



Annual Report of the Jenoptik Group

KEY FIGURES OF JENOPTIK

| (in million euros) | 2009 | 2008 | Change in % |
|---|-------|-------|-------------|
| Sales | 473.6 | 548.3 | -13.6 |
| Domestic | 202.0 | 249.0 | -18.9 |
| Foreign | 271.6 | 299.3 | -9.3 |
| EBITDA before one-off effects | 43.1 | 67.5 | -36.1 |
| EBIT before one-off effects | 7.8 | 37.1 | -79.0 |
| EBIT margin before one-off effects (EBIT in % of sales) | 1.6 | 6.8 | -5.2 |
| Expenses for restructuring and reorganization (one-off effects) | 27.4 | 0.0 | - |
| EBIT ¹⁾ | -19.6 | 37.1 | -152.8 |
| Earnings before tax ¹⁾ | -34.3 | 20.2 | -269.8 |
| Earnings after tax ¹⁾ | -33.9 | 16.6 | -304.2 |
| Free cash flow (before income taxes) ¹⁾ | 41.0 | 27.9 | 47.0 |
| Investments in tangible and intangible assets | 14.4 | 24.1 | -40.2 |
| Order intake | 432.8 | 508.2 | -14.8 |
| Order backlog | 339.4 | 395.1 | -14.1 |
| Employees (as at 31.12. incl. trainees) | 3,268 | 3,400 | -3.9 |

.....
1) after one-off effects
.....

KEY FIGURES OF JENOPTIK

| (in million euros) | 2009 | 2008 | Change in % |
|--|--------------|--------------|--------------|
| Sales | 473.6 | 548.3 | -13.6 |
| of which Lasers & Optical Systems | 166.7 | 207.0 | -19.5 |
| Metrology | 96.0 | 126.3 | -24.0 |
| Defense & Civil Systems | 205.3 | 208.5 | -1.5 |
| Others ¹⁾ | 5.6 | 6.5 | -13.8 |
| EBITDA before one-off effects | 43.1 | 67.5 | -36.1 |
| of which Lasers & Optical Systems | 15.5 | 28.7 | -46.0 |
| Metrology | -0.3 | 10.7 | -102.8 |
| Defense & Civil Systems | 21.3 | 23.4 | -9.0 |
| Others ¹⁾ | 6.6 | 4.7 | 40.4 |
| EBIT before one-off effects | 7.8 | 37.1 | -79.0 |
| of which Lasers & Optical Systems | 1.4 | 15.0 | -90.7 |
| Metrology | -4.9 | 6.9 | -171.0 |
| Defense & Civil Systems | 13.9 | 15.8 | -12.0 |
| Others ¹⁾ | -2.6 | -0.6 | 333.3 |
| EBIT margin before one-off effects (EBIT in % of sales) | 1.6 | 6.8 | -5.2 |
| of which Lasers & Optical Systems | 0.8 | 7.2 | -6.4 |
| Metrology | -5.1 | 5.5 | -10.6 |
| Defense & Civil Systems | 6.8 | 7.6 | -0.8 |
| Others ¹⁾ | -46.4 | -9.2 | -37.2 |
| Free cash flow (before income taxes) ²⁾ | 41.0 | 27.9 | 47.0 |
| of which Lasers & Optical Systems | 15.4 | 8.0 | 92.5 |
| Metrology | 6.7 | 4.3 | 55.8 |
| Defense & Civil Systems | 17.7 | 9.2 | 92.4 |
| Others ¹⁾ | 1.2 | 6.4 | -81.2 |
| Order intake | 432.8 | 508.2 | -14.8 |
| of which Lasers & Optical Systems | 168.4 | 194.8 | -13.6 |
| Metrology | 83.2 | 133.3 | -37.6 |
| Defense & Civil Systems | 178.0 | 173.4 | 2.7 |
| Others ¹⁾ | 3.2 | 6.7 | -52.2 |
| Order backlog | 339.4 | 395.1 | -14.1 |
| of which Lasers & Optical Systems | 59.9 | 63.6 | -5.8 |
| Metrology | 21.9 | 37.0 | -40.8 |
| Defense & Civil Systems | 260.2 | 294.6 | -11.7 |
| Others ¹⁾ | -2.6 | -0.1 | n. a. |
| Employees (as at 31.12. incl. trainees) | 3,268 | 3,400 | -3.9 |
| of which Lasers & Optical Systems | 1,284 | 1,412 | -9.1 |
| Metrology | 769 | 820 | -6.2 |
| Defense & Civil Systems | 1,077 | 1,100 | -2.1 |
| Others ¹⁾ | 138 | 68 | 102.9 |

1) "Others" include JENOPTIK holding and real estate, special topics and consolidation effects (adjustments)

2) After one-off effects

ABOUT JENOPTIK'S DIVISIONS

EXECUTIVE BOARD

CORPORATE CENTER

LASERS & MATERIAL PROCESSING

Jenoptik has control of the entire value-added chain of laser material processing and is one of the leading providers – from component through to complete system. In the area of laser technology, Jenoptik has specialized in high-quality semiconductor materials and reliable diode lasers as well as innovative solid-state lasers. In the area of high-power diode lasers Jenoptik is acknowledged worldwide as a leader in quality. In the area of laser processing systems we develop machines that are integrated into production lines at our customers' sites and used for optimization and automation of processes. These systems enable our customers to work with plastics, metals, glass, ceramics, semiconductor materials with maximum efficiency, precision and safety.



OPTICAL SYSTEMS

Jenoptik is one of the few manufacturers in the world to produce precision optics and systems designed to meet the highest quality standards. The division is a development and production partner for optical, micro-optical and optical coating components, opto-mechanical and opto-electronical modules and systems – made of glass, infrared materials as well as plastics. It possesses outstanding expertise in the development and manufacture of micro-optics. The product portfolio also includes components and systems for life sciences as well as lighting & energy applications, modules and system solutions for digital image capture and processing as well as cameras for digital microscopy.



INDUSTRIAL METROLOGY

Jenoptik is a leading manufacturer and system provider for high-precision, contact and non-contact production metrology, in particular of rotation-symmetrical parts, and is No 2 of the suppliers in the global market. The range of products and services covers total solutions for a wide range of measurement tasks such as testing roughness, contour and form as well as determining dimensions – in-process, post-process or in the metrology room. The product program is rounded off by a comprehensive range of services involving advice, training and customer service, including long-term maintenance agreements.



TRAFFIC SOLUTIONS

Jenoptik develops, manufactures and distributes components and systems, which are contributing towards greater road traffic safety throughout the world. Based on the proven Robot Technology, the market-leading product portfolio includes comprehensive systems relating to all aspects of road traffic, like speed measurement and red light monitoring systems, OEM (Original Equipment Manufacturer) products and systems for detection of traffic violations. In the field of Services Jenoptik covers every aspect of the traffic safety process chain – from system development, production and installation of the monitoring infrastructure, image capture and automated processing, through to issuing citations and collecting the fines as the system operator.



DEFENSE & CIVIL SYSTEMS

Jenoptik combines opto-electronics with precision mechanics to create complex components, systems and facilities. The areas of focus in this respect are optical sensors and information systems, ground-launched observation platforms for intelligence gathering and reconnaissance as well as military and civil vehicle and aircraft equipment. For the security and aerospace industry Jenoptik offers opto-electronic instruments, multi-spectral camera systems for earth observation, sensors for satellite guidance, navigation and control as well as software. In the area of optical sensors the focus is on laser distance measurement equipment, laser sensors for battle simulation, environmental sensor systems and measurement technology for meteorology as well as on infrared camera systems.



SHARED SERVICES

“As an attractive, global high-tech partner creating added value for our customers thanks to rapid and consistent actions, our Jenoptik enjoys sustained financial success.”

DEVELOPED BY THE EXECUTIVE MANAGEMENT BOARD OF THE JENOPTIK GROUP IN MARCH 2008.

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DR. MICHAEL MARTIN
Chairman of the Executive Board

FRANK EINHELLINGER
Chief Financial Officer

FOREWORD OF THE EXECUTIVE BOARD

Dear shareholders,

Economic conditions in 2009 have proven to be the most difficult in the history of the Jenoptik Group. The semiconductor and automotive industries – both of great importance to us – have suffered a massive downturn in the course of the year.

We were able to limit the downturn in our own sales to 13.6 percent or 473.6 million euros, as Jenoptik benefited in 2009 from a broad range of business and its strategic reorientation toward markets, customers, and cash flow, which began to be implemented in 2007. In 2008, for example, we disposed of business that was no longer part of our strategic focus, was running a deficit, or that entailed too high a level of risk. We have also organized our company into five divisions that were geared closely toward our customers and markets. In early 2009, Jenoptik, moreover, launched its Excellence Program, which already resulted in considerable cost savings in the past fiscal year. All of this turned out to prove beneficial – especially in light of the economic environment. In this way, we were able to confront the crisis in a speedy and thorough manner.

We were also able to attain a positive Group EBIT before one-off effects 7.8 million euros and a high free cash flow of 41 million euros in 2009. The divisions developed in vastly different ways in the course of the year: The Optical Systems and Industrial Metrology divisions saw large downturns due to the semiconductor and automotive crises. The Lasers & Material Processing division, thanks to the generally stable business situation with regard to lasers for medical technology and laser processing systems for the photovoltaics industry, was able to soften the economic blow of drops in sales in other areas. While the core business of the Traffic Solutions division developed well, major projects that were expected for 2009 were not ultimately rolled out. The Defense & Civil Systems division matched the level of success it attained in 2008.

A number of one-off effects weighed down our results in 2009. Restructuring measures and the state of the economy forced us to take personnel measures in late 2009 with no way to avoid letting staff go for business reasons. This remained necessary even after all other measures had been exhausted to adapt capacities. We were, however, able to conclude these measures in a socially responsible way in agreement with employee representatives. Our departure from our deficit-ridden business with mid-format cameras led to further expenditures. While one major supplier in the segment went bankrupt in the spring, the market potential for professional cameras was reduced significantly, in a difficult situation exacerbated further by the economic crisis.

We reorganized our financing structure in 2009 as well, which proved a difficult task in light of the state of the financial and capital markets. We were, however, successful with regard to the follow-up financing to our convertible bond, and the transition of our financing system to the middle to long term. We also received the support of the Free State of Thuringia and the German federal government through their financial guarantees.

We worked hard in 2009 toward reducing the Jenoptik net debt, which has been at a high level due to the company's historical situation. We were indeed successful in reducing the debt by 32 million euros in absolute figures even in the face of the economic crisis, made possible in part by our positive cash flows. These made it possible for us to finance the investments and capital costs ourselves. We were also able to pay back short-term debt ahead of schedule with cash, especially over the last few months of the year. We will continue to focus on our cash flow in the years to come; and it will remain a crucial basis for the sustainable growth of the Jenoptik Group.

We will also remain true to our long-term plan of achieving sustainable success and expanding our position as a leading optoelectronics provider. We have continued to pursue our strategic goals all throughout the crisis: expanding our international presence, combining our operative business into one brand, establishing a group-wide process of strategy and innovation, and working closely together with our customers to create new generations of products.

The business outlook for the current fiscal year is in fact better than it was in 2009. Whether, however, the economy as a whole enjoys a clear long-term resurgence remains uncertain. While we have yet to observe any recovery in the automotive industry, the semiconductor industry has been improving since autumn 2009, and we have received more orders from the segment, although not yet at pre-crisis levels.

If the slight economic resurgence continues and the upturn in the semiconductor industry proves to be stable, we can expect higher sales figures in 2010 than in 2009. Earnings should rise more clearly as our cost-reduction measures take full effect in the course of 2010.



Sincerely, Michael Mertin



Sincerely, Frank Einhellinger

Jena, March 2010

SUPERVISORY BOARD REPORT

Honored Shareholders,

Jenoptik continued to remain true to its strategy throughout fiscal year 2009, a difficult period characterized by the global economic and financial crisis. The company adhered to its new structure, divided into five divisions. Despite the difficult general conditions, Jenoptik was able to succeed in its operative business with its broad range of business areas, while following the cost and crisis management maintained throughout by the Executive Board. The Supervisory Board provided its continual support for the measures recommended by the Executive Board. Due to the planned redemption of the convertible bond issued in 2004 and the difficult circumstances with regard to the economic crisis, we focused in particular on the successful implementation of the reorganization of the Group's long-term financing and the further reduction of our net debt in 2009.

During the year of the report, the Supervisory Board fulfilled its tasks legally stipulated by law, Articles of Association and bylaws. It supervised and advised the Executive Board in its management of the Group. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. To this end, the Supervisory Board was provided with timely and comprehensive information by the Executive Board, both orally and in written form, on the current development of the Group's commercial and financial situation and its effects on the job situation, investment plans, corporate planning, other contingent liabilities, relevant compliance matters, and the strategic orientation and future development of the Group. The Executive Board provided the Supervisory Board with regular information on divergences in the company's business from its plans, with detailed explanations of such cases. Business processes of importance to the Group were discussed in the Supervisory Board meetings on the basis of reports provided by the Executive Board. With a view to the global economic and financial crisis, the Supervisory Board focused in 2009 particularly on the Group's current business situation including the risk situation and risk management, and the cost-reduction measures that had been implemented.

The Executive Board submitted for approval to the Supervisory Board transactions requiring approval on the basis of comprehensive information, as foreseen in regulations. Following an exacting examination and discussion of the matters, the Supervisory Board gave its approval of the reports and the proposals for resolution of the Executive Board inasmuch as this was necessary in accordance with law and Articles of Association. New business actions requiring approval were not established in the course of the year.

Beyond the meetings of the Supervisory Board, the Supervisory Board chairman maintained regular contact with the Executive Board, and was thus kept abreast of all important business developments and events both orally and in written form. This also applied to the committee chairmen with regard to the

topics discussed in the committees of the Supervisory Board, especially for the chairman of the Audit committee. The Executive Board reported comprehensively on the economic and financial development of the company, major business events, and the risk situation in the current monthly or quarterly reports that it presented for the meetings. The Executive Board's reports to the Supervisory Board and the Supervisory Board chairman included the states of the major companies associated with the Jenoptik Group.

The Supervisory Board met with the Executive Board and the heads of the five divisions at a separate strategy session in December 2009 to discuss the future direction and the basis for future plans in each of the divisions.

Collaboration between the Executive Board and Supervisory Board was characterized by an open and trusting atmosphere.

The Supervisory Board met in fiscal year 2009 for a total of four regular and one extraordinary session. No member of the Supervisory Board attended less than half of the meetings in the course of the year, with an average attendance of over 90 percent.

PARTICULAR SUBJECTS DISCUSSED BY THE SUPERVISORY BOARD

In its March 26, 2009 meeting, the Supervisory Board worked in depth on the Group's current state of business, and together with two representatives of the auditor, on the audit of the JENOPTIK AG annual financial statements, the consolidated financial statements, and the combined management report and group management report for fiscal year 2008. The annual financial statements of JENOPTIK AG and the consolidated financial statements were approved, the annual financial statements were thus adopted. This meeting also focused on passing the agenda for the annual general meeting on June 3, 2009, the state of financing, and the current state of the group-wide Jenoptik Excellence Program, the current state of the business with mid-format cameras shortly after the supplier Franke & Heidecke had filed for insolvency and the founding of the joint venture JENOPTIK OptiSys Ltd. in Israel.

In its June 2, 2009 meeting, the Supervisory Board intensively discussed the Group's current state of business. The Executive Board informed the Supervisory Board on cost-reduction measures that had been introduced – and on how the introduction of short-time working had been faring – as well as on the financing situation. The Supervisory Board also worked on the changes that had arisen for Jenoptik when the Modernization of Accounting Law (BilMoG) went into effect, as well as planned legal restructuring moves within the Group.

The long-term financial structure of the Group was the main topic of the extraordinary meeting on August 6, 2009.

In its September 9, 2009 meeting, the Executive Board reported once again on the state of Group business following the semi-annual report. They discussed the expansion of cost-reduction measures, in particular, including planned staff adjustments, the current state of the Jenoptik Excellence Program, and planned group-internal restructuring measures with regard to division structures. The discussions and decision-making process focused, furthermore, on new long-term Group financing schemes, taking into account the federal and state guarantees that the company had applied for. The Supervisory Board also worked on the changes in the German Corporate Governance Code that had been resolved by the government commission, and current legal changes brought about by the Act on the Appropriateness of Management Board Compensation (VorstAG) and the Law on the Implementation of the Directive on Shareholders' Rights.

In its final meeting of the reporting year on December 11, 2009, the Supervisory Board focused in detail on the Group's current state of business and finance following the completion of the third quarter, including financing issues and corporate planning for fiscal year 2010. The Board, furthermore, discussed the Jenoptik real estate structure and the legal relations to the associated company, caverion GmbH. The Supervisory Board passed new Supervisory Board bylaws adapted to changes in legal regulations, and approved the declaration of conformity in accordance with § 161 AktG following a careful examination. In addition, it assigned the audit to KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor of the financial statements and the consolidated financial statements for fiscal year 2009, based on the recommendation of the Audit Committee.

WORK IN THE COMMITTEES

The JENOPTIK AG Supervisory Board has formed a total of five committees, which prepare Supervisory Board decisions and topics to be discussed in the board plenary session, thus contributing greatly to the efficient work of the Supervisory Board. In certain cases, the committees were given decision-making responsibilities inasmuch as this was permitted by law. The committee chairmen reported in detail on the matters and results of their committee meetings at each subsequent meeting of the Supervisory Board in plenary.

The Audit Committee, led by Mag. Heinrich Reimitz, met six times in fiscal year 2009, including one telephone conference. The main focus of these meetings was initially the exacting examination of the annual and consolidated financial statements and the management report, in the presence of the auditor, and later the detailed quarterly reports. At its March meeting, the Audit Committee recommended that the Supervisory Board propose KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin as the financial auditor to the 2009 annual general meeting. The Committee, furthermore, discussed the repercussions of the new Modernization of Accounting Law (BilMoG) on the Group and in particular on the internal control system, risk management, and internal auditing. The Audit Committee focused most closely on the internal auditing within the Group. Together with the head of group auditing, the Audit Committee held in-depth discussions on the efficiency, staffing, and findings of the internal revision process. The Committee also focused on the risk management system, the group risk report, aspects of the internal control system, and compliance and issues connected with the securing of the financing needed in the middle and long term.

The Committee, moreover, discussed the effects of the bankruptcy of the supplier Franke & Heidecke on the mid-format camera trade. In the November 6, 2009 meeting, the Committee prepared the submission of the auditing assignment to the auditor for fiscal year 2009, and points of focus established for the audit. This included the examination of the independence and qualifications of the auditor, and of the additional services that the auditor provided in the previous fiscal year, as well as the determination of the auditor's fee.

The Personnel Committee, led by Supervisory Board Chairman Rudolf Humer, met three times in fiscal year 2009, including one telephone conference. Instead of the plenary board, the Committee was responsible for the decision-making process on the conclusion and the change of the contracts with the Executive Board members, particular with regard to the target agreements – until the Act on the Appropriateness of Management Board Compensation (VorstAG) went into effect on August 5, 2009, changing the Stock Corporation Act. One major topic of the meetings were the potential effects of the Act on the Appropriateness of Management Board Compensation on the contracts with the members of the Executive Board.

The shareholder representatives in the Personnel Committee are also members of the Nomination Committee, which is involved in the preparation of candidate recommendations for the election of members of the Supervisory Board by the annual general meeting. The Nomination Committee did not meet in the course of the past fiscal year as there was no cause for it to do so.

The Capital Market Committee led by Dr. Lothar Meyer met once in fiscal year 2009, discussing the Group's financing and means of raising capital in the current state of the capital market.

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

The committees are all required to provide comprehensive information to the Supervisory Board of their work on a regular basis.

CORPORATE GOVERNANCE

The Supervisory Board focused again on corporate governance standards in 2009, following closely continued changes to the German Corporate Governance Code, and sharing comprehensive information on the government commission on the German Corporate Governance Code at its June 18, 2009 meeting. The Supervisory Board determined that it had a sufficient number of independent members.

In its December 11, 2009 meeting, the Supervisory Board decided to issue its declaration of conformity in accordance with § 161 AktG with only two deviations. The declaration, including explanations of the deviations, is made available permanently to shareholders on the company website.

Further information on corporate governance within the company can be found in the Corporate Governance Report, an integral part of the Corporate Governance Declaration, on pages 13 to 18 of the Annual Report.

The system of remuneration and its changes are explained in the Management Report (from page 40) and the composition of the total remuneration of each member of the Executive and Supervisory Boards in the Notes (from page 164).

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft audited the financial statements, the JENOPTIK AG management report in accordance with HGB regulations, and the consolidated financial statements and group management report, which followed IFRS accounting standards, and which were submitted by the Executive Board. The auditor gave his full unqualified approval. The Supervisory Board submitted the audit assignment in accordance with the resolution of the annual general meeting of June 3, 2009 and pursuant to the recommendation of the Audit Committee.

The auditor undertook the audit in accordance with the German principles of correct auditing established by the Institut der Wirtschaftsprüfer (IDW) as well as in accordance with the International Standards on Auditing (ISA). The audit reports were immediately sent out upon completion and were discussed in depth both by the Audit Committee in its March 9, 2010 meeting and by the Supervisory Board plenary in its meeting of March 29, 2010. The auditor reported orally on the audits in both cases and was available for questions and further information to the members of both the Audit Committee and the Supervisory Board plenary.

Following the evaluation by the Audit Committee and the Supervisory Board's own evaluation, there were no reservations concerning the results of the audit so that the Supervisory Board approved of the JENOPTIK AG annual and consolidated financial statements in its meeting of March 29, 2010. The annual financial statements have thus been adopted in accordance with § 172, para. 1 of the Stock Corporation Act.

COMPOSITION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

There were no personnel changes with regard to the Executive Board and Supervisory Board in fiscal year 2009.

The Supervisory Board would like to thank the members of the Executive Board, our employees, and employee representatives for their great personal efforts and work in a difficult situation. We would also like to extend our appreciation to our shareholders for the trust they have placed in us.

Jena, March 2010

On behalf of the Supervisory Board



Rudolf Humer
Chairman

DECLARATION OF CORPORATE GOVERNANCE

The Executive Board submits this declaration – and in Sections I and II.1 also on behalf of the Supervisory Board – in accordance with Point 3.10 of the German Corporate Governance Code in the version of June 18, 2009 and in accordance with § 289a of the HGB. The declaration is part of the JENOPTIK AG management report in accordance with § 289a of the HGB and part of the annual report in accordance with Point 3.10 of the German Corporate Governance Code.

I. Declaration of conformity

Jenoptik views responsible management, focused on the long term, as a major basis for sustainable positive business development. Corporate governance is therefore a cornerstone of the company's management. Jenoptik is oriented toward recognized standards and supports the recommendations of the German Corporate Governance Code. In December 2009, the Executive and Supervisory Boards adopted the declaration of conformity in accordance with § 161 of the Stock Corporation Act. Jenoptik complies with the recommendations of the Code in the version of June 18, 2009, with few exceptions. The declaration of conformity is issued annually. The current declaration of conformity and those of previous years can be viewed by shareholders on a permanent basis at www.jenoptik.com under Investors>Corporate Governance. In addition to the recommendations of the Corporate Governance Code, Jenoptik also follows a majority of the other suggestions made in the code.

Jenoptik is convinced that responsible management serves to increase the trust of investors, business partners, employees, and the general public in Jenoptik. We thus view the following internal and external regulations as a basis for responsible action and as a major component of our business.

DECLARATION OF CONFORMITY OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF JENOPTIK AG IN FISCAL YEAR 2009 CONCERNING THE CORPORATE GOVERNANCE CODE PURSUANT TO § 161 OF THE STOCK CORPORATION ACT

In accordance with § 161 of the German Stock Corporation Act, the Executive and Supervisory Boards of listed corporations are required to provide an annual statement confirming their conformity with 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 electronic Federal Gazette (Bundesanzeiger), or to advise of any recommendations that have not been or are not being applied.

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

- I. The recommendations of the of the Government Commission on the German Corporate Governance Code (DCGK) in the version dated June 18, 2009 will be followed with the following exception: A deductible for D & O insurance for members of the Supervisory Board shall be waived (Point 3.8 DCGK).
- II. Since the last declaration of conformity dated December 2008, the recommendations of the Government Commission on the German Corporate Governance Code (DCGK) have been followed with the following exceptions:
 1. A deductible for D & O insurance for members of the Executive and Supervisory Boards has been waived (Point 3.8 DCGK).

2. The Personnel Committee of the Supervisory Board, so far responsible for Executive Board contracts, had consulted the Supervisory Board plenum with regard to the Board's remuneration scheme, including major elements of the contracts if the plenum so wished this and when the Committee deemed it necessary for a specific reason (Point 4.2.2 DCGK).

Justification of deviation Point I.

The view is seen as fundamentally objectionable that the motivation and responsibility of the Supervisory Board members would be improved through the introduction of a deductible. Such a policy could also lead to difficulties in recruiting members to the Supervisory Board.

Justification of deviation Point II.

1. The view is seen as fundamentally objectionable that the motivation and responsibility of the Executive and Supervisory Board members would be improved through the introduction of a deductible. Such a policy could also lead to difficulties in recruiting members to the Supervisory Board. The new legal provisions on deductibles for members of the Executive Board pursuant to the Act on the Appropriateness of Management Board Compensation (VorstAG) which came into force in August 2009 will be taken into account when new contracts are to be concluded.
2. The case-by-case treatment of Executive Board contracts and of the remuneration scheme, including major elements of the contracts, was regarded sufficient for the Supervisory Board to work efficiently before the Act on the Appropriateness of Management Board Compensation (VorstAG) came into force. The new legal provision that the Supervisory Board must decide in plenum on the total remuneration of an Executive Board member in accordance with VorstAG, which came into force on August 5, 2009, will be complied with.

II. Information on managerial practices

1. CORPORATE GOVERNANCE REPORT

The structure of the management and supervision of JENOPTIK AG is based on the principles of the dual management system as presented in the following:

Shareholders and the Annual General Meeting

Our shareholders exercise their voting rights in our annual general meeting. The annual general meeting takes place within the first eight months of the fiscal year, normally in June. The chairman of the Supervisory Board presides over the annual general meeting. The annual general meeting decides on all matters ascribed to them by law (including the use of earnings, the election of members of the Supervisory Board, the approval of the actions of the Executive Board and Supervisory Board, changes to the company's Articles of Association and capital measures). Each share receives one vote in these elections. Proxy representatives will again be on hand to allow shareholders to have a vote who cannot attend the meeting.

In accordance with regulations according to stock corporation law, information will be made available at www.jenoptik.com under Investors>Annual General Meeting, including the invitation to the annual general meeting, the conditions of participation, and reports and information necessary for shareholders to make voting decisions, particularly information that is based on the Law on the Implementation of the Directive on Shareholders' Rights (ARUG). Following the meeting, the attendance and voting results will be published on the page as well.

Executive and Supervisory Boards.

More information on the Executive Board and the Supervisory Board and on their work of is provided in the following in the Declaration of Corporate Governance under point III. The explanations involved are also part of the corporate governance report.

Shareholdings

In the reporting year, JENOPTIK AG had no share purchases or sales with regard to JENOPTIK AG shares or connected financial instruments that were subject to mandatory disclosure pursuant to § 15a of the WpHG ("Directors' Dealings"). Further information on "directors' dealings" can be found on our website at www.jenoptik.com at Investors>Corporate Governance>Directors' Dealings.

Individual members of the Executive Board and Supervisory Board hold shares in JENOPTIK AG, which do, combined, exceed one percent of the total shareholdings. The two members of the Executive Board hold 1,036 shares in total, while the Supervisory Board members hold a total of 3,324,253 shares. This includes 2,773,066 shares held indirectly by Ms. Wahl-Multerer as the sole shareholder of Varis Vermögensverwaltungs GmbH.

We, moreover, publish any information that comes to our attention when someone has surpassed, fallen below, or reached the 3, 5, 10, 15, 20, 25, 30, 50, and 75 percent marks in terms of Jenoptik voting rights, whether through purchase, sale, or other manner. These reports can be found at www.jenoptik.com under Investors>Share>Voting rights announcements.

Risk management

Good corporate governance entails meeting commercial risks responsibly. Jenoptik has implemented a group-wide risk management system with its own risk reporting system covering all fully consolidated companies, which was improved even further during the period of this report. Group management uses comprehensive general and company-specific reporting and monitoring systems to identify, assess and manage these risks. These systems are in continuous development, are adjusted to follow changes in the framework conditions and then reviewed by the auditors.

Details on the Jenoptik risk management process are provided in the risk report. This includes the description of main features of the accounting-related internal control and risk management

systems required by the German Modernization of Accounting Law. Detailed information can be found on in the management report from page 85.

Accounting and auditing

The Executive Board prepares the JENOPTIK AG annual financial statements and management report according to the regulations of the German Commercial Code (HGB). The consolidated financial statements and Group management report are prepared in accordance with the International Financial Reporting Standards (IFRS). These statements and reports are subsequently examined by auditors and by the Supervisory Board. The auditor takes part in the discussions of the Supervisory Board and the Audit Committee. The reports are then published within 90 days following the end of the fiscal year.

An agreement was made with KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin, the auditor chosen by the 2009 annual general meeting, that the chairman of the Supervisory Board would be immediately informed of any grounds for disqualification or partiality and of all major findings and events in the course of the auditing process. The chairman of the Supervisory Board is also to be informed if the auditor discovers any divergences from the declaration of conformity submitted by the Executive Board and Supervisory Board pursuant to § 161 of the AktG. The auditor reports on his findings, including any problems and weaknesses, to the Executive Board and the Audit Committee both orally and in writing in a management letter. Before making its recommendation for the auditor, the Supervisory Board requires the declaration of independence from the auditor. KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin thus confirms that there are no professional, financial, personal, or other relationships between the auditor, its board members and head auditors, and the company being audited and its board members.

Transparency

Jenoptik places a great deal of importance on sharing comprehensive and timely information between the bodies, and in providing this information to the capital market and the general public. The reporting on Jenoptik's results and business situa-

tion is made by the required deadlines in the company's annual report, its semi-annual and quarterly reports. Shortly after the publication of the annual and consolidated financial statements, there is also a press conference, an analyst conference, and – for the semi-annual and quarterly reports as well – telephone conferences with the press, analysts, and investors. Further information on important current events and new developments are also published in press releases. Inside information is made public without delay inasmuch as the Executive Board is not exempted from its disclosure in individual cases. All ad-hoc and press releases can be accessed on the company website, alongside all annual and quarterly reports, investor relations information, and the financial calendar with all publication deadlines and the date for the annual general meeting. Further information on communications and investor-relations work can be found on the pages of this annual report dedicated to the company shares, starting from page 32.

In addition to the legal regulations, the Group has added group guidelines for the compliance with the stipulations of the Securities Trading Act. This regulates major obligations of members of group organs and other employees with regard to inside information, ad-hoc publicity, bans on market manipulation, and directors' dealings and assigns responsibilities connected with these. These guidelines were revised this past fiscal year and adapted to new regulations. The Capital Market Working Group was formed in 2005, and has since been examining individual matters with regard to their potential ad-hoc relevance. This is meant to exclude the possibility that inside information could be treated in a manner that does not adhere to legal regulations. People with access to inside information also have to be included into an insider list and need to be informed of their legal obligations and sanctions.

Declaration of conformity in accordance with § 161 AktG and explanations of divergence

The declaration of conformity in accordance with §161 AktG can be found at www.jenoptik.de under Investors/Corporate Governance on a permanent basis and is also presented under point I of the declaration of corporate governance.

The explanations provided there on divergences and suggestions of the German Corporate Governance Code are also part of the corporate governance report.

Remuneration report

Information on the principles of the remuneration system of the Executive and Supervisory Boards are part of the group management report, and can be found in the annual report beginning on page 40.

Information on the individual payment of members of the Executive and Supervisory Boards can be found in the group notes from page 164. We view these figures as an integral part of the remuneration report.

2. OTHER MANAGERIAL PRACTICES

JENOPTIK AG has transformed itself over the past three years from a financial holding company into a holding that views itself as a "strategic architect". JENOPTIK AG is connected with its most important associated companies through domination and profit transfer agreements. These companies are combined into the five divisions: Lasers & Material Processing, Optical Systems, Industrial Metrology, Traffic Solutions, and Defense & Civil Systems. Jenoptik's operative business is conducted within these divisions. JENOPTIK AG focuses in particular on the definition, implementation, and monitoring of overarching processes, and the development and implementation of corporate strategy. JENOPTIK AG also has specialist departments that cut across all five divisions. The Executive Board is supported in its decisions by the Executive Management Board which comprises the Executive Board and the heads of each of the five divisions, the deputy head of the Optical Systems division, and the head of the JENOPTIK AG HR department. The division leaders also keep the Executive Board informed in a timely and comprehensive manner of all events that are relevant for the company within their respective divisions, particularly within the framework of the monthly meetings of the divisions with the Executive Board and with selected JENOPTIK AG unit leaders. At least once a year, furthermore, there is a central Jenoptik management meeting, encompassing numerous leaders

throughout the Group including the Executive Management Board. There is also an annual innovation meeting to support exchanges among the Group's R & D departments. Group-wide projects are supported by a central Project Office, which follows and monitors the development of some 100 projects at the moment, which are mostly non-technical in nature. As part of a continual strategy process, there are regular strategy meetings with the divisions, in which the basis for market and competitive activity is prepared for the division planning in the subsequent year and in the middle term. The individual steps in the strategy and planning process are discussed on pre-determined dates with the divisions, and the results are noted, activities determined, and then presented to the Executive Board at autumn strategy and planning meetings for the Executive Board to approve.

At Jenoptik, sustainable economic and social activity in accordance with the law is a central part of our corporate culture. This also includes trust, respect, honesty, and integrity with regard to employees, business partners, shareholders, and the general public, expressed through exemplary conduct. Jenoptik views "compliance" to include compliance with the law and all legal stipulations and the Articles of Association, with internal regulations, and with individual voluntary commitment in this regard. A code of conduct was introduced to this end for the Group as a whole. This is to be seen as a guideline for the daily work of all employees, the Executive Board, and the managers of the group companies. The code of conduct provides minimum standards and offers pointers as to how each and every employee can cooperate to comply with it. Violations of the code are to be investigated in the interest of all employees and of the company as a whole, and the causes of such violations are to be eliminated. This includes the continual investigation of violations against legal regulations. The code of conduct is available at www.jenoptik.com under Investor Relations/Corporate Governance.

In addition to all these general guidelines, internal guidelines are adopted, continually reviewed and updated for all major business processes in order to ensure that all company employees comport themselves in accordance with the law.

III. Operating principles of the Executive Board and Supervisory Board

The Executive Board runs the company as its own responsibility and in the interest of and in accordance with the company's fundamental business policy.

The members of the JENOPTIK AG Executive Board are appointed by the Supervisory Board. The Executive Board is currently made up of two members. For the division of responsibility among the members, please consult the management report on page 40.

The Executive Board and the Supervisory Board work together closely and trustingly in guiding and monitoring the company. The Executive Board has issued bylaws to regulate work within the Executive Board, particularly with regard to the division of responsibilities and informed the Supervisory Board about these. The Executive Board is to inform the Supervisory Board continually both orally and in writing, in a timely and comprehensive manner on all matters relevant to the current development of the Group's business and financial situations, including its effects on the work situation, investment plans, company planning, its strategic orientation, and the further development of the company including its risk situation and risk management.

The Supervisory Board of JENOPTIK AG consists of twelve members, with six members elected by the shareholders in the annual general meeting and six nominated by employees in accordance with the Codetermination Act. All members are elected for the same period of time. Nominations for the Supervisory Board are made taking into account all the necessary abilities, skills, experience and expertise, as well as a level of diversity in the body and an adequate number of independent members. Nominees may not, moreover, exceed 70 years of age at the time of the election. The Supervisory Board chairman must be elected from the members of the Supervisory Board in accordance with § 27, paras. 1 and 2 of the Codetermination Act (MitbestG). No former members of the Executive Board belong to the Supervisory Board.

The Supervisory Board monitors and advises the Executive Board in its management of the company. Most important decisions of the Executive Board require the approval of the Supervisory Board. The chairman of the Supervisory Board coordinates the work of the Supervisory Board, presides over its meetings, and represents the body externally. The chairman maintains regular contact with the Executive Board, and its chairman in particular, who provides the Supervisory Board chairman with immediate information on important events. Split votes within the Supervisory Board are decided by a second vote in which the Supervisory Board chairman receives a double vote.

The Supervisory Board meets at least four times a year. The board carries out a comprehensive formal investigation of its efficiency at least once every two years; suggestions by members on ways to improve the work of the Supervisory Board and its committees are always welcome and are often implemented immediately. The Supervisory Board has passed bylaws affecting its own work and formed five committees (personnel, audit, capital market, nomination, and mediation committees). The committees are made up of equal numbers of shareholder and employee representatives, except for the nomination committee, which is made up only of shareholder representatives. The members of the committee during fiscal year 2009 are listed in the notes from page 166. The expertise of the candidates is taken into account in the formation of the committees. The committees prepare resolutions for the plenum and topics to be taken up by the Supervisory Board, thus contributing toward a more efficient division of labor. Inasmuch as it was legally permissible, the decision-making process for certain individual matters was transferred wholly to the individual committees. In the following Supervisory Board meeting, the committee chairmen report to the full board in detail on the content and results of the committee meetings.

The Audit Committee meets at least four times each year. Its discussions revolved in particular around the topics specified in § 107 para. 3 sent. 2 of the Stock Corporation Act and in Point 5.3.2 of the German Corporate Governance Code. In the committee's first meeting, it regularly deals with the previous year's financial statements and, in subsequent meetings, with the quarterly statements of the current fiscal year. Each member of the Supervisory Board later receives a detailed copy of the protocol of the Audit Committee meetings.

The Personnel Committee meets at least once a year.

The Nomination Committee, which is tasked with the preparation of the nomination of candidates to be elected by the annual general meeting to the Supervisory Board, meets only when necessary, as is the Mediation Committee, which is charged with tasks in accordance with § 31 of the Code-termination Act.

The Capital Market Committee, which grapples with capital market topics affecting the company such as possible capital measures, also only meets when necessary.

The Supervisory Board also examines the annual financial statements, management report, and the recommendation of the Executive Board with regard to the use of the JENOPTIK AG and group net profit. It approves the annual and consolidated financial statements inasmuch as it has no reservations with regard to the results of the audit, and adopts the annual financial statement in accordance with § 172, para. 1 of the AktG.

Further information on the Supervisory Board, its committees, and its methods in fiscal year 2009 can be found in the Supervisory Board report published on pages 8 to 12 of the annual report.

CHRONICLE OF THE YEAR 2009

Jenoptik acquires the Berlin-based Three-Five Epitaxial Services AG, thus expanding its diode laser activities to include yet another stage of production. Jenoptik will now be able to provide its own epitaxy wafer production.

