company which was initiated in 2011.

Joint venture – Economic cooperation between companies, usually limited in time and scope, which is run by the partner companies together.

L

Lean Academy – The establishment of a Lean Academy provides training for employees and management so that the Go Lean program can essentially be implemented on an independent basis.

Lean campus – Within the framework of the Go Lean program employees and management receive training in the program topics. The focus is on teaching comprehensive lean methods expertise, the improvement tools and the personal development of the participants.

M

Market capitalization – Number of shares multiplied by the share price.

Market Excellence – A group-wide program aimed at optimizing the sales organization and processes. It combines major projects from the sales, after-sales service as well as pricing. Its aim is to ensure the organization is consistently geared toward market requirements.

N

Net debt – Calculated by deducting cash and securities from the total of non-current and current financial assets.

O

Option – The right to purchase (call option) or sell (put option) the underlying object of an option (e.g. securities or currencies) to a counterparty (writer) at a previously agreed price (exercise price) at a specific time or within a specific period of time.

P

PoC Percentage of completion method – Procedure in accordance with IAS 11 which computes revenue, order costs and order results on a long-term customer-specific contract relative to the degree to which the project is completed.

Projected unit credit method – A method used to evaluate pension provisions 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.

R

ROCE (return on capital employed) – Is calculated by dividing income from operations (EBIT) 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, property, plant and equipment and investment properties) plus the capital tied up in current assets (primarily inventories, receivables from the operating business activities and other current receivables). Non-interest-bearing borrowings (such as provisions – excluding pensions and taxes, liabilities from the operating business activities and other non-interest-bearing liabilities) are subtracted from this figure. The calculation of the average takes into account twelve month-end balances and the opening balance at the start of the year, which corresponds to the closing balance of the prior year.

S

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.

Syndicated loan – The syndicated loan is a credit granted jointly by several banks (members of a consortium) to one debtor. One or several banks may take the lead.

T

Treasury management – Management of finances – is a major task of the corporate finance area. The aim of treasury management 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. It is defined as the total of labor costs, taxes, interest, profits and dividends.

W

Working capital – The total of trade receivables and PoC as well as inventories minus trade payables and PoC as well as advance payments received.

Historical Summary of Financial Data

		2008	2009	2010[1]	2011[2]	2012	2013	2014
Statement of Income								
Revenue	million euros	**548.3**	**473.6**	**478.8**	**543.3**	**585.0**	**600.3**	**590.2**
Lasers & Optical Systems	million euros	207.0	166.7	188.9	217.1	212.3	224.7	231.3
Metrology	million euros	126.3	96.0	113.8	140.1	182.7	187.4	185.0
Defense & Civil Systems	million euros	208.5	205.3	173.9	183.3	186.4	185.1	170.8
Foreign revenue	million euros	**299.3**	**271.6**	**279.7**	**321.5**	**376.9**	**371.9**	**379.1**
of revenue	%	54.6	57.3	58.4	59.2	64.4	62.0	64.2
Cost of sales	million euros	386.4	344.9	328.6	359.3	381.6	394.6	384.8
Gross profit	million euros	161.9	128.7	150.2	184.0	203.4	205.7	205.5
Gross margin	%	29.5	27.2	31.4	33.9	34.8	34.3	34.8
Selling expenses	million euros	58.7	51.3	53.7	61.9	65.1	66.6	67.5
R+D expenses	million euros	34.1	32.6	28.1	32.0	36.0	39.8	39.4
Administrative expenses	million euros	38.8	36.5	36.5	38.9	42.6	46.4	51.1
EBIT	million euros	**37.1**	**–19.7**	**29.0**	**49.2**	**54.8**	**52.7**	**51.6**
Lasers & Optical Systems	million euros	15.0	–16.5	13.3	29.2	27.1	24.6	27.0
Metrology	million euros	6.9	–14.6	8.6	12.0	25.6	22.6	22.5
Defense & Civil Systems	million euros	15.8	12.1	8.6	11.6	7.8	11.6	2.1
EBIT margin	%	**6.8**	**–4.2**	**6.1**	**9.0**	**9.4**	**8.8**	**8.7**
Lasers & Optical Systems	%	7.2	–9.9	7.0	13.5	12.8	10.9	11.7
Metrology	%	5.5	–15.2	7.6	8.6	14.0	12.0	12.2
Defense & Civil Systems	%	7.6	5.9	4.9	6.3	4.2	6.2	1.3
EBT	million euros	**20.2**	**–34.3**	**15.0**	**36.2**	**46.1**	**47.2**	**46.1**
EBT margin	%	3.7	–7.2	3.1	6.7	7.9	7.9	7.8
Earnings after tax	million euros	**16.6**	**–33.9**	**9.0**	**35.3**	**50.2**	**47.2**	**41.6**
EPS	EUR	**0.23**	**–0.73**	**0.16**	**0.62**	**0.88**	**0.82**	**0.73**
Cost of materials	million euros	252.5	206.6	207.6	230.5	242.0	250.9	253.6
Material intensity	%	44.7	41.9	41.0	41.1	40.3	40.7	41.3
R+D output	million euros			42.0	45.4	49.1	51.1	49.6
R+D ratio	%			8.8	8.4	8.4	8.5	8.4
EBITDA	million euros	67.5	23.3	60.1	76.8	77.7	74.8	76.1
Financial result	million euros	–16.8	–14.7	–14.0	–13.0	–8.7	–5.5	–5.5
Cash Flows and Investments								
Cash flows from operating activities	million euros	46.5	53.3	41.6	65.6	66.6	60.6	46.3
Free cash flow (before income tax)	million euros	27.9	41.0	31.6	44.0	43.7	47.0	22.5
Capital expenditures	million euros	24.1	14.4	14.5	25.1	31.2	24.4	29.9
Personnel								
Employees on average		3.292	3.206	2.800	2.894	3.066	3.233	3.375
Revenue per employee	TEUR	166.6	147.7	171.0	187.7	190.8	185.7	174.9
Personnel expenses	million euros	194.7	187.3	177.5	183.8	201.2	210.9	219.7
Personnel intensity	%	35.5	39.5	37.1	33.8	34.4	35.1	37.2