Despite the considerable economic downturn in the second half of 2008, the Jenoptik Group can look back on a successful year 2008. The measures the company introduced, as part of its process of strategic reorganization, have proven to be necessary and effective in 2008.

JANUARY



DIODE LASER ACTIVITIES EXPANDED.

The Jenoptik Industrial Metrology division acquires segments of the Chinese company Shanghai AES Auto Equipment Co. Ltd. (AES). This will serve to expand Jenoptik's assembly capacities and its procurement expertise – for the benefit of the entire Group.

Jena's Friedrich Schiller University renames a lecture hall of its Faculty for Physics and Astronomy "Jenoptik Hall" in appreciation of the company's many years of support for the university.

FEBRUARY



APPRECIATION OF PARTNERSHIP WITH THE UNIVERSITY.

Jenoptik's Optical Systems division and Israel's company Dagesh found JENOPTIK OptiSys Ltd., a joint venture based in Israel. Both companies retain 50 percent of the new company.

Jenoptik sells its devalued share certificates; the proceeds go to Jena's Saaleknirpse day-care center.

The Lasers & Material Processing division receives an order to provide the laser processing systems for another thin-film solar cell plant in Asia.

MARCH



DONATION FOR DAY-CARE CENTER.

EXPANDING JENOPTIK'S PRESENCE IN ASIA.



JULY

Jenoptik is to be represented in South Korea by a laser application center, in close cooperation with the Korean company Telstar-Hommel Corp. The new joint venture is called JENOPTIK Korea Corp., in which Jenoptik holds 66.6 percent of all shares. The Industrial Metrology division has already been active on the Korean market for 25 years.

Jenoptik signs a procurement contract with the Federal Office for Defense Technology and Procurement (Bundesamt für Wehrtechnik und Beschaffung, BWB) in Koblenz for the new Puma infantry fighting vehicle. The contract is valued at approx. 70 million euros for Jenoptik through 2020.

GREEN LIGHT FOR A TRANSITION TO DIGITAL TECHNOLOGY.



AUGUST

A total of 32 new trainees and Career Academy students begin their careers at Jenoptik Group locations throughout Germany.

The Traffic Solutions division receives approval for mobile digital technology by the Physikalisch-Technische Bundesanstalt, Germany's national metrology institute. Jenoptik has subsequently equipped 300 mobile systems with digital photo technology throughout Germany.

The Jenoptik Excellence Program that was introduced in early 2009 as part of the Group's strategic reorganization process has been implemented rapidly throughout the Group. Cost-cutting measures have been expanded and adapted to current capacities in the second half of the year.

WORKING WITH LUMENOVA ON NEW LEADING TECHNOLOGIES.



SEPTEMBER

Lumenova GmbH of Esslingen, Germany and Jenoptik's Optical Systems division conclude a wide-ranging strategic alliance in LED lighting.

Jenoptik has successfully restructured its financing structure, with long-term financial liabilities at approx. 80 percent. Jenoptik received a guarantee of 44 million euros from the Federal and State governments for part of the financial package.

Jenaer Kunstverein, the Jena art society, supports the "Bauhaus Today" exhibition of Weimar artists to mark the 90th anniversary of the Bauhaus movement.

JENOPTIK AG is the third shareholder of the "Jenaer Bildungszentrum gGmbH – Schott, Carl Zeiss, Jenoptik" training center. The three Jena-based companies will now be able to combine forces to train its up-and-coming staff members. New Jenoptik trainees at sites throughout the state of Thuringia and future Career Academy students begin to have their practical training at the new center in September 2009.

For the 19th year, Jenoptik supports the annual "Jugend forscht" Thuringia state youth science and research competition in Jena.

APRIL



JENA TRAINING CENTER EXPANDED.

JENOPTIK AG donates new PC technology to Jena's Ernst Abbe Gymnasium (high school). Jenoptik CEO Michael Martin, and the company's head of HR, Melanie Jaklin, personally present the new computers to be used in the school's law and economics room.

The Optronics business unit of Jenoptik's Defense & Civil Systems division takes part in the robotics conference of the German Aerospace Center (DLR) in Berlin.

MAY



STATE-OF-THE-ART TECHNOLOGY FOR USE IN SPACE.

Jenoptik presents its broad spectrum of products at the LASER World of Photonics 2009 convention in Munich. This includes new optics for laser material processing, fiber-coupled diode lasers with single emitters, OEM fiber lasers, and laser systems for industrial applications.

Jenoptik and LightTrans conclude a cooperative agreement. LightTrans is to design microoptical components and systems exclusively for Jenoptik.

Jenoptik delivers four laser processing systems to a photovoltaics company in Taiwan that produces thin-film solar cells.

JUNE



NEW PRODUCTS AT "LASER 2009".

ENSURING IMAGE EXCELLENCE FOR LEICA.



OCTOBER

A speed measurement system goes online that has been installed by Jenoptik in a Düsseldorf tunnel beneath the Rhine River. The showcase project is the first tunnel to be equipped with the new technology in an urban area.

The Digital Imaging business unit of the Optical Systems division has developed its new LEICA M9 range-finder camera in cooperation with Leica.

Jenoptik receives the 2009 IC Industry Award from the trade journal EuroAsia Semiconductor for its JENOPTIK-VOTAN™ Semi 300 laser processing system.

A LONG NIGHT AT JENOPTIK.



NOVEMBER

The 2009 Jenoptik Innovation Award goes to a team at the Defense & Civil Systems division. The team received recognition for its auxiliary power unit.

As part of Jena's Long Night of Science, some 5,000 visitors get to know Jenoptik up close, both at the company headquarters and at its site in Jena's Göschwitz industrial area.

Jenoptik and the Jena University of Applied expand their cooperation and sign an agreement to introduce a doctoral position in optics, laser technology, and laser material processing.

ADAPTING TO NEW CAPACITY LEVELS NECESSARY.



DECEMBER

The Jenoptik Executive Board and the IG Metall union agree to a new 15-month collective agreement to go into effect beginning January 1, 2010 with a duration of 15 months.

The Group's core workforce is to be reduced to around 3,000 in number. The process is, however, to be carried out with careful attention to social responsibility. Representatives of Jenoptik and works councils have approved the social plans and reconciliations of interests.

THE JENOPTIK SHARE

In the course of the past year, the business development of the Jenoptik Group was impacted by a difficult economy, particularly in the semiconductor and automotive industries. Sales and earnings were lower than in the previous year. We were, nevertheless, able to maintain a positive cash flow and reduce net debt. We have implemented wide-ranging cost reduction measures. In addition to the expansion of our international distribution network, numerous innovative new products including laser processing systems for the photovoltaic industry, fiber lasers, the expansion of business in the areas of infrared optics and complete traffic service providing models, will all bring the company forward as a whole. In fiscal year 2010, Jenoptik expects a group operating result between 15 and 25 million euros.

The financial markets were strongly affected by the financial and economic crisis in 2009, with Germany's Dax and TecDax indexes both losing considerable ground in the first quarter 2009, reaching their annual lows of 3666.41 and 405.14, respectively, in early March. An improved economic outlook led to a rebound beginning in early April, and both the Dax and TecDax gained ground over the year as a whole, with the Dax rising approximately 20 percent and the TecDax gaining around 55 percent over the year as a whole.

Following a strong end to 2008 and start to 2009, the Jenoptik share followed the downward trends on the stock market over the first quarter of 2009. The share's trajectory, however, continued over the subsequent weeks, hitting the year's lowest daily closing price of 2.83 euros in early July. The share then followed the general upward trend of the German stock exchanges, concluding the year in Xetra trading at 3.79 euros, but at a loss of some 30 percent for the year as a whole. ^[1]

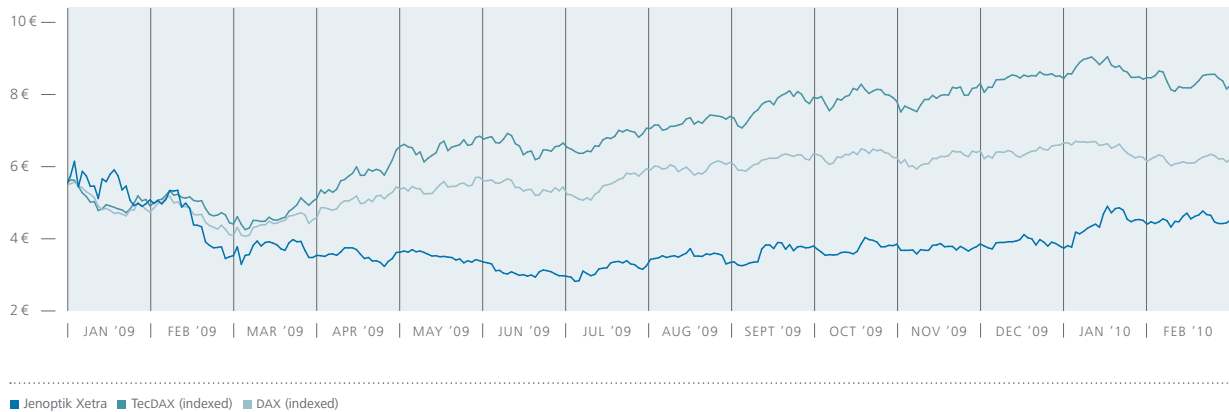
The Jenoptik share began the new year on the stock market with a plus in the share price. Up to February 26, 2010 the share price rose to 4.55 euros, an increase of 20 percent since the end of the last year. With this rise the Jenoptik share showed a better performance than Dax and TecDax as both recorded losses.

The downward development of the Jenoptik share was reflected in the company's market capitalization. On the basis of the approximately 52 million shares issued, the capitalization figure came to roughly 197.2m euros as of December 30, 2009 (December 30, 2008: approx. 260.2m euros). An average of 147,065 Jenoptik shares were traded on all of Germany's exchanges each day, down from 160,866 in 2008. Xetra trading accounted for nearly 90 percent of the volume. In accordance with exchange turnover and capitalization criteria, Jenoptik, in terms of its free float, came in 27th among the 30 companies listed on the TecDax at the end of December 2009. ^[4]

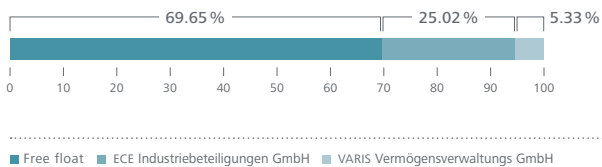
INTENSIVE COMMUNICATIONS WITH THE CAPITAL MARKET.

Our investor relations department focuses on providing the capital market with comprehensive, transparent, and up-to-date information on the development of the Jenoptik Group. Jenoptik management presented the Group at two analyst conferences in Frankfurt, various bank conferences in Germany and abroad, and at road shows in Frankfurt, London, Copenhagen, and in New York, Boston, and other U.S. cities. We have also provided further information on our current business developments and perspectives in the course of numerous discussions and telephone conferences, continually keeping in touch with institutional investors and analysts.

1 DEVELOPMENT OF THE JENOPTIK SHARE PRICE (January 2, 2009 – February 26, 2010)



2 SHAREHOLDER STRUCTURE (as at February 28, 2010)



JENOPTIK SHARE INFORMATION

ISIN DE0006229107 ... WKN 622910 ... Ticker symbol JEN
 Reuters Xetra JENG.DE ... Reuters JENG.F

Listed in the following indexes: TecDax ... Prime All Share
 Tec All Share ... CDax ... HDax ... Dax International Mid 100
 Prime Industrial ... Prime IG Advanced Industrial Equipment

4 KEY JENOPTIK SHARE FIGURES (in EUR)

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|-----------|-------------|-----------|-------------|-----------|
| Group earnings per share | -1.44 | 0.22 | -0.16 | 0.23 | -0.73 |
| Highest share price/Lowest share price (Xetra) | 9.80/6.77 | 8.35/6.30 | 8.23/5.51 | 6.07/3.44 | 6.19/2.83 |
| Closing share price (Xetra year-end) | 7.60 | 7.50 | 6.25 | 5.00 | 3.79 |
| Average daily trading volume ¹⁾ | 157,699 | 127,712 | 139,199 | 160,866 | 147,065 |
| Market capitalization (Xetra year-end) | 395.5 Mio | 390.3 Mio | 325.2 Mio | 260.2 Mio | 197.2 Mio |
| PER (based on highest share price)/ PER (based on lowest share price) | n. a. | 37.95/28.64 | n. a. | 26.39/14.96 | n. a. |
| Non-par value bearer shares issued | 52.03 Mio | 52.03 Mio | 52.03 Mio | 52.03 Mio | 52.03 Mio |
| Bond (closing price, Frankfurt, year-end) | 108.00 | 106.00 | — | — | — |
| Convertible bond (closing price, Frankfurt, year-end) | 91.00 | 93.00 | 93.00 | 92.00 | — |

¹⁾ Source: Deutsche Börse

Over the past year, ten financial analysts worked on the company, publishing research reports and commentaries. An overview of current analyst evaluations and further information on the Jenoptik share and the company's development can be accessed at www.jenoptik.com by following the links to "Investors" and then "Share".

In September 2009, manager magazin awarded Jenoptik first prize in the TecDax segment for its 2008 Annual Report. Our financial report was once again lauded for the quality of its information. The magazine compared around 200 reports published by Germany's most important listed companies, ranking them in terms of content, layout, and language.

ANNUAL GENERAL MEETING

Some 400 shareholders attended the JENOPTIK AG Annual General Meeting in Weimar on June 3, 2009, representing over 50 percent of the voting capital. The shareholders approved all the recommendations of the Executive and Supervisory Boards by a vast majority. This included proposals for the creation of authorized capital, the issuance of convertible bonds and the creation of the corresponding conditional capital, and various changes in the Articles of Association. Further

information on our annual general meetings can be accessed at www.jenoptik.com; please click on "Investors" and then "Annual General Meeting".

SHAREHOLDER STRUCTURE

There have been no major changes in the Jenoptik shareholder structure over the past fiscal year. Vienna-based ECE Industriebeteiligungen GmbH, which announced an increase in its share in JENOPTIK AG to 25.02 percent at the beginning of 2008, remains Jenoptik's largest single shareholder. Munich-based VARIS Vermögensverwaltungs GmbH holds 5.33 percent of JENOPTIK AG shares. 69.65 percent of Jenoptik shares, and thus a vast majority, were held by diverse investors (free float) as at December 31, 2009. ⁽²⁾

A large portion of the free float is owned by institutional investors. In early February 2009, Oppenheimer Funds of Centennial, USA, announced a reduction in its share in the company to 2.92 percent. Franklin Templeton Investments Corp. of Toronto, Canada, reduced its share to 2.84 percent in March 2009, while Templeton Investment Counsel LLC., Fort Lauderdale, USA, reduced its share to 2.99 percent.

STATE-OF-THE-ART TECHNOLOGY IS OUR FUTURE

When we look to the future, what do we see?

How can we create and maintain a world worth
living for our children and ourselves?

In the following, we will provide you with an example
for each of our five divisions that will show you how
we at Jenoptik are contributing to making this vision
a reality with our state-of-the-art technology.

| | |
|----|------------------------------|
| 20 | LASERS & MATERIAL PROCESSING |
| 22 | OPTICAL SYSTEMS |
| 24 | INDUSTRIAL METROLOGY |
| 26 | TRAFFIC SOLUTIONS |
| 28 | DEFENSE & CIVIL SYSTEMS |

JENOPTIK AG GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2009

We have generally maintained the structure, size, and content covered in last year's management report. The risk management system, however, is now being presented in greater detail in accordance with the Modernization of Accounting Law (BilMoG) and the changes in the German accountancy standards. The management report is also including information on the topic of sustainability for the first time.

| | |
|----|--|
| 36 | BUSINESS AND FRAMEWORK CONDITIONS |
| 50 | EARNINGS, FINANCIAL AND ASSET POSITION |
| 75 | SEGMENT REPORTING |
| 85 | REPORT ON POST-BALANCE SHEET EVENTS |
| 85 | RISK REPORT |
| 98 | FORECAST REPORT |

1 BUSINESS AND FRAMEWORK CONDITIONS

1.1 Group structure and business activity

BUSINESS AREAS AND ORGANIZATIONAL STRUCTURE

As an integrated optoelectronics Group Jenoptik operates in five divisions:

- Lasers & Material Processing,
- Optical Systems,
- Industrial Metrology,
- Traffic Solutions and
- Defense & Civil Systems.

General group processes are combined within the Shared Service Center. These include information technology, operational HR management, the purchase of materials and services for multiple divisions, real estate management, the areas of security, technical services as well as health and safety at work and environmental protection. The Corporate Center covers the central areas and is integrated within the holding company JENOPTIK AG.

The reporting both in the Annual Report as well as in the Notes is carried out on the basis of the Lasers & Optical Systems (Lasers & Material Processing and Optical Systems divisions) and Metrology (Industrial Metrology & Traffic Solutions divisions) segments plus the Defense & Civil Systems segment which corresponds to the

division of the same name. All figures can be compared with the segment figures for the year 2008. Jenoptik Holding plus real estate, special topics and consolidation effects (transfer) are combined under “Others”. 5

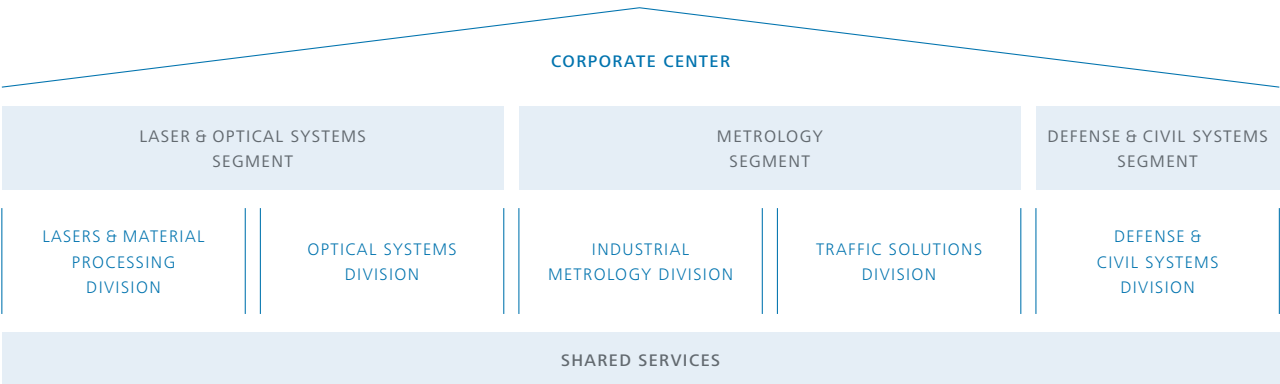
PRODUCTS, SERVICES AND BUSINESS PROCESSES

Jenoptik is primarily a supplier of capital goods and consequently a partner for industrial companies. In the Traffic Solutions and Defense & Civil Systems divisions we are also a major supplier to the public sector either directly or indirectly via system integrators. We do not focus on consumer markets.

We supply many of our systems and facilities to customers who are themselves based in the technology sector. Key importance is attached to research and development within our business processes. We carry out custom development and manufacture for many of our customers and partners.

Our product portfolio ranges from complex systems, industrial facilities and production lines through to modules and subsystems down to individual components. The Jenoptik Group also successfully markets comprehensive total solutions and/or operator models consisting of system and facility integration and their corresponding networking, as well as project management, data processing and after-sales.

5 ORGANIZATIONAL STRUCTURE



In the **Lasers & Material Processing** division we have control of the entire value-added chain of laser material processing and are one of the leading providers – from component through to complete system. In the area of laser technology, Jenoptik has specialized in high-quality semiconductor materials and reliable diode lasers as well as innovative solid-state lasers, for example disk and fiber lasers. In the area of high-power diode lasers Jenoptik is acknowledged worldwide as a leader in quality for high-power diode lasers.

In the area of laser processing systems we develop systems that are integrated into production facilities of our customers as part of their process optimization and automation. These systems enable our customers to work with plastics, metals, glass, ceramics, semiconductor materials and solar cells with maximum efficiency, precision and safety.

With its **Optical Systems** division the Jenoptik Group is one of the few manufacturers in the world to produce precision optics and systems designed to meet the highest quality standards. Besides opto-mechanical and opto-electronical systems, modules and assemblies the division is a development and production partner for optical, micro-optical and optical coating components – made of optical glass, infrared materials as well as plastic. It possesses outstanding expertise in the development and manufacture of micro-optics for beam shaping used in the semiconductor industry and laser material processing. The

product portfolio also includes components and systems for life sciences as well as lighting & energy applications, system solutions and modules for digital image capture, optimization as well as processing in commercial, industrial and scientific applications as well as digital microscopy.

In the field of **Industrial Metrology** Jenoptik is one of the leading manufacturers of and system providers for high-precision, contact and non-contact production metrology. The range of products covers total solutions for a wide range of measurement tasks such as testing roughness, contour and form as well as determining dimensions – in every stage of the production process or in the metrology room. The product range is rounded off by a comprehensive service offering which includes advice, training and customer service, including long-term maintenance agreements.

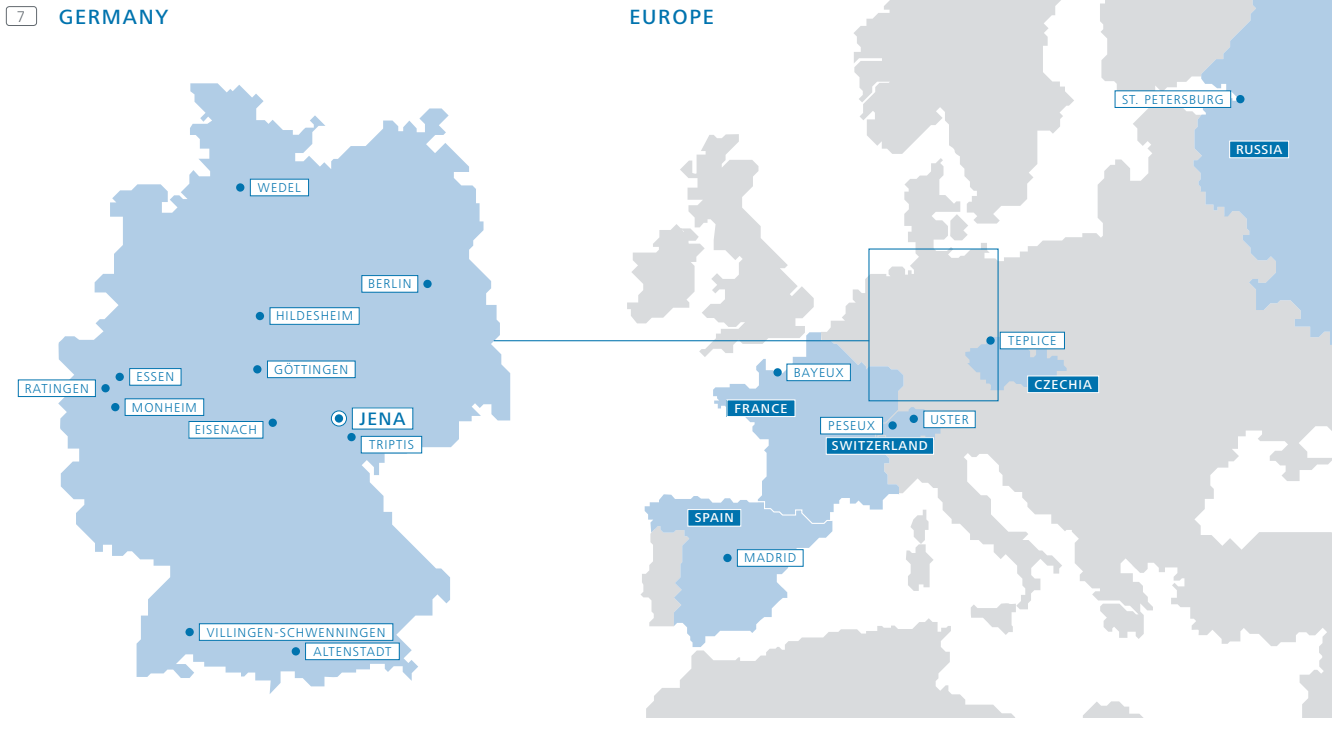
In the **Traffic Solutions** division Jenoptik develops, manufactures and distributes components and systems, which are contributing towards greater road traffic safety throughout the world. Based on the proven Robot Technology, the market-leading product portfolio includes comprehensive systems relating to all aspects of road traffic, like speed measurement and red light monitoring systems, OEM (Original Equipment Manufacturer) products and systems for detection of traffic violations. In the field of Services Jenoptik covers every aspect of the traffic

6 SALES BY TARGET MARKET

Markets (in million euros and % of total sales)

| | 2009 | | 2008 | |
|--------------------------------------|-------|---------|-------|---------|
| Security and defense technology | 134.5 | 28.4 % | 144.3 | 26.3 % |
| Aviation and aerospace/traffic | 116.0 | 24.5 % | 104.5 | 19.1 % |
| Automotive/machine construction | 96.8 | 20.4 % | 130.3 | 23.8 % |
| Medical technology | 45.4 | 9.6 % | 52.2 | 9.5 % |
| Semiconductor industry/photovoltaics | 34.8 | 7.3 % | 41.7 | 7.6 % |
| Others/consolidation/real estate | 46.2 | 9.8 % | 75.3 | 13.7 % |
| Total | 473.6 | 100.0 % | 548.3 | 100.0 % |

JENOPTIK: THE MAIN BUSINESS LOCATIONS



safety process chain – from system development, production and installation of the monitoring infrastructure, image capture and automated processing, through to issuing citations and collecting the fines as the system operator.

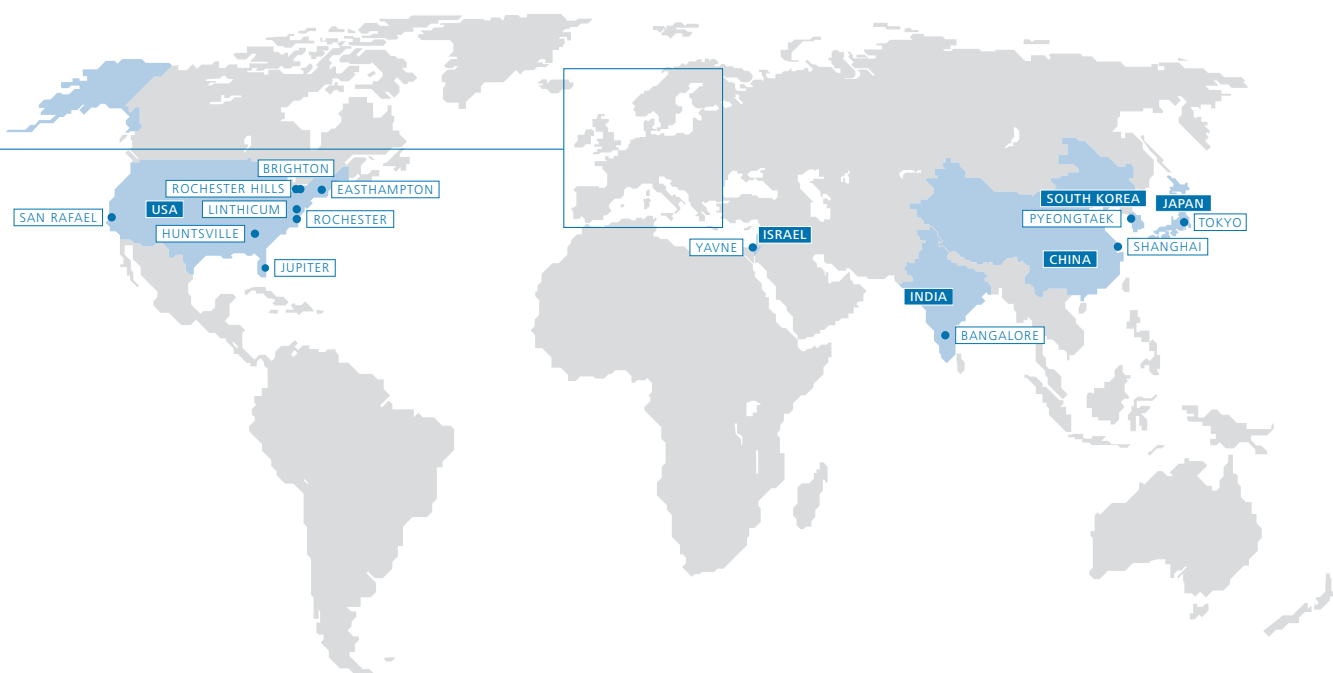
The **Defense & Civil Systems** division focuses on the areas of military vehicle, rail and aircraft equipment, drive and stabilization technology as well as energy systems. The service spectrum also includes optoelectronic instrument and systems for the security and aerospace industry as well as software, measurement and control technology. In the laser and infrared sensor systems field the focus is on the development, manufacture and marketing of laser distance measurement equipment as well as infrared camera systems designed to meet a wide range of applications.

JENOPTIK: THE KEY LOCATIONS

The Jenoptik Group is represented in 70 countries worldwide, in 19 of these through its own companies, investment holdings or direct presence. Jenoptik's headquarters and main focus of production area is in Germany. In addition to the headquarters in Jena other major locations include Wedel near Hamburg, Monheim near Düsseldorf, Villingen-Schwenningen, Triptis and Eisenach in Thuringia, Berlin, Altenstadt (Bavaria), Essen and Göttingen. Outside Germany Jenoptik is represented for example by locations in the USA, France, Switzerland, Spain and Russia as well as in the growth regions of India, China and South Korea.

Over and above its production facilities the Jenoptik Group has sites in those countries that occupy a key position for the operational business. It also has a global network of dealers and partners. 7 8

8 AMERICA AND ASIA



KEY SALES MARKETS AND POSITION IN THE COMPETITION

Our key markets mainly include the security and defense technology industry, the machine construction and automotive market, the aviation and aerospace industry, the market for traffic safety systems, the medical technology as well as semiconductor and photovoltaics industry.

The key sales regions are Europe, North America and Asia. It is not possible to give a general statement regarding the Group's overall position in the competition – either in the key markets or the main sales regions – since Jenoptik operates with the respective products and technologies in the various markets and regions.

ECONOMIC AND LEGAL INFLUENCING FACTORS

As a result of having a broad presence we are better able to cope with cyclical fluctuations which impact on individual sectors than those companies which operate in just one or a few markets. On the economic side we are dependent upon the investment climate in the wider sense. Jenoptik's most stable market has traditionally been defense & security technology. The semiconductor equipment market is the most distinctively cyclical market. We do not operate in consumer goods markets, some of which are subject to strong seasonal fluctuations. The license agreement for digital consumer cameras under the Jenoptik brand was terminated by Jenoptik in 2008 and expired at the end of 2009.

Our products and services are primarily aimed at industry and, in individual areas, to public sector customers. There are export regulations governing the export of certain high-tech products as well as components in the defense technology field. However, Jenoptik exports these products only to a minimal extent. The largest share of its business is supplied to NATO partners in Europe and to Switzerland. Individual products and services in the defense technology field and for the public sector are also subject to legal influencing factors such as the International Traffic in Arms Regulations (ITAR), local content regulations or price clauses.

MANAGEMENT & CONTROL

The **Supervisory Board** of JENOPTIK AG comprises 12 members, six of whom are employee representatives. Rudolf Humer, entrepreneur, Hinterbrühl (Austria) has been Chairman of the Supervisory Board since June 2008. There were no changes on the Supervisory Board of JENOPTIK AG in 2009.

The **Jenoptik Executive Board** comprises two members: Dr. Michael Mertin, Chairman of the JENOPTIK AG Executive Board and Frank Einhellinger, Chief Financial Officer of JENOPTIK AG. The Chairman is responsible for the operating business as well as the areas of strategy and innovations, internal auditing, data protection, communication and marketing, legal affairs, IT, processes & quality, as well as for personnel as HR Director. The Chief Financial Officer is responsible for the

areas of accounting/controlling, finances, taxes, risk management, mergers & acquisitions, investor relations, real estate, health and safety at work, environmental protection as well as security.

The **management structure** of the Group corresponds to the Group structure. Each of the five divisions within which the entire operating business is combined has a Head of Division who is responsible for the management of the operating business within the division, the organizational structure including the cross-sectional functions, as well as for the results and, with the division's strategic orientation, for the target markets, product strategies, R+D roadmaps, growth initiatives and monitoring of the competition. The strategic decisions of the Group as a whole are taken by the Executive Management Board, comprising the Executive Board of JENOPTIK AG, the five Heads of Division, the Deputy Head of the Optical Systems division as well as the HR Director. 9

BASIC FEATURES OF THE REMUNERATION SYSTEM

A **collective wage agreement** covers approx. 800 employees and trainees at the Jena site. Parts of the agreement were renegotiated in November 2009. The changes have taken effect from January 1, 2010 and are valid for 15 months. All elements of the remuneration will be increased in two stages – in the first stage by 1 percent from October 1, 2010 and then by a further 0.5 percent with effect from January 1, 2011. Up to the

9 EXECUTIVE MANAGEMENT BOARD (Status January 2010)

DR. MICHAEL MERTIN
Chairman of the Executive Board

FRANK EINHELLINGER
Member of the Executive Board

BERNHARD DOHMANN
Head of Traffic Solutions Division

DR. THOMAS FEHN
Head of Lasers & Material Processing Division

WILHELM HARDICH
Head of Defense & Civil Systems Division

MELANIE JAKLIN
Head of HR

DR. DIRK MICHAEL ROTHWEILER
Head of Optical Systems Division

VOLKMAR HAUSER
Head of Industrial Metrology Division

DR. STEFAN STENZEL
Deputy Head of Optical Systems Division

end of September 2010 the previous wages and salaries will continue unchanged. The new collective wage agreement excludes redundancies for operational reasons with effect in 2010 and includes taking on the trainees once they have completed their vocational training. The wage agreement includes a profit sharing model in the form of profit-related one-off payments. This arrangement was also renegotiated. With effect from January 1, 2010 it will be calculated on the basis of the Group and divisional result and therefore relates to Jenoptik's global business. In addition to financial incentive systems, Jenoptik places the emphasis on creating a pleasant working environment, such as e. g. creating a favorable work/life balance.

New agreements are currently being negotiated (February 2010) for those Group employees covered by the collective wage agreement of the metal and electronics industry.

Since 2001 Jenoptik has been offering an employee-funded retirement provision model which is based on the following three pillars: the provident fund, the pension scheme of the metals industry as well as private pension agreements with Allianz Lebensversicherung AG. Direct pension guarantees are no longer given. Provisions for existing pension liabilities that were taken on with the acquisition of ESW GmbH total approx. 26 million euros and are combined within the framework of a Contractual Trust Arrangement (CTA) which is secured mainly by way of real estate assets and securities and therefore independently of Jenoptik's operating business.

In the [remuneration system for the Jenoptik Management](#) the calculation of variable remuneration components for the Heads of Division and senior executives is based on the results and cash flow of the division and/or of the Group as a whole and on individually agreed strategic and personal targets.

[Remuneration for the Executive Board.](#) The Act on the Appropriateness of Management Board Compensation (VorstAG) came into force in July 2009. This Act does not affect existing contracts but will apply for the first time in the event of a new board contract being concluded or existing one extended. No new contracts have been concluded or existing ones extended since the Act came into effect.

The remuneration for the Executive Board comprises a fixed and a variable element. The introduction of a so-called long-term incentive component as part of the variable payment is in the process of reconciliation with the bodies. Supplementary benefits and annual payments for an occupational pension scheme are also provided. The variable element of the remuneration is governed by the personal performance of the Executive Board member based on a target agreement concluded with the Chairman of the Supervisory Board and based on the company results. The bases for calculation are the Group EBIT in conjunction with caps (prev. year earnings before tax), targets relating to the capital market and share price (prev. year share price) as well as strategic targets. In addition to each member being provided with a company car that can also be used for private purposes and an indemnity insurance there are no other significant supplementary benefits. There are company pension schemes for both members of the Executive Board. The retirement guarantee is based on a retirement concept which is backed by a life re-insurance policy.

Further details on the remuneration for the Executive Board and Supervisory Board, including the individual itemization of the remuneration for Executive Board and Supervisory Board members, can be found in the Notes to the Annual Report under the Point Executive Board. We regard this information and the above details on the remuneration system as part of the Remuneration and consequently the Corporate Governance Report of this Annual Report (from page 13).

SUPPLEMENTARY DETAILS IN ACCORDANCE WITH THE DIRECTIVE ON TAKEOVER BIDS IMPLEMENTATION ACT

The table below is provided for the reporting required in accordance with § 289 Clause 4 HGB (German Commercial Code) and/or § 315 Clause 4 HGB:

| Regulation | Subject | Information or reference |
|-------------|---|---|
| § 289 (4) 1 | Composition of the subscribed capital | The subscribed capital is in the sum of 135,290,092.60 EUR which is divided into 52,034,651 no-par value bearer shares. Further details can be found in the Group Notes. |
| § 289 (4) 2 | Restrictions which affect voting rights or the transfer of shares | There are no restrictions relating to voting rights or the transfer of shares. |
| § 289 (4) 3 | Direct or indirect participations in the share capital | ECE Industriebeteiligungen GmbH, Vienna, reported on February 25, 2008 that it holds 25.02 percent of the shares in JENOPTIK AG. Further details on the JENOPTIK AG shareholder structure can be found in the Group Notes. ECE European City Estates GmbH, Hinterbrühl, and Humer Privatstiftung, Vienna, are indirect shareholders via ECE Industriebeteiligungen GmbH. |
| § 289 (4) 4 | Holders of shares with special rights | JENOPTIK AG has no shares with special rights. |
| § 289 (4) 5 | Form of controlling voting rights for employee shareholdings. | There are no employee shareholdings and so also no control of voting rights. |
| § 289 (4) 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 as well as changes to the Articles of Association are carried out exclusively in accordance with the Stock Corporation Act rules. There are no additional rules in the JENOPTIK AG Articles of Association. |
| § 289 (4) 7 | Authority of the Executive Board to issue and buy back shares | Under the resolutions passed by the 2009 Annual General Meeting the Executive Board is authorized to purchase its own no-par value shares under specific terms and conditions, on a one-off or repeat basis, in whole or in part, in the maximum book value amount of 10 percent of the nominal capital up to November 30, 2010 for purposes other than trading in its own shares. The company's own shares purchased, together with own shares which the company has already purchased and still owns, may not account for more than ten percent of the nominal capital. The terms and conditions are described in the resolutions of the 2009 Annual General Meeting which are available to the general public. |
| § 289 (4) 8 | Key agreements which are subject to the proviso of a change of control as the result of a takeover bid | So-called change-of-control clauses apply to a promissory note, various credit agreements in the total sum of 98 million euros as well as an agreement with a joint venture partner. Detailed information on these can be found in the Management Report on page 71. |
| § 289 (4) 9 | Compensation agreements with the Executive Board and employees in the event of a takeover bid | Agreements covered by the conditions of a change of control and which meet the criteria of material relevance have been concluded with both members of the Executive Board in the event that they terminate their contract of service as a result of a change of control. The compensation agreements include both rules on the retirement provision as well as the settlement to be paid in this event. Detailed explanations can be found in the Group Notes under Executive Board. |

1.2 Corporate management, targets and strategy

A comprehensive strategic realignment, with a leaner organizational and management structure, creates the basis for the improvements in performance which are needed. Synergies are developed on a targeted basis through the divisional organization which was established in 2008 as well as the Shared Service Center. The Jenoptik Group has been structured along its value added chains and is therefore more market and customer focused. The mission statement, drawn up by the Executive Management Board at the beginning of 2008, sets out the vision of the Group as a whole:

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

This forms the basis for the Jenoptik Group strategic guidelines which are explained in more detail below.

STRATEGIC GUIDELINES

Jenoptik consistently aligns itself towards its markets and customers. As a technology-based company we place customer benefit at the heart of our products and solutions. We do not see technology as an end in itself.

By pursuing a policy of active portfolio management we are focusing the Group on attractive markets and by so doing are improving the opportunities for profitable growth. Having withdrawn from activities which no longer form part of the strategic core themes, particularly in the 2008 fiscal year, the focus in 2009 was on expanding the international business.

All the measures and projects within the framework of our strategic realignment are geared towards five value levers which, since 2007, have been defining the areas upon which the Group's further development will focus over the years ahead. ^[10]

Organic growth: Based on a clear market focus, developments of new products and technologies and further developments of

^[10] VALUE LEVERS

- **ORGANIC GROWTH** through market development, market penetration and product innovations.
- **MARKET AND CUSTOMER ORIENTATION** by expanding the distribution and marketing activities and focusing internal processes on customers and markets.
- **INTERNATIONALIZATION** by systematically developing the foreign markets, particularly in North America and Asia.
- **EMPLOYEES & MANAGEMENT** by challenging and encouraging employees and managers through a uniform system of performance management.
- **OPERATIONAL EXCELLENCE** by examining all the company's processes in order to improve them and generate cost savings.

existing ones form the focus of the development work in the Jenoptik Group. Innovations also include new business models, e. g. like those we offer with Service Providing in the traffic safety area.

In order to increase our innovative capability we have been working with a group-wide, uniform structured innovation management since 2008 which systematically guides the best ideas to commercial success in a multi-stage process. New development projects are assessed on the basis of a list of criteria that apply throughout the Group. The key criteria are earnings and market potential, technological feasibility and a risk assessment. The Jenoptik Innovation Days, which are held annually, was established in 2008.

Market and customer orientation: The divisional organization has proved its worth since it was introduced in 2008. Since then we have operated as an integrated and major specialist for our customers in their respective area. This was underpinned by the introduction of the global, uniform umbrella brand at the beginning of January 2009. Since 2009 we have been working hard on positioning the brand in such a way that it meets the requirements of the divisions' various business activities whilst simultaneously conveying a clear image of the Jenoptik brand. A new group-wide Internet portal is intended to combine the Group's full range of services within one website from the 2nd quarter 2010, providing information and at the same time direct support for the business processes.

Internationalization: The divisions utilize existing structures in the respective country for new internationalization projects. If Jenoptik does not currently have an active presence in the target market the new structures are established in such a way as to also make them available to other divisions. Our presence in the key core markets is being coordinated simultaneously across all divisions. As such, the establishment for example of a new laser application center in South Korea builds on the longstanding business relationships of the Industrial Metrology division. In 2009 the entire optics business in the USA was combined

under JENOPTIK Optical Systems Inc. Since the end of 2009 all business activities in the US market have simultaneously been amalgamated under a US holding company, JENOPTIK North America Inc.

Employees & management: Our positioning as an attractive employer and the loyalty of our employees to the company are key aspects of our strategic personnel work. In 2009 the central HR area was faced with the challenge of managing adjustments in personnel numbers which had become necessitated as a result of the economic crisis and the Group's strategic realignment. In 2010 and the coming years personnel development and support will form the strategic areas of focus for the work of HR. In our aim to attract new employees, the demographic change and the waning enthusiasm amongst young people for careers in scientific fields pose challenges that we will have to tackle over the long-term.

Operational excellence: The Jenoptik Excellence Program (JEP) was started in February 2009 and by the end of 2009 had already begun to produce the first results, helping us to successfully manage the financial and economic crisis. The objective of the JEP, to achieve comprehensive and permanent process optimization in order to generate cost savings as well as for quality assurance purposes, was pursued through a total of 49 projects in 2009. The program's objectives also include the continued implementation of the divisional structure through adjustments to structures and the transfer of Group-related themes to the Shared Service Center; which we will continue to pursue with emphasis in 2010. In the current fiscal year we will focus on implementing lean concepts.

Where tasks and processes are the same in all divisions and can be structured more efficiently through amalgamation, they have been combined within the Shared Service Center since 2008 (see page 64). This enables the divisions to concentrate on their core tasks; synergy effects can be achieved throughout the Group both in terms of cost optimization as well as enhancing quality.

CONTROL SYSTEM AND CONTROL INDICATORS

The Group's control system reflects the new organizational structure. Four forecasts are produced during the course of a fiscal year. The segments and the divisions are subject to a monthly assessment based on the data provided on sales, EBIT, order book situation, working capital, development of cash flow, capital expenditure volumes as well as other liquidity and profitability details, in comparison with the planning and forecasts during the course of one year. Quality-related factors as well as client relationships, projects, the situation regarding competitors as well as other early warning indicators are discussed on a monthly basis on the business unit level.

Personal performance meetings are also held between Executive Board and Heads of Division twice a year in particular to assess strategic targets and the business development of the segments, the divisions as well as the individual business units – i. e. down to the third level of organization. Strategic decisions for the Group as a whole are taken by the Executive Management Board (EMB) which met five times in 2009 and also holds extraordinary meetings to deal with special and important events. All Group projects are monitored and evaluated on a monthly basis in a project management tool.

1.3 Development of the economy as a whole and of the sectors

DEVELOPMENT OF THE ECONOMY AS A WHOLE

In 2009 the economies of the OECD states experienced their worst recession for decades. This slump was halted during the fourth quarter 2009, thanks amongst other things to massive political intervention. The measures introduced by governments provided support in particular for the financial sector and the automotive industry. According to forecasts by the OECD Economic Outlook, economic output by the OECD states shrank in 2009 on average by 3.5 percent. There were sharp falls in raw material and energy prices in 2009.

The **US economy** is expected to show a 2.5 percent fall in economic output in 2009. Government intervention, both direct and indirectly through tax policy measures, started to take effect at the end of 2009. According to OECD forecasts the crisis has 'bottomed out'.

At 0.5 percent economic growth, the economy of the **euro zone** in 2008 was still just keeping pace with the average in the OECD countries. This trend could not be continued in 2009. The euro zone was hit very hard by the crisis and according to forecasts by the OECD showed a fall in economic output of 4.0 percent in 2009, putting it behind the level in the USA. ^[11]

Economic development in **Germany** in 2009 was also shaped to a significant extent by the downturn. According to forecasts by the OECD, Germany will report a fall of 4.9 percent for 2009. However, there were signs of an improvement in the economic situation in the 2nd half-year thanks to the impact of the financial policy measures. In 2009 investment in equipment recorded a dramatic reduction averaging 20 percent compared with the previous year. Investment in assets also reported a fall of approx. 17 percent. As a result of the help from the German federal government on the employment market in 2009, Germany did not experience a massive rise in unemployment.

Japan's economy, whose longest downturn in post-war history ended in 2007, also suffered significantly from the economic and financial crisis. In 2008 decline was already 0.7 percent. The OECD forecasts a fall of 5.3 percent for 2009.

There was only a slight weakening of **China's** growth path as a result of the economic crisis and in 2009 it is expected to be 8.3 percent. Strong financial and fiscal intervention by the state enabled the country to avoid a more significant slowdown. **India** has also coped relatively well with the economic crisis, with the OECD expecting growth to remain stable at 6.1 percent for 2009, the same as in the previous year. **Brazil** suffered a fall in economic growth from 5.1 percent to zero, whilst reporting positive growth in the second quarter although this dropped sharply in the subsequent quarters.

^[11] CHANGE IN GROSS DOMESTIC PRODUCT (in percent)

| | 2007 | 2008 | 2009 ¹⁾ | 2010 ¹⁾ | 2011 ¹⁾ |
|----------------|------|------|--------------------|--------------------|--------------------|
| OECD countries | 2.7 | 0.6 | -3.5 | 1.9 | 2.5 |
| USA | 2.1 | 0.4 | -2.5 | 2.5 | 2.8 |
| European Union | 2.7 | 0.5 | -4.0 | 0.9 | 1.7 |

Source: OECD Economic Outlook No. 86/2009 | 1) forecasts

DEVELOPMENT OF THE INDIVIDUAL JENOPTIK SECTORS

According to the industry association Spectaris, following the collapse in the 1st quarter 2009 the global index of **laser and optical technologies** stabilized at its low level over the remainder of the year. In the 3rd quarter 2009 the index increased by 10.5 percent compared with the 2nd quarter. In the 3rd quarter 2009 the market index overall was still 16.4 percent below the level for the previous quarter. [12]

According to estimates by the relevant market assessment, by Laser Focus World (LFW) amongst others, the global market for **laser technologies** with volumes expected to reach just 5.3 billion US dollars compared with 7.0 billion US dollars in 2008, fell by approx. 25 percent in 2009 and so was also clearly affected by the global crisis. Whilst demand for laser technology in the Health Care & Life Science applications as well as for the "sensing" and "defense" areas essentially remained stable, the economic downturn had a clearly greater impact on the individual area of lasers and laser processing systems for material processing. However, lasers and laser processing systems for photovoltaics were able to at least partially escape this trend. [13]

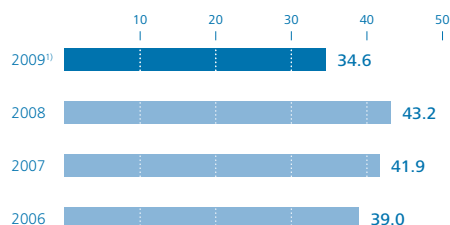
In the 3rd quarter 2009 **Metrology and Sensor Systems** once again posted growth in sales of 5.5 percent compared with the previous quarter although this was from a very low base. On a year-by-year comparison the sector saw sales fall by 25 percent.

In 2009 the international **semiconductor market** faced the continuing challenge of a strong fall in business. According to a study by the Semiconductor Industry Association (SIA) the market was down 9 percent, recording a total volume of just 226.3 billion US dollars. Nevertheless, the performance in 2009 was better than analysts had initially anticipated. There are signs of a stabilizing environment so the SIA forecasts a return to growth over the coming years. In the last quarter 2009 the strong demand for chips for computers, mobile phones and electronic devices helped to cushion the downturn in the whole year. [14]

The German **machine and plant construction industry** reached its low point in April 2009 with a 58 percent fall in orders compared with the previous year's month. The President of the VDMA anticipates a cautious improvement in the situation but does expect a long period of stagnation. Sector experts do not anticipate any return to the 2007/2008 level for several years.

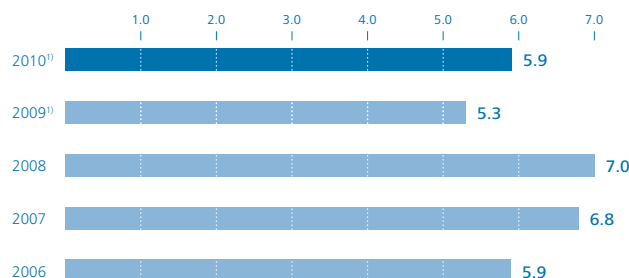
The position of the automotive industry and consequently also of the **automotive suppliers** showed a marked deterioration in 2009, with supplier sales reporting a global fall of 25 percent. Worldwide, 340 suppliers went into insolvency, 75 of these in Germany. There are fears of a similar trend for the current year since government aid for the automotive industry is either coming to an end or has already ended. The German scrapping

[12] MARKET FOR THE GERMAN OPTICAL, MEDICAL AND MECHATRONIC INDUSTRY (in billion euros)



Source: SPECTARIS June 2009 | 1) forecast from September 2009

[13] LASERS: GLOBAL SALES (in billion US dollars)



Source: Laser Focus World, January 2010 | 1) forecast

bonus resulted in 3.8 million new vehicle registrations in Germany which helped stabilize the market at least in the short-term. There are widely differing opinions in the sector as to whether this support will weaken the market in the current year as the result of carry-over effects from 2009.

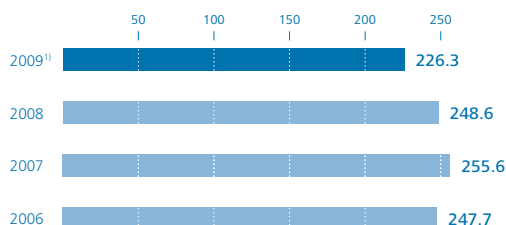
The **traffic monitoring business** is continuing to show stable performance even during periods of weaker economic activity. Whilst the focus of investment in saturated markets tends to be on upgrading to new technologies, new growth markets are increasingly opening up to the sector in the so-called “emerging markets”.

The crisis is also leaving its mark on international **air travel**. The major manufacturers of commercial aircrafts are currently still working through their full order books, new orders, however, are only trickling in. The cutbacks in deliveries and production at EADS and Airbus are affecting the suppliers, this in turn leading to sales being deferred, with the smaller companies frequently finding it more difficult to cope than large corporations. Airlines are suffering from falling passenger numbers, partly as a consequence of companies making savings in this area. This trend is clearly already having an impact on new orders from the airlines.

According to the sector monitor of the “Vorsprung Medizintechnik” initiative the **medical technology** business is proving to be particularly resistant to the crisis. As such, the sector only anticipates a small reduction in total sales of 3 %, to 17.2 billion euros which is attributable to lower exports. Domestic demand is expected to have remained stable.

Contrary to forecasts the **photovoltaics industry** has shown itself to be essentially unworried by the economic and financial crisis. According to the Bundesverband für Solarwirtschaft (BSW) the number of solar system installations reached a record level in 2009. However, the economic environment for the equipment manufacturers was characterized by a price war and consequently increased competitive pressure. Exports combined with a positive forecast for the years ahead, continue to be the driving force for the German solar industry. In the short-term future ever-increasing importance will be also attached to the service business. However, the manufacture of solar modules is increasingly being relocated to the Asian region.

14 SEMICONDUCTOR: GLOBAL SALES (in billion US dollars)



Source: VLSI and SIA, February 2010 | 1) forecast

Over recent years the international competition in the **aero-space** field has intensified. In addition to the high profile players such as the USA, Russia and Europe, China and India in particular are establishing themselves as newcomers in this field. In the year 2009 the German government spent 1.4 billion euros on aerospace, the largest individual item in this being Germany's contribution of 648 million euros to ESA. Under the ESA rules the contributions are returned almost in full to Germany in the form of orders. The second supporting pillar is the national space program for which the German Ministry of Trade provided 229 million euros in 2009.

In the international market for **security and defense technology** there are fears of sharp falls in business since the budget cut-backs caused by the crisis will also impact on defense spending. In Europe 2009 was a relatively stable year. The armaments industry in Germany is on course for success, due not least to the major order from the German Army for the construction of 405 PUMA armored fighting vehicles. The USA accounted for approximately 40 percent of all military spending in 2008. Germany ranked number six behind the USA, Russia, China, Great Britain and France. Asia is reporting a significant increase in spending.

SUMMARY | GENERAL STATEMENT ON THE FRAMEWORK CONDITIONS

The economic framework conditions in 2009 were the most difficult in the history of the Jenoptik Group. The semiconductor and automotive industries, two of Jenoptik's key target sectors, posted massive falls in the fiscal year just past. Thanks to the strategic orientation established in 2007 and 2008 the Jenoptik Group was able to avoid a strong collapse in business. Jenoptik benefited in particular from

- the broadly-based business which comprises essentially long-term business models with the security and defense technology as well as new business models and an essentially stable market for traffic safety,
- the strategic realignment introduced in 2007 which was accompanied by the withdrawal from non-strategic loss-making businesses and a repositioning of the core business in divisions that operate close to the market and customers, as well as from
- the Jenoptik Excellence Program, intensive preparations for which were made in 2008 and which was consequently introduced in 2009 early and before the outbreak of the crisis and which produced marked cost savings during the course of 2009.

The strategic realignment proved to be the right course of action – particularly given the economic development. The move to become an integrated Group does entail a change in corporate culture, intensified reporting structures and comprehensive project management which enabled us to take quick and consistent counter measures during the crisis.

2 EARNINGS, FINANCIAL AND ASSET POSITION

ACTUAL AND FORECAST COURSE OF BUSINESS

At the beginning of 2009 we were unable to give concrete forecasts on the course of business for the year as a whole with sufficient certainty as a result of the financial and economic crisis. It was evident that sales and Group EBIT would not achieve the same level as in 2008. However, our objective was to generate a positive Group EBIT together with positive cash flows in 2009.

Apart from Defense & Civil Systems we did not issue any sales forecasts for the segments at the beginning of 2009. During the remainder of the fiscal year as announced we subsequently set out our forecasts in detail. In the six month financial report we published a Group sales forecast of between 460 and 500 million euros and reaffirmed our objective of generating a positive Group EBIT, albeit before one-off effects.

We have achieved these objectives for the 2009 fiscal year and at the same time successfully realized a number of other key projects which secured the further development despite the difficult economic framework conditions. These included:

- We were able to limit the fall in sales to just 14 percent.
- We maintained a clear positive Group EBIT before one-off effects at 7.8 million euros.
- We generated a positive cash flow from operating activities of 53.3 million euros, exceeding the figure for the year 2008.
- Thanks to a successful working capital and investment management, we increased our free cash flow by 47.0 percent to 41.0 million euros.
- We sharply reduced net debt to 159.5 million euros by repaying financial liabilities out of cash flows generated.
- The Group also has a new medium to long-term financing structure, and consequently secured the follow-up financing for the convertible bond which expired at the end of July 2009.
- In 2009 we started-up early with the Jenoptik Excellence Program for which preparations had already been made in 2008 so, together with other cost reduction measures, this enabled us to quickly adapt our cost structures.
- Cost savings in the sum of approx. 10 million euros were made through the implementation of the package of measures in 2009. These contributed to a reduction of fixed costs and partly compensated for the decline in sales and margins.

15 ACTUAL AND FORECAST COURSE OF BUSINESS (in million euros)

| Parameter | Status as at 2008 year end | Outlook for the fiscal year | Status as at 2009 year end | Explanation Page |
|-------------------------------------|-------------------------------|---|-------------------------------|---------------------|
| Sales | 548.3 | Beginning 2009: < than 2008 Mid 2009: 460 – 500 | 473.6 | 52 |
| Defense & Civil Systems | 208.5 | > 200 | 205.3 | 83 |
| Group EBIT | 37.1 | Positive | 7.8 ¹⁾ | 52 |
| Investment result ²⁾ | – 5.5 | Better | – 4.3 | 53 |
| Interest result | – 11.3 | Worse | – 10.4 | 53 |
| Cash flow from operating activities | 46.5 | Positive | 53.3 | 68 |
| Net debt | 191.6 | Reduction | 159.5 | 66 |
| Shareholders' equity ratio | 42.5 % | No details | 39.5 % | 70 |
| Employees | 3,400 | Slight fall | 3,268 | 77 |
| R + D expenses | 34.1 | 36 – 39 | 32.6 | 56 |
| Investments ³⁾ | 24.1 | No details | 14.4 | 66 |

1) before one-off effects 2) incl. results from investments in associated companies 3) excluding investment in financial assets

The resultant positive cash flow situation allowed us to continue the company's development in line with our strategic agenda and to expand our core areas of expertise in key markets. In 2009 we benefited in general from

- the expansion of our commitment to laser processing systems in the international photovoltaics market, particularly in Asia, as well as from a stable environment in the market for medical lasers,
- the continuing demand, as predicted, for defense and security technology which is a characteristic feature of the long-term nature of this business,
- the essentially stable environment in the traffic solutions market with initial successes for the new business model, Traffic Service Providing, in Germany as well as
- our process of internationalization, pursued on a consistent basis, particularly in the strong growth region of Asia.

As forecast, there was a slight improvement in the investment result, with R + D expenses lower than our original assumptions thanks to improvements in research and development during the course of the year. We had anticipated a reduction in net debt as the result of real estate sales. We clearly reduced net debt at the end of 2009 out of current cash flows. We had not given any specific details regarding the development of personnel numbers in the 2008 Annual Report although, as previously announced, we continually analyzed order book situation, costs and personnel capacities and in the 2nd half-year 2009 took corresponding measures to adjust our capacities. These measures, together with the withdrawal from the mid-format camera business, resulted in expenses for reorganization and restructuring, in the following referred to as one-off effects, which impacted on the 2009 Group EBIT and as such were unforeseeable at the beginning of 2009. 15

2.1 Earnings position

DEVELOPMENT OF SALES

As expected, with sales of 473.6 million euros Jenoptik did not achieve the same level as in the previous year (prev. year 548.3 million euros). As a result of the Group's presence in various markets the fall by just 75 million euros or 13.6 percent was lower by comparison with companies that operate in just one market. Sales abroad, at 271.6 million euros (prev. year 299.3 million euros), accounted for approx. 57 percent of this figure (prev. year 54.6 percent). Europe remained the key export region with around 159 million euros, followed by North America and Asia. ^[16]

As expected, the reduction in Group sales was attributable to the Lasers & Optical Systems segment due to the semiconductor crisis and to the Metrology segment due to the crisis in the global automotive industry. By contrast, as forecast, the Defense & Civil Systems segment posted sales at almost the same level as the previous year. Sales in the sum of 5.6 million euros from the non-operating Others areas (Jenoptik Holding, real estate and consolidation) were primarily attributable to rental sales with third parties (prev. year 6.5 million euros). ^[17]

DEVELOPMENT OF THE RESULTS

Group EBIT before one-off effects totaled 7.8 million euros (prev. year 37.1 million euros). In spite of the difficult economic

environment it was still in positive territory. The crisis in the semiconductor industry was the main reason for the sharp fall in the Lasers & Optical System segment, the global crisis in the automotive industry for the fall in the Metrology segment. The Defense & Civil Systems segment delivered a clearly positive contribution to the results. ^[18]

Whilst the Group posted a negative Group EBIT before one-off effects in both the first and the traditionally weak third quarter, the first signs of an economic recovery emerged in the fourth quarter with a Group EBIT of 5.7 million euros on a quarterly basis, although this is traditionally a strong quarter for sales and earnings. This was also attributable to a slightly higher contribution to sales and results from the semiconductor industry.

One-off effects had a key impact on the Jenoptik Group EBIT in 2009 which totaled minus 19.6 million euros including these effects in the sum of 27.4 million euros. These are characterized by the withdrawal from areas of business and projects that are no longer being pursued due to the economic situation. As a result of the withdrawal from activities and therefore from the going concern value adjustments were applied to various assets, with some being shown at liquidation values, particularly for the withdrawal from the mid-format camera business and the prepared closure of the Gießen site.

^[16] SALES (in million euros)

| | 2009 | 2008 | Change in % |
|----------|-------|-------|----------------|
| Group | 473.6 | 548.3 | – 13.6 |
| Domestic | 202.0 | 249.0 | – 18.9 |
| Foreign | 271.6 | 299.3 | – 9.3 |

SALES BY SEGMENT (in million euros)

| | 2009 | 2008 | Change in % |
|--------------------------|-------|-------|----------------|
| Group | 473.6 | 548.3 | – 13.6 |
| Lasers & Optical Systems | 166.7 | 207.0 | – 19.5 |
| Metrology | 96.0 | 126.3 | – 24.0 |
| Defense & Civil Systems | 205.3 | 208.5 | – 1.5 |
| Others | 5.6 | 6.5 | – 13.8 |

^[17]

The one-off effects comprise the following:

- 9.6 million euros arose from the withdrawal from the mid-format camera business due to the insolvency of a key supplier and the significantly impaired business potential.
- An additional 10.4 million euros resulted from the personnel measures, these primarily entailing settlements and payments to the interim employment companies.
- 7.4 million euros arose from the indirect costs associated with the personnel measures, as well as impairments or the withdrawal from loss-making businesses. These include, amongst others, the preparations for the closure of the Gießen optics site as well as the costs for the structuring of and preparation for the measures.

Group earnings before interest, taxes and depreciation and amortization (Group EBITDA) totaled 23.4 million euros and are consequently 65.3 percent down on the figure for the previous year (prev. year 67.5 million euros). This was characterized by the abovementioned one-off effects. ^[19]

The **financial result** increased slightly to minus 14.7 million euros (prev. year minus 16.8 million euros) due to a marginal improvement in the investment result and interest result.

The **investment result**, including the result from investments in associated companies, improved to minus 4.3 million euros (prev. year minus 5.5 million euros) as XTREME technologies GmbH had still been included in the figure up to the end of the 2nd quarter 2008. In May 2008 Jenoptik had sold its 50 percent stake in the company to the joint venture partner Ushio, consequently the investment result is now primarily determined by JT Optical Engine GmbH + Co.KG. Within this company, formed by Jenoptik and Trumpf in 2007, both partners are pursuing the development of optical engines for fiber lasers.

Following a significant improvement in the **interest result** in 2008, contrary to our expectations, the figure in 2009, at minus 10.4 million euros, was a further slight improvement over the previous year. Up to summer 2009 Jenoptik had benefited from low short-term interest rates as well as from the low interest charged on the convertible bond. The repayment of the convertible bond in the 3rd quarter 2009 produced a positive one-off interest effect in the sum of approx. 1 million euros. However, with the conversion of the financing structure to a medium to long-term timeframe the Group's interest expenses have increased since the 4th quarter 2009.

Group **earnings before tax**, which were hit by one-off effects, totaled minus 34.3 million euros (prev. year plus 20.2 million euros).

^[18] **EBIT** (in million euros)

| | 2009 ^{1,2)} | 2008 ²⁾ | Change in % |
|--------------------------|----------------------|--------------------|----------------|
| Group | 7.8 | 37.1 | -79.0 |
| Lasers & Optical Systems | 1.4 | 15.0 | -90.7 |
| Metrology | -4.9 | 6.9 | -171.0 |
| Defense & Civil Systems | 13.9 | 15.8 | -12.0 |
| Others | -2.6 | -0.6 | -333.3 |

1) before one-off-effects
2) before Group charges

EBITDA (in million euros)

| | 2009 ^{1,2)} | 2008 ²⁾ | Change in % |
|--------------------------|----------------------|--------------------|----------------|
| Group | 43.1 | 67.5 | -36.1 |
| Lasers & Optical Systems | 15.5 | 28.7 | -46.0 |
| Metrology | -0.3 | 10.7 | -102.8 |
| Defense & Civil Systems | 21.3 | 23.4 | -9.0 |
| Others | 6.6 | 4.7 | 40.4 |

1) before one-off-effects
2) before Group charges

Income taxes were minimal at 0.2 million euros (prev. year 2.6 million euros) with minimal tax expenses being incurred abroad. The non-cash tax adjustments, in the form of deferred tax income, totaled 0.7 million euros compared with deferred tax expenses of 1.1 million euros in the previous year.

Earnings after tax came in at minus 33.9 million euros compared with plus 16.6 million euros in the previous year.

ORDER BOOK SITUATION

The Jenoptik Group posted **an order intake** of 432.8 million euros and so 14.8 percent below the level for the previous year (prev. year 508.2 million euros). The book-to-bill rate, the ratio between Group order intake and sales, was 0.91 (prev. year 0.93). As expected, the order intake in the Lasers & Optical Systems and Metrology segments showed a marked fall. By contrast, the Defense & Civil Systems segment recorded a slight increase. The business in this segment is characterized by long-term orders, some of which entail significant volumes and which can be subject to strong fluctuations during the course of the year.

The marked fall in demand from the semiconductor and automotive industries at the end of 2008 continued in the first business months of 2009. Since autumn 2009 there has been a slight pick-up in demand from the semiconductor industry. This trend continued at the beginning of 2010, whereas the automotive industry has so far failed to show any pick-up in

demand although over recent months it has remained stable at a very low level. In 2009 the Jenoptik Group reported good overall demand in laser processing systems for the photovoltaics industry and laser systems for use in medical technology. In the traffic solutions market there was a consolidation of the trend towards major projects and to longer contract award cycles in 2009. The figure does not yet include the order intake for the new PUMA armored fighting vehicle for the German Army in the total sum of approx. 70 million euros which is currently in the negotiation stage. ^[20]

The order backlog as at December 31, 2009 totaled 339.4 million euros (December 31, 2008: 395.1 million euros). The fall of 55.7 million euros or 14.1 percent was attributable to a reduction in the order backlog of all three segments. In the Lasers & Optical Systems and Metrology segments the order backlog was down as the result of a lower order intake. The order backlog of the long-term, large volume business of the Defense & Civil Systems segment accounted for nearly 77 percent of the total Group order backlog. It is characterized by larger orders which are processed over longer periods and is therefore subject to fluctuation. ^[21]

Approx. 64.6 percent of the order backlog shown as at December 31, 2009 will result in sales in the current 2010 fiscal year. The contributions to sales included in the order backlog of the Defense & Civil Systems segment extend in part to the year 2016.

^[20] ORDER INTAKE (in million euros)

| | 2009 | 2008 | Change in % | 2009 Book-to-bill rate |
|--------------------------|-------|-------|-------------|---------------------------|
| Group | 432.8 | 508.2 | - 14.8 | 0.91 |
| Lasers & Optical Systems | 168.4 | 194.8 | - 13.6 | 1.01 |
| Metrology | 83.2 | 133.3 | - 37.6 | 0.87 |
| Defense & Civil Systems | 178.0 | 173.4 | 2.7 | 0.87 |
| Others | 3.2 | 6.7 | - 52.2 | n. a. |

DEVELOPMENT OF KEY ITEMS IN THE STATEMENT OF INCOME

There were reductions in the key items in the statement of income in 2009 as the result of the lower business volume. ^[22]

Cost of sales fell by 10.7 percent to 344.9 million euros (prev. year 386.3 million euros) in line with the reduction in sales. The decline was at a lower rate proportional to sales, with cost cutting measures having a delayed effect whilst, independently of sales, fixed costs were also incurred within the cost of sales, e. g. rental costs or depreciation on machinery. Cost of sales includes costs arising from developments associated with direct customer orders in the total sum of 21.9 million euros to the benefit of lower R + D costs.

The gross profit reduced by 20.5 percent to 128.7 million euros (prev. year 161.9 million euros). The gross margin, defined as gross profit to sales, fell by approx. two percentage points to 27.2 percent (prev. year 29.5 percent) due to the change in the sales mix.

Following a marked reduction in the 2008 fiscal year **research and development expenses** fell slightly further in 2009 to 32.6 million euros (prev. year 34.1 million euros). This was attributable to the withdrawal from fringe activities.

Selling expenses, which totaled 51.3 million euros (prev. year 58.7 million euros), were down by 12.6 percent and therefore almost proportional to the reduction in sales. Marketing costs accounted for approx. 9 percent of the selling expenses (prev. year 9 percent).

Administrative expenses were reduced further to 36.5 million euros in 2009 (prev. year 38.8 million euros). These had already fallen sharply a year ago. The further reduction in the fiscal year just past is primarily attributable to cost savings.

Other operating income totaled 23.1 million euros and was therefore slightly higher than in the previous year (prev. year 22.1 million euros). In addition to currency gains in the sum of 7.7 million euros, this figure also includes other operating income from passing on expenses and services as well as from development funds.

Other operating expenses in the sum of 51.0 million euros (prev. year 15.3 million euros) are characterized by the one-off effects in the sum of 27.4 million euros which have already been described in detail under Development of the results. In the previous year negative and positive one-off effects had off-set each other to a significant extent.

^[21] ORDER BACKLOG (in million euros)

| | 2009 | 2008 | Change in % |
|--------------------------|-------|-------|-------------|
| Group | 339.4 | 395.1 | - 14.1 |
| Lasers & Optical Systems | 59.9 | 63.6 | - 5.8 |
| Metrology | 21.9 | 37.0 | - 40.8 |
| Defense & Civil Systems | 260.2 | 294.6 | - 11.7 |
| Others | - 2.6 | - 0.1 | n. a. |

2.2 Development of the key performance factors

RESEARCH AND DEVELOPMENT

For Jenoptik as a technology group, research and development is an essential element of the corporate activities. The focus in this respect is on customer needs. Technology is seen as a lever for customer benefits and consequently for boosting our customers' earnings.

In 2008 the Group established its **innovation management**, aimed at making research and development more market-oriented and transparent. Standardized, group-wide structures enable an analysis to be conducted covering all divisions. This provides the foundation for a multi-level process that only continues pursuing the best ideas.

With the staging of the second Innovation Days the Group continued the exchange of ideas between all participants in the development process. Around 70 Jenoptik employees, both from R + D areas as well as product management, sales and marketing, met once again at the end of November 2009 for an intensive exchange of ideas and experiences. This year's Jenoptik innovation prize was awarded to the Defense & Civil Systems segment for its „17 kW Auxiliary Power Unit ADSF 282“ which has an extremely high power density, in a lightweight and extremely compact design.

One R + D project was nominated from each division. A special prize was awarded for the 5 euro model from the Traffic Solutions division. In 2009 this new business model generated keen demand particularly in the German market (see page 81).

The main developments that were consequently nominated for the Jenoptik innovation prize included the high brightness diode laser module in the Lasers & Material Processing division, designed especially for use in diode direct applications and fiber lasers and the optical module for DNA sequencing in the Optical Systems division which was transferred from idea to prototype within less than ten weeks. The Industrial Metrology division presented the HOMMEL-ETAMIC roundscan that offers extremely high measurement precision for fully automated measurement processes plus high measurement speed. The new 3D Tracking Radar from the Traffic Solutions division tracks several vehicles simultaneously and thanks to its highly accurate vehicle lane assignment offers higher analysis speeds and improved evidence by and for the operators.

R + D expenses in the 2009 fiscal year totaled 32.6 million euros, 4.4 percent down on the figure for the previous year (prev. year 34.1 million euros). As in the previous years the Lasers & Optical Systems segment was the most intensive in terms of development, once again accounting for nearly 50 percent of the costs. Each of the other two segments accounted for approx. 25 percent of the Group R + D expenses.

22 KEY ITEMS IN THE STATEMENT OF INCOME (in million euros)

| | 2009 | 2008 | Change in % |
|--------------------------|-------|-------|-------------|
| Cost of sales | 344.9 | 386.3 | -10.7 |
| R + D expenses | 32.6 | 34.1 | -4.4 |
| Selling expenses | 51.3 | 58.7 | -12.6 |
| Administrative expenses | 36.5 | 38.8 | -5.9 |
| Other operating income | 23.1 | 22.1 | 4.5 |
| Other operating expenses | 51.0 | 15.3 | 233.7 |
| of which one-off effects | 27.4 | - | 100 |

The R + D expenses primarily comprise personnel costs, third party services and material costs plus amortization on capitalized development themes. Investments in tangible assets were comparatively minimal as these are mainly restricted to laboratories and workplace equipment. The figure excluded the joint venture company JT Optical Engine which was included in the investment result at-equity. Expenses arising from directly apportionable customer projects were also excluded as these are included in cost of sales. ^[23]

The Jenoptik Group R + D ratio, the ratio between R + D expenses (excluding directly apportionable customer projects and capitalizations) and sales was 6.9 percent (prev. year 6.2 percent). Expenses arising from directly apportionable customer projects are shown in cost of sales. In 2009 these development costs totaled 21.9 million euros (prev. year 27.0 million euros).

In 2009 capitalized development costs totaled 5.5 million euros (prev. year 13.8 million euros). Amortization of the capitalization of close to the market developments (including impairments) increased to 9.4 million euros (prev. year 3.4 million euros) primarily as a result of the withdrawal from the mid-format camera business.

The R + D ratio, including developments on behalf of customers and capitalizations adjusted by write-downs on development costs together totaled 51.5 million euros (prev. year 62.1 million euros), was 1.0 percent (prev. year 1.0 percent).

Jenoptik draws on research services and know-how both from its own resources as well as from collaboration with partners, scientific institutions as well as through buying in research services. In 2009 53 patents were filed for technological innovations (excluding design and utility patents as well as trademarks), fewer than in 2008 (prev. year 72). The reduction is due both to the withdrawal from areas of business as well as the new strategic focus of intellectual property within the framework of the innovation management which has a standardized structure within the Group.

The scientific institutions with whom Jenoptik maintains the closest cooperation arrangements are the Fraunhofer Institute for Applied Optics and Precision Engineering in Jena, the Friedrich Schiller University of Jena, the Ferdinand Braun Institute for Ultra High Frequency Technology in Berlin, the Technical University Ilmenau and the Jena University of Applied Sciences. Others include the Institute of Photonic Technology (IPT) in Jena, the Rhine Westphalia Institute of Technology (RWTH) in Aachen and the Fraunhofer Institute for Material and Beam Technology (IWS) in Dresden.

The proportion of public funds for research projects (states, federal government, EU) totaled 2.1 million euros (prev. year 2.1 million euros). A large proportion of these funds also went to joint projects in which Jenoptik places partial orders with state or semi state-owned research institutions – in accordance with the funding guidelines.

^[23] R + D EMPLOYEES BY SEGMENT

| | 2009 | 2008 | Change in % |
|--------------------------|------|------|-------------|
| Group | 491 | 508 | –3.3 |
| Lasers & Optical Systems | 186 | 212 | –12.3 |
| Metrology | 118 | 126 | –6.3 |
| Defense & Civil Systems | 187 | 170 | 10 |
| Others | 0 | 0 | – |

The Scientific Advisory Board gives Jenoptik access to a body of top scientists in areas of key importance to us, providing support for assessing long-term technological trends. Some new members were elected to the Board in 2008, with the long-serving Vice Chairman of the Board, Prof. Dr. Wilhelmi, standing down in 2009. The names of the members of the Scientific Advisory Board can be found in the Notes on page 173.

Through its membership of numerous technology-orientated organizations Jenoptik lends support both to the perception and the image of optical technologies and other subjects of relevance to the Group. Jenoptik is widely represented on committees which identify technological and political trends. [25]

EMPLOYEES & MANAGEMENT

As at the end of the year the number of Jenoptik employees fell to 3,268 (as at Dec. 31, 2008: 3,400). The reduction is primarily attributable to the withdrawal from the mid-format camera business, the closure of smaller sites and not filling vacant positions. The reduction in the number of employees as at December 31, 2009 only includes part of the personnel measures introduced at the end of December. Consequently, the number of employees in the 1st quarter 2010 will then reduce clearly further to then approx. 3,000. [26]

The number of Jenoptik employees abroad as at the balance sheet date December 31, 2009 totaled 416 (Dec. 31, 2008: 506 employees). Here again the reduction is due to the withdrawal from the mid-format camera business, involving approx. 45 employees in Switzerland, as well as to the integration of sites abroad within the Optical Systems and Industrial Metrology divisions during the course of the year. The figure also includes the effects of the personnel measures introduced at the end of 2009 within the framework of which nearly 100 jobs are shed at the foreign sites of the Industrial Metrology division, particularly in France and Switzerland.