		2008	2009	2010[1]	2011[2]	2012	2013	2014
Statement of Financial Position								
Non-current assets	million euros	376.3	336.9	310.7	312.4	333.8	329.8	389.5
Intangible assets and property, plant and equipment	million euros	259.4	230.1	211.8	207.1	213.9	216.0	274.0
Investment property	million euros	34.8	24.5	22.1	20.6	19.6	19.1	16.4
Financial assets	million euros	20.2	19.2	16.8	22.8	27.2	20.1	21.1
Other non-current assets	million euros	10.6	11.0	9.1	4.9	4.8	4.4	1.8
Deferred tax assets	million euros	51.4	52.1	50.9	57.0	68.4	70.3	76.3
Current assets	million euros	312.8	270.2	318.2	331.1	335.8	362.6	382.2
Inventories	million euros	179.5	154.7	148.8	169.1	169.3	165.1	179.0
Trade and other receivables	million euros	118.8	103.2	103.3	111.9	120.7	125.3	133.4
Securities and cash	million euros	14.5	12.3	66.1	50.1	45.9	72.2	69.8
Equity	million euros	**292.8**	**240.0**	**282.5**	**298.4**	**330.3**	**367.1**	**386.6**
Share capital	million euros	135.3	135.3	148.8	148.8	148.8	148.8	148.8
Non-current liabilities	million euros	133.1	205.8	165.3	173.7	177.6	173.1	216.6
Pension provisions	million euros	6.4	6.4	6.4	18.4	31.2	28.2	41.0
Other non-current provisions	million euros	18.4	18.5	17.6	12.4	12.1	11.0	10.0
Non-current financial liabilities	million euros	92.4	158.2	125.9	123.1	115.8	115.2	156.8
Other non-current liabilities	million euros	13.0	20.1	11.7	15.8	15.4	16.9	7.0
Deferred tax liabilities	million euros	2.9	2.5	3.7	4.0	3.1	1.8	1.7
Current liabilities	million euros	263.1	161.3	181.1	171.3	161.7	152.3	168.5
Tax provisions	million euros	2.9	2.6	2.4	6.8	6.1	4.8	5.7
Other current provisions	million euros	35.8	40.6	61.9	49.7	52.1	37.4	37.7
Current financial liabilities	million euros	113.7	13.5	19.5	4.1	4.7	1.2	5.1
Other current liabilities	million euros	110.8	104.6	97.3	110.7	98.9	109.0	120.0
Balance sheet total	million euros	**689.1**	**607.1**	**628.9**	**643.5**	**669.6**	**692.4**	**771.7**
Balance sheet ratios								
Equity ratio	%	42.5	39.5	44.9	46.4	49.3	53.0	50.1
Asset coverage		171.7	157.8	202.6	216.0	230.7	261.0	256.5
Gross debt	million euros	206.1	171.8	145.3	127.2	120.5	116.4	161.9
Net debt	million euros	191.6	159.5	79.3	77.1	74.5	44.1	92.1
Working capital	million euros	201.6	166.4	164.6	190.4	202.8	195.6	217.5
Working capital ratio	%	36.8	35.1	34.4	35.0	34.7	32.6	36.9
Debt to equity ratio		1.4	1.5	1.2	1.2	1.0	0.9	1.0
Total return on investment based on EBT	%	2.9	–5.7	2.4	5.6	6.9	6.8	6.0
Return on equity based on EBT	%	6.9	–14.3	5.3	12.1	14.0	12.9	11.9
ROCE					15.6	15.6	14.0	13.0
Dividend key figures								
Dividend per share	EUR				0.15	0.18	0.20	0.20[3]
Pay out ratio on group earnings	%				24.3	20.5	24.3	27.5[3]
Dividend yield based on year-end stock exchange rate	%				3.3	2.4	1.6	1.9[3]