Adjustments to personnel numbers had been necessitated as a result of process, business and location optimization, but also due to the expectation that although the abovementioned sectors were recovering they would not return to the previous market levels in the foreseeable future. In order to cushion the job losses in a socially acceptable manner, interim employment companies were set up at the end of December 2009 at the Jena and Villingen-Schwenningen sites. The reduction in personnel numbers in Germany affected 56 jobs at the Jena and Triptis sites in Thuringia and approx. 50 in Villingen-Schwenningen. The social compensation plans included amongst other things remuneration grants for the employees in the interim employment companies, grants for training measures as well as payments which are based on the family life situation and take account of dependent children.

[24] R + D COSTS¹⁾ BY SEGMENT (in million euros)

| | 2009 | 2008 | Change in % |
|--------------------------|-------|-------|-------------|
| Group | 51.5 | 62.1 | – 17.0 |
| Lasers & Optical Systems | 22.0 | 27.7 | – 20.6 |
| Metrology | 11.9 | 13.2 | – 9.8 |
| Defense & Civil Systems | 18.0 | 22.1 | – 18.6 |
| Others | – 0.4 | – 0.9 | 55.6 |

1) Total comprising R+D expenses, developments on behalf of customers and capitalized development costs less write-down

One-off effects arising from the personnel measures, essentially comprising settlement payments and the abovementioned measures, totaled 10.4 million euros. The payments will be made in the 1st half-year 2010.

At the start of the year Jenoptik had taken every measure to avoid redundancies for operational reasons. These included already in 2008 the reduction of overtime and of temporary posts, with these measures being continued in 2009. At the end of 2009 the Group employed a total of 19 agency staff (31.12.2008: 140 temporary staff). [29]

In the Optical Systems division talks with employee representatives on short-time working were commenced at the end of December 2008. The division started short-time working in January 2009, followed in April by the Industrial Metrology division and parts of the Lasers & Material Processing division. The short-time working in the year 2009 as a whole led to savings in personnel expenses in the total sum of 4.7 million euros (prev. year 0 euros). [30]

Personnel expenses, excluding one-off effects arising from the personnel measures, totaled 182.7 million euros (prev. year 194.7 million euros) and consequently reduced at a lower rate in proportion to the fall in sales since the effects arising from a reduction in employee numbers will only produce significant savings in personnel expenses during the current fiscal year.

Sales per employee as at December 31, 2009 (as a rolling average throughout the year) totaled 147.7 TEUR (prev. year 166.5 TEUR). The personnel intensity, the ratio between personnel expenses and sales, therefore increased to 38.6 percent (prev. year 35.5 percent). [28]

The **age structure** of the employees in the Jenoptik Group showed a balanced picture. 105 employees (prev. year 65) took advantage of part-time models for older personnel in Germany, approx. 70 percent of whom are in the active phase (prev. year approx. 57 percent). [27]

As at December 31, 2009 a total of 137 young people (prev. year 132) were **receiving training** throughout the Group. At the start of the training year in August 2009 32 trainees joined the Group's German sites. Training is provided primarily for the commercial, technical professions such as electrical engineers, mechatronic engineers and precision optical engineers, together with training for industrial managers. In 2009, 29 trainees and five vocational academy students passed their training.

The vocational training at the Thuringia sites was restructured in 2009. In April 2009 JENOPTIK AG joined SCHOTT JENAer GLAS GmbH and Carl Zeiss Jena GmbH as the third shareholder in the Jena Training Center which is responsible for providing training to trainees in the optical, precision mechanical, elec-

[25] MEMBERSHIP OF JENOPTIK IN COMMITTEES AND ASSOCIATIONS (selection)

- Bundesverband der Deutschen Luft- und Raumfahrtindustrie e.V. (BDLI)
- CDU Council of Economic Advisers (CDU Wirtschaftsrat e.V.)
- Deutscher Industrieverband für optische, medizinische und mechatronische Technologien e.V. (SPECTARIS)
- Deutsches Institut für Normung e.V.
- European Optical Society
- European Technology Platform Photonics21
- International Society for Optical Engineering (SPIE)
- IVAM Microtechnology Network (Fachverband für Mikrotechnik)
- Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.
- Optonet e.V./CoOptics
- Semiconductor Equipment Materials International
- German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau e.V., VDMA)
- Stifterverband für Deutsche Wissenschaft
- Verein Deutscher Ingenieure (VDI)
- Zentralverband Elektrotechnik und Elektronikindustrie (ZVEI)

tronic and commercial professions as well as advice on careers and choice of courses, retraining, advanced, adjustment training and training in the area of adult education/training. In September 2009 seven new trainees and four students from the vocational academy started their first practical modules at the Jena Training Center which now enjoys an excellent reputation thanks to the combined expertise of the three shareholders.

In 2009 internships and post-graduate work were awarded throughout the Group in the technical and commercial areas. Since the end of 2008 interns and students about to take their diplomas have been given the opportunity to meet and exchange views and ideas within the Group.

In 2009 Jenoptik invested 1.2 million euros in education and further training for its employees (prev. year 1.3 million euros), with 1,369 benefiting from this in 2009 (prev. year 1,466). The focus of the further training is on English, with the emphasis in future also being on project management as well as flexible opportunities for employee deployment.

In 2009 the [strategic HR work](#) also provided intensive support for the switch to an integrated Group and helped for the entire Chain Management. The HR department organized and presented the Group's management conferences, the Executive

Board's annual roadshow at all the Group's major locations as well as the management conferences of the five divisions which are normally held each year.

Some aspects of the operational HR work were also started up in the Shared Service Center (SSC) from January 1, 2009. The payroll accounting for virtually all the sites in Germany was simultaneously outsourced to an external company. The HR support for the management executives is another aspect not housed within the SSC but instead the direct responsibility of the JENOPTIK AG HR management. The bonus system for the first and second management levels was also harmonized. Information on the remuneration system within the Jenoptik Group can be found in the Management Report on page 40.

The [Jenoptik Junior Leadership Program \(J2LP\)](#) promotes the next generation of managers from amongst the company's own ranks. The third group of the program was continued in 2009, with 16 employees from throughout the Group completing their final work in 2010. A total of nine participants are taking part in the fourth generation of the program which began in July 2009. In addition to integration the program's primary aim is to encourage management trainees and to provide a standardized approach to preparing potential managers for their further career path within the Group.

26 EMPLOYEES AS AT DECEMBER 31, (incl. trainees)

| | Total | | | Domestic | | Foreign | |
|--------------------------|-------|-------|-------------|----------|-------|---------|------|
| | 2009 | 2008 | Change in % | 2009 | 2008 | 2009 | 2008 |
| Group | 3,268 | 3,400 | -3.9 | 2,852 | 2,894 | 416 | 506 |
| Lasers & Optical Systems | 1,284 | 1,412 | -9.1 | 1,171 | 1,240 | 113 | 172 |
| Metrology | 769 | 820 | -6.2 | 481 | 504 | 288 | 316 |
| Defense & Civil Systems | 1,077 | 1,100 | -2.1 | 1,062 | 1,082 | 15 | 18 |
| Others | 138 | 68 | 102.9 | 138 | 68 | 0 | 0 |

The **recruitment** of qualified employees, in particular scientists, engineers and business economists, is a key topic for Jenoptik. That's why the HR marketing has been an integral part of the strategic HR work since 2007. In 2009 Jenoptik was included in the list of top employers, for example in the trendence barometer of graduates (No. 72 in the area of engineering sciences) as well as in the rankings of the Universum Student Survey and Wirtschaftswoche magazine (No. 49 in the field of natural sciences and No. 95 in the engineering sciences). The strategic HR department showcased the Group at a total of seven company contact trade fairs in 2009. A portfolio of partner universities was created in 2009; Jenoptik works in association with these for the recruitment of trainees. In parallel with this numerous student groups visited the Group to gain first hand information.

The Group provides very specific support for scientific management trainees: in conjunction with other partners from the industry Jenoptik sponsors the Photonics School of Graduates which was set up in 2008 at the Friedrich Schiller University of Jena and provides training for highly qualified employees in the field of optics and photonics. Jenoptik also awarded a doctorate scholarship for the subject of lasers and material processing at the University of Applied Sciences in Jena.

Jenoptik established itself as an **attractive employer** in Jena with the opening of a child daycare center which is available primar-

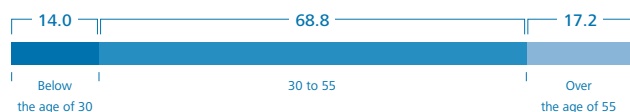
ily for the children of Jenoptik employees. With opening hours from 06.00 to 20.00 and an attractive concept of early child development, including bilingual language teaching, Jenoptik is seeking to make it easier for its employees to establish an appropriate work/life balance. Over and above this service Jenoptik combines sponsorship activities with HR work. Interested employees have the opportunity to attend cultural and sporting events at special rates.

ORGANIZATION AND PRODUCTION CYCLE

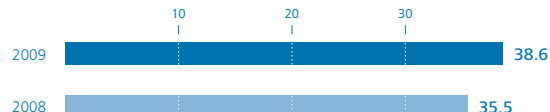
Responsibility for the organization and production cycle lies with the divisions. Processes and organization therefore reflect the requirements of the respective division and are heterogeneous. Consequently, no general statements of sufficient relevance will be made on a group-wide basis for the Group Management Report since projects and themes can only be specified as examples.

A number of production processes in the Group were optimized in 2009 as part of the Jenoptik Excellence Program. These included a special process in the value-added chain for high-power diode lasers at the Jena site and for genset construction at the Altenstadt site. These generated significant savings in the target times, amongst others. Production in the Industrial Metrology division was analyzed within the framework of the JEP in order to optimize production figures (Key

27 AGE STRUCTURE (in percent)



PERSONNEL RATIO (as a percentage of sales)



28

Performance Indicators – KPIs). Projects within the divisions – ranging from purchase to inventory management, up to optimization of production processes and products – are intertwined and will be continued in 2010.

Numerous group-wide projects for standardizing processes within the Group were also implemented in 2009. A group-wide travel management based on permanent framework agreements was implemented at the end of 2009. The group-wide Intranet went online for the German sites in 2009. The aim is for the foreign sites to gradually be connected from 2010. In addition, the new system of Lotus Notes has been introduced at the Jena and Wedel sites since November 2009.

QUALITY & ENVIRONMENTAL MANAGEMENT

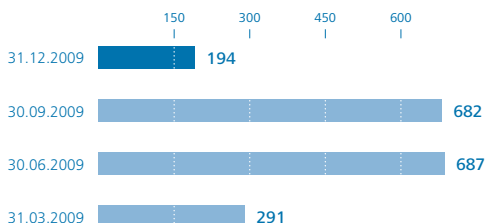
In the [quality management](#), certification under ISO 9001 within the companies of the Jenoptik segments is renewed or maintained annually in the review audit. Virtually all group companies are ISO 9001 certified. The review audit under ISO 14001 (environmental management) was conducted at JENOPTIK Laser, Optik, Systeme GmbH and JENOPTIK Polymer Systems GmbH. The latter also successfully passed the monitoring audit under ISO 13485 (medical technology industry) and in 2009 gained its first certification under the quality management standard for automobile construction, ISO/TS 16949.

The business unit therefore meets the demanding standards required both in the healthcare and automotive areas. Jena-Optronik GmbH and ESW GmbH (Defense & Civil Systems segment) are certificated under ISO 9100, a special quality management system for the aviation, aerospace and defense industries. In November 2009 the German services business of Jenoptik's Traffic Solution division, in particular at JENOPTIK Robot GmbH (formerly ROBOT Visual Systems GmbH), successfully passed the audit and was awarded its certification for the application and implementation of the data protection requirements under the German Data Protection Act. ^[31]

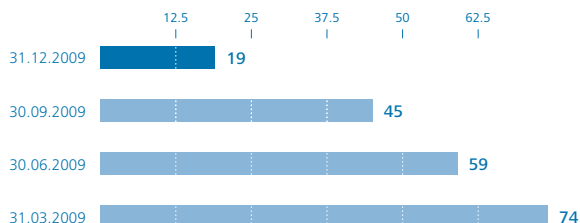
The planned implementation of the new EU Machine Directive which has been mandatory since December 29, 2009, was one of the main tasks in 2009 for the areas concerned. In addition to the extended general scope of application, there have also been changes in safety and health standards as well as the requirements for ergonomic design, controls and safety equipment plus noise and vibration emissions.

In 2009 in the [environmental management](#) the review of the certification under ISO 14001 was successfully passed at JENOPTIK Laser, Optik, Systeme GmbH, JENOPTIK Polymer Systems GmbH as well as ESW GmbH where the recertification of the safety at work management system was also successfully

^[29] SHORT-TIME WORKING WITHIN THE GROUP (in Germany)



TEMPORARY POSTS WITHIN THE GROUP (in Germany) ^[30]



passed. Jenoptik achieved good results for the representative issue of energy certificates for buildings at the Jena site where it achieved levels for upgraded buildings equal to those for new buildings. At the Jena site the Group invested in the total upgrading of the waste water treatment plant for the manufacture of optics. The plant, in which the Group invested approx. 250,000 euros, is to be commissioned in March 2010. The plan for 2010 is to produce the first CO₂ balance sheet for the Group's German sites for the year 2009.

SUSTAINABILITY

Up to now the Jenoptik Group has not submitted any environmental or sustainability report. Over the years ahead the aim is to gradually define appropriate areas of action for the Group with the potential for improvements. However, Jenoptik does provide direct and indirect support for sustainable business through various products. These include:

- lasers & laser processing systems that replace conventional processes and are more energy efficient, durable and material friendly, with a simultaneous increase in efficiency,
- laser processing systems which directly address manufacturers in the area of renewable energies, e. g. manufacturers of solar cells and solar modules,

- industrial metrology for the manufacture of key components and parts in fuel-saving and low-emission engines,
- LED lighting concepts for the sustainable reduction in energy and maintenance costs as well as diffuse reflection,
- traffic metrology for preventing accidents and, as a result, ecological and economic consequential costs,
- satellite, camera and image analysis technology for global weather reports, climate monitoring, energy and thermal reports as well as for health safety programs of the World Health Organization.

Over and above these the Group pursues numerous activities aimed at creating sustainable structures for the working and location environment, including creating a life/work balance, education and further training, trainee development as well as a commitment to the social, scientific and cultural aspects within the framework of our sponsorship activities. More detailed information on these can be found in the Management Report on page 44 (Employees & management) as well as on page 73 (intangible assets not included in the balance sheet).

31 CERTIFICATION IN THE GROUP (selection)

| | |
|------------------|---|
| ISO 9001 | Certification of quality management processes |
| ISO 9100 | Certification of quality management processes specially for the aviation and aerospace industry |
| ISO 13485 | Certification of over-arching management systems for the design and manufacture of medical products |
| ISO 14001 | Certification for the environmental management system |
| ISO/TS 16949 | Certification for the automotive industry |
| Six-Sigma-method | a statistic based quality management operation |

PROCUREMENT

In 2009 **purchasing** was the Jenoptik Excellence Program's central project throughout the Group. Following the establishment of strategic centralized purchasing for materials and services for all divisions (e. g. standardized hardware and software, operating and business equipment and company cars) in the Jenoptik Shared Service Center back in 2008, the process of optimizing the purchasing process in the divisions began in 2009. In summer 2009 all areas of the Group entered into intensive negotiations with their suppliers on prices, terms and conditions of supply as well as payment terms. Existing framework agreements were also renegotiated, some of these cushioning increases in price of raw materials for the purchase of operating materials. An analysis and classification of nearly all of the 4,000 suppliers will be carried out in parallel. The project will be continued in 2010, to include amongst other things the optimization of the integration of purchasing into the processes, e. g. for R + D projects, materials group management and logistics. Active inventories management, which had already made a significant contribution to increasing the cash flows in 2009, will also be continued.

Costs for materials & purchased services fell by 18.2 percent to 206.6 million euros (prev. year 252.5 million euros), at a slightly higher rate in proportion to the reduction in sales and as such accounted for 41.9 percent of the company performance (prev.

year 44.7 percent). The reduction is attributable not only to the lower sales volume but also the measures described in the previous paragraph for the optimization of purchasing, reduction in inventories as well as the changed product mix.

Raw materials, consumables and supplies accounted for approx. 157.2 million euros (prev. year 206.4 million euros). The balance corresponds to the value of the purchased services and prepayments which increased slightly compared with the previous year.

The net added value fell to 163.8 million euros (prev. year 226.7 million euros) as the result of the reduction in sales and one-off effects. With a reduction in the company performance the lower net added value, caused in particular by the negative Group result, prompted a fall in the added value quota to 33.2 percent (prev. year 40.1 percent). ^[32] ^[33]

On the distribution side of the added value, personnel expenses accounted for 114.4 percent (prev. year 85.9 percent). The negative Group result led to an increase in the share of personnel expenses as a proportion of the added value although absolute personnel expenses were lower due to short-time working and a reduction in personnel numbers during the course of the year.

^[32] CREATION OF ADDED VALUE

| | 2009 | | 2008 | |
|--|------------------|-------------|------------------|-------------|
| | in million euros | in % | in million euros | in % |
| Company performance (sales, income, investment result) | 492.8 | 100.0 | 565.3 | 100.0 |
| ./. Prepayments (materials) | 206.6 | 41.9 | 252.5 | 44.7 |
| ./. Prepayments (others) | 79.4 | 16.1 | 55.7 | 9.9 |
| ./. Depreciation | 43.0 | 8.8 | 30.4 | 5.4 |
| Net added value | 163.8 | 33.2 | 226.7 | 40.1 |

2.3 Financial position

The entire planning, management and control of the deployment of financial resources is the core task of Jenoptik's financial management. Thanks to the procurement of financial resources and optimized payment terms the Group was able to significantly lengthen the maturities of the borrowings and reduce the level of net debt.

FINANCING ANALYSIS

The shift in maturities was a particular feature of the **financing structure** in 2009 which is now once again geared towards the medium and long-term. There was a sharp reduction in current financial liabilities which had been used, amongst other things, to refinance the 5 year convertible bond that matured in July 2009. Despite the difficult financial market environment the remaining balance of the convertible bond in the sum of 47.9 million euros was initially repaid in full through short-term credit lines. Thanks to the financing package in the sum of nearly 90 million euros concluded in September 2009 the Group now has a restructured financing framework geared towards the long term up to 2012/2014 and reduced a major portion of current financial liabilities. Jenoptik received a government-federal state guarantee for 44 million euros for part of the financing package. The debenture loans placed in Decem-

ber 2007 in the total sum of 30 million euros were repaid in the sum of 26 million euros at the end of 2009 as one of three targets for financial indicators linked to the debenture loans was no longer met as at September 30, 2009 as a result of the unscheduled costs incurred by the withdrawal from the mid-format camera business. Loans in the corresponding amount had already been provided for that in the financing package that had been previously concluded. As at December 31, 2009 non-current financial liabilities in the sum of 158.2 million euros accounted for 92.1 percent of the total financial liabilities. In addition, a positive cash flow plus available liquidity in the form of credit lines and loans not yet utilized in the sum of approx. 69 million euros secured the Group's cash supply. Current cash flows were used particularly in the 4th quarter 2009 to further reduce current financial liabilities and net debt.

As a consequence of these measures and effects **non-current financial liabilities** (bonds, loans and finance lease) as at December 31, 2009 increased from 92.4 million euros as at end 2008, to 158.2 million euros. These primarily comprise non-current bank loans in the total sum of 154.4 million euros as well as a small portion of finance lease in the sum of 3.8 million euros. The non-current bank loans include mortgage loans for Jenoptik's real estate funds in the sum of 43.0 million euros.

33 DISTRIBUTION OF THE ADDED VALUE

| | 2009 | | 2008 | |
|--------------------------------|------------------|--------------|------------------|--------------|
| | in million euros | in % | in million euros | in % |
| Employees (personnel expenses) | 187.3 | 114.4 | 194.7 | 85.9 |
| Public sector (taxes) | -0.4 | -0.3 | 3.7 | 1.6 |
| Creditors (interest) | 10.8 | 6.6 | 11.8 | 5.2 |
| Companies, shareholders | -33.9 | -20.7 | 16.5 | 7.3 |
| Net added value | 163.8 | 100.0 | 226.7 | 100.0 |

The portion of **current financial liabilities** reduced significantly compared with the previous year as a result of the repayment of the convertible bond and at the end of 2009, at 13.6 million euros, were less than 10 percent of the total financial liabilities (prev. year 113.7 million euros). During the course of the year the financial liabilities were to a significant extent current as the 5 year convertible bond expired in July 2009 and was repaid through existing current credit lines up to the refinancing with non-current loans in September 2009. In the 4th quarter Jenoptik utilized generated cash flows in order to further reduce current financial liabilities. [34]

In 2009, the **debt to equity ratio**, as the ratio between borrowings (367.1 million euros) and shareholders' equity (240.0 million euros), increased to 1.53 (31.12.2008: 1.35) as the Group shareholders' equity fell by 18 percent compared with the previous year (31.12.2008: 292.8 million euros) as a result of the loss reported in 2009 and borrowings fell by just 7.4 percent (31.12.2008: 396.3 million euros).

As the result of the marked reduction in current financial liabilities the Jenoptik Group's **net cash position** showed a marked improvement compared with the previous year, totaling minus 1.3 million euros as at December 31, 2009 (31.12.2008: minus 99.2 million euros). This indicator is calculated on the basis of total cash and cash equivalents including current securities in

the sum of 12.3 million euros (31.12.2008: 14.5 million euros), less current financial liabilities in the sum of 13.6 million euros (31.12.2008: 113.7 million euros).

Group **net debt** was reduced sharply in 2009. Net debt, as total financial liabilities including bonds, loans, bills of exchange and finance lease, less cash and cash equivalents as well as securities, totaled 159.5 million euros as at December 31, 2009 (31.12.2008: 191.6 million euros). Positive cash flows from operating activities helped to once again fully pay investments and capital costs and in the 4th quarter 2009 in particular current financial liabilities could be repaid out of current cash flows. Gross debt, as total non-current and current financial liabilities, also reduced to 171.8 million euros (31.12.2008: 206.1 million euros). [35]

ANALYSIS OF CAPITAL EXPENDITURE

In the 2009 fiscal year just past the Jenoptik Group invested a total of 14.4 million euros in intangible and tangible assets, 40 percent less than in the previous year (31.12.2008: 24.1 million euros). The reduction is primarily attributable to lower capital investment in real estate as well as the economic crisis situation in 2009. The consistent approach to investment management was also continued and development costs only capitalized to a lower extent. [36]

[34] ELEMENTS OF INTEREST-BEARING LIABILITIES (in million euros)

| | 2009 | 2008 | | 2009 | 2008 |
|---------------------------|------|-------|---------------------------|-------|------|
| Current | 13.6 | 113.7 | Non-current | 158.2 | 92.4 |
| Bonds | 0 | 48.3 | Bonds | 0 | 0 |
| Bank liabilities | 12.5 | 64.7 | Bank liabilities | 154.4 | 88.2 |
| Finance lease liabilities | 1.1 | 0.7 | Finance lease liabilities | 3.8 | 4.2 |

Investments were offset by scheduled depreciation in the sum of 28.6 million euros (31.12.2008: 29.6 million euros). Value adjustments, at 14.4 million euros, were significantly above the figure in the previous year (prev. year 0.9 million euros), the reasons for this include the one-off effects described on page 53. The value adjustment to continued topics was generally not included in the one-off effects but instead reduced the Group EBIT before one-off effects.

At 3.8 million euros **capital expenditure in intangible assets** was 35.6 percent down on the level for the previous year (31.12.2008: 5.9 million euros). 1.1 million euros of this was the result of capitalized development costs (prev. year 4.3 million euros) which, in addition to capitalized patents, trademarks and software, were responsible for the significant fall in capital expenditure on intangible assets.

At 6.2 million euros scheduled **amortization of intangible assets** was slightly lower than in the previous year (31.12.2008: 6.6 million euros), with value adjustments to intangible assets, at 9.3 million euros, having increased significantly compared with the previous year (31.12.2008: 0.7 million euros). This was due to the restructuring measures, in particular the withdrawal from the mid-format camera business plus the reorganization of other, smaller development topics.

In the 2009 fiscal year **capital expenditure on tangible assets** totaled 10.6 million euros and therefore accounted for approx. three quarters of the total capital expenditure. The 41.8 percent reduction compared with the previous year (31.12.2008: 18.2 million euros) is due to consistent investment management as well as a reduction in capital expenditure in real estate and investment properties. Factory and office equipment plus technical equipment and machines accounted for the majority of the capital expenditure in tangible assets at 8.0 million euros (prev. year 12.9 million euros). (Detailed itemization in the Notes under Point 14).

The **regular depreciation on tangible assets** totaled 22.4 million euros and therefore exceeded the amount of capital expenditure on tangible assets. **Value adjustments** which are applied each year by the Jenoptik Group as a result of impairment tests, increased in 2009 as against the previous year, to 5.0 million euros (prev. year 0.8 million euros). Here again this was attributable to the restructuring measures and reorganization at the locations.

Financial assets of the Jenoptik Group, at 19.2 million euros, remained around the same level as in the previous year (31.12.2008: 20.1 million euros).

35 **NET AND GROSS DEBT** (in million euros)

| | 2009 | 2008 |
|-----------------------------------|--------------|--------------|
| Non-current financial liabilities | 158.2 | 92.4 |
| Current financial liabilities | 13.6 | 113.7 |
| Gross debt | 171.8 | 206.1 |
| less securities | 1.1 | 2.0 |
| less cash and cash equivalents | 11.2 | 12.5 |
| Net debt | 159.5 | 191.6 |

ANALYSIS OF CASH FLOWS

In 2009 the cash flows in the liquidity analysis can be compared in full with those of the previous year. The result before working capital changes fell by 64.1 percent compared with the previous year as the result of the negative earnings before tax, to 24.2 million euros (31.12.2008: 67.4 million euros). Despite the difficult economic situation, in 2009 the Jenoptik Group succeeded once again in meeting all capital expenditure and capital costs in full out of current cash flows. ^[37]

The **cash flow from operating activities**, at 53.3 million euros after taxes was approx. 13.5 percent above the figure for the previous year (31.12.2008: 46.5 million euros) despite the negative result. In addition to the increased provisions due to expenses arising from HR measures which have not yet been cash-effective, this was due primarily to a 44 million euro improvement in the working capital which was sharply reduced compared with the previous year thanks to active receivables and inventories management. Working capital comprises inventories and trade accounts receivable from the operating business activities, less trade accounts payable, liabilities arising from PoC (Percentage of Completion) as well as on-account payments received. Capital expenditure in intangible, tangible and financial assets was met out of the cash flow from operating business activities without the need for taking up additional loans.

At minus 12.5 million euros, the **cash flow from investing activities** showed an improvement over the previous year (31.12.2008:

minus 18.9 million euros) characterized by lower payments for investments in tangible assets in the sum of 10.3 million euros (31.12.2008: 17.9 million euros) as well as for investments in intangible assets in the sum of 3.8 million euros (31.12.2008: 5.9 million euros) and in financial assets in the sum of 4.3 million euros (31.12.2008: 5.3 million euros). This also shows the result of a consistent approach to investment management.

The **free cash flow**, as the difference derived from the cash flow from operating activities in the sum of 53.8 million euros less the cash flow from the operational investing activities (Capex) of 12.8 million euros, increased accordingly to 41.0 million euros (31.12.2008: 27.9 million euros) and was generated primarily in the 2nd half-year 2009.

The **cash flow from financing activities** in the fiscal year just past was minus 42.0 million euros and led to a reduction in net debt. The changes compared with the previous year (31.12.2008: minus 29.1 million euros) are essentially attributable to an increase in repayments of bonds and loans in the sum of 112.0 million euros due to the refinancing of the convertible bond in July 2009 (31.12.2008: 24.9 million euros) and the partial repayment of the debenture loans which were offset by increased receipts in the sum of 84.7 million euros arising from the issue of new loans, amongst other things, with the newly concluded financing package (31.12.2008: 31.5 million euros).

^[36] CAPITAL EXPENDITURE, DISINVESTMENTS AND DEPRECIATION (Intangible assets and tangible assets in million euros)

| | 2009 | 2008 | Change in % |
|---|------|------|-------------|
| Capital expenditure | 14.4 | 24.1 | -40.2 |
| Intangible assets | 3.8 | 5.9 | -35.6 |
| Tangible assets | 10.6 | 18.2 | -41.8 |
| Disinvestments | 3.0 | 4.2 | -28.6 |
| Intangible assets | 0.2 | 0.4 | -50.0 |
| Tangible assets | 2.8 | 3.8 | -26.3 |
| Net capital expenditure (capital expenditure less disinvestments) | 11.4 | 19.9 | -42.7 |
| Depreciation/impairment | 43.0 | 30.4 | 41.4 |
| Intangible assets | 15.5 | 7.3 | 112.3 |
| Tangible assets | 27.5 | 23.1 | 19.0 |

2.4 Asset position

The balance sheet items as at December 31, 2008 and December 31, 2009 can be compared. As a result of the newly concluded financing package in autumn 2009 there was a marked shift between the Group's non-current and current liabilities in the fiscal year just past. The balance sheet also reduced by approx. 82 million euros.

ANALYSIS OF THE ASSET STRUCTURE

As shown in the Notes to the accounting policies, the fair values of assets and liabilities are applied for company acquisitions in accordance with IFRS 3. Intangible and tangible assets, including investment properties (real estate which is primarily leased to third parties) were recognized at their acquisition and production costs in accordance with IAS 38 and/or IAS 40. Financial instruments, in particular securities available for sale, were shown at their fair values in accordance with IAS 32 and 39.

In the 2009 fiscal year just past the Group **balance sheet total** reduced to 607.1 million euros (31.12.2008: 689.1 million euros). This was a reduction of 82.0 million euros or 11.9 percent and was due to the fall both in non-current as well as current assets.

Non-current assets reduced by 39.5 million euros or 10.5 percent to 336.9 million euros (31.12.2008: 376.3 million euros). This was attributable both to intangible assets, tangible assets as well as investment properties since disinvestments, depreciation/amortization and value adjustments clearly exceeded the level of capital expenditure. [39]

Value adjustments, mainly to development costs, reduced intangible assets to 78.0 million euros (31.12.2008: 88.9 million euros). At 59.1 million euros (31.12.2008: 60.1 million euros) goodwill was the largest item included under intangible assets.

The reason for the reduction in tangible assets was the volume of capital expenditure which was below the level of depreciation, particularly in the real estate area. Tangible assets were down by 18.4 million euros to 152.1 million euros (31.12.2008: 170.5 million euros).

Investment properties reduced by 10.3 million euros to 24.5 million euros (31.12.2008: 34.8 million euros) as a result of depreciation and the transfer of a property to JENOPTIK Pension Trust e.V. as these assets can now be offset as planned assets.

Financial assets, including shares in associated companies, showed virtually no change at 19.2 million euros (31.12.2008: 20.2 million euros).

[37] CASH FLOW (in million euros)

| | 2009 | 2008 |
|---|-------|-------|
| Cash flow from operating activities before changes in working capital | 24.2 | 67.4 |
| Cash flow from operating activities | 53.3 | 46.5 |
| Cash flow from investing activities | -12.5 | -18.9 |
| Cash flow from financing activities | -42.0 | -29.1 |

Current assets fell by 42.6 million euros or 13.6 percent, to 270.2 million euros (31.12.2008: 312.8 million euros). The reduction is mainly attributable to lower receivables and other assets, to inventories due to the fall in sales and an improvement in the receivables and inventory management in the 2009 fiscal year. In 2009 a reduction in receivables and inventories was another target of the Jenoptik Excellence Program that was implemented throughout the Group. Inventories fell to 154.7 million euros (31.12.2008: 179.5 million euros), receivables and other assets to 103.2 million euros (31.12.2008: 118.8 million euros). Cash and cash equivalents, at 11.2 million euros, were only just down on the level for the previous year (31.12.2008: 12.5 million euros).

The **working capital** defined as total trade accounts receivable from the operational business activities and inventories, less trade accounts payable, liabilities from PoC and on-account payments received, reduced to 166.4 million euros (31.12.2008: 201.6 million euros). The 35.2 million euro reduction was due mainly to a lower inventories as well as trade accounts receivable. The working capital ratio, the ratio between working capital and sales, at 35.1 percent, remained at virtually the same level as in the previous year (prev. year 36.8 percent) due to the fall in sales.

Shareholders' equity including minority interests reduced primarily due to the reported loss by 52.8 million euros to 240.0 million euros (31.12.2008: 292.8 million euros). Further

information on the reclassification of the potential serviceable portion of the minority interests (put options) can be found on page 149.

Since the balance sheet total as at December 31, 2009 also reduced, the **shareholders' equity ratio**, the ratio between shareholders' equity and balance sheet total, showed only a slight reduction from 42.5 percent as at the end of 2008 to the new figure 39.5 percent. ^[40]

As at December 31, 2009 there was a marked shift between the Group's non-current and current liabilities. The 5 year convertible bond expired in July 2009 and was initially repaid in full out of the existing, current credit lines. In September 2009 Jenoptik subsequently concluded a medium to long-term orientated financing package in the sum of nearly 90 million euros which was used to reduce current financial liabilities and to secure expiring financing arrangements. In addition, as described on page 65, debenture loans in the sum of 26 million euros were repaid in the 4th quarter 2009.

This led to a significant increase in non-current bank liabilities to 154.4 million euros (31.12.2008: 88.2 million euros). **Non-current liabilities** consequently increased to 205.8 million euros (31.12.2008: 133.1 million euros) with a simultaneous reduction in current liabilities. At 158.2 million euros non-current financial liabilities accounted for 92.1 percent of all

^[38] CAPITAL EXPENDITURE BY SEGMENT (Intangible assets and tangible assets, in million euros)

| | 2009 | 2008 | Change in % |
|--------------------------|------|------|----------------|
| Group | 14.4 | 24.1 | -40.2 |
| Lasers & Optical Systems | 4.2 | 10.8 | -61.1 |
| Metrology | 2.6 | 4.4 | -40.9 |
| Defense & Civil Systems | 5.4 | 8.3 | -34.9 |
| Others | 2.2 | 0.6 | 266.7 |

financial liabilities as at the end of 2009. There were only minor changes in pension liabilities, in particular other non-current provisions as well as other non-current liabilities.

There are [clauses which apply in the event of a change of control](#) in the shareholder structure of JENOPTIK AG as the result of a takeover bid in respect an agreement that applies to specific rights of use as well as for various financing agreements, including a debenture loan utilized in the sum of approx. 98 million euros.

The structure of the conditions for the assumption of a change of control differs in the respective loan agreements. Contracts with a utilized volume of 67 million euros provide the lender with a special right of termination should the threshold of 30 percent for the submission of a takeover bid under §§ 29 Para. 2, 35 Para. 1, Para. 2 WpÜG (Securities Act) be reached, in some cases however once a shareholding in excess of 25 percent is reached.

Four other four financing agreements involving a total sum of 27 million euros only entail a disclosure obligation to the bank on the part of JENOPTIK AG in the event of a change of control. If this notification leads to an increase in the bank's risk assessment then it has the right with these two financing agreements to request the deposit of a security or that the existing security be increased.

For the debenture loan in the total sum of 4 million euros the lenders have the right to exceptional termination of the loan in the amount corresponding to their share of the loan. However, a change of control only applies if one or more persons acting in concert, with the exception of the existing main shareholders on the date the contract is concluded, acquires (acquire) more than 50 percent of the outstanding nominal capital or voting rights directly or indirectly at any time.

There is a framework agreement with one joint venture partner which grants Jenoptik direct access to a comprehensive basis of patents, technological know-how and components which the partner possesses in the field of fiber laser development and manufacture and which contains the special agreements described below: insofar as a change of control in a competitor of the joint venture partner takes place within a specific period, Jenoptik's right of use is limited to the manufacture and marketing of the product portfolio manufactured with the help of the rights of use granted at the date on which the change of control takes effect. The right granted to Jenoptik for a specific period to purchase components expires at the end of a transitional period. Further information in accordance with § 289 Para. 4 on change of control clauses can be found on page 42 as well as in the Notes under the Point Executive Board.

39 COMPOSITION OF THE NON-CURRENT ASSETS (in million euros)

| | 2009 | | 2008 | | Change in % |
|---|--------------|----------------|--------------|----------------|----------------|
| Intangible assets | 78.0 | 23.1 % | 88.9 | 23.6 % | - 12.3 |
| Tangible assets incl. investment properties | 176.6 | 52.4 % | 205.3 | 54.5 % | - 14.0 |
| Financial assets | 19.2 | 5.7 % | 20.1 | 5.4 % | - 4.5 |
| Other non-current assets | 11.0 | 3.3 % | 10.6 | 2.8 % | 3.8 |
| Deferred tax assets | 52.1 | 15.5 % | 51.4 | 13.7 % | 1.4 |
| Total | 336.9 | 100.0 % | 376.3 | 100.0 % | - 10.5 |

As a result of the refinancing described above, **current liabilities** fell by 101.8 million euros to 161.3 million euros as at December 31, 2009 (31.12.2008: 263.1 million euros). The current financial liabilities included in this figure showed a significant reduction to 13.5 million euros (31.12.2008: 113.7 million euros). This was attributable both to the reduction in current liabilities to banks by 52.2 million euros to 12.5 million euros (31.12.2008: 64.7 million euros) as well as to current bonds which were reduced to zero as a result of the repayment in full of the convertible bond. Current liabilities arising from finance lease, at 1.1 million euros, remained almost constant as at end of 2009 (31.12.2008: 0.7 million euros).

At end of 2009 **liabilities from operating activities** reduced to 69.0 million euros (31.12.2008: 75.6 million euros). Although PoC liabilities increased to 6.6 million euros (31.12.2008: 0.5 million euros) these were more than offset by the reduction in trade accounts payable to 38.5 million euros (31.12.2008: 41.3 million euros) and liabilities from on-account payments received, to 23.8 million euros (31.12.2008: 33.8 million euros). ⁽⁴¹⁾ ⁽⁴²⁾

Liabilities to investments increased slightly from 2.6 million euros as at end 2008, to 3.3 million euros as at end 2009.