The summary contains data as far as they were determined in previous years respectively as they were used as control parameter.
1) Continuing operations
2) Adjusted to initial application of IAS 19
3) Subject to the approval of the annual general meeting

Key Figures of Jenoptik by Segment

		2014	2013	Change in %
Sales	million euros	**590.2**	**600.3**	**–1.7**
Lasers & Optical Systems	million euros	231.3	224.7	3.0
Metrology	million euros	185.0	187.4	–1.3
Defense & Civil Systems	million euros	170.8	185.1	–7.7
Others[1]	million euros	3.1	3.1	–0.3
EBITDA	million euros	**76.1**	**74.8**	**1.7**
Lasers & Optical Systems	million euros	36.0	34.0	5.8
Metrology	million euros	26.9	25.2	7.0
Defense & Civil Systems	million euros	7.2	16.7	–57.1
Others[1]	million euros	6.0	–1.0	
EBIT	million euros	**51.6**	**52.7**	**–2.2**
Lasers & Optical Systems	million euros	27.0	24.6	9.6
Metrology	million euros	22.5	22.6	–0.3
Defense & Civil Systems	million euros	2.1	11.6	–81.5
Others[1]	million euros	0.0	–6.0	99.5
EBIT margin	%	**8.7**	**8.8**	
Lasers & Optical Systems	%	11.7	10.9	
Metrology	%	12.2	12.0	
Defense & Civil Systems	%	1.3	6.2	
R+D output	million euros	**49.7**	**51.1**	**–2.7**
Lasers & Optical Systems	million euros	20.8	19.4	7.4
Metrology	million euros	20.0	19.4	2.9
Defense & Civil Systems	million euros	9.0	12.2	–26.6
Others[1]	million euros	–0.1	0.0	–479.3
Order intake	million euros	**589.2**	**575.3**	**2.4**
Lasers & Optical Systems	million euros	240.1	221.4	8.4
Metrology	million euros	174.7	172.5	1.3
Defense & Civil Systems	million euros	170.2	179.2	–5.0
Others[1]	million euros	4.3	2.2	97.4

		31/12/2014	31/12/2013	Change in %
Order backlog	million euros	**422.5**	**411.4**	**2.7**
Lasers & Optical Systems	million euros	100.8	94.3	6.9
Metrology	million euros	77.2	72.8	6.1
Defense & Civil Systems	million euros	245.9	246.9	–0.4
Others[1]	million euros	–1.4	–2.6	46.0
Employees		**3.553**	**3.433**	**3.5**
Lasers & Optical Systems		1.377	1.391	–1.0
Metrology		1.030	907	13.6
Defense & Civil Systems		885	907	–2.4
Others[1]		261	228	14.5

1) including consolidation

Summary by Quarter 2014

		1st quarter 1/1–31/3	2nd quarter 1/4–30/6	3rd quarter 1/7–30/9	4th quarter 1/10–31/12
Sales	million euros	**136.9**	**146.3**	**136.9**	**170.1**
Lasers & Optical Systems	million euros	58.6	59.5	54.1	59.1
Metrology	million euros	40.8	43.8	43.1	57.3
Defense & Civil Systems	million euros	37.5	42.6	37.2	53.4
Others[1]	million euros	0.0	0.4	2.4	0.2
EBIT	million euros	**10.5**	**13.4**	**13.8**	**13.8**
Lasers & Optical Systems	million euros	8.5	6.9	5.1	6.5
Metrology	million euros	3.4	5.8	5.6	7.8
Defense & Civil Systems	million euros	–0.9	1.4	0.0	1.7
Others[1]	million euros	–0.4	–0.7	3.2	–2.2
EBIT margin (EBIT in % of sales)	%	**7.7**	**9.2**	**10.1**	**8.1**
Lasers & Optical Systems	%	14.5	11.6	9.4	11.0
Metrology	%	8.2	13.3	12.9	13.5
Defense & Civil Systems	%	–2.5	3.3	–0.1	3.2
Order intake	million euros	**160.3**	**154.2**	**132.2**	**142.5**
Lasers & Optical Systems	million euros	65.3	60.0	60.7	54.1
Metrology	million euros	44.7	40.2	41.3	48.5
Defense & Civil Systems	million euros	49.8	53.3	27.8	39.3
Others[1]	million euros	0.5	0.8	2.4	0.6

1) including consolidation

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The contents of this publication address men and women equally. For better readibility, the masculine forms are used normally. In case of differences of opinion the German text shall prevail.

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