EXPLANATION OF PURCHASES AND SALES OF COMPANIES

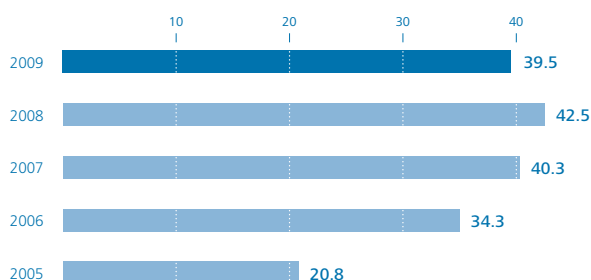
In the 2009 fiscal year just past the Jenoptik Group continued its process of internationalization and strategic focusing as planned.

In the 1st quarter 2009 Jenoptik acquired shares in the Chinese company Shanghai AES Auto Equipment Co. Ltd (AES). In March 2009 the Group, in conjunction with the Israeli company Dagesh, formed the joint venture company JENOPTIK OptiSys Ltd. in Israel. JENOPTIK OptiSys Ltd. will supply opto-mechanical modules to Israeli clients in the semiconductor and security industries.

In July 2009, in conjunction with the Korean company Telstar-Hommel Corp, Jenoptik formed the company JENOPTIK Korea Corp. which will primarily target the Asian electronics, flat panel and photovoltaics industries. JENOPTIK AG is the majority shareholder in this company with a 66.6 percent stake. Both partners have made a joint investment in an application center for laser processing systems in Korea which started up its business operation at the end of 2009. For its part Jenoptik invested approx. 4 million euros in the application center which was officially opened at the beginning of March 2010.

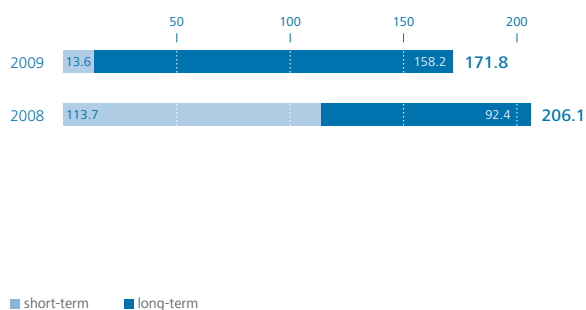
The acquisition and the joint ventures had no significant impact on the financial and asset position of the Jenoptik Group.

⁽⁴⁰⁾ SHAREHOLDERS' EQUITY RATIO (in percent)



INTEREST-LEARNING LIABILITIES (in million euros)

⁽⁴¹⁾



The Group also withdrew from its mid-format camera business which had largely been combined within SINAR AG, Feuerthalen (Switzerland). This led to one-off costs in the sum of 9.6 million euros which affected the result of the Group.

As at December 31, 2009 the 25.1 percent shareholding in JENOPTIK Laserdiode GmbH was acquired from the previous minority shareholder.

More detailed information can be found in the segment reporting from page 75.

ASSETS AND LIABILITIES NOT INCLUDED IN THE BALANCE SHEET

The value of the Jenoptik brand is one of the key assets not included in the balance sheet. The firm of semion brand broker gmbh put the value of the brand in October 2009 at 87 million euros (prev. year 89 million euros). According to the agency this made the Jenoptik brand one of the top 50 German brands, maintaining the number 40 spot in the rankings as in the previous year.

The launch of the group-wide uniform umbrella brand in January 2009 has given the Group a more self-contained image as a single entity amongst customers, business partners and the general public. Both internally and externally the future development of the Group and its global integration will be reflected in a new worldwide standardized logo. At the beginning of

February 2010 the former ROBOT Visual Systems GmbH (Traffic Solutions division) also switched to the Jenoptik umbrella brand, thus ensuring that the Group has a much broader international profile since the division maintains business relationships in more than 80 countries.

INTANGIBLE ASSETS NOT INCLUDED IN THE BALANCE SHEET

We did not measure intangible assets not included in the balance sheet, neither as a total sum or as individual values.

Our success is based on our customers' success. Mutual trust is needed to create high-technology products and systems that can often only be produced in collaboration with the customer. In our opinion, the most important intangible asset is, therefore, the longstanding collaboration with many of our key customers. Orders valued at approx. 120 million euros which extend beyond the year 2010 (prev. year 154 million euros) give proof of this.

We also see our employee's know-how and years of experience as well as their commitment and loyalty to the company as intangible assets. This is reflected for example in a low fluctuation rate of 4.3 percent (prev. year 2.6 percent), with the increase being attributable to the termination agreements included in this within the framework of the reduction in personnel numbers.

42 FINANCIAL LIABILITIES BY DUE DATE (in million euros)

| | Up to 1 year | | 1 – 5 years | | Over 5 years | | Dec. 31, 2009 | |
|--------------------------------|--------------|--------------|--------------|-------------|--------------|-------------|---------------|--------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Bonds | 0.0 | 48.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 48.3 |
| Liabilities to banks | 12.5 | 64.7 | 113.9 | 38.3 | 40.5 | 50.0 | 166.9 | 153.0 |
| Liabilities from finance lease | 1.1 | 0.7 | 2.5 | 2.5 | 1.3 | 1.6 | 4.9 | 4.8 |
| Total | 13.6 | 113.7 | 116.4 | 40.8 | 41.8 | 51.6 | 171.8 | 206.1 |

Our technology-intensive business is essentially based on the success of our product and technology development. We consider our knowledge of research and development as well as processes and projects accumulated over many years to be an important intangible asset which is impossible to quantify. This includes our numerous formal and informal contacts with suppliers and business partners worldwide, universities and research institutions. We are helped in this respect by our headquarters being located in Jena, a city that enjoys an excellent reputation among both scientists as well as customers as an "optical valley". We are conscious of this and promote the scientific, cultural and social aspects of the location. Our sponsorship activities at the Jena site, the core aims of which are to encourage and provide training for young people and to increase the attraction of the location as a place to do business, totaled approx. 0.1 million euros in 2009 (prev. year 0.2 million euros).

SUMMARY | GENERAL STATEMENT ON THE ECONOMIC SITUATION

2009 was a difficult year primarily because of the poor economic framework conditions. Our broadly-based presence enabled us to avoid a collapse in sales and to generate a positive Group EBIT before one-off effects. We therefore achieved the forecasts that we had set out in more detail in mid 2009. Against a difficult financing environment we succeeded both in raising follow-up financing for the convertible bond and switching the financing to a medium to long-term timeframe. To this end we took advantage of the support offered by the free state of Thuringia and the federal German government in the form of guarantees.

Positive cash flows, which exceeded the figures for the previous year, enabled us to further reduce net debt in the 2nd half-year 2009. Active inventory management was an integral part of the Jenoptik Excellence Program that we initiated back at the start of 2009 in order to optimize our cost structures. As a result of the restructuring measures and the economic situation we were forced to introduce personnel measures primarily in the 2nd half-year 2009 and were unable to avoid redundancies for operational reasons.

The course of business during the fiscal year varied significantly in the individual segments. The Lasers & Optical Systems segment posted losses due to the crisis in the semiconductor industry and the Metrology segment as a result of the global automotive crisis. The Defense & Civil Systems segment reported a stable performance.

3 SEGMENT REPORTING

Our reporting in the segments is drawn up in accordance with the IFRS 8 "Operating segments". The external reporting is carried out on the basis of organizational and management structures within the Group and on the internal reporting structure. The Executive Board evaluates the financial information which serves as the basis for decision-making. The basic principles of accounting policies for the segments are the same as those described for the Group in the basic accounting principles.

The presentation is made on the basis of the Lasers & Optical Systems, Metrology and Defense & Civil Systems segments. All the details given here can be compared with the figures for the year 2008. The costs associated with the reorganization and restructuring in the segment EBIT were adjusted and set out on the group level. The segment EBIT is shown before group charges.

3.1 Lasers & Optical Systems segment

The Lasers & Optical Systems segment comprises the Lasers & Material Processing and Optical Systems divisions. As in 2008 the segment's 2009 fiscal year was influenced by the crisis in the semiconductor and automotive industries, particularly in the Optical Systems division.

DEVELOPMENT OF SALES AND RESULTS

Sales of the segment, at 166.7 million euros, were down by 19.5 percent or 40.3 million euros net compared with the previous year (prev. year 207.0 million euros). The main reason for the drop in sales was the crisis in the semiconductor industry that had already begun in mid 2008. This particularly affected the Optics and Micro-Optics business units of the Optical Systems division. In mid 2009 the Jenoptik Group withdrew from the mid-format camera business of the Digital Imaging business unit, sales of which had totaled approx. 10 million euros in 2008.

In the Lasers & Material Processing division stable business with lasers for medical technology and the continued market expansion in laser processing systems for the photovoltaics industry partially compensated for the fall in automotive sales. The segment generated almost 69 percent of its total sales abroad

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

| | 2009 | 2008 | Change in % |
|--------------------|-------|-------|----------------|
| Sale | 166.7 | 207.0 | -19.5 |
| EBIT ¹⁾ | 1.4 | 15.0 | -90.7 |
| Order intake | 168.4 | 194.8 | -13.6 |
| Order backlog | 59.9 | 63.6 | -5.8 |
| Employees | 1,284 | 1,412 | -9.1 |

1) before group charges

- Figures impacted by financial crisis.
- Internationalization continued with the foundation of joint ventures at major locations abroad.

(prev. year 63 percent), this increase being the result of a marked growth in sales abroad by the Laser Processing Systems business unit.

The **segment EBIT** reported a larger fall by comparison with sales. After adjustment for one-off effects the figure was 1.4 million euros (prev. year 15.0 million euros). Since this segment primarily manufactures high-technology products with a high fixed cost portion (machinery and plant, cleanroom production environments, highly qualified personnel) the reduction in sales, together with downward pressure on prices, had a greater impact on the results. The mid-format camera business also had a negative impact in the 1st half-year 2009 up to the withdrawal from this business.

ORDER BOOK SITUATION

The **order intake** of the segment reduced by 13.6 percent to 168.4 million euros and therefore less than sales (194.8 million euros). The main reason for the reduction in the order intake of the Optical Systems division was weak demand from the semiconductor industry although this sector has shown a slight recovery since autumn 2009. Order intake from the automotive and machine construction industry was also down and this had a particular impact on the Lasers & Material Processing division. By contrast, the order intake of laser processing systems area for the photovoltaics industry were stable or increased slightly, with new customers being acquired particularly in Asia. The segment's book-to-bill rate was 1.01 (prev. year 0.94). However, the **order backlog** reduced slightly to 59.9 million euros (31.12.2008: 63.6 million euros) since the figure no longer included the order backlog of the mid-format camera business from which the segment had withdrawn.

In 2009 the **Lasers & Material Processing division** continued to present itself as a laser processing systems provider for the photovoltaics industry, reflecting the trend in the sector towards an adding of production capacities in particular in Asia in 2009.

Jenoptik is a supplier both of production systems for thin-film as well as wafer-based, crystalline solar cells. As such, in March 2009 the Laser Processing Systems business unit received an order in the single digit million euro range in Asia, equipping a production line with full structuring and ablation technology for thin-film solar cells. In June a Taiwan-based customer placed an order to equip the new production line with the total systems for the structuring processes as well as for the laser edge deletion.

RESEARCH & DEVELOPMENT

R + D expenses fell slightly to 15.7 million euros (prev. year 17.1 million euros). The figure does not include developments directly on behalf of customers.

During the semiconductor crisis the Optical Systems division developed new systems for the next generation of chips in conjunction with customers. In the Lasers & Material Processing division one of the core themes is the development of the optical engine for fiber lasers although this is being pursued in a joint venture company with Trumpf so it is shown in the investment result. In the laser processing systems area the focus was on the further development of system concepts as well as lasers & material processing for new materials, which have up to now not been targeted by Jenoptik. In addition to single emitters and fiber couplings the focus of development in the diode lasers and/or laser systems areas is on increased flexibility, compact or miniaturized designs and low cost offerings of proven quality.

In January each year new developments are showcased at Photonics West, the most important leading trade fair for the segment. In 2009 Jenoptik was also represented at the laser fair which is held every two years in Munich. Jenoptik is one of the few providers worldwide to develop and mass produce lasers and optics that meet the most stringent quality requirements. In this context the Group benefits from having the entire value-added chain and a broad technology portfolio in-house.

PRODUCTS AND TECHNOLOGIES

The main applications in the **Lasers & Material Processing** division include marking, engraving, ablating, perforating, structuring, welding, cutting and drilling as well as joining for use in the electronics, semiconductor, automotive, photovoltaics and packaging industries. Medical lasers for ophthalmology and dermatology as well as lasers for Show & Entertainment also form part of the product portfolio that was further expanded in 2009, e. g. with the addition of new, ultra-brilliant diode laser modules in the Diode Lasers business unit. The offering was also expanded by the addition of a low-cost diode laser bar solution for medical applications. In 2009 the new JenLas® fiber OEM fiber laser series in the Laser Systems business unit was a key step along the way to it becoming a total provider of laser equipment for industry. The product portfolio of the Laser Processing Systems business unit for the photovoltaics industry was expanded by the addition of further process steps and efficient designs. The machine concept, which combines the laser edging and laser glass cutting processes into one single process, was developed in conjunction with the partner company Bystronic Glass.

The Jenoptik JenLas® disk IR50 disk laser, specially designed for use in the solar industry, was combined with complex system technology within the JENOPTIK-VOTAN™ Solas 1800 laser processing system that was launched in 2009. The system will be deployed for drilling minute holes in crystalline solar wafers. The back side contacts enabled through this Metal Wrap Trough technology (MWT) represent another key step in increasing the efficiency of solar cells. The system is offered in two versions: as a stand-alone system for the development of new products and processes and as a module for integration into existing production lines.

The **Optical Systems** division develops and manufactures optical and micro-optic systems, modules and components to customer specifications for wavelengths from the XUV (extreme ultraviolet) to VIS (visible) up to IR (infrared). The focus of the presentation at Photonics West in January 2010 was on,

amongst other things, precision optics for customer-designed applications and for laser materials processing, micro-optic pulse compression grids with excellent thermal stability specially designed for ultra short pulse lasers, as well as polymer-optic and optoelectronic components and systems for various sensor technologies. These are suitable for applications in the automotive industry, lighting and energy technology as well as for Life Sciences.

The new M9 rangefinder camera from Leica Camera AG received its successful market launch in September 2009. In conjunction with Leica, the Digital Imaging business unit developed the electronic module for the camera control unit and for digital imaging. The imaging modules, including the camera controller, went into mass production around mid 2009. Leica and Jenoptik have based their development on the experiences gained from their successful collaboration on the M8 camera. In the Digital Imaging business unit Jenoptik specializes on the development and manufacture of high-performance imaging systems. The components, modules and systems are used in digital photography, microscopy, including, amongst others, for Life Sciences applications and in biotechnology as well as in industrial metrology and traffic safety.

EMPLOYEES & MANAGEMENT

As at December 31, 2009 the Lasers & Optical Systems segment employed 1,284 personnel and consequently 128 or 9.1 percent fewer than at the end of 2008 (31.12.2008: 1,412). The reduction was primarily attributable to the withdrawal from the mid-format camera business. The number of employees will fall further during the first months of the current year as the figures do not yet include the full consequences of the personnel measures taken in December 2009 at the 2009 year-end. Redundancies had become necessary due to comprehensive restructuring and as a result of the economic and financial crisis. In January the Optical Systems division placed approx. 250 employees on short-time working; this was extended to approx. 530 employees by the middle of the year although it fell back markedly at the year-end. Individual areas of the Lasers & Mate-

rial Processing division also reverted to short-time working during the course of 2009. Further training was conducted for a total of 138 of the segment's employees whilst they were on short-time working.

The segment employed a total of 113 personnel abroad (prev. year 172). The focus here is on the USA with a comprehensive range of activities in the optics area, including full stage production primarily for the US military, aerospace and research industries. In Israel, Jenoptik today supplies clients from the semiconductor equipment industry, the optical inspection area and the print machine industry. The number of employees abroad reduced mainly due to the withdrawal from the mid-format camera business which primarily had been combined within the Swiss firm of SINAR AG.

ACQUISITIONS, COOPERATION ARRANGEMENTS & OTHER IMPORTANT EVENTS

There were no acquisitions in the Lasers & Optical Systems segment in 2009. Two joint venture companies were established at key foreign locations.

The formation of JENOPTIK Korea Corp. in July 2009 saw the start of development of a laser application center in Asia in which Jenoptik is the majority shareholder with a 66.6 percent stake and is working in close collaboration on this with Telstar-Hommel Corp., previously the sole partner for the Industrial Metrology division. A new laser application center was built for a total of approx. 4 million euros. It opened in March 2010. Here Jenoptik will showcase various systems for use in laser materials processing, specially geared towards the electronics, flat panel and photovoltaics industries. Since the end of 2009 the Lasers & Material Processing division has also been handling after the after-sales service for the Asian clients from Korea.

The first orders were already announced at the beginning of 2010, these are attributable to the expanded presence in the Asian growth market.

In the **Lasers & Material Processing** division Jenoptik acquired the 25.1 percent shareholding in JENOPTIK Laserdiode GmbH from the previous minority shareholder TRUMPF International Beteiligungs GmbH as at December 31, 2009. Trumpf had been involved in the early development phase of the laser diodes and in recent years made an important contribution towards the development of business. Now that the shares have been acquired, Jenoptik is the 100 percent owner of JENOPTIK Laserdiode GmbH and in future will be able to service the worldwide demand for laser diodes more quickly and with greater flexibility.

In August 2009 the **Optical System** division withdrew from the mid-format camera business due to the insolvency of the supplier Franke & Heidecke as well as the significantly impaired business potential. The withdrawal led to one-off expenses in the sum of 9.6 million euros which were included in full in the segment's 2009 EBIT. The activities in the Digital Imaging business unit for the professional photographic market were therefore terminated. The focus now is exclusively on industrial and scientific applications.

The joint venture company JENOPTIK OptiSys Ltd. was formed in March 2009 and combines the experience of the Israeli firm Dagesh in the area of mechanical production plus the development and design of modules, with the comprehensive expertise of the Jenoptik Optical Systems division in optics and mechanical design, optical metrology and testing technology plus system integration. Dagesh and Jenoptik each hold 50 percent of the joint venture which, as a systems company, primarily sup-

plies complete module design, assembly, alignment and testing for customers from the semiconductor equipment industry as well as the area of defense and security. A final function test of the opto-mechanical modules is to become an integral part of the assembly. JENOPTIK OptiSys Ltd. got off to a quicker start than expected and despite the economic crisis won its first order in 2009 and since the 4th quarter 2009 has been installing optoelectronic systems on behalf of a supplier of medical technology devices.

The Micro-Optics business unit expanded its service offering with the help of the cooperation arrangement with the Jena-based company LightTrans, a specialist in the modeling of micro-optic systems. This will allow for the development of new areas of application, e.g. in modern lighting and display technology, over and above the existing core markets of the semiconductor industry, healthcare and life sciences plus materials processing.

In 2009 the Optoelectronic Systems business unit concluded a strategic partnership with the firm of Lumenova GmbH, Esslingen, part of the PSI Group. The aim is to speed up entry into the growing market for LED lighting in public spaces. Jenoptik is also a partner in the Thuringia joint project CoLight which is aimed at designing and manufacturing prototype LED-based, energy-efficient lighting systems for roads plus technical lighting.

The locations and structure of the Optical Systems division were optimized in 2009. In Germany, the closing of the Gießen site was prepared to relocate parts of the production to Jena. In order to better exploit synergies in the future the division's US optics companies were amalgamated within JENOPTIK Optical Systems Inc. with headquarters in Jupiter (Florida) in two steps in mid 2009 and at the beginning of 2010.

The Optics business unit pressed ahead with the program for the realignment of optics. The key element of this is the optimization of the order processing and consequently the entire process – from customer inquiry to delivery, including the restructuring of production. The aim of this is to reduce and create additional flexibility in the fixed and manufacturing costs as well as the cycle times. The program began in 2009 and will be continued in 2010. In connection with this the installation of full-stage and partly automated tooling was an important investment in the Optoelectronic Systems business unit. 38

3.2 Metrology segment

The Metrology segment comprises the Jenoptik Industrial Metrology and Traffic Solutions divisions. Whilst the international market for traffic safety essentially remained stable, the global crisis in the automotive industry led to a marked fall in the business of the Industrial Metrology division.

DEVELOPMENT OF SALES AND RESULTS

The Metrology segment reported a 24 percent fall in sales to 96.0 million euros (prev. year 126.3 million euros). In this context sales abroad accounted for 61.2 percent, around the same level as in the previous year (prev. year 62.5 percent). The development of business in the Industrial Metrology division was influenced by the crisis in the automotive industry which led to a marked reduction in the division's sales that the smaller Traffic Solutions division was not able to offset with its stable development. The drop in sales increased during the course of the year since in the first months of 2009 the Industrial Metrology division had still been benefiting from a good order backlog from the period prior to the crisis. As at the end of the fiscal year the fall 'bottomed out' at a very low level. As at the beginning of 2010 we have yet to see any sustainable recovery.

EBIT of the segment came in at minus 4.9 million euros (prev. year 6.9 million euros). Here again this was due to the sharp fall in business with the automotive and automotive supplier industry. In 2009 the Industrial Metrology division reported minimal bad debts resulting from the automotive crisis. In the Traffic Solutions division the result was impacted by costs for the expanding Traffic Service Providing. Necessary restructuring in the division's US company was continued in 2009. The new service business model made a positive contribution towards the development of the German market. In so-called public private partnerships models the systems remain in the property of Jenoptik which also assumes maintenance and data processing.

ORDER BOOK SITUATION

The segment's **order intake** showed a marked 37.6 percent fall to 83.2 million euros (prev. year 133.3 million euros). Once again the reduction was attributable to the crisis in the automotive industry which had already led to a sharp fall in demand in the Industrial Metrology division during the final months of 2008. The Traffic Solutions division posted only a small reduction in the order intake. The segment's book-to-bill rate was 0.87 (prev. year 1.06), with the **order backlog** of the segment reducing accordingly to 21.9 million euros (31.12.2008: 37.0 million euros).

44 METROLOGY SEGMENT AT A GLANCE (in million euros)

| | 2009 | 2008 | Change in % |
|--------------------|------|-------|----------------|
| Sales | 96.0 | 126.3 | -24.0 |
| EBIT ¹⁾ | -4.9 | 6.9 | -171.0 |
| Order intake | 83.2 | 133.3 | -37.6 |
| Order backlog | 21.9 | 37.0 | -40.8 |
| Employees | 769 | 820 | -6.2 |

1) before group charges

- Declining business with automotive industry characterizes the figures of the segment.
- Industrial Metrology has expanded presence in China.
- Traffic solutions has placed its complete service offering under the Jenoptik umbrella brand since early 2010.

Demand in the **Industrial Metrology** division stabilized at a very low level at the year-end. Significant order intakes in 2009 came from Eastern Europe as well as the Asian markets, amongst others, with the division benefiting from its direct local presence on the international markets. New customers were attracted, such as e.g. Scania, the Swedish manufacturer of buses, trucks and ship engines to which the division supplied machines for the combined optical and tactile measurement of crankshafts during the production process.

In the **Traffic Solutions** division large international tenders and protracted periods for awarding contracts are increasingly becoming a characteristic feature. This is affecting both the conventional systems business as well as major international Traffic Service Providing projects. In Germany by contrast the new service business model based on the principle of public-private partnership enabled the division to attract numerous new customers in 2009 although the size of orders is significantly lower than that abroad.

At the end of 2009 and beginning 2010 the division won orders for the new speed measurement technology for measuring average speeds over defined sections of road (Point-to-Point) worth approx. 4 million euros in total from Austria, Switzerland and one Arabic country. The major project in Lithuania, which extends beyond the supply of the equipment and includes a comprehensive service agreement for the next ten years, was also successfully completed in December 2009.

RESEARCH & DEVELOPMENT

The segment's **R+D expenses** totaled 8.3 million euros and were therefore slightly lower than in 2008 (prev. year 9.8 million euros).

In the **Industrial Metrology** division the development work continued to concentrate on flexible and high-precision measurement systems as well as those which allow for the combination of various measurement technologies. These new systems enable customers to save time and investment costs.

In the **Traffic Solutions** division the license for the mobile digital technology in Germany was awarded in 2009, enabling approx. 300 mobile radar systems to be upgraded to digital technology during the 2nd half-year. The development themes also focused on the non-invasive 3D radar technology and the expansion of the information technology for operating the systems.

PRODUCTS & TECHNOLOGIES

Its global presence and know-how in the three measurement technologies (optical, tactile, pneumatic) give the **Industrial Metrology** division advantages over its competitors. Despite the sharp fall in business and the necessary restructuring, key development projects were consistently pursued in 2009 and new products launched. These include for example an internal test sensor with a 360 degree view that provides for the automatic inspection of the inner surfaces of drill holes. The advanced HOMMEL-ETAMIC shaftscan, that now meets enhanced requirements for precision, was showcased at the Control trade fair in 2009.

With a comprehensive range of equipment in the Traffic Solutions division Jenoptik is well positioned in the international competitive environment. In 2009 the product portfolio was updated, streamlined and restructured and now includes new equipment that has superseded old versions. The non-invasive 3D radar technology was given its successful market launch.

EMPLOYEES & MANAGEMENT

In 2009 there was a further marked reduction in the number of employees in the Metrology segment – from 820 at the end of 2008 to 769 as at December 31, 2009. This is primarily attributable to the Industrial Metrology division although the personnel measures introduced at the end of 2009 have not yet been fully included. The number of employees in the Traffic Solutions division essentially remained stable. 288, or approx. 37 percent of the employees in the segment, work abroad (prev. year 316 or nearly 40 percent).

During the course of the year up to 180 employees in the Industrial Metrology division were on short-time working. The weak demand could not be offset by measures such as short-time working and a reduction in the number of temporary workers. Consequently, during the 2nd half-year 2009 it became necessary to undertake site optimizations, resulting in personnel measures having to be taken. As a result of the merger of the production of standard products at the Villingen-Schwenningen site jobs were shed abroad, particularly in France and Switzerland. Social plans were agreed with the employee representatives of the locations. Overall the division made 150 employees redundant, 60 of these in Germany. In order to make the job losses socially acceptable, an interim employment company was set up in Villingen-Schwenningen.

ACQUISITIONS & COOPERATION ARRANGEMENTS AND OTHER KEY EVENTS

At the beginning of 2009 the Metrology segment expanded its presence in China. The **Industrial Metrology** division acquired parts of the Chinese company Shanghai AES Auto Equipment Co. Ltd. (AES). In particular, there was an expansion of the assembly capacities and procurement know-how which is available to the whole Group. AES specializes in the development, installation and marketing of industrial measurement and installation technology for the Chinese automotive industry. The activities of AES were combined with Hommel Telstar Co. Ltd., Shanghai during the course of the year. The combination of metrology produced at German locations with components from Korea or China was further expanded, reducing manufacturing costs.

In 2009 in the **Traffic Solutions** division preparations were made for the change of name and switchover to the group-wide, uniform Jenoptik umbrella brand. ROBOT Visual Systems GmbH, a key company in the Jenoptik's Traffic Solutions division, has been operating as JENOPTIK Robot GmbH since February 1, 2010. This goes hand in hand with a change in the external image under the Jenoptik umbrella brand. The Traffic Solutions division is placing its entire service offering under the Jenoptik brand – including its direct communication with its worldwide customers. This makes Jenoptik a provider of traffic safety solutions – from individual system to the total operator concept. In order to avoid losing the value of the ROBOT brand, which had become well established in the market over many years, as well as customers with longstanding ties to the company, the ROBOT brand will be continued as a so-called ingredient brand. The branding concept and change of name will be accompanied by a communication campaign and associated with a new Internet site for the Traffic Solutions division under the Jenoptik umbrella based on the new Jenoptik general portal. [38]

3.3 Defense & Civil Systems segment

The Defense & Civil Systems segment posted a stable course of business in the fiscal year as major, long-term orders are a characteristic feature of large parts of the business model. By contrast to the other two segments in the Jenoptik Group this segment comprises just one division: Defense & Civil Systems.

DEVELOPMENT OF SALES AND RESULTS

At 205.3 million euros sales of the Defense & Civil Systems segment remained almost at the same level as in the previous year (prev. year 208.5 million euros). Sales abroad as a percentage of total sales, at approx. 48 percent, were slightly up on 2008 (prev. year 43.6 percent). This increase was attributable to deliveries of generators for a British military vehicle. The Defense & Civil Systems segment generally has a lower volume of sales abroad than in the other two segments as often defense technology and aircraft equipment in particular is supplied to German systems companies.

The level of sales led to a 12.0 percent fall in the segment's result from operating activities in comparison with the previous year, to 13.9 million euros (prev. year 15.8 million euros).

ORDER BOOK SITUATION

The order intake of the segment, at 178.0 million euros, was up slightly on the level for the previous year (prev. year 173.4 million euros). In this business, in which major and long-term orders are a characteristic feature, fluctuations during the course of the year can distort the views on the qualifying dates. Significant orders in 2009 came from power supply for military radar systems, train voltage supply systems, Airbus components as well as auxiliary power units in trams, amongst others. The figure does not yet include the order for the components and subsystems for the new PUMA armored fighting vehicle for the German Army.

As a result of the high volume of sales the segment's order backlog as at December 31, 2009 reduced by 11.7 percent to 260.2 million euros (31.12.2008: 294.6 million euros).

RESEARCH & DEVELOPMENT

At 9.0 million euros the R + D expenses of the Defense & Civil Systems segment were up slightly on the level for the previous year (prev. year 8.1 million euros). As a result of the long-term platform business, with 9.4 million euros the segment has a higher share of development costs for direct customer orders than the other two segments; these costs are shown under cost of sales.

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

| | 2009 | 2008 | Change in % |
|--------------------|-------|-------|----------------|
| Sales | 205.3 | 208.5 | -1.5 |
| EBIT ¹⁾ | 13.9 | 15.8 | -12.0 |
| Order intake | 178.0 | 173.4 | 2.7 |
| Order backlog | 260.2 | 294.6 | -11.7 |
| Employees | 1,077 | 1,100 | -2.1 |

1) before group charges

- Stable business development with figures at the previous year's level.
- Business characterized by long-term projects.
- Consolidation of the division continued.

With its newly developed "17 kW Auxiliary Power Unit ADSF 282", APU for short, the Mechatronics business unit was the winner of the 2009 Jenoptik Innovation Prize. The outstanding features of the auxiliary power unit are its extremely high power density, lightweight and compact design. The powerful auxiliary power unit for use in military vehicles is particularly suitable for upgrading purposes.

The developments of the components and subsystems for the PUMA armored fighting vehicle were completed in the Mechatronics business unit and production of the pre-series components has successfully started. Order is expected to be received at the beginning of 2010 and over the years ahead produce a sales volume of approx. 70 million euros. Jenoptik supplies systems and components ranging from energy supply to weapons and turret stabilization that were developed in close cooperation with the project partners Krauss-Maffei Wegmann GmbH & Co. KG., Rheinmetall Landsysteme GmbH, MTU Friedrichshafen GmbH and the overall contractor for the total project, PSM GmbH, Kassel.

In the Optronics business unit long-term projects are also a particular characteristic of the R + D roadmap. Rendezvous laser technologies for space missions are being continually further developed. A development project for new imaging Lidar technologies is under way on behalf of the European Space Agency ESA. The positioning in the global satellite system was achieved in 2008 as part of the European earth observation program GMES (Global Monitoring for Environment and Security) in which Jenoptik took on the development of the electronic, mechanical and optical components. The business unit is working intensively on the development of the new generation of METimage cameras for weather satellites.

One of the main themes in the Sensors business unit was the further development of the thermographic camera systems for new areas of application, also being conducted in conjunction

with the Optronics business unit. New fields of application were developed in this area, for example with sky and satellite image applications based on thermal imaging technology. 2009 saw the further development of the proven laser rangefinder equipment which is now also suitable for use in extreme temperature ranges from minus 40 to plus 50 degrees Celsius and consequently for new applications such as in cold storage areas. New laser rangefinder equipment which has been optimized for measurements in the near range as well as on weak reflecting surfaces, was also launched at the end of 2009.

EMPLOYEES & MANAGEMENT

The number of employees in the Defense & Civil Systems segment reduced slightly by 23 to 1,077 (31.12.2008: 1,100), with 15 of the employees working abroad. As a result of the stable development of business there was no significant short-time working in the Defense & Civil Systems segment.

ACQUISITIONS, COOPERATION ARRANGEMENTS & OTHER KEY EVENTS

No acquisitions were made in the 2009 fiscal year. Work on the consolidation of the division was intensified in 2009 and backed up with first organizational steps. The Sensor Systems business unit of JENOPTIK Laser, Optik, Systeme GmbH was integrated into ESW GmbH with effect from September 1, 2009. Furthermore, in 2009 the segment's product portfolio was divided into seven areas of expertise to provide transparency: energy systems, optical information systems & sensors, stabilization systems, aerospace subsystems, aviation subsystems, radomes & composites as well as customer servicing. This reorganization will provide customers with a structured overview of the segment's range of services. [38]

4 REPORT ON POST-BALANCE SHEET EVENTS

On March 9, 2010 the Executive Board of JENOPTIK AG resolved with the approval of the Capital Market Committee to increase the nominal capital by 10 percent via a capital increase through partial use of its authorized capital. Shareholders' subscription rights were excluded. From the planned capital increase the company will receive gross proceeds of more than 22 million euros.

The 5,203,464 new no-par value bearer shares were successfully placed with institutional investors via an accelerated bookbuilding process. The transaction was two times oversubscribed. The placement price was 4.25 euros per share.

In addition to the financing of major orders in the area of traffic safety, the proceeds will be used to expand the global presence, in particular of the laser business in Asia and North America by establishing additional laser application centers. In addition, smaller and targeted acquisitions should contribute to increase the Group's profitability as well as to round-up both product portfolio and value-added chain.

The new shares will be admitted for trading without a prospectus in the regulated market of the Frankfurt Stock Exchange and the sub-segment thereof with additional postadmission obligations (Prime Standard). The shares will also be traded on the regional stock exchanges in Berlin, Düsseldorf, Hamburg, Hannover, Munich and Stuttgart and are eligible for dividends from January 1, 2009.

There were no other events of special importance occurring after the balance sheet qualifying date.

5 RISK REPORT

Opportunities and risks go hand-in-hand with commercial activity. As a company with global operations in various areas of business the exploitation of commercial opportunities and the simultaneous control of the associated risks are part of the fundamental principles of a value-driven and responsible corporate management. This is the only way to ensure long-term business success.

5.1 Risk Management System/ Internal Control System

The objective of risk management is to deal with risks and opportunities in the company in a purposeful and therefore controlled manner. Jenoptik has a group-wide Risk Management System that covers all fully-consolidated companies. Jenoptik sees risk management as covering the totality of all risk-related activities and measures which help to ensure that the corporate objectives are achieved. The process for determining risk areas, identifying risks as well as for the subsequent risk analysis is subject to continual review and updating.

A decentralized network of risk officers in the individual divisions and business units is responsible for identifying and monitoring the individual risks. Risk screening is used to identify all relevant risks and record them in a risk inventory. Group guidelines and a risk manual provide appropriate standards for this purpose. If specific value thresholds are exceeded the risks are reported up to the Executive Board level. Close integration with Group Controlling ensures the prompt evaluation of the consequences on the Group's financial, asset and earnings position and as such provides the basis for appropriate control measures. Monitoring of the Risk Management System is carried out by the Risk Committee, the Internal Audit Department and an Internal Control System in the stricter sense, with support from various meeting formats and regular reports.

DEALING WITH RISKS

Since there are various operational areas of business within the Jenoptik Group a general **risk pattern** provides a tool to enable potential risks to be presented in a structured way. Taking the risk pattern into consideration, the risk fields have to be defined in a **risk inventory** which is carried out every year (**risk screening**) from which the company's key risks are derived. From 2010 checklists, which will be subject to final review by the risk officers of the divisions, will provide a tool for the annual risk inventory to be conducted each year for each risk unit.

Within the framework of a **risk analysis** all risks identified by the risk officers of the risk units will then be assessed in terms of their probability of occurrence and impact on the results. In this context when carrying out the assessment each risk and each opportunity must be viewed individually and separately from each other. The results of the risk identification and risk analysis – where they exceed a value threshold of 0.5 million euros per business unit or 1.0 million euros per division – are recorded in the **risk report** which is sent to the Group's risk officer. In the risk report the individual reports are summarized giving consideration to the potential aggregation of risks in order to create a Group risk report for the Executive Board. A distinction is drawn between operational and strategic risks/opportunities, with details on the probability of occurrence and assumed impact on the results.

The measures presented must be implemented by the nominated personnel responsible, specifying the date of implementation. If a risk arises for the first time between the reporting dates and has an impact of more than 1.0 million euros on the results on the divisional level and a probability of occurrence exceeding 25 percent, or if there is an equivalent change to an existing risk, the Group risk officer and the Executive Board must be informed immediately and an **ad hoc risk report** produced.

In addition to the monthly meetings of the Executive Board, strategy and results meetings, teleconferences and so-called holding rounds involving an expanded group of participants, also act as group-wide bodies for identifying, analyzing and dealing with opportunities and risks. In this respect the Executive Board and Heads of Divisions will discuss relevant opportunities and risks and their consequences for the company in conjunction with the Chief Financial Officers plus Strategy and Innovation Management. The Executive Management Board, which was initiated in January 2008 as an expanded Group management committee, met five times in 2009. In this context the Jenoptik Executive Board held joint discussions and reached joint decisions with the Heads of the five divisions as well as the Deputy Head of the Optical Systems division and HR Director on all strategic Group decisions. In addition, a group-wide Innovation and Investment Controlling, with a uniform structure, ensures that through the critical evaluation of new development projects, including risk assessments, only the best ideas are systematically pursued through to commercial success.

MONITORING AND FURTHER DEVELOPMENT OF THE RISK MANAGEMENT SYSTEM

In addition to the Executive Board's obligation to take appropriate measures for the early identification of any developments that could jeopardize the company's continued existence, there is a need for the establishment of a monitoring system and a regular review of its efficiency and effectiveness. The implementation of this task was delegated to the Risk Committee through the adoption of a risk manual.

The **Group Risk Committee** comprises at least one member of the Executive Board, the Group Risk Officer and the Heads of Legal Affairs, Internal Auditing and the Finances and meets at

least once a year. The main task of the Risk Committee is to monitor the functioning and efficiency of the Risk Management system. The Risk Committee appoints a Group Risk Officer who is in constant communication with the risk officers of the divisions. In addition, the risk early warning system is evaluated by the auditors as part of the audit of the annual financial statements in order to ensure that the system is appropriate for the timely recording, assessment and communication of all risks which have the potential to jeopardize the continued existence of the Group.

Jenoptik has a system of controls that operates both on an external (ex-process) as well as an internal (in-process) basis. Thanks to targeted controls on various process levels Jenoptik's system of controls is geared towards identifying potential gaps in the monitoring system, triggering corresponding countermeasures and, through regular reviews of the methods applied, ensuring and improving the effectiveness of the risk identification and analysis. The tasks of the Jenoptik system of controls are performed by the Internal Control System (ICS) on the in-process side and by the Internal Audit Department on the ex-process side.

The [Internal Control System](#) is a key part of the Group risk monitoring. By consistently applying basic principles on risk-policy and instructions in the form of group and divisional guidelines, a large proportion of the risks are already avoided or their consequences at least cushioned. The basic guidelines, which apply throughout the Group, came into force as at January 1, 2009 as a basis for the revision of all guidelines. In addition to rules on data protection, accounting in accordance with IFRS as well as Corporate Governance principles for listed companies, consideration is also given to topics such as risk management and contract design for special business transactions. Before concluding special business transactions, e. g. with an order

value > 5 million euros, special technical risks, contracts involving special financial management or legal aspects, as well as potential loss orders, a thorough review of the costings, order terms and conditions and potential risks must be conducted for strategic reasons. Applications for approval of such transactions are submitted by the corresponding Head of Division to the central Legal department. This department coordinates the assessment and decision-making process and, as required, draws up the corresponding submission to the Executive Board as a decision-making basis for the final approval from the Executive Board.

Taking a responsible approach to dealing with risks and applying the controls described above ensures that the consolidated financial statements can be produced in accordance with the regulations with a sufficient degree of certainty.

Adherence to the guidelines is reviewed by amongst others the independent [Internal Audit Department](#) which was strengthened on the personnel side at the beginning of the year just past. The Internal Audit Department is headed by the Audit Officer of the Executive Board and the work conducted in the form of so-called Jenaudits. Checks are carried out by interdisciplinary teams, with support from employees from all areas of the Group, amongst other things to determine the functioning of the Internal Control System. One of the key elements in this context is the proper adherence to and implementation of the guidelines. Recommendations, which are categorized according to their level of importance, as well as any need for adaptation to the guidelines are submitted directly to the corresponding personnel responsible in the audited units and to the Executive Board. Where necessary the Internal Audit Department is assisted by an external auditor. Special current themes can also be dealt with in so-called ad-hoc Jenaudits. In an implementation report the corresponding audited unit submits a subse-

quent report stating which of the notified recommendations have been taken into account and implemented by a specified date. Follow-up audits are then carried out, reviewing the implementation of the recommendations and reporting on their findings to the relevant management level and the Jenoptik Executive Board. The Internal Audit Department reports at least once a year to the Audit Committee of the Supervisory Board on its key findings during the period since the last report. In 2009 five Jenaudits and three follow-up audits were conducted.

RISK MANAGEMENT IN RESPECT OF FINANCIAL INSTRUMENTS / CURRENCY AND INTEREST RATE RISK MANAGEMENT SYSTEM

Changes in exchange and interest rates give rise to opportunities and risks for Jenoptik with regard to assets, liabilities and transactions. The aim of the financial risk management is to limit these market risks through operational and finance-oriented activities. In this context derivative financial instruments are used exclusively for the purpose of hedging the underlying transactions.

All cash flows in **foreign currencies** are recorded as an opportunity-risk position. Both the positions in the series production business (prices in foreign currencies are fixed for a specific period in the form of price lists) as well as the opportunities and risks arising from the project-related business (foreign currency prices are only fixed on the basis of the current rates during the offer phase) are recorded by Group Treasury as a net currency exposure – i. e. as a risk of a change in value as the result of changes in exchange rates. A foreign currency guideline deals with potential deviations. In order to hedge the for-

eign currency transactions and to define the annual currency hedging strategy, the net risk positions per currency are analyzed by the Treasury management on the basis of known scenarios such as most likely (anticipated development of the currency), risk potential (double volatility per currency) and shock (largest fluctuation over the last five years). Hedging instruments, the maximum permitted loss limit as well as the position limit for the next year's currency hedging are all derived from a value-at-risk assessment. Sensitivity analyses required in accordance with IFRS 7 show the effects of a hypothetical change in the US dollar exchange rate on the income statement.

As a result of fluctuations in market interest rates the Jenoptik Group is exposed mainly to **interest rate fluctuations** in medium and long-term, interest-bearing financial assets and liabilities. All interest-bearing and interest rate sensitive assets and liabilities of the Group are recorded in the **interest risk management system**. The financing and investment requirements for the current fiscal year form the basis for calculating the new financing and new investment requirement in the liquidity plan. In order to forecast potential fluctuations in results and market values for the coming year and to provide the Executive Board with specific strategy proposals on the structuring of the financial portfolio, a quarterly analysis of the market risk is conducted on the basis of the historical fluctuations. If the anticipated change in the interest result were to have a significant impact on the net result for the year a proposal would be submitted for variable interest positions to conclude corresponding interest rate hedging transactions, such as for example interest swaps. JENOPTIK AG essentially concludes interest rate hedging transactions for asset and liability items – exceptions to this require the express approval of the Executive Board.

5.2 Individual risks

Both the general economic situation as well as the internal situation within the company have an impact on the development of the Jenoptik risk profile. The significant corporate risks ascertained by the Risk Management System are set out below. Other risks which are currently unknown or are currently deemed to be insignificant, could also affect the company's development of business.

GENERAL ECONOMIC AND INDIVIDUAL SECTOR RISKS

Jenoptik maintains business contacts in more than eighty countries, generating more than 50 percent of its sales abroad. The development of the global economy, in particular the European economy, therefore has a key influence on the growth of the Jenoptik Group. Since products and services are aimed primarily at industry and the public sector, there is normally a time lag before economic fluctuations take effect. As a result of Jenoptik's broad presence in various markets it is easier to compensate for cyclical fluctuations to which individual markets are subject. However, Jenoptik is not able to escape a global economic crisis that spreads quickly to nearly all markets and regions.

The **financial and economic crisis** worsened in 2009 and the German economy suffered its sharpest setback over recent decades. As a result of the **financial crisis** the general terms for lending have become more costly and the availability of corporate refinancing has been significantly reduced and made more difficult. Jenoptik also sees future risks being posed by lending bottlenecks and increased difficulty in obtaining financing for investment projects as a result of the continuing financial crisis. (See Financial risks)

In 2009 the financial crisis spread to the so-called "real economy" which shrank more sharply than it has done for decades. The euro region only emerged from the major recession in the third quarter 2009. The engine driving the economic revival up

to the year-end was the demand from industry which gave a boost to the German export trade at the end of the year. For 2010 there are signs of a continuing recovery in the German economy, nevertheless there are still concerns about whether this can be sustained. As a result of the crisis Jenoptik's result was also characterized by lower contributions to sales and results as well as a more intensive, competitive market environment in the 2009 fiscal year. If the economic situation remains weak or should it deteriorate then there is the risk of further reductions in sales and results in the year 2010.

Market risks: Jenoptik's broad presence in various markets makes it easier to compensate for sector risks and cyclical fluctuations in the individual markets. Although the Group business does entail numerous **sector risks**, on the other side the Group is not heavily dependent upon one individual sector. The three largest target markets, security and defense technology, machine construction/automotive industry as well as aerospace/traffic systems, which are essentially independent of each other, account for approx. 73 percent of Jenoptik's total sales. In the past we had viewed the risk of the Group's targeted markets simultaneously collapsing for no reason and due to events beyond our control, e.g. a dramatic collapse in the global economy, wars, natural disasters or pandemics as quite low. 2009 showed that a global recession covering almost every sector can also significantly increase virtually unrelated market risks. However, in 2009 the approx. 14 percent fall in sales of Jenoptik was still lower compared with companies that operate in just one sector. For the sector risks the fall in demand in the automotive industry continued in 2009, subsequently stagnating at a very low level in the 3rd and 4th quarter just past. Since May this trend has led to sharp falls in sales and results in the Industrial Metrology division. The stable Defense & Civil Systems segment succeeded in only partially offsetting the drop in sales and margins. The demand from the semiconductor industry continued to stabilize at a very low level and since the 3rd quarter we have been seeing a slight recovery.

Jenoptik operates in a fast-moving technological environment in which **strong competition** is a characteristic feature with regards to pressure on prices and margins, consolidation as well as product and service quality. In each of our core markets we are competing with a handful of companies worldwide. Although the risk of all our competitors simultaneously launching new products and technologies on the market, with the resultant losses in sales and earnings does exist, we currently consider this to be low. Since 2008 we have seen an increase in the trend towards “second sourcing” key primary customers. Jenoptik is countering this trend by intensifying its customer loyalty programs whilst on the other side it also sees opportunities for new customer relationships as a “second source”. In addition, a deteriorating market position can give rise to the need for writing down the values of individual investment holdings and goodwill. As a result of the Jenoptik Group’s sound position in the market, **risk of losses in market shares** in the existing environment of consolidating markets is offset by similar opportunities to improve our own market position. Jenoptik is countering these market risks by permanently reducing its fixed costs, a continuing process of internationalization and the development of new national markets as well as strengthening areas of business that offer greater than average potential for growth.

CORPORATE STRATEGY RISKS

Corporate strategy risks are associated in particular with the future planned growth of the Group. Market shares can be gained both through organic growth, the launch of new products and business models as well as on the basis of acquisitions and cooperation arrangements in conjunction with the Group’s continuing process of internationalization – in other words inorganic growth. The associated risks, including the product risks, can have a negative effect on the financial and earnings position of Jenoptik and are explained below.

Mistakes in the assessment of future developments can create a significant corporate strategy risk. Furthermore, alternative technologies from competitors can pose a substitution risk for Jenoptik’s products. In addition to a change in the market position this can also lead to losses of sales and amortization on capitalized development costs. The possibility of individual product developments failing to succeed in the market can never be totally eliminated for a technology company and there is the potential for losses in the single digit million euro range caused by the cancellation of major individual R + D topics. In order to limit this risk Jenoptik examines very carefully whether the criteria exist for compulsory capitalization. This led to a total of just 5.5 million euros in capitalized R + D costs as at December 31, 2009.

Although the measures in our Risk Management System as set out in Chapter 5.1 will reduce the risk of mistakes in the assessment of future development they can neither eliminate this risk in full nor put precise figures on it. Long-term customer relationships enable Jenoptik to carry out developments in close coordination with the customers. A group-wide, targeted innovation management system together with ongoing market analyses in conjunction with continuous research and development will further reduce the risk of bad investment and technology decisions. New development projects are assessed according to a list of criteria applicable throughout the Group, so that only the best ideas continue to be pursued until they produce commercial success. In addition to the earnings and market potential, the key aspects are the technological feasibility and a risk assessment.

Patent applications for its own and third parties create risks for Jenoptik through potential legal disputes arising from breaches of patents or through unexpected costs for acquiring licenses, although these are offset by opportunities for income arising from potential licenses being awarded to third parties. At the present this represents only a minimal risk.

The Group's continuing process of internationalization goes hand-in-hand with cooperation arrangements, acquisitions and focusing on the core business. Jenoptik counters **acquisition risks** by conducting a detailed due diligence which in the past has more frequently led to a decision against a purchase rather than in favor of a purchase. Market screening is carried out by the M & A Department as part of a staged verification process based on the growth and corresponding business area strategy. Potential acquisition projects are then assessed in conjunction with the Executive Board and Divisional Management.

Entry into new national markets entails **international business risks**, e. g. legal risks. That is why Jenoptik prefers to work with local partners or a local management and utilizes the Group's existing structures and resources. For example, as a long-term partner which has represented Jenoptik successfully in the Korean market since 2004, Telstar-Hommel holds 33.3 percent of the newly formed JENOPTIK Korea Corp. As at today's date we are not aware of any increased **political risks** in our existing key sales countries.

As a supplier of defense technology goods Jenoptik is exposed to **export risks**. The Group views these risks as low and counters them through regular comprehensive reviews and by obtaining export licenses for products which require export approval. By scanning and permanently monitoring all existing activities on the purchasing, sales and finance side in the SAP module SAP Global Trade Services, export risks can be identified at an early stage and eliminated.

The **risks arising from the sale of shareholdings**, in particular from the sale of M + W Zander, have reduced further in 2009. Guarantees now only exist in the sum of 0.3 million euros as at year end 2009. Over and above these Jenoptik has issued the standard guarantees for sales of large shareholdings, for example guarantees relating to the accuracy of the balance sheets which have been prepared, the tax returns submitted or the

existence of the necessary licenses for the operation of the business. These guarantee commitments could in principle give rise to future claims by the purchaser. The general warranty period has expired, the tax audit for the relevant four year period has almost but not entirely passed. (See Legal risks)

In January 2009 a group-wide '**Jenoptik' umbrella brand** was introduced for the first time. However, the global convergence with one global uniform logo also entails the risk of potential sales losses as previously well-known brand names, such as e. g. ROBOT, would seem to have disappeared from the market. Jenoptik is countering this risk through a targeted information campaign and for example by continuing the ROBOT name as a so-called ingredient brand so that customers will continue to see the established name on traffic monitoring equipment.

Information risks: In conjunction with confidential information on future strategies, technologies or product developments there is the risk that this might inadvertently get into the public domain and consequently reduce future sales and seriously jeopardize our market position. That's why the Group has safety mechanisms in place e. g. the issue of special cryptographic hardware, e-mail and file encryption, network separation, as well as military security standards and guidelines for the internal use of sensitive data. (See IT risks)

BUSINESS PERFORMANCE RISKS

As a result of Jenoptik's broad presence in various markets a heavy **dependency upon individual customers or suppliers** exists only for individual operational areas. Jenoptik generally has a very broad customer base and does not depend upon any individual customer for its survival. On the overall Group level the three largest customers accounted for 11.1 percent of sales and 13.3 percent of the order intake so on the Group basis there is no concentration of default risks on individual major customers. Jenoptik counters the potential creditworthiness risk of customers through Key Account Management and a consis-

tent approach to receivables management. Since many customer orders are also based on long-term supply agreements, some of which in addition are based on custom developments, the risk of a business relationship being terminated is reduced further. On the other side, a dependency situation also puts the customers in a strong negotiating position.

Supplier dependency primarily exists in the procurement of special components and by development orders issued by Jenoptik not achieving the required results. In view of the Jenoptik product mix the risk of losses in sales and results due to supply bottlenecks on the part of a key supplier is generally low although it has increased as the result of the financial and economic crisis. In individual cases supplier problems could lead to an interruption to production, lost sales, a marked increase in procurement prices, a loss of reputation, contractual penalties, damages and a loss of follow-up orders. Countermeasures designed to reduce the dependency upon individual suppliers, in addition to an active interface management with third party developments, include the in-sourcing of strategical key components as well as the development of "second sources". The risk arising from the supply relationships with Franke & Heidecke GmbH, Brunswick which went into insolvency in March 2009, was realized with the Group decision to withdraw from this business in July 2009 and was included in the 2009 annual financial statements.

Long-term orders with periods of up to ten years are a particular feature in the Defense & Civil Systems segment and to a lesser extent in the Service Providing business unit of the Traffic Solutions division. Although stable bases for costings and the future capacity utilization do offer the Group a good level of forecasting security in these cases, these are however offset by the risks arising from the normally high order volume, the associated long-term costings, pre-investments and, potentially, risks of inflation. Jenoptik reduces these risks through price escalator clauses, on-account payments and rolling forecasts. Thanks to continual improvement in the procurement, throughput and sales processes, risks are minimized and the amount of

tied capital reduced. In future Jenoptik will also benefit from the economies of scale thanks to purchasing processes that will be increasingly centralized on a group-wide basis.

In order to avoid **product liability cases** the Group employs high standard quality assurance measures and operates in accordance with the pertinent national and international rules and laws. The residual risk, which is viewed as low, is essentially covered by a business and product liability insurance that encompasses all group companies and offers a concept of global coverage. This also takes account of the special requirements of individual countries.

FINANCIAL RISKS

Jenoptik operates a central financial management system. As an integral part of this the Treasury Department is responsible for the control and monitoring of the currency, interest rate and liquidity risks based on guidelines that apply throughout the Group. The most important objective is to ensure that the necessary liquidity is secured at all times. Derivative financial instruments are used exclusively for hedging the operational underlying business as well as the financial transactions required for operating purposes.

Liquidity risks: The financial crisis has led to an increasing deterioration in the terms and conditions for corporate refinancing. It is therefore impossible to rule out the risk of increased financing costs, affecting the asset, financial and earnings position in future. In this difficult environment Jenoptik was able to repay in full the residual debt of the maturing **convertible bond** in the sum of 47.9 million euros in July 2009. In September 2009 the Group also succeeded in concluding a financing package with a medium to long-term financing structure. Jenoptik was granted a federal-state guarantee in the sum of 44 million euros for part of the financing package. The **debenture loans** placed in December 2007 in the total sum of 30.0 million euros were repaid at the year-end 2009 in the sum of 26.0 million euros. The financing package concluded prior to this had already included loans in the corresponding amount. Almost 47 per-

cent of the gross financial liabilities as at December 31, 2009 are linked to financial key indicators, so-called financial covenants. In principle, if the company fails to achieve these key indicators there is the risk that the banks might prematurely call in the underlying loans. In this kind of scenario the Group's refinancing can be at risk, in any event it would at least result in a significant increase in refinancing costs. In view of the marked reduction in our net debt as at December 31, 2009 and our anticipation of an improvement in the business situation compared with 2009, we do not expect to fail to achieve these financial key indicators. From today's viewpoint the Group's liquidity is secured thanks to a positive cash flow and framework of available liquidity in the form of credit lines and loans which have as yet not been taken up. In addition, cash pooling ensures the liquidity for the individual companies and consequently limits the liquidity risk for these companies. The fact that the credit lines are spread between several banks without any one bank being predominant further reduces the risk. The quantitative effects of the liquidity risk can be found in the Notes under Point 34.

Currency risks: Jenoptik's accounting and group currency is the euro, although some of the business transactions are processed in foreign currencies. Virtually all orders in foreign currencies are secured through exchange rate hedging instruments, primarily forward exchange contracts and currency options which consequently reduce the effects of fluctuating exchange rates on results and cash flow. As at December 31, 2009 secured outstanding forward exchange contracts totaled 36.3 million euros (prev. year 46.9 million euros). Future, as yet uncertain US dollar cash flows for contracts which have not yet been concluded can only be hedged to a limited extent in the form of cash flow hedges, although these do entail an additional currency risk if the underlying transaction is not subsequently completed.

Since Jenoptik tends to have a surplus in revenues over expenditure in US dollars the Group benefits from a strong US dollar. During the course of 2009 the US dollar lost value and closed at the year-end at 1.4406 EUR/USD, below the level for the

previous year (December 31, 2008: 1.3917 EUR/USD). Up to February 2010 the US dollar has shown an upward trend (22.02.2010: 1.3626 EUR/USD) and according to experts is benefiting from the economic recovery in the United States, possible increases in interest rates by the Federal Reserve as well as measures taken by China, with the trend towards a revaluation of the Chinese Yuan which is linked to the US dollar in order to dampen down any overheating by the Chinese economy. In addition, the concern about the Greek budget deficit is having a detrimental effect on the euro exchange rate. In the event of a stronger US dollar in the future, future order intakes could lead to rising euro margins providing the positive exchange rate effects are not passed on in full in the form of price reductions. Conversely, a weakening US dollar would have a negative impact on Jenoptik's margins. The quantitative effects of the currency risk are explained in the Notes under Point 34.

Interest rate fluctuation risks exist in principle for financial assets and liabilities with terms of more than one year. By switching to a long-term financing structure in September 2009 Jenoptik has further extended the timeframe of its financing and the proportion of current financial liabilities has fallen to approx. 7.9 percent. 52 percent of the total 158.2 million euros in non-current financial liabilities are based on fixed interest rates. As a result of the additional refinancing of the convertible bond in July 2009 Group interest expenses increased in the 2nd half-year 2009 despite the current low interest rates. Some of the external financing which is subject to variable interest rates has been secured through interest rate hedging transactions. Interest rate hedging instruments such as interest caps and interest swaps are used to hedge against the risk of fluctuating interest rates to the income statement and cash flows. With an interest swap fixed interest rates are swapped for defined variable rates for specific capital amounts. Despite the partial interest rate hedging and fixed interest rates, Jenoptik's interest expenses would continue to increase as interest rates rise. The quantitative effects of the interest rate risk can be found in the Notes under Point 34.

Default risks: Jenoptik counters the default risk in respect of receivables and loans by carrying out comprehensive checks on credit ratings, having a consistent approach to receivables management and through on-account payment agreements for larger projects. Credit risks then normally only exist in respect of a residual claim so this reduces the impact on the balance sheet. The worsening financial crisis during the course of the year generally led to an increase in insolvency risks on the part of customers. This resulted in an increase in the default risk in respect of Jenoptik's receivables and loans compared with previous years. The risk was reduced by lower accounts receivable as at December 31, 2009 due to lower sales and an active approach to receivable management. The quantitative effects of the credit risk can be found in the Notes under Point 34.

Risks arising from put options exists in addition to the refinancing of the purchase price, in particular in those cases where the fixed purchase price exceeds the market value of the asset to be purchased. There are currently no put options against Jenoptik for the acquisition of operational parts of companies from minority shareholders which could reduce cash or financing sources if exercised. In the real estate area silent shareholders do have put options although the earliest date that these could be exercised is 2011, some even later. From the economic aspect these will affect cash flow for Jenoptik in the maximum sum of the investment by the respective silent investor and the total during the period 2011 to 2014 will be in the double figure million euro range. In the event of a potential withdrawal by silent investors there is the risk of Jenoptik having to refinance this amount. The risk of deterioration in the balance sheet ratios can be limited through existing planned partial real estate sales, existing investors staying on board or by attracting new investors.

Risks arising from guarantees: Jenoptik holds 15.1 percent of the shares in caverion GmbH (formerly M + W Zander Gebäude-technik GmbH). As at the 2009 year-end there was a committed but gradually reducing guarantee framework in the sum of

130 million euros, although only 95 million euros of this has been taken up. The liquidity facility in the form of approved bank lines of credit and cash lines in the total sum of 15.9 million euros were also not utilized in 2009 since caverion GmbH has a sound financial base and a business position which has been clearly improving since 2007 even in the difficult economic environment. Consequently, the risks to Jenoptik from the provision of guarantees have reduced. Guarantees also provided for other companies, primarily investment holdings, were reduced from 7.5 million euros (incl. M + W Zander) as at the end of 2008, to 6.8 million euros as at the end of 2009. Taking into account the historical empirical values, the risk arising from guarantees can fundamentally be characterized as low. Over the last five years the average take-up has been less than 0.1 percent p. a. Furthermore, there is the obligation on the part of the primary debtor to repay guarantees "taken up" from Jenoptik. However, conclusions about the future development based on the past record can only be drawn to a limited extent, particularly for guarantees.

The Group has only a minimal exposure to **risks of securities prices and risks arising from financial investments** as a result of its own minimal securities portfolio and an overall mixed portfolio structure.

Jenoptik regularly reviews its **compliance with the accounting regulations**. Internal Group guidelines and business practices are consequently adapted to new or changed accounting standards. As a result of the internal controlling bodies which have been established we view the risk of a detrimental effect on our business position as minimal. However, the possibility of this impacting on the asset, financial and earnings situation cannot be ruled out entirely.

It is also impossible to entirely rule out potential **risks arising from changes in legislation**. These exist for Jenoptik for example in case of a change in the utilization of losses carried forward which would have an impact on the Group's earnings position.

PERSONNEL RISKS

For Jenoptik as a technology company qualified employees are of crucial importance. The greatest personnel risks therefore include a general shortage of qualified personnel, the lack of a performance-related approach by the employees, a higher than average fluctuation rate and difficulties in filling key positions. This is offset by the risk arising from the reduction in personnel numbers as the result of the strategic realignment and the economic crisis which will lead to a reduction in the permanent workforce from 3,400 employees at the beginning of 2009 to approx. 3,000 in the first months of 2010. The [risk arising from redundancies](#) and the associated loss of skilled workers has been permanently balanced against the opportunities of a market recovery. The personnel measures resulted in direct one-off expenses in the sum of 10.4 million euros which impacted on the 2009 Group result. At this point in time we do not anticipate any further reduction in personnel numbers in 2010. The refinancing of the impact on the cash flow in conjunction with the personnel reduction measures carried out in 2009 will be provided out of the current cash flows in 2010. The Group is also exposed to a small risk arising from potential job protection claims.

The fall in the number of school leavers and consequently a [shortage of qualified trainees](#), particularly in the new federal states, represents a long-term risk. This is being countered by Jenoptik through a group-wide applicant management system together with central HR management including HR marketing in order to permanently improve Jenoptik's attraction as a potential employer. Comprehensive qualification and development measures, performance-related remuneration systems and attractive social benefits create long-term loyalty amongst skilled and management personnel and in this way secure the Group's future economic success. The [risk of mistakes in appointments to individual key positions](#) is reduced by the Group being able as far as possible to call on its own trainees by recognizing potential and through management development.

IT RISKS

Fundamental IT risks arise both from the operation of computer-aided business processes as well as the use of systems for the general exchange of information, controlling and financial accounting as well as other IT applications in the Group if the proper functioning of these systems is no longer guaranteed. Since 2009 Jenoptik has switched over to a state-of-the-art central IT infrastructure in the areas of security, availability and scalability. In this context top priority is given to data security. An archiving system that fulfils the statutory requirements for e-mails, goods management systems and technical drawings, a centralized and duplicated computer center as well as hierarchical data backup strategies and data storage ensure that the risk of data loss is reduced to virtually zero. An increasing number of applications and data volumes are gradually being transferred over to this central and secure architecture in order to guarantee the required security. Redundant data connections will be established between all the main locations in 2010. The new network infrastructure will enable us to achieve at least 99.95 percent network availability. By using state-of-the-art and ultra-secure technologies Jenoptik systematically and permanently protects itself against damage caused by viruses and hackers. Stringent security regulations such as e.g. encryption and token authentication as well as network separation, ensure for example that classified military data is secure. A Group Security Manager also ensures that data secrecy is guaranteed at all times.

OTHER RISKS

[Risks arising from legal disputes](#) exist in respect of a claim for damages filed with a court of arbitration because a customer of M+W Zander has been claiming since December 2008 that a settlement concluded in 2006 with M+W Zander is not valid. M+W Zander is rejecting this claim and filing counterclaims. In the event of the case being lost there is the risk of M+W Zander or its buyer filing claims against Jenoptik. However, we view the risk as minimal. If the counterclaims of M+W Zander

are successful there is the chance of a corresponding payment claim by Jenoptik. We are not aware of any other risks arising from legal disputes that could have a significant impact on the asset and earnings position of the Group, apart from those dealt with in this risk report or we believe that these are very unlikely.

In addition to real estate required for operating purposes Jenoptik also has **real estate assets** which are held as a investment property. Since real estate assets are subject to the fluctuations in the rental market there is a risk of impairment, a difficult one to predict particularly if there are no follow-up tenants/rentals or the rentals cannot be maintained at the same high terms. These buildings are subject to an annual impairment test applying the discounted cash flow method which can lead to a need for value adjustments to individual buildings in the event of a change in the tenancy agreements. The possibility that the book value or the value calculated using the abovementioned method cannot be achieved on the sale of individual properties, cannot be ruled out. This would lead to a negative affect on the results with a simultaneous cash inflow (reduction in net debt). The risk of being unable to realize the actual or book value of the real estate has sharply increased due to the financial and economic crisis. Some significant portions of Jenoptik's real estate assets have been rented on a long-term basis to non-group companies. Jenoptik's earnings position can be affected by rental prices and the rental situation, particularly in the medium term. There are continuing plans to sell off real estate not required for operating purposes although this will be dependent upon the market situation. Successful sales could further reduce the Group net debt and compensate for the negative impact on the earnings position caused by the loss of the positive contribution to the EBIT or EBITDA of the real estate through an equivalent amount in future savings in interest payments and lower depreciation.

Risks arising from the development of the organization are derived from the necessary adjustments to the corporate and management structure. Changes will only be made if this provides for improved control of the medium-term growth and

enables the company to be more successful as a company. At this point there are currently no significant risks which Jenoptik would normally counter through an active change management process.

A **takeover risk** for the Group as a whole is dependent upon the share price. Since approx. 70 percent of Jenoptik's shares are held in free float and, according to its own statements, ECE Industriebeteiligungen GmbH, which has held a 25.02 percent stake since February 2008, is investing for the medium to long-term, we view this risk as minimal. Furthermore, active Investor Relations Management will enable this risk to be further reduced.

Since January 2009 the Group Environmental Protection Officer has been responsible for the monitoring, coordination and assessment of **environmental risks**. There were no major changes in 2009 with regard to environmentally-relevant systems and processes, consequently there have also been no changes in the environmental risks of the Jenoptik Group compared with the previous year. There are some environmental risks for Jenoptik arising from the utilization of materials and substances which are harmful to health and the environment which are used e.g. for existing production processes in the manufacture of optics. The Group pays attention to conformity with the ROHS guideline and compliance with the European Chemicals Ordinance REACH. The environmental management systems established in accordance with the international standards at the Jena, Triptis and Wedel sites provide additional safety. The environmental liability insurance concluded for the Group in 2008 includes environmental risks and covers all known risks from warehouse storage, to production, through to disposal. The financial risk caused by environmental damage is therefore viewed as minimal.

A Crisis Team set up in the 2nd quarter 2009 is analyzing the risk that might arise from a global **spread of swine flu** and a resultant higher than average level of sickness amongst the workforce over an extended period. To-date this risk has not arisen.

SUMMARY | GENERAL STATEMENT ON THE RISK SITUATION

Jenoptik is aware of its own opportunities and risk profile and considers this to be appropriate for the company and the current framework conditions. The Group's key risks at the moment are in connection with the general financial and economic situation and could have a significant impact on the corporate result. However, these risks are difficult to predict. As a result of our broad market presence we see the risk arising from the economic situation in respect of the economic development of the Group as lower by comparison with companies whose focus is too rigid. The long-term financing package that was concluded in 2009 enabled the Group to significantly reduce its financial risks. Since restructuring costs were taken into account in the 2009 reporting year, given the planned improvement in the sales and earnings position, there are currently no identifiable risks which would jeopardize the continuing existence of the company. With the exception of the economic risks associated with the financial and economic crisis, as well as the risks arising from guarantees and a disproportionately high real estate portfolio, Jenoptik generally operates within a risk profile which is typical for our company and goes hand-in-hand with commercial activities. The measures highlighted in the report, together with our risk management system, are making an important contribution towards enabling Jenoptik to exploit future opportunities and successfully cope with the challenges arising from potential risks in 2010. At this point in time the Group does not anticipate any negative deviations from the trend set out in the forecast report.

6 FORECAST REPORT

6.1 Future economic framework conditions

All details below relating to the future economic framework conditions are based on the data and information available up to February 23, 2010. As a result of the dynamic development of the economic situation there are likely to be changes in these forecasts during the course of 2010. Therefore, it is not possible at present to make forecasts for fiscal year 2011 with sufficient certainty. In the event of any material changes to the forecasts made in this report reference will be made to the 2010 and 2011 quarterly reports for the updated figures.

FUTURE DEVELOPMENT OF THE ECONOMY AS A WHOLE

After one of the most severe recessions of recent decades the [global economy](#) is slowly recovering although there is still uncertainty about the prospects. Assuming that the framework conditions remain unchanged and raw material prices continue showing stability at the low level, the OECD anticipates overall economic growth of 1.9 percent for 2010. This trend is expected to continue in 2011 with forecast economic growth of 2.5 percent.

The OECD predicts growth of 2.5 percent for the [USA](#) for 2010, with only a small fall in unemployment in the process. According to the OECD growth in the [euro zone](#) will be 0.9 percent in 2010. The OECD has therefore adjusted its original forecast of 1.2 percent downwards in view of the continuing weakness in consumer spending. However, improvements in the financing conditions and monetary policy measures will only be felt during the course of 2011, providing increased growth dynamic in consumer demand.

The [German economy](#) is back on a growth path. Deutsche Bank anticipates robust economic growth of 2 percent for 2010. Analysts believe that this is due to the prompt and correct policy measures taken in 2009. However, the OECD anticipates a sharp rise in unemployment which is likely to be attrib-

utable to the knock-on effects of the crisis. Nevertheless the OECD does anticipate economic growth of 1.4 percent in its forecasts in 2010.

The severe recession which was triggered by the global economic crisis bottomed out in [Japan](#) in 2009. This will be helped by the further slight pick-up in exports although production will remain significantly below the capacity limits. The forecasts predict economic growth in 2010 of approx. 1.8 percent and in 2011 of 2.0 percent.

The non-OECD states are also picking up steam. According to the OECD China's economy is expected to grow by 10.2 percent in 2010. This is however attributable to massive financial measures taken by the state. Economic growth in [India](#) in 2010 will be 7.3 percent and in 2011 is expected to increase slightly further to 7.6 percent. After massive falls in economic output to minus 8.7 percent in 2009 the [Russian economy](#) can expect positive growth of 4.9 percent for 2010. Brazil's economy, with a rise of 4.8 percent in 2010, will return approximately to the "pre-crisis" level.

FUTURE DEVELOPMENT OF THE JENOPTIK SECTORS

The industry association Spectaris forecasts a recovery of the global market for optical technologies after the end of the crisis and according to the initial surveys expects overall growth of 10 percent in 2010 compared with 2009. Increasing order books and a successful sector trade fair in San Francisco in January are putting the sector in optimistic mood for 2010. More detailed forecasts will only be issued by the association after the editorial closing date for this Annual Report.

The analysts of Laser Focus World were forced to adjust their forecasts for the global laser market downwards and for 2010 now predict growth of 11.1 percent. This would put the sales volume at 5.9 billion US dollars, a long way from the 7 billion US dollars in the year 2008. Analysts still see the laser market as being in the doldrums. However, the assumption is that some individual areas, for example lasers for military and medical technology applications, will recover more quickly.

The analysts at Spectaris predict slight growth in **medical technology**. As such, they anticipate an increase in sales of approx. 3 percent for 2010. According to a current study the market will continue to recover, with German exports asserting themselves in their key position.

The slump in the global **semiconductor market** appears to have come to a halt. The month-on-month rate of increase in chip sales at the end of 2009 can be seen as an indicator for a positive trend in 2010. The chip industry itself expects sales of computer and mobile phone chips to achieve growth in the medium double figure range. These chips account for approx. 60 percent of the total market. According to the SIA chips for electronic terminals will see growth in mid single figures. Capital expenditure on equipment by the sector is forecast to show a marked rise compared with 2009.

Expectations in **machine and plant construction** remain dampened. Following the sharp drop in 2009, 2010 is expected to be a year of stagnating business.

According to the VDA the German **automotive industry** anticipates a good 2010 and expects a marked rise in the international sales market, particularly in Asia and that this in turn will create room for exports. Contrary to the initial forecasts, according to VDA predictions exports are expected to keep passenger vehicle production at the same level as previous year. However, the Jenoptik Group's product portfolio is not directly dependent upon unit production volumes but on the capital expenditure of the industry.

According to the International Civil Aviation Organization (ICAO) following the sharp fall in passenger numbers in 2009 the **aviation sector** anticipates a small rise in the current year, albeit from a low base. The International Air Transport Organization (IATA) adjusted its forecast total losses for the international aviation industry from 3.8 to 5.6 billion US dollars for 2010. According to the forecasts European companies will suffer the highest losses. Amongst the two major manufacturers,

in 2010 Airbus aims to maintain its production at the same level as 2009 which reported a record year of 498 aircrafts. Boeing was unable to win through against Airbus in numerical terms for new orders but is nevertheless optimistic about the future.

In the **photovoltaics market** the German Solar Industry Association (BSW) anticipates double digit growth figures for solar systems construction in 2010. Although a number of major projects continue to experience delays as a result of the financial crisis, 80 percent of the domestic market has not been affected by it. Overall, the downward pressure on prices is expected to create increasingly fierce competition in the sector, prompting capital expenditure in efficient production methods. It is forecast that the USA will soon be the largest photovoltaics market where the installed capacity will probably double in 2010. The driving forces are government incentives for investment in the construction of solar industrial parks. Market experts see the planned reduction in subsidies for solar energy in Germany as creating a potential risk of technology know-how migrating from Germany.

In the **traffic monitoring** area the number of road traffic accident victims is forecast to rise significantly over the next ten years. Although similar statements regarding the increasing trend are coming from various studies these differ widely in terms of the specific numbers so at this point we will not be giving more precise figures. The prime reason for the increase is said to be the rapidly expanding number of road traffic users in the Asian countries and India. Jenoptik expects this trend to be countered by increasing demand for traffic safety systems.

New markets in India and the Middle East are opening up mainly for exports in the **international defense and security business**. Over the years ahead this market will become increasingly attractive to the German arms industry as the restrictive export regulations are expected to be harmonized with the more liberal European code of conduct for arms exports.

Statements on the development of the economy as a whole and the Jenoptik sectors in the years 2010 and 2011 entail uncertainties. For this reason statements beyond the year 2010 in many cases can not be made with sufficient reliability. Regarding the future development of the sectors many associations will normally present their sector reports for the year 2009 combined with an outlook for the current fiscal year after the editorial deadline for this Annual Report.

6.2 Future development of the Jenoptik Group

Independently of the economic developments over the next two years we believe that the sales conditions for our products and services over the long term are good and are keeping to our long-term growth targets. Jenoptik is actively engaged in attractive sectors thanks to its comprehensive technology and product portfolio. Optoelectronics, our core area of expertise, is a cross-sectional technology and an enabler for new applications in numerous sectors. Through our products we are also providing support for mega trends over the coming years. These include

- efficient and long-lasting production processes with minimal cost of ownership (energy, maintenance, useful life),
- the increasing need for security, whether in the political or personal environment,
- secure individual mobility in the area of road transport on a global basis, particularly in the emerging markets,
- energy and/or fuel saving drive units and low emission engines as well as
- continual new requirements in the area of healthcare and life sciences as a result of the changing population demographics.

ORIENTATION OF THE COMPANY OVER THE YEARS AHEAD

With the Group's strategic realignment and the package of measures that we defined for 2009 and 2010 and are implementing we see ourselves as being well placed. The Group's

further development will be carried out on the basis of the five value levers established in 2007:

- organic growth,
- market and customer orientation,
- internationalization,
- employees & management as well as
- operational excellence.

Organic growth: The strategy process and innovation management were successfully introduced in the 2008 and 2009 fiscal years and are now running continually on the divisional level. The growth options that were formulated are being implemented. For strategic and competition reasons there will be no detailed reporting on individual themes. Over and above this Jenoptik very closely monitors the market with regard to potential acquisitions.

Market and customer orientation: We will continue with our intensive customer contacts in 2010 and beyond. We have utilized the economic crisis to a partial extent and been working together with various customers and partners on future generations of products. Our objective is to create processes which are customer and market responsive, from development through to distribution. Since 2009 we have been supporting these processes through projects and employee training. A new Internet site that combines the Group's complete range of products and services within one portal and is being expanded by the addition of marketing applications will be going online in spring 2010. We are working intensively on the positioning of the joint Jenoptik brand which has been applied throughout the Group on a uniform basis since January 2009.

Internationalization: We see high sales potential particularly in the overseas markets. Where possible we are expanding our activities in key core markets through a direct and majority presence and in conjunction with local partners. One example of this is JENOPTIK Korea Corp. which was established in July 2009 on a joint basis with our longstanding partner Telstar-Hommel. Jenoptik is investing in a laser application center in

Korea that will be targeting the entire Asian market and was officially opened in spring 2010. In the USA the business of the Optical Systems division was amalgamated within JENOPTIK Optical Systems Inc. in 2009 and at the beginning of 2010. The sector is simultaneously expanding its activities in Asia. In the area of traffic safety we are able to utilize the Service Providing business model to open up new sales markets worldwide that we were previously unable to target purely through the conventional equipment business. The process of internationalization was also widened in 2009 to cover procurement. This process will be continued over the years ahead.

Employees & management: Following the establishment in 2007 of recruitment using a group-wide applicant management system the focus in 2008 and 2009 was on the themes of HR development and support. The primary task in 2009 was to provide intensive support for HR measures which had become necessary as a result of the current economic situation. In future the focus of the strategic HR work will be on further training for our employees, amongst others, particularly in marketing and project management as well as on providing flexibility in their deployment.

Operational excellence: The value lever of operational excellence was the focus of the Group's further development in 2009 and will remain the area of emphasis in the current fiscal year. The Jenoptik Excellence Program was started up back in January 2009 and mainly pursues the following three primary directions:

- the comprehensive and continuous optimization of processes aimed at reducing costs and enhancing quality assurance,
- the further consolidation of the divisional structure by amalgamating processes and through the adjustment of structures, and
- the establishment of group-wide process standards for increasing or improving efficiency and quality.

2010 and the subsequent years will see the definition of projects relating to individual divisions, primarily following the lean

approach. By optimizing all functions within the company such as purchasing, inventory management, production and the administrative areas, in 2010 the aim will be once again to generate savings of more than 10 million euros.

Over the years ahead additional topics that allow for uniform processing throughout the Group will be added to the current areas of the Shared Service Center of information technology (IT), HR, group purchasing, real estate management, health and safety at work and environmental protection (AGU), security and technical services.

FUTURE DEVELOPMENT IN THE SEGMENTS

The information below on the future development of the segments of the Jenoptik Group is provided on the assumption that there is a general recovery in the global economy and the individual markets which have been affected by the crisis to differing degrees. We are unable at this point in time to forecast to what extent the global crisis will have a lasting effect on the general market trends illustrated in this report.

In the **Lasers & Optical Systems segment** the duration and scope of the current recovery in the semiconductor industry and the development of its associated industries will be key determining factors for our business over the next two years.

In the Lasers & Material Processing division the expansion of the photovoltaics activities will continue to be the area of focus in the Laser Processing Systems business unit. In the Laser Systems business unit new developments for medical technology and material processing were successfully launched in 2009. In the Diode Lasers business unit Jenoptik has the entire added value chain in-house and is therefore able to optimize key interfaces in the manufacturing process and carve out a competitive advantage for itself in terms of quality at affordable prices. The division concentrates, amongst other things, on diode direct applications as well as on the use of diode lasers as pump sources for fiber lasers. The range of attractively priced lasers for mass applications is also being expanded, for example in medical technology and aesthetics. The process of internation-

alization by the division will focus on Asia. The new laser application center was opened in Korea in March, distribution, after-sales and applications in Japan are being expanded. Similar projects are in the planning stage in other Asian countries and expected to be 'fleshed out' in 2011. The evaluation of the Indian market will also begin in 2010.

The Optical Systems division will continue to focus on the development of new markets. These include, amongst others, lighting, security and medical technology. New optical and micro-optic components and systems are being jointly developed with partners for existing core markets, in particular the semiconductor industry. The division's aim is to increase its offering of optical systems, over and above components and modules, in order to establish itself as a systems partner and to increase the share of its own added value.

In the Metrology segment, despite the crisis in the automotive industry, the Group feels that its product range puts it in a good position. Jenoptik's Industrial Metrology division makes it one of the leading system providers for contact and non-contact production metrology. In 2009 capacities were adjusted to the changed market situation as there are no signs of a rapid and significant recovery in the global automotive industry nor consequently in the demand for Jenoptik's products. However, since the 3rd quarter 2009 there have been signs of a flattening out. Thanks to the division's broadly-based international position and its full portfolio of measurement technologies in-house, it does have advantages over its competitors, some of whom are local. There is demand in particular for flexible measurement technologies and systems that combine various technologies and/or different measurement tasks. The division will

also be able to benefit from the increasingly evident, rising global demand for fuel-saving and low emission engines, not only in the US market.

The Traffic Solutions division is firmly establishing itself in what is essentially a stable market. There was a recovery in the international equipment business although major projects are increasingly becoming a characteristic feature of this market so the order volume is subject to significant fluctuations. The division benefits from a comprehensive product portfolio covering all technologies. In 2009 increasing importance was attached to the trend of public sector customers towards Public Private Partnership models, particularly in the German market. However, significant contracts for the development of traffic monitoring programs, including the complete infrastructure and underlying processes, are still expected to be awarded to private sector clients particularly in the countries of Eastern Europe, South America and Asia. Here the aim will be to win larger projects over the years ahead.

The **Defense & Civil Systems segment** is operating in what is essentially a stable market environment. The reasons for this once again are the standard modalities for awarding major contracts that can extend over long periods of ten years or more – starting with developments on behalf of customers for platforms (military equipment, aircraft or satellite). This mainly affects the Mechatronics and Optronics business units. This is an area in which Jenoptik supplies systems companies and has longstanding and very close ties with customers. Throughout the division and also particularly in the Sensor Systems business unit, we expect to see a continuation of the trend towards security systems – both in the civil as well as the military area.

6.3 Future development of the business situation

Jenoptik aims at further expanding its position as one of the world's leading providers of optoelectronics and to this end has set itself long-term targets.

LONG-TERM TARGETS

Sustainable growth. Group sales are expected to increase in the long-term to one billion euros through the expansion of our global presence and greater system integration. This is to be achieved through organic growth as well as through smaller acquisitions which will expand the technology and product portfolio as well as the international market presence. The Group EBIT margin is then expected to gradually improve to 9 to 10 percent. It is impossible at this point in time to forecast the extent to which the global economic crisis or just a slow recovery in the global market will delay the achievement of our long-term targets – in particular the sales and earnings targets.

Continuing **focus on cash flows.** Even in the crisis year 2009 we generated both a positive cash flow from operating activities as well as a clearly positive free cash flow. This focus is target-based and necessary in order to further reduce our net debt and to finance and secure our future growth and capital expenditure. The measures required, with a clear focus on cash, basically through active inventory and capital expenditure management, will be continued in the years ahead.

We encourage and challenge our employees and the management through active **HR management.** In this context we place emphasis on further training, flexibility, clear career paths as well as expertise in change processes.

We are focusing **the expansion of the international business** in particular on strong growth regions. Those markets play a key role in which we are able to significantly expand our market

position as the Jenoptik Group – building on existing customer relationships. Our process of internationalization is intended to primarily be achieved through our direct presence. Our presence in the core markets of Europe, Asia and America will continuously be streamlined.

ANTICIPATED DEVELOPMENT OF KEY INDICATORS IN 2010 AND 2011

All the information provided below is given on the prerequisite that the economic situation develops in line with the economic forecasts given under Point 6.1 and does not significantly worsen. All statements on the future development of the business situation have been made on the basis of current information.

The **planning assumptions** for our three segments as at the beginning of March 2010 are as follows:

Lasers & Optical Systems segment:

- In the Lasers & Material Processing division the successful development in the area of medical technology and photovoltaics is anticipated to continue. In the area of laser processing systems, impetus for growth is expected to come in particular from Asia.
- We anticipate that the slight recovery in the semiconductor industry over recent months will continue during the course of the year 2010 in the Optical Systems division. However, we do not expect the sector and in particular capital expenditure on equipment over the next two years to reach the level of late 2007 or early 2008. By focusing on new markets we intend to generate new sales that will also make the segment less dependent upon the cyclical semiconductor industry. In the public infrastructure area we foresee difficult conditions for capital expenditure as a result of the cutbacks in the budgets for 2010 and 2011.

Metrology segment:

- The Industrial Metrology division will continue to operate at a low level in 2010. As a result of the strong growth in sales in the 1st quarter 2009 and the high order backlog from 2008, sales in 2010 will show a further slight fall compared with the previous year. Nor will we be able to offset this through a slight pick-up in demand from the Asian market. However, with the adjustment to capacities and amalgamation of production activities at the end of 2009, the cost structure in the division in 2010 and 2011 will show a marked improvement over 2009.
- In the Traffic Solutions division we expect stable development in the market and opportunities arising from the full product range as well as our position as a leader in the equipment business. The course of business may be influenced by major orders which make it difficult to give concrete forecasts.

Defense & Civil Systems segment:

- As a result of the high, long-term order backlog there is relatively significant certainty for planning in the development of sales and results. Therefore, we expect a stable development of business in 2010.

The measures aimed at reducing costs that were taken in 2009 as part of the Jenoptik Excellence Program and as a result of the economic crisis, will be continued and/or maintained in 2010 and 2011. The target for 2010 is to achieve additional savings in excess of 10 million euros. Group-wide projects and on the divisional level are currently being defined and in 2010 will mainly adhere to the lean principles.

Anticipated business position. Based on the abovementioned assumptions for the segments of the Jenoptik Group and the expected achievable additional cost savings, we forecast sales to be slightly higher and the Group EBIT to be markedly higher in 2010 than in 2009. The Jenoptik Group will continue to benefit from the stable business in the Defense & Civil Systems segment, from an improving climate for investment in the current year worldwide as well as from the measures taken in 2009 designed to achieve permanent cost reductions in all areas. In

our view the drivers for an improvement in the development of business are the recovering semiconductor industry, photovoltaics, medical technology as well as the areas of traffic and security. Based on our current assessments we expect a further improvement in sales and results for 2011.

In 2010 sales of the Jenoptik Group are expected to come in at between 475 and 500 million euros, with approx. 45 percent of these sales already having been secured through the Group order backlog and in particular that of the Defense & Civil Systems segment. In the Lasers & Optical Systems segment we expect the current slight recovery in the semiconductor industry and the increase in demand from the photovoltaics industry and medical technology to produce a small increase in sales. Sales of the Metrology segment should remain stable whilst we are assuming a further slight fall in sales in the Industrial Metrology division compared with 2009. The aim here is to achieve break-even at the year-end on a monthly basis as a result of improved cost structures by comparison with 2009. If it is awarded major projects the Traffic Solutions division will be able to increase sales and results. We expect the stable development in the Defense & Civil Systems segment to continue at the level of the previous years.

The Group forecasts an EBIT of between 15 and 25 million euros as well as a positive net profit for the year providing the recovery in the semiconductor industry continues. In 2009 we countered the continuing downward pressure on prices caused by the economic crisis through cost reduction measures which will take comprehensive effect throughout the year 2010 and consequently generate increased savings compared with 2009. We do not expect any negative one-off effects in 2010.

There are plans to continue with the sale of real estate not required for operating purposes. Success in this area will lead to a further reduction in net debt. This will simultaneously reduce the contribution to the positive EBIT of Others from real estate although this would for the most part be offset on the level of the financial results by savings in interest payments of a similar amount.

The net interest result in 2010 will be lower as a result of the higher interest for the non-current financial liabilities. In 2009 the Group had benefited from low interest rates in the short-term range up to the changeover in the Group financing structure.

The presence in the various markets is showing benefits in the **order book situation**. Over and beyond the Defense & Civil Systems segment the order intake is increasingly being determined by major projects, making forecasting difficult. The order for the new PUMA armored fighting vehicle for the German Army, valued at approx. 70 million euros, has not yet been recorded. In 2010 this will define the order intake for the Defense & Civil Systems segment and the Group as a whole although it will only account for a small contribution to sales in 2010 because of its long-term nature.

The **R+D costs** (including customer financed R+D and capitalizations) is expected to total approx. 50 million euros in 2010 and therefore come in at around the same level as the previous year. Research and development in the Jenoptik Group will therefore fluctuate in parallel with the level of sales and has been adjusted to meet the changes in the market focuses. There is also the possibility in future of a slight reduction in connection with process optimizations.

Following the personnel measures at the end of 2009 the **number of employees** in the current fiscal year is expected to remain constant at around 3,000 employees. A reduction in the number of employees in the first months of 2010 is attributable to the personnel measures introduced at the end of 2009. There are currently no further measures planned for 2010. In future HR costs are expected to develop at a lower rate proportional to the expansion of business.

ANTICIPATED FINANCIAL POSITION

In addition to cash on hand and bank balances in the sum of 12.3 million euros as at December 31, 2009 and current securities, free credit lines or loans not yet utilized in the sum of approx. 69 million euros, are available for the **financing**. These are of both a short as well as medium-term nature.

In 2010 and 2011 the Jenoptik Group aims to continue generating **positive cash flows** clearly in the double figure million range based on active inventory and working capital management. In 2010 these are expected to compensate in full for the cash outflow resulting from the personnel measures.

In 2009 the **financing structure** was restructured and placed on a medium to long-term timeframe. The short-term share of the financing in 2010 is accordingly relatively low. We also anticipate no significant maturities resulting from repayments and the expiry of longer term loans to arise in 2010 but in 2011. However, for this reason during the course of the 2010 fiscal year itself the initial tranches of bank loans will be gradually converted in the balance sheet from non-current to current liabilities.

Net debt may reduce further through the repayment of long-term mortgage loans or lead to a reduction in minority shareholdings in the event of the sale of individual properties not required for operating purposes which are expected to take place in 2010 or 2011 depending on market conditions. Whether and to what extent this will take place will depend upon the development of the German real estate market since the sale of real estate not required for operating purposes can only take place if satisfactory sales prices can be achieved within the framework of the market conditions.

In 2010 JENOPTIK AG has no plans to pay **dividends** for the 2009 fiscal year.

The level of **capital expenditure** over the coming years will depend to a significant extent upon the further development of the markets and consequently the development of the Group's business position. The investments will be reviewed by the senior management in accordance with the investment management process. Individual capital expenditure is required in part as the result of specific order intakes and will only be released on receipt of the concrete order.

6.4 Opportunities

The broad positioning of our operational business is a positive factor for the Jenoptik Group and this has been demonstrated in the difficult economic environment over the past year. We are benefiting in particular from the stable sales and earnings contributions by the Defense & Civil Systems segment. This enables Jenoptik to compensate for economic fluctuations better than companies that operate in just one market.

We see opportunities for our future business development in

- the continuing process of internationalization, the current minimal extent of which could provide for disproportionately high growth,
- our highly skilled employees at all locations,
- close cooperation with key customers, including the joint optimization of products and process strategies,
- our globally uniform brand that makes our size and consequently our stability as a long-term partner visible,
- our package of measures designed to achieve our medium-term objectives ,
- our intensive research and development and our activities in technology-intensive markets which have high entry barriers,
- increased profitability thanks to economies of scale and
- the planned expansion of our share of added value.

The Group's strategic realignment increases our opportunities as it provides for synergies that were either previously not utilized or only utilized to a minimal extent.

SUMMARY | GENERAL STATEMENT ON THE FUTURE DEVELOPMENT

The economic forecasts for the current fiscal year are an improvement over 2009 but there still remains uncertainty about any sustainable positive development. Just as we were unable to predict the duration and intensity of the financial and economic crisis last year, it currently remains virtually impossible to forecast with sufficient certainty the duration and intensity of the market recovery in general and individual sectors specifically. This trend has led to or will lead to a delay in achieving our long-term objectives. We see ourselves as being well placed overall as we are able to compensate better for economic fluctuations than companies that operate in just one market. This is confirmed by the development of the operating business in 2009. In addition, we markedly reduced out net debt and generated positive cash flows in 2009.

In 2009 high one-off effects reduced the result. However, the measures implemented will have a stronger positive effect on the Group's cost structure in 2010. In combination with an improvement of the economic situation we therefore we anticipate a slight increase in sales and a marked growth in results for the year 2010 compared with 2009. We will, however, will not yet be able to return to the same good figures sales and the level of profitability recorded in the good 2008 fiscal year. For the year 2011 we anticipate further improvement on the basis of our current assessment. More detailed forecasts on the business development in 2011 cannot yet be provided since the economic development cannot be forecast with sufficient certainty.

Jena, March 10, 2010



Michael Mertin
Chairman of the Executive Board



Frank Einhellinger
Executive Board Member

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES OF JENOPTIK AG

FOR FISCAL YEAR 2009

The structure and size of the Notes are roughly equivalent to last year's report. The statement of income is published in accordance with IAS 1 and the two statement approach, as statement of comprehensive income. The information on financial instruments in accordance with IFRS 7 was also expanded.

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income Consolidated Statement of Income

| in TEUR | Note No. | 1.1. – 31.12. 2009 | 1.1. – 31.12. 2008 |
|--|----------|-----------------------|-----------------------|
| Sales | 1 | 473,609 | 548,269 |
| Cost of sales | 2 | 344,922 | 386,344 |
| Gross profit | | 128,687 | 161,925 |
| Research and development expenses | 3 | 32,602 | 34,137 |
| Selling expenses | 4 | 51,321 | 58,653 |
| General administrative expenses | 5 | 36,461 | 38,849 |
| Other operating income | 6 | 23,057 | 22,066 |
| Other operating expenses | 7 | 51,012 | 15,289 |
| (of which expenses for reorganization and restructuring) | | 27,427) | 0 |
| EBIT | | – 19,652 | 37,063 |
| (of which EBIT before expenses for reorganization and restructuring) | | 7,775) | |
| Result from investments in associated and jointly controlled companies | 8 | – 1,799 | – 896 |
| Result from other investments | 8 | – 2,494 | – 4,593 |
| Interest income | 9 | 2,732 | 3,759 |
| Interest expenses | 9 | 13,102 | 15,090 |
| Financial result | | – 14,663 | – 16,820 |
| Earnings before tax | | – 34,315 | 20,243 |
| Income taxes | 10 | 216 | 2,595 |
| Deferred taxes | 10 | – 676 | 1,082 |
| Earnings after tax | | – 33,855 | 16,566 |
| Minority interest share of profit/loss | 11 | 4,072 | 4,810 |
| Net profit | | – 37,927 | 11,756 |
| Earnings per share in euros | 12 | – 0.73 | 0.23 |
| Earnings per share (diluted) in euros | | – | 0.23 |

Consolidated Statement of Recognized Income and Expense

| | | | |
|--|--|-----------------|---------------|
| Earnings after tax | | – 33,855 | 16,566 |
| Difference arising on foreign currency translation | | – 508 | 2,047 |
| Financial assets available for sale | | 94 | – 1,863 |
| Cash flow hedge | | – 2,990 | 429 |
| Deferred taxes | | 847 | – 106 |
| Total income and expense recognized in shareholders' equity | | – 2,557 | 507 |
| of which attributable to: | | | |
| Minority interests | | – 4 | 19 |
| Shareholders | | – 2,553 | 488 |

Consolidated Balance Sheet as at 31.12.2009

| Assets in TEUR | Note No. | 31.12.2009 | 31.12.2008 | Change |
|---|----------|----------------|----------------|----------------|
| Non-current assets | | 336,874 | 376,335 | -39,461 |
| Intangible assets | 13 | 77,949 | 88,929 | -10,980 |
| Tangible assets | 14 | 152,143 | 170,489 | -18,346 |
| Investment properties | 15 | 24,450 | 34,794 | -10,344 |
| Shares in associated and jointly controlled companies | 17 | 261 | 1,358 | -1,097 |
| Financial assets | 18 | 18,938 | 18,802 | 136 |
| Other non-current assets | 19 | 11,037 | 10,589 | 448 |
| Deferred tax assets | 20 | 52,096 | 51,374 | 722 |
| Current assets | | 270,216 | 312,764 | -42,548 |
| Inventories | 21 | 154,665 | 179,450 | -24,785 |
| Current accounts receivable and other assets | 22 | 103,240 | 118,832 | -15,592 |
| Securities held as current investments | 23 | 1,110 | 1,959 | -849 |
| Cash and cash equivalents | 24 | 11,201 | 12,523 | -1,322 |
| Total assets | | 607,090 | 689,099 | -82,009 |

| Shareholders' equity and liabilities in TEUR | Note No. | 31.12.2009 | 31.12.2008 | Change |
|---|----------|----------------|----------------|-----------------|
| Shareholders' equity | 25 | 239,989 | 292,837 | -52,848 |
| Subscribed capital | | 135,290 | 135,290 | 0 |
| Capital reserve | | 186,137 | 186,137 | 0 |
| Other reserves | | -81,895 | -50,507 | -31,388 |
| Minority interests | 26 | 457 | 21,917 | -21,460 |
| Non-current liabilities | | 205,760 | 133,114 | 72,646 |
| Pension provisions | 27 | 6,417 | 6,437 | -20 |
| Other non-current provisions | 29 | 18,544 | 18,370 | 174 |
| Non-current financial liabilities | 30 | 158,218 | 92,418 | 65,800 |
| Other non-current liabilities | 31 | 20,116 | 12,967 | 7,149 |
| Deferred tax liabilities | 20 | 2,465 | 2,922 | -457 |
| Current liabilities | | 161,341 | 263,148 | -101,807 |
| Tax provisions | 28 | 2,587 | 2,934 | -347 |
| Other current provisions | 29 | 40,592 | 35,751 | 4,841 |
| Current financial liabilities | 30 | 13,532 | 113,684 | -100,152 |
| Other current liabilities | 32 | 104,630 | 110,779 | -6,149 |
| Total shareholders' equity and liabilities | | 607,090 | 689,099 | -82,009 |

Consolidated Statement of Movements in Shareholders' Equity

| in TEUR | Subscribed capital | Capital reserve | |
|------------------------------------|-----------------------|--------------------|--|
| Balance as at 1.1.2008 | 135,290 | 186,726 | |
| Valuation of financial instruments | | | |
| Currency differences | | | |
| Earnings after tax | | | |
| Dividends paid | | | |
| Other changes | | -589 | |
| Balance as at 31.12.2008 | 135,290 | 186,137 | |
| Balance as at 1.1.2009 | 135,290 | 186,137 | |
| Valuation of financial instruments | | | |
| Currency differences | | | |
| Earnings after tax | | | |
| Dividends paid | | | |
| Other changes | | | |
| Balance as at 31.12.2009 | 135,290 | 186,137 | |

| | Cumulated profit | Financial assets available for sale | Cash flow hedge | Cumulative currency differences | Minority interests | Total |
|--|---------------------|--|--------------------|---------------------------------------|-----------------------|---------|
| | -65,550 | -6 | 6,229 | -3,399 | 21,634 | 280,924 |
| | | -1,882 | 323 | | 19 | -1,540 |
| | 43 | | | 2,004 | | 2,047 |
| | 11,756 | | | | 4,810 | 16,566 |
| | | | | | -4,571 | -4,571 |
| | -25 | | | | 25 | -589 |
| | -53,776 | -1,888 | 6,552 | -1,395 | 21,917 | 292,837 |
| | -53,776 | -1,888 | 6,552 | -1,395 | 21,917 | 292,837 |
| | | 98 | -2,143 | | -4 | -2,049 |
| | 84 | | | -592 | | -508 |
| | -37,927 | | | | 4,072 | -33,855 |
| | | | | | -4,131 | -4,131 |
| | 9,092 | | | | -21,397 | -12,305 |
| | -82,527 | -1,790 | 4,409 | -1,987 | 457 | 239,989 |

Consolidated Statement of Cash Flows

| in TEUR | 1.1.–31.12. 2009 | 1.1.–31.12. 2008 |
|---|---------------------|---------------------|
| Earnings before tax | –34,314 | 20,243 |
| Interest | 10,370 | 11,331 |
| Depreciation/write-up | 29,402 | 31,076 |
| Impairment | 16,631 | 5,720 |
| Loss/profit on disposal of fixed assets | 132 | –54 |
| Other non-cash expenses/income | 1,947 | –916 |
| Operating profit/loss before working capital changes | 24,168 | 67,400 |
| Increase/decrease in provisions | 3,399 | –10,834 |
| Increase/decrease in working capital | 34,018 | –10,207 |
| Increase/decrease in other assets and liabilities | –7,744 | 1,013 |
| Cash flow from/used in operating activities before income taxes | 53,841 | 47,372 |
| Income taxes paid | –554 | –917 |
| Cash flow from/used in operating activities | 53,287 | 46,455 |
| Receipts from disposal of intangible assets | 135 | 561 |
| Payments for investments in intangible assets | –3,760 | –5,891 |
| Receipts from disposal of tangible assets | 1,139 | 3,747 |
| Payments for investments in tangible assets | –10,307 | –17,901 |
| Receipts from disposal of financial assets | 3,022 | 3,022 |
| Payments for investments in financial assets | –4,347 | –5,335 |
| Receipts from acquisition of consolidated companies | –795 | 0 |
| Payments for acquisition of consolidated companies | –336 | –662 |
| Interest received | 2,734 | 3,565 |
| Cash flow from/used in investing activities | –12,515 | –18,894 |
| Dividend payments to minority shareholders | –4,131 | –4,572 |
| Receipts from issue of bonds and loans | 84,720 | 31,470 |
| Repayments of bonds and loans | –112,026 | –24,869 |
| Repayments for finance leases | –770 | –12,342 |
| Change in group financing | 798 | –6,421 |
| Interest paid | –10,557 | –12,331 |
| Cash flow from/used in financing activities | –41,966 | –29,065 |
| Change in cash and cash equivalents | –1,194 | –1,504 |
| Foreign currency translation changes in cash and cash equivalents | –128 | 235 |
| Cash and cash equivalents at the beginning of the period | 12,523 | 13,792 |
| Cash and cash equivalents at the end of the period | 11,201 | 12,523 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2009

Details of the Group structure

PARENT COMPANY

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

ACCOUNTING POLICIES

The consolidated financial statements of JENOPTIK AG for 2009 were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid at the balance sheet date as they have to be applied in the European Union. The following IFRS are applied for the first time in the consolidated financial statements:

IAS 1 "Presentation of the Financial Statements: Revised Version". In September 2007 the IASB issued a revised version of the standard IAS 1, which is aimed at improving users' ability to analyze and compare information given in financial statements. The revised standard shall apply to financial years beginning on or after January 1, 2009. The first-time application of the standard will not have any material effects on the presentation of the consolidated financial statements.

IAS 23 "Borrowing Costs". In March 2007 the IASB issued the revised standard IAS 23. In accordance with it borrowing costs which can be directly allocable to the purchase, construction or production of a qualifying asset shall be recognized in the balance sheet. The revised standard shall apply to financial years beginning on or after January 1, 2009. The effects of the application of this revision on the consolidated financial statements of JENOPTIK AG cannot yet be conclusively determined.

IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of the financial statements". The amendments to IAS 32 and IAS 1 published by the IASB in January 2008, relate to rules concerning the distinction between equity and financial liabilities as well as the disclosures related to this. In future certain instruments cancellable by the owner will be classified as equity and not as financial liabilities if these instruments fulfill specific criteria. The revised standard shall apply to financial years beginning on or after January 1, 2009. It is not expected that the adoption of the changes in IAS 32 and IAS 1 will have an effect on the consolidated financial statements of JENOPTIK AG.

IAS 39 and IFRS 7 "Reclassification of Financial Instruments". In October 2008 the IASB approved the amendment of IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures". The amendment enables certain financial instruments under exceptional circumstances to be reclassified from the category "held for trading" to another category. The revised standards shall apply to financial years beginning on or after July 1, 2008. It is not expected that the adoption of the changes in IAS 39 and IFRS 7 will have an effect on future consolidated financial statements of JENOPTIK AG.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements". In May 2008 the IASB issued a revised version of IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 which relates to the acquisition costs of investments in subsidiaries, jointly controlled entities or associates. The revised standard shall be applied for financial years beginning on or after January 1, 2009 and is not expected to have any effect on the accounting and measurement of the Group.

IFRS 2 “Share-based Payment”. In January 2008 the IASB published an amendment to IFRS 2. The amendment clarifies that vesting conditions are limited only to service and performance conditions. Furthermore, it is specified that the accounting rules relating to premature cessation of a plan apply regardless of whether the plan is ended by the company itself or by a third party. The revised standard shall apply to financial years beginning on or after January 1, 2009. It is not expected that the adoption of IFRS 2 will have an effect on future consolidated financial statements of JENOPTIK AG.

IFRS 4 “Insurance Contracts” and IFRS 7 “Financial Instruments: Disclosures”. In March 2009 the IASB issued a revised version of the standards IFRS 4 and IFRS 7. As a result of the changes to IFRS 4 and IFRS 7 more exact details are required on the measurement of fair value and on the liquidity risk of financial instruments. The revised standards shall apply to financial years beginning on or after January 1, 2009.

IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement”. In March 2009 the IASB issued a revised version of IFRIC 9 and of the standard IAS 39. With the amendments to IFRIC 9 and IAS 39 the treatment of embedded derivatives is made clearer if a hybrid contract is reclassified from the category “measured at fair value in income”. The interpretation and revised standard shall apply to financial years beginning on or after January 1, 2009. It is not expected that the adoption of the changes in IFRIC 9 and IAS 39 will have an effect on future consolidated financial statements of JENOPTIK AG.

IFRIC 13 “Customer Loyalty Programmes”. In June 2007 the Interpretation IFRIC 13 “Customer Loyalty Programmes” was issued. IFRIC 13 devotes itself to the accounting by entities that grant customers premium credits (loyalty points or flight miles) or that participate in such programmes in other ways. In particular it sets out how these entities should account for their obligations to provide free or discounted goods or services (premiums) to customers who utilize their credits. The interpretation shall be applied for financial years beginning on or after January 1, 2009 and is not expected to have any effect on the accounting and measurement of the Group.

The following Standards adopted by the European Union have not been applied early:

IAS 27 “Consolidated and Separate Financial Statements” and IFRS 3 “Business Combinations”. In January 2008 the IASB approved the amendment of IAS 27 “Consolidated and Separate Financial Statements” and of IFRS 3 “Business Combinations”. The principal changes to IAS 27 include accounting for transactions whereby the entity continues to maintain control as well as for transactions which do not lead to a loss of control. These shall be treated as equity transactions with no impact on income. Remaining interests shall be measured at fair value at the date when control is lost. Thus, where there are minority interests negative balances may be disclosed. This means that losses will be allocated in the future, without limitation, according to interests held. Major changes to IFRS are to the measurement of minority interests, recording of step acquisitions and the treatment of conditional purchase price ele-

ments and acquisition-related costs. Minority interests can either be measured at fair value (full goodwill method) or at the proportional fair value of the identifiable net assets. For a business combination achieved in stages re-measurement should be at fair value of the interests held at the date of transfer of control and any gains and losses recognized. Any adjustment to conditional purchase price components which were disclosed as liabilities at the time of acquisition shall, in future, be recognized as profits or losses. Acquisition-related costs are disclosed as expenses when they are incurred. The revised standards shall apply to financial years beginning on or after July 1, 2009. It is not expected that the adoption of the changes in IAS 27 and IFRS 3 will have an effect on future consolidated financial statements of JENOPTIK AG.

IAS 39 "Financial Instruments: Recognition and Measurement". In July 2008 the IASB approved the amendment of IAS 39. The amendments clarify how, when accounting for hedging transactions, to treat the inflation component of financial instruments and option contracts which are used as hedging instruments. The revised standards shall apply to financial years beginning on or after July 1, 2009. It is not expected that the adoption of this amendment to IAS 39 will have an effect on future consolidated financial statements of JENOPTIK AG.

IFRS 1 (2008) "First-time Adoption of International Financial Reporting Standards". In November 2008 the IASB approved the amendment of IFRS 1. The new structure is intended to simplify the use and future changes in the Standard. Addition-

ally a few outdated transitional rules were eliminated and minor text changes made. The material requirements remain unchanged. The revised standard shall apply to financial years beginning on or after January 1, 2010. It is not expected that the adoption of IFRS 1 will have an effect on future consolidated financial statements of JENOPTIK AG.

IFRIC 15 "Agreements for the Construction of Real Estate". In July 2008 the interpretation IFRIC 15 "Agreements for the Construction of Real Estate" was issued. IFRIC 15 clarifies when agreements for the construction of real estate fall under the rules of IAS 11 "Construction Contracts" or under those of IAS 18 "Revenue". Additionally, IFRIC 15 includes rules determining when revenue should be recognized for agreements for the construction of real estate falling under the provisions of IAS 18. The Interpretation shall be applied for financial years beginning on or after January 1, 2010 and is not expected to have any effect on the accounting and measurement of the Group.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation". In July 2008 the interpretation IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" was issued. IFRIC 16 clarifies what should be regarded as a risk in hedging the net investment in a foreign operation and where, within the Group the hedging instrument for reducing the risk may be held. The Interpretation shall be applied for financial years beginning on or after July 1, 2009 and is not expected to have any effect on the accounting and measurement of the Group.

IFRIC 17 “Distributions of Non-Cash Assets to Owners”.

In November 2008 the Interpretation IFRIC 17 “Distributions of Non-Cash Assets to Owners” was issued. IFRIC 17 clarifies and explains how distributions of non-cash assets to owners should be accounted for. Under the same interpretation the amendments in IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” and in IAS 10 “Events After the Reporting Period” resulting from IFRIC 17 were also adopted. The interpretation shall be applied for financial years beginning on or after November 1, 2009 and is not expected to have any effect on the accounting and measurement of the Group.

IFRIC 18 “Transfers of Assets from Customers”. The interpretation IFRIC 18 “Transfers of Assets from Customers” was issued in January 2009. IFRIC 18 clarifies and explains how to account for the transfer of property, plant or equipment or receipt of funds for the construction or acquisition of property, plant and equipment from a customer. Under the same pronouncement changes resulting from IFRIC 18 were adopted in IFRS 1. The interpretation shall be applied for financial years beginning on or after November 1, 2009 and is not expected to have any effect on the accounting and measurement of the Group.

The financial reporting for the fiscal year 2009 presents a true and fair view of the net assets, financial position and results of operations of the Jenoptik Group.

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

The fiscal year of JENOPTIK AG and its subsidiaries included in the consolidated financial statements is the calendar year with the exception of two associates and/or jointly controlled entities. In deviation to their fiscal years ending on June 30, these companies have each prepared interim financial statements for the twelve months ended December 31 for consolidation purposes.

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

The preparation of the consolidated financial statements in compliance with IFRS requires assumptions to be made for certain items which may have an effect on the amounts in the balance sheet or statement of comprehensive income of the Group and on the disclosure of contingent assets and liabilities.

Assumptions and estimates mainly relate to the determination of economic useful lives, the estimation of the net realizable value of inventories, accounting and measurement of provisions and to the realization of future tax credits. The actual values may deviate in individual cases from the assumptions and estimates made.

COMPANIES INCLUDED IN CONSOLIDATION

All material entities in which JENOPTIK AG exercises indirect or direct control ("control concept") are included in the consolidated financial statements. Control, as defined in IAS 27 "Consolidated and Separate Financial Statements", exists where the possibility exists to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Inclusion in the consolidated financial statements is from the point at which control over the company is possible in accordance with the "control concept". It ends when this is no longer possible.

The consolidated financial statements of JENOPTIK AG include 28 (2008: 31) fully-consolidated subsidiaries. Of these 18 (2008: 21) are domestic and, unchanged compared to the prior year, 10 are foreign. Furthermore, 1 (2008: 2) associated company is included in the consolidated financial statements at equity. Companies included in the consolidation of the Jenoptik Group include 2 (2008: 1) joint ventures accounted for at equity or proportionally.

Compared to the prior year the companies consolidated changed as follows:

On March 16, 2009 Three-Five Epitaxial Services Aktiengesellschaft, Berlin (TESAG) was merged with JENOPTIK Diode Lab GmbH, Berlin.

The companies Liebmann Optical Company Inc., Easthampton and Coastal Optical Systems Inc., West Palm Beach were merged with the company JENOPTIK Optical Systems Inc., West Palm Beach as at July 1, 2009

89.68 percent of the limited partner shares in FIRMICUS Verwaltungsgesellschaft mbH + Co. Vermietungs KG, Jena were

transferred to JENOPTIK Pension Trust e.V. as at September 30, 2009 and are now included as asset values within plan assets. The statement of comprehensive income has been included up to the date of deconsolidation which was September 30, 2009.

As a result of discontinuing operations two companies were deconsolidated. The statements of comprehensive income of the two companies discontinued have been included for the whole fiscal year.

Furthermore, on December 31, 2009 the company JENOPTIK North America Inc., Delaware was formed. In agreement with IAS 27 in connection with the Framework the company is included indirectly in the consolidated financial statements. Furthermore, shares were purchased in the Chinese entity Shanghai AES Auto Equipment Co. Ltd. (AES). In the fiscal year 2009 JENOPTIK Korea Corp., Korea was founded. The Jenoptik Group holds a direct and indirect interest of 77.8 percent in this company and, thus, exercises control as defined in IAS 27. In compliance with the Framework for reasons of materiality this company is not consolidated.

Furthermore, the joint venture JENOPTIK OptiSys Ltd., Israel was founded. In compliance with IAS 31 "Interests in Joint Ventures" this represents a joint venture due to the existence of joint control. As a result of the immateriality of the company relative to the consolidated financial statements there was no consolidation in accordance with IAS 31 in connection with the Framework.

The joint venture HILLOS GmbH, Jena is included in the consolidated financial statements proportionally at a share of 50 percent in accordance with IAS 31, the joint venture JT Optical Engine GmbH + Co. KG is measured at equity.

In accordance with IAS 28 "Investments in Associates" one domestic associated company is accounted for using the equity method. Jenoptik has no significant influence on the financial and operating policy of this entity. For investments recognized at equity the acquisition costs are increased or decreased annually by the appropriate changes in equity relevant to Jenoptik. All other investments are accounted for at fair value in accordance with IAS 39. If no reliable fair value can be determined then measurement is at acquisition cost.

The Jenoptik Group has transferred certain properties into limited partnerships (Kommanditgesellschaften) as part of so-called sale-and-leaseback-transactions which are not consolidated under the accounting principles of HGB. The property funds SAALAEUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Jena (SAALAEUE) and LEUTRA SAALAEUE Gewerbegrundstücksgesellschaft mbH & Co. KG, Grünwald, (LEUTRA SAALAEUE) are consolidated in the IFRS consolidated financial statements under IAS 27 in connection with SIC-12 "Consolidation-Special Purpose Entities".

The list of JENOPTIK AG investments is held by the Commercial Register at the Jena District Court (HRB 200146). The material subsidiaries included in the consolidated financial statements are attached as an appendix to the Notes.

The following changes in companies consolidated resulted from the deconsolidations:

| in TEUR | Disposals |
|-------------------------|-----------|
| Non-current assets | 9,048 |
| Current assets | 2,174 |
| Non-current liabilities | 9,241 |
| Current liabilities | 3,673 |

As a result of the proportional consolidation of joint ventures the following amounts are included in the consolidated financial statements:

| in TEUR | 2009 | 2008 |
|-------------------------|-------|--------|
| Non-current assets | 2,225 | 1,860 |
| Current assets | 5,436 | 5,676 |
| Non-current liabilities | 21 | 14 |
| Current liabilities | 2,853 | 2,747 |
| Income | 9,438 | 14,671 |
| Expenses | 9,418 | 14,111 |

The companies accounted for at equity in the consolidated financial statements show the following proportional values at the year end December 31, 2009:

| in TEUR | 2009 | 2008 |
|-------------------------|-------|-------|
| Non-current assets | 532 | 1,368 |
| Current assets | 269 | 682 |
| Non-current liabilities | 0 | 0 |
| Current liabilities | 454 | 614 |
| Income | 724 | 1,149 |
| Expenses | 2,377 | 2,358 |

Those companies which have taken advantage of the exemption provisions of § 264 (3) or § 264b HGB, are disclosed within the obligatory disclosures and supplementary information under HGB.

COMPANY ACQUISITIONS

As at December 31, 2009 the remaining shares (25.12 percent) in JENOPTIK Laserdiode GmbH, Jena were purchased.

CONSOLIDATION METHODS

The assets and liabilities of the domestic and foreign companies either fully or partially included in the consolidated financial statements are subject to the uniform accounting policies applicable to the Jenoptik Group. For the companies measured using the equity method the same accounting policies are applied for determining proportional equity.

At the time of acquisition capital consolidation is performed by offsetting the investment carrying values with the proportional, newly valued equity of the subsidiaries. The assets and liabilities of the subsidiaries are accounted for at fair values, furthermore contingent liabilities are provided for. A positive difference arising does not directly represent goodwill to be accounted for. The difference is first analyzed into identifiable intangible assets. Any remaining amount represents the goodwill.

The silent reserves and charges realized are accounted for in the subsequent consolidation in accordance with the corresponding assets and liabilities, depreciated and/or released. Goodwill capitalized is not amortized but subject to an annual impairment test in accordance with IFRS 3. Negative goodwill is charged directly to the statement of income. Those write-ups or write-downs on shares in Group companies accounted for in separate financial statements are reversed again in the consolidated financial statements.

The determination of goodwill as part of the first valuation at equity is carried out in the same way as the first-time consolidation of subsidiaries as part of the full consolidation.

Receivables and payables, as well as expenses and income between consolidated companies, are eliminated. Intra-group trade transactions are performed based on market prices and on transfer prices that are determined based on the "arm's length" principle. Profits on intra-group transactions included in inventories have been eliminated. Consolidation entries which have an effect on income are subject to deferred taxation, whereby deferred tax assets and deferred tax liabilities are offset where the payment period and taxation authority are the same.

The consolidation methods applied have not changed in comparison to the prior year.

FOREIGN CURRENCY TRANSLATION

Translation of financial statements of companies included in the consolidation, prepared in foreign currency, is performed based on the concept of functional currency in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" using the modified balance sheet date rate method. Since our subsidiaries conduct their operations financially, commercially, and organizationally independently the functional currency is identical with the relevant country currency of the company.

Assets and liabilities are consequently translated at the balance sheet date rate and expenses and income, for practical reasons, at the average rate for the year. The difference arising on foreign currency translation is offset against equity as a special currency translation reserve with no effect on income.

Foreign exchange differences resulting from translation compared to the previous year within the Jenoptik Group are disclosed in equity with no effect on income. In the fiscal year 2009 an amount of minus TEUR 516 (2008 TEUR 2,047) was disclosed in equity.

Goodwill arising from the capital consolidation of foreign companies is translated at the rates prevailing at the time of purchase.

If Group companies are no longer included in the consolidation then the relevant foreign exchange difference is released to the statement of comprehensive income.

In the separate financial statements of consolidated companies prepared in local currency receivables and liabilities are translated at the balance sheet date rate in accordance with IAS 21. Foreign exchange differences are recorded impacting income in other operating expenses and other operating income. In the fiscal year 2009 foreign exchange gains amounted to TEUR 7,716 (2008 TEUR 8,259) and foreign currency losses amounted to TEUR 7,994 (2008 TEUR 8,125).

Accounting in accordance with the rules of IAS 29 "Financial Reporting in Hyperinflationary Economies" is not necessary since there are no material subsidiaries located in highly inflationary countries within the Jenoptik Group.

The rates used for translation can be seen from the following table:

| | | Average annual rate | | Balance sheet date rate | |
|-------------|-------|---------------------|--------|-------------------------|------------|
| | 1EUR= | 2009 | 2008 | 31.12.2009 | 31.12.2008 |
| USA | USD | 1.3826 | 1.4573 | 1.4406 | 1.3917 |
| Switzerland | CHF | 1.4997 | 1.5776 | 1.4836 | 1.4850 |

Accounting policies

Accounting policies are applied uniformly and consistently within the Jenoptik Group.

Financial statements prepared in accordance with country-specific requirements are adjusted to conform to the uniform Group accounting principles, where they do not comply with IFRS and the measurement differences are material.

GOODWILL

For all business combinations prior to the conversion to IFRS the exemption provisions of IFRS 1 have been applied.

The rules of IFRS 3 are applied to all business combinations after the date of transition.

Goodwill in accordance with IFRS 3 represents the positive difference between the acquisition costs for a business combination and the newly valued assets and liabilities acquired, including contingent liabilities, which remains after the purchase price has been allocated and, thus, the intangible assets identified. In terms of their values, the assets and liabilities identified as part of this purchase price allocation are not measured at their carrying values to date but at their fair values.

Goodwill is recognized as an asset and tested at least annually at a specific time for impairment or whenever there is an indication of impairment in the cash-generating unit. Impairment losses are recorded immediately in the statement of comprehensive income as expenses and are not reversed in subsequent periods.

Negative goodwill on capital consolidation is credited immediately to other operating income in the statement of comprehensive income in accordance with IFRS 3.

INTANGIBLE ASSETS

Intangible assets acquired for a consideration, mainly software, patents, customer relationships, are capitalized at acquisition costs. Intangible assets with a finite useful life are amortized straight-line over their useful economic lives. Useful lives are between three and ten years. The Group reviews its intangible assets with finite useful lives as to whether they are impaired (see section "Impairment of tangible and intangible fixed assets").

For intangible assets with an indefinite useful life an impairment test is performed at least annually and their value adjusted to reflect future expectations as appropriate.

Internally generated intangible assets are capitalized if the recognition criteria of IAS 38 "Intangible Assets" are met. Manufacturing costs comprise all directly attributable costs.

Development costs are capitalized if a newly developed product or process can be clearly separately identified, is technically feasible and is intended either for internal use or sale. Furthermore, in order to capitalize the development costs it should be reasonably certain that these are covered by future financial inflows. Capitalized development costs are amortized over the expected sales period of the products. Amortization is included in the research and development costs. Research costs shall be recognized as operating expenses in accordance with IAS 38. Acquisition or production costs include all costs directly attributable to the development process and appropriate portions of the general overheads related to development. Where the recognition criteria as an asset are not met the costs are treated as an expense in the year they are incurred.

TANGIBLE ASSETS

Tangible assets are carried at historical acquisition or production cost less accumulated straight-line depreciation. The depreciation method reflects the expected course of future economic use. Where necessary amortized acquisition or production costs are reduced by impairment losses. Government grants are deducted from acquisition or production costs in accordance with IAS 20 "Accounting for Government Grants" (see section "Government Grants"). Production costs are based on directly attributable costs and proportional material and production overheads including depreciation.

There were no revaluations of assets in accordance with the option in IAS 16 "Property, Plant and Equipment".

Tangible asset repair costs are always expensed. Subsequent purchase costs are capitalized for components of tangible assets which are renewed at regular intervals and fulfill the recognition criteria of IAS 16.

Depreciation is mainly based on the following useful lives:

| | Useful life |
|---|-------------|
| Buildings | 25–40 years |
| Technical equipment and machines | 4–20 years |
| Other equipment, factory and office equipment | 3–10 years |

If assets are no longer used, sold or abandoned the profit or loss from the difference between the sales proceeds and the net book value is recorded in other operating income or other operating expenses.

Minor-value assets are fully depreciated in their year of acquisition.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE FIXED ASSETS

For tangible and intangible assets belonging to the Jenoptik Group which have finite useful lives, an assessment is made at each year end whether the appropriate assets show any indications of impairment in accordance with IAS 36 "Impairment of Assets".

If there are such indications, the recoverable amount of the asset is calculated in order to determine the amount of relevant impairment loss.

An impairment test is performed on individual assets or on a cash-generating unit.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties.

Value in use is determined on the basis of the present value of the future cash flows expected. This is based on a market-relevant interest rate before tax which reflects the risks of the use of the assets which have not yet been accounted for in the estimated future cash flows.

If the recoverable amount of an asset is estimated as lower than its carrying value it is then written down to the recoverable amount. Impairment losses are recorded immediately as expenses.

Where there is a reversal of impairment in a subsequent period the carrying value of the asset is adjusted to reflect the recoverable amount determined. The maximum limit for reversal of an impairment loss is determined as the amortized amount of the acquisition or production costs which would have been determined had no impairment loss been recognized in previous periods. The impairment loss reversal is recorded immediately in the statement of income.

LEASING

Leased tangible assets fulfill the conditions for finance leasing in accordance with IAS 17 „Leases“ if all the significant risks and rewards related to ownership are transferred to the relevant Group company. All other leasing contracts are classified as operating leases.

FINANCE LEASING

As lessee under finance leasing the Group capitalizes the relevant assets at the inception of the lease at the lower of the fair value of the assets and the present value of the minimum lease payments. These assets are depreciated straight-line for the shorter of their useful economic lives or term of the leasing agreement if the purchase of the leased asset is not probable at the end of the leasing period. The payment liabilities from future leasing instalments are discounted and accordingly recognized as liabilities.

If the Group is the lessor the net investment in the lease is capitalized as a receivable. Finance income is recognized in the appropriate period in the statement of comprehensive income ensuring a constant periodic rate of return on the net investment.

OPERATING LEASING

Rental income from operating lease agreements is written off straight-line to the statement of comprehensive income in accordance with the term of the appropriate lease. Any discounts received and receivable as incentives to enter into a leasing contract are also apportioned on a straight-line basis over the term of the lease.

INVESTMENT PROPERTIES

Investment properties comprise land and buildings held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of business.

In accordance with IAS 40 "Investment Properties" investment properties are recognized at amortized acquisition or production costs. The fair value of these properties is additionally disclosed in the notes to the financial statements. It is determined using the discounted cash flow model. In exceptional cases the fair value was supported by an external expert valuation.

Straight-line depreciation is based on useful economic lives of 25 to 40 years.

Impairment losses on investment property are accounted for in accordance with IAS 36 if the value in use or fair value less disposal costs for the relevant asset have fallen below its carrying value. Where the reasons for accounting for an impairment loss in previous years are no longer relevant then an appropriate impairment loss reversal is accounted for.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. In accordance with IAS 32 these include, on the one hand, original financial instruments such as trade accounts receivable and trade accounts payable or financial receivables and financial payables. On the other hand, they also include derivative financial instruments which are used to hedge risks from exchange rate and interest rate fluctuations.

Financial assets and financial liabilities are recognized in the Group balance sheet from the point at which the Group becomes a contractual party to the financial instrument. Financial assets are capitalized on their settlement date.

Financial instruments are measured depending on their classification in the categories "Receivables and loans" (at amortized cost) and "Available-for-sale" (at fair value).

The amortized cost of a financial asset or liability is the amount at which the financial asset or financial liability is initially recognized:

- less potential repayments of capital and
- less any impairment losses or provisions for non-payment as well as
- less accumulated allocation of any difference between the original amount and the repayment amount (for example discount) when finally due. The discount is apportioned using the effective interest method over the term of the financial asset or financial liability.

For current receivables and current payables the amortized costs generally represent nominal value or repayment value.

The fair value is generally the market or stock exchange value. If there is no active market the fair value is determined using financial mathematical methods, e. g. by discounting estimated future cash flows at the market interest rate or by applying recognized option price models and checked by confirmation from the banks who deal with the transactions.

PRIMARY FINANCIAL INSTRUMENTS

SHARES IN COMPANIES

Initial recognition is at acquisition cost including transaction costs.

For the Jenoptik Group all shares in subsidiaries and investments in quoted stock corporations which are not fully consolidated, partially consolidated or accounted for at equity are included in the Group financial statements, classified as "available for sale" and valued in subsequent periods at fair value. Changes in value of "financial assets available for sale" are recorded directly in equity.

Shares in unquoted subsidiaries and investments qualify as "financial assets available for sale". However, they are principally stated at acquisition cost since there is no active market for these companies and their fair values cannot be reliably determined with a reasonable amount of effort. Where there are indications of lower fair values these are applied.

LOANS

Loans relate to the amounts lent by the Jenoptik Group which, in accordance with IAS 39, have to be valued at amortized cost.

Non-current non-interest bearing and low-interest bearing loans are accounted for at present value. Where there are objective substantial indications of impairment then impairment losses are accounted for.

SECURITIES

Securities belong to the category "financial assets available for sale" and are measured at fair value. The measurement is accounted for neutrally, also under consideration of deferred taxes, within equity until disposal. On disposal of the securities, or where permanent impairment occurs, the cumulative gains and losses accounted for until now directly in equity are recorded in the statement of comprehensive income for the current period. Initial valuation is at cost on the settlement date and corresponds with fair value.

TRADE ACCOUNTS RECEIVABLE

Trade receivables do not attract interest due to their short-term nature and are measured at nominal value less allowances estimated for bad debts.

OTHER RECEIVABLES AND ASSETS

Other receivables and assets are measured at amortized acquisition cost. All recognizable bad debt risks are accounted for in the form of write-downs.

Non-current, non-interest bearing or low-interest bearing material receivables are discounted.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash balances, cheques and immediately accessible bank balances at financial institutions the original maturity of which is up to three months and which are measured at nominal value.

RESTRICTED CASH

Restricted cash is separately disclosed.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities are measured at amortized acquisition cost applying the effective interest method. Financial liabilities not accounted for like this are those which have an effect on income being measured at fair value. This type of financial liability does not currently exist.

An equity instrument is a contract that represents a residual interest in the assets of the Group after deducting all of its liabilities.

BANK LIABILITIES

Bank loans attracting interest and overdrafts are accounted for at the amounts received less directly allocable issuing costs. Finance costs, including repayment or capital repayment of payable premiums, are accounted for in accordance with the accruals principle applying the effective interest method and increase the book value of the instrument where they are not repaid at the time they arise.

LIABILITIES

Liabilities which do not represent the primary transaction in a permissible hedging transaction and are not held for trading are measured at amortized acquisition cost in the balance sheet. Differences between the historical acquisition costs and the redemption amount are accounted for using the effective interest method. Liabilities from finance leasing agreements are stated at the net present value of the minimum lease payments.

CONVERTIBLE BONDS

Convertible bonds are regarded as combined financial instruments which comprise of a borrowing and an equity element. The valuation of the borrowing element on the date of issue is based on discounted future cash flows at a reasonable interest rate normal for the market. The interest rate is based on interest rates of comparable, non-convertible debt instruments. The interest expense of the external capital component is determined using this interest rate. The issue costs are accounted for in the calculation of present value in the determination of the external capital and equity components. The difference between the amount determined above and the actual interest paid is written back to the carrying value of the convertible bond.

The difference between the income from issuing the convertible bond and the fair value of the external capital component represents the embedded option to convert the liability into equity of the Group. The value of this option represents the equity components.

DERIVATIVE FINANCIAL INSTRUMENTS

Within the Jenoptik Group derivative financial instruments are used as hedges to control risks from interest and currency fluctuations. They serve to reduce the volatility in results from interest and currency risks. The fair values were determined on the basis of the market conditions existing at the balance sheet date – interest rates, exchange rates, goods prices – and the following measurement methods.

Derivative financial instruments are not used for speculative purposes. The use of derivative financial instruments is subject to a Group manual authorized by the Executive Board which represents a written fixed guideline with regard to the treatment of derivative financial instruments. In order to secure risks from currency and interest fluctuations the Group uses cash flow hedges.

Cash flow hedging is described as the process of fixing future variable cash flows. As part of cash flow hedging, the Jenoptik Group hedges currency risks. Currency derivatives which can clearly be allocated to future cash flows from foreign currency transaction and fulfill the conditions of IAS 39 with regard to documentation and effectiveness are hedged directly by banks.

The objective of a fair value hedge is to neutralize the market value changes in assets and liabilities with the market value changes of the hedging transaction in the other direction. A profit or loss arising from the market value changes of a hedging transaction should be taken to the statement of comprehensive income immediately. With regard to the hedged risk with effect from commencement of the hedge, the underlying transaction should also be taken to the statement of comprehensive income.

Changes in the fair value of derivative financial instruments hedging a cash flow risk are documented. If hedging relationships are classified as effective the changes in fair value are directly recorded in equity. The reclassifications from equity to the consolidated statement of comprehensive income are performed in the period where the underlying primary transaction impacts income. Changes in value from financial instruments classified as non-effective are recorded directly in the statement of comprehensive income. The task of the central Group treasury is to manage and optimize interest fluctuation risks and, in this connection, interest caps and interest swaps are implemented individually.

INVENTORIES

Inventories are stated at the lower of acquisition or production cost and net realizable value.

Production cost includes production-related full costs determined on the basis of normal utilization of capacity. In addition to direct costs they include a share of material and production overheads as well as depreciation of assets used in production to the extent that these are attributable to the production process. In particular those costs are accounted for which are incurred under the specific production cost centers. Administration costs are accounted for if they can be allocated to production. Where amounts are lower at the balance sheet date due to decreased prices in the sales market, these should be applied. Similar items in inventories are principally valued using the average method. If the reasons for previously devaluing inventories no longer exist and the net realizable value thus rises, the increases in value are recorded as decreases in the cost of materials in the appropriate period in which the increases in value take place.

The net realizable value is the estimated selling price less the expected costs of completion and costs arising up to sale.

ON-ACCOUNT PAYMENTS RECEIVED

On-account payments received from customers are accounted for under liabilities unless they are for construction contracts.

CONSTRUCTION CONTRACTS

Revenue and profit from construction contracts are recorded according to their stage of completion in accordance with IAS 11 "Construction Contracts" (percentage of completion method). The stage of completion results from the proportion of contract costs incurred for work performed to date until the end of the fiscal year to the estimated total contract costs at the year end (cost to cost method). Losses on construction contracts shall be fully recognized immediately in the fiscal year in which the losses are identified irrespective of the stage of completion of contract activity. Construction contracts which are measured using the percentage of completion method are disclosed as assets or liabilities from construction contracts depending on the amount of the progress billings demanded. These are measured at production cost plus proportional profit in relation to the stage of completion reached. Where the cumulative contract result (contract costs plus contract result) is higher than the amount of progress billings received, the balance for contracts in progress is disclosed as an asset under receivables due from construction contracts. If a negative balance remains after deducting the progress payments received, then this is disclosed as a liability under payables from long-term construction contracts. Expected losses on contracts are accounted for through deductions or provisions and are determined under consideration of recognizable risks.

DEFERRED TAXES

The accounting for deferred taxes is in accordance with IAS 12 "Income Taxes". Deferred taxes are calculated based on the internationally common balance sheet oriented liability

method. Deferred tax assets and deferred tax liabilities are disclosed as separate items in the balance sheet in order to account for the future tax effect of timing differences between the measurement of assets and liabilities in the balance sheet and for tax purposes.

Deferred tax assets and liabilities are accounted for at the amount of the expected tax charge or tax credit in subsequent fiscal years based on the tax rate valid at the point of realization. The effects of tax rate changes on deferred taxes are recorded in the reporting period in which the legislation for the tax rate change is concluded.

Deferred tax assets on balance sheet differences and on tax loss carry forwards are only recognized if the realization of these tax benefits is probable.

Deferred tax assets and deferred tax liabilities are offset where the tax authority and term are identical. In accordance with the rules of IAS 12 deferred tax assets and liabilities are not discounted.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Pensions and similar obligations include the pension commitments of the Group from defined benefit and defined contribution pension plans. For defined benefit pension plans pension obligations are determined in accordance with IAS 19 "Employee Benefits", applying the so-called "projected unit credit method". Annual actuarial reports are obtained for this. The calculation is based on trend assumptions of 2.75 percent (2008 2.75 percent) for salary development, of 1.75 percent to 2.0 percent (2008 1.75 percent to 2.0 percent) for pension development and a discount rate of 5.15 percent (2008 6.0 percent).

The mortality probabilities are determined from the Heubeck tables "Richttafeln 2005 G". Actuarial gains and losses which exceed the range of 10.0 percent of the higher of the scope of the commitment and fair value of the plan assets should be allocated over the average remaining service period. The service cost is disclosed under personnel expenses, the interest portion of the addition to the provision under the financial result.

The option in accordance with IAS 19.93A to fully record actuarial gains and losses and offset them against retained earnings has not been utilized.

The defined contribution pension systems (e. g. direct insurance) offset the obligatory contributions directly as cost. Provisions for pensions are not set up for these as the Jenoptik Group is not subject to an extra obligation in addition to the premium payment.

TAX PROVISIONS

Tax provisions include obligations from current taxes on income.

Deferred taxes are disclosed as separate items in the balance sheet and statement of comprehensive income.

Tax provisions for trade tax and corporation tax or comparable taxes on income are based on the expected taxable income of the companies included in the consolidation less payments made on account. Other taxes to be assessed are accounted for accordingly.

OTHER PROVISIONS AND ACCRUED EXPENSES

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" provisions are recognized where there is a current obligation to a third-party as a result of a past event

which will probably lead to an outflow of resources and the amount of which can be reliably estimated. This means that the probability of occurrence of a present obligation is higher than that of its non-occurrence. Other provisions and accrued expenses are only recognized if there is a legal or constructive obligation to a third-party.

Provisions and accrued expenses which do not already lead to an outflow of resources in the subsequent year are measured at their discounted settlement amount at the balance sheet date where the interest effect is material. Discounting is based on pre-tax interest rates which reflect the current market expectations with regard to interest effects and on those risks specific to the liability, and which are dependent on the appropriate term of the commitment. Provisions for warranties are established at the time of sale of the relevant goods or provision of the appropriate services. The amount of the provision is based in the historic development of warranties and the observation of all future potential warranty cases weighted according to their probability of occurrence. These lie within a range of 5.0 to 6.0 percent.

The settlement amount comprises expected cost increases.

Provisions and other accrued expenses are not offset against counter claims. Provisions and accrued expenses are measured at experience values from the past under consideration of the conditions at the balance sheet date.

GOVERNMENT GRANTS

IAS 20 differentiates between capital grants for non-current assets and income-related grants.

IAS 20 basically provides for the treatment of grants to impact income in the correct period.

For non-current assets in the Jenoptik Group grants are deducted from acquisition costs. By deducting grants from acquisition costs the depreciation volume is determined on the basis of the thus lower acquisition costs.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Jenoptik Group. Furthermore, present obligations can represent contingent liabilities if the probability of an outflow of resources is not sufficient to recognize a provision and/or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are measured at the level of the scope of the liability at the balance sheet date. They are not recorded in the balance sheet but explained in the notes to the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Income from the sale of goods is recorded in the statement of comprehensive income as soon as all material rewards and risks of ownership have been transferred to the purchaser, a price agreed or determined and it can be assumed that this will be paid. Sales include the consideration invoiced to customers for goods and services – reduced for deductions, conventional penalties and discounts.

Income from services is recorded depending on the stage of completion of the contract at the balance sheet date. The stage of completion of the contract is measured based on the services provided. Income is only recorded when it is sufficiently

probable that the company receives the economic benefit from the contract. Otherwise, income is only recorded to the degree that the costs incurred are recoverable.

Cost of sales includes the costs incurred in generating sales. This item also includes the cost of warranty provisions. Amortization and depreciation on intangible assets and property, plant and equipment are recognized as they arise and included in manufacturing cost, selling or administrative expenses. Research and development costs not qualifying for capitalization as well as write-downs against development costs are also disclosed under development expenses.

In addition to personnel and non-personnel costs selling expenses include mailing, advertising, sales promotion, market research and customer service costs. General administrative expenses include personnel and non-personnel costs as well as depreciation and amortization relating to the administration function.

Income from release of provisions is, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", offset against the expense items in which the provisions were originally set up. Thus, reversals of provisions are recognized in the relevant functional costs in which the provisions were also recorded.

The offsetting of income and expenses is thus transparent since material amounts are separately disclosed.

Other taxes are included in other operating expenses. Dividend income is recorded at the time it legally arises.

Historical summary of financial data in accord. with IFRS (1)

| in million EUR | 2003 | 2004 | 2005 | 2006 ¹⁾ | 2007 | 2008 | 2009 |
|---|----------------|----------------|----------------|--------------------|--------------|--------------|--------------|
| Non-current assets | 775.6 | 636.2 | 454.9 | 417.0 | 387.7 | 376.3 | 336.9 |
| Intangible assets | 92.9 | 99.1 | 76.7 | 89.5 | 88.3 | 88.9 | 78.0 |
| Tangible assets | 252.2 | 231.0 | 164.7 | 170.2 | 175.9 | 170.5 | 152.1 |
| Investment properties | 145.1 | 63.2 | 58.0 | 34.6 | 36.0 | 34.8 | 24.5 |
| Financial assets | 167.2 | 120.7 | 73.0 | 55.0 | 24.0 | 18.8 | 18.9 |
| Shares in associated companies | 18.2 | 33.5 | 16.7 | 1.4 | 0.8 | 1.3 | 0.3 |
| Other non-current assets | 10.9 | 16.9 | 8.8 | 11.2 | 10.8 | 10.6 | 11.0 |
| Deferred tax assets | 89.1 | 71.8 | 57.0 | 55.1 | 51.9 | 51.4 | 52.1 |
| Current assets | 982.0 | 918.8 | 279.6 | 456.7 | 309.6 | 312.8 | 270.2 |
| Inventories | 270.8 | 184.2 | 143.3 | 161.5 | 174.1 | 179.5 | 154.7 |
| Accounts receivable and other assets | 564.4 | 558.2 | 125.5 | 137.8 | 119.5 | 118.8 | 103.2 |
| Securities held as current investments | 4.2 | 1.4 | 2.0 | 3.6 | 2.2 | 2.0 | 1.1 |
| Cash and cash equivalents | 142.6 | 175.0 | 8.8 | 153.8 | 13.8 | 12.5 | 11.2 |
| Assets held for sale | 0.0 | 0.0 | 773.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| Shareholders' equity | 359.8 | 369.0 | 314.3 | 299.4 | 280.9 | 292.8 | 240.0 |
| of which subscribed capital | 127.0 | 135.3 | 135.3 | 135.3 | 135.3 | 135.3 | 135.3 |
| Non-current liabilities | 603.0 | 452.6 | 369.2 | 333.2 | 208.8 | 133.1 | 205.8 |
| Pension provisions | 59.7 | 56.3 | 6.9 | 6.4 | 6.4 | 6.4 | 6.4 |
| Other non-current provisions | 5.8 | 20.7 | 15.3 | 22.3 | 22.1 | 18.4 | 18.6 |
| Non-current financial liabilities | 462.0 | 339.8 | 324.7 | 281.6 | 161.7 | 92.4 | 158.2 |
| Other non-current liabilities | 58.2 | 34.0 | 19.2 | 20.0 | 15.2 | 13.0 | 20.1 |
| Deferred tax liabilities | 17.3 | 1.8 | 3.1 | 2.9 | 3.4 | 2.9 | 2.5 |
| Current liabilities | 794.8 | 733.4 | 193.0 | 241.1 | 207.6 | 263.2 | 161.3 |
| Tax provisions | 11.8 | 15.2 | 1.7 | 1.2 | 1.1 | 2.9 | 2.6 |
| Other current provisions | 87.2 | 67.8 | 26.0 | 41.1 | 39.9 | 35.8 | 40.6 |
| Current financial liabilities | 57.4 | 75.5 | 61.6 | 78.8 | 45.9 | 113.7 | 13.6 |
| Other current liabilities | 638.4 | 574.9 | 103.7 | 120.0 | 120.7 | 110.8 | 104.5 |
| Liabilities held for sale | 0.0 | 0.0 | 631.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total assets | 1,757.6 | 1,555.0 | 1,508.3 | 873.7 | 697.3 | 689.1 | 607.1 |
| Change compared to prior year | | | | | | | |
| Non-current assets | 24.1 % | -18.0 % | -28.5 % | -8.3 % | -7.0 % | -2.9 % | -10.5 % |
| Current assets | -2.4 % | -6.4 % | -69.6 % | 63.4 % | -32.2 % | 1.0 % | -13.6 % |
| Shareholders' equity | 2.3 % | 2.6 % | -14.8 % | -4.7 % | -6.2 % | 4.2 % | -18.0 % |
| Non-current liabilities | 40.8 % | -24.9 % | -18.4 % | -9.8 % | -37.5 % | -36.3 % | 54.6 % |
| Current liabilities | -6.6 % | -7.7 % | -73.7 % | 24.9 % | -13.6 % | 26.8 % | -38.7 % |
| Share of total assets | | | | | | | |
| Non-current assets (asset ratio) | 44.1 % | 40.9 % | 30.2 % | 47.7 % | 55.6 % | 54.6 % | 55.5 % |
| Current assets | 55.9 % | 59.1 % | 18.5 % | 52.3 % | 44.4 % | 45.4 % | 44.5 % |
| Shareholders' equity (equity ratio) | 20.5 % | 23.7 % | 20.8 % | 34.3 % | 40.3 % | 42.5 % | 39.5 % |
| Debt capital (debt capital ratio) | 79.5 % | 76.3 % | 37.3 % | 65.7 % | 59.7 % | 57.5 % | 60.5 % |
| Dividends | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| in % of subscribed capital | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Return on dividend based on year-end price 31.12. | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Net financial liabilities²⁾ | 372.6 | 238.9 | 375.5 | 203.0 | 191.6 | 191.6 | 159.5 |
| in % of adjusted total assets ³⁾ | 24.5 % | 18.7 % | 26.4 % | 32.4 % | 32.3 % | 32.7 % | 30.9 % |

1) Continuing business divisions 2) Financial liabilities less cash and securities 3) Balance sheet total less intangible assets and current assets including securities held as current investment

Historical summary of financial data in accord. with IFRS (2)

| in million EUR | 2003 | 2004 | 2005 | 2005 ¹⁾ adjusted | 2006 | 2007 | 2008 | 2009 |
|--|----------------|----------------|----------------|--------------------------------|--------------|--------------|--------------|--------------|
| Sales | 1,922.0 | 2,523.0 | 1,914.4 | 410.1 | 485.1 | 521.7 | 548.3 | 473.6 |
| Gross profit | 204.2 | 293.0 | 191.7 | 124.8 | 151.3 | 159.9 | 161.9 | 128.7 |
| in % of sales | 10.6 % | 11.6 % | 10.0 % | 30.4 % | 31.2 % | 30.6 % | 29.5 % | 27.2 % |
| EBITDA²⁾ | 50.9 | 128.8 | 43.7 | 57.7 | 69.9 | 79.1 | 67.5 | 23.3 |
| in % of sales | 2.6 % | 5.1 % | 2.3 % | 14.1 % | 14.4 % | 15.2 % | 12.3 % | 4.9 % |
| EBIT³⁾ | 9.0 | 81.1 | -9.8 | 25.1 | 38.2 | 35.3 | 37.1 | -19.7 |
| in % of sales | 0.5 % | 3.2 % | -0.5 % | 6.1 % | 7.9 % | 6.8 % | 6.8 % | -4.2 % |
| Earnings before tax | -43.3 | 37.4 | -52.5 | 8.1 | 19.1 | 0.7 | 20.2 | -34.3 |
| in % of sales | -2.3 % | 1.5 % | -2.7 % | 2.0 % | 3.9 % | 0.1 % | 3.7 % | -7.2 % |
| Earnings after tax | -45.9 | 19.0 | -69.4 | 4.0 | 16.1 | -4.6 | 16.6 | -33.9 |
| in % of sales | -2.4 % | 0.8 % | -3.6 % | 1.0 % | 3.3 % | -0.9 % | 3.0 % | -7.2 % |
| Cash flow from/used in operat. activities ⁴⁾ | 64.4 | 100.8 | 31.7 | 65.7 | 28.8 | 73.8 | 46.5 | 53.3 |
| Free cash flow (before income taxes) | 16.8 | 71.2 | 1.2 | | 17.5 | 42.4 | 27.9 | 41.0 |
| Change compared to prior year | | | | | | | | |
| Sales | | 31.3 % | -24.1 % | | 18.3 % | 7.5 % | 5.1 % | -13.6 % |
| Gross profit | | 43.5 % | -34.6 % | | 21.2 % | 5.7 % | 1.3 % | -20.5 % |
| EBITDA | | 153.0 % | -66.1 % | | 21.1 % | 13.2 % | -14.7 % | -65.5 % |
| Result from operating activities | | 801.1 % | -112.1 % | | 52.5 % | -7.6 % | 5.1 % | -153.1 % |
| Earnings after tax | | -141.5 % | -464.3 % | | 307.6 % | -128.5 % | 460.9 % | -304.2 % |
| Employees (average) | 10,049 | 10,052 | 9,486 | 2,621 | 2,849 | 3,215 | 3,292 | 3,206 |
| Personnel expenses (incl. pensions) | 500.0 | 536.7 | 472.6 | 148.4 | 180.1 | 192.3 | 194.7 | 187.3 |
| Personnel ratio (in % of sales) | 26.0 % | 21.3 % | 24.7 % | 36.2 % | 37.1 % | 36.9 % | 35.5 % | 39.5 % |
| Sales per employee (in TEUR) | 191.3 | 251.0 | 201.8 | 156.5 | 170.3 | 162.3 | 166.6 | 147.7 |
| Cost of materials (incl. purchased services) | 1,217.3 | 1,468.7 | 1,076.0 | 184.8 | 227.1 | 252.2 | 252.5 | 206.6 |
| Materials ratio (in % company performance) | 62.3 % | 56.6 % | 55.4 % | 43.8 % | 44.5 % | 45.1 % | 44.7 % | 41.9 % |
| Research and development expenses | 28.4 | 31.8 | 34.4 | 27.4 | 33.8 | 39.0 | 34.1 | 32.6 |
| in % of sales | 1.5 % | 1.3 % | 1.8 % | 6.7 % | 7.0 % | 7.5 % | 6.2 % | 6.9 % |
| Net value added | 494.4 | 618.4 | 456.6 | 168.1 | 213.3 | 221.2 | 226.7 | 163.8 |
| in % of company performance ⁵⁾ | 25.3 % | 23.8 % | 23.5 % | 39.8 % | 41.8 % | 39.5 % | 40.1 % | 33.2 % |
| of which shareholders, company share | -9.3 % | 3.1 % | -15.2 % | 2.4 % | 7.6 % | -2.1 % | 7.3 % | -20.7 % |
| Return on sales based on EBIT | 0.5 % | 3.2 % | -0.5 % | 6.1 % | 7.9 % | 6.8 % | 6.8 % | -4.2 % |
| Total turnover of assets | 1.09 | 1.62 | 1.27 | | 0.56 | 0.75 | 0.80 | 0.78 |
| Total return on capital based on EBIT | 0.5 % | 5.2 % | -0.6 % | | 4.4 % | 5.1 % | 5.4 % | -3.2 % |
| Return on shareholders' equity before tax (at balance sheet date) | -12.0 % | 10.1 % | -16.7 % | | 6.4 % | 0.2 % | 6.9 % | -14.3 % |
| Adjusted equity ratio ⁶⁾ | 17.6 % | 21.1 % | 16.7 % | | 33.5 % | 32.5 % | 34.8 % | 31.3 % |
| Non-current assets financed by shareholders' equity | 46.4 % | 58.0 % | 69.1 % | | 71.8 % | 72.5 % | 77.8 % | 71.2 % |
| Asset cover ⁷⁾ | 142.7 % | 159.7 % | 190.8 % | | 175.9 % | 159.7 % | 171.7 % | 157.8 % |

1) Continuing business divisions

2) EBIT before depreciation/write-ups on tangible and intangible assets

3) Operating income before interest and net investment result

4) Earnings after tax + changes in provisions + depreciation/write-ups, each excl. effects from first-time consolidation and deconsolidation

5) Company performance = sales plus other operating income and net investment result and income from securities

6) Shareholders' equity less intangible assets/total assets less intangible assets, cash and cash equivalents and securities

7) Shareholders' equity/tangible assets excl. property => ratio of plant, machinery, equipment financed by shareholders' equity

Segment reporting

The presentation of segments is in accordance with IFRS 8 "Operating Segments".

IFRS 8 follows the management approach. Accordingly the external reporting is based on the Group internal organizational and management structure as well as on the internal reporting structure to the chief operating decision maker. The Executive Board analyzes the financial information which serves as a decision basis for the allocation of resources and for measuring profitability. The accounting policies for the segments are the same as those for the Group described under accounting principles. An important management indicator within the company is the free cash flow.

For the fiscal year 2009 segment reporting is on the segments Lasers & Optical Systems, Metrology, Defense & Civil Systems and Other.

Business activities can be analyzed into five divisions and three segments. Segmentation of the business divisions is oriented towards the internal divisional structure, whereby the Optical Systems and Lasers & Material Processing divisions are combined to form the Lasers & Optical Systems segment and the Industrial Metrology and Traffic Solutions divisions are combined to form the Metrology segment. The Defense & Civil Systems segment represents the division with the same name.

The Optical Systems division within the Lasers & Optical Systems segment offers opto-mechanical & opto-electronical assemblies, modules and systems and is development and production partner for optical, micro-optical and optical coating components –

made of optical glass, infra-red materials and of plastics. The Lasers & Material Processing division offers the complete value-added chain of laser material processing from the component through to complete systems.

The Metrology segment comprises the development, production and sale of components and systems for traffic security. Furthermore, the division of Industrial Metrology is known as a manufacturer and systems provider for high-precision, contact and non-contact production metrology.

The main focus of the Defense & Civil Systems segment is on the areas of vehicle, train and aircraft equipment, mechanical and stabilization technology, energy systems and opto-electronical systems.

JENOPTIK AG, JENOPTIK SSC GmbH, the property companies and other non-strategic companies are included in the segment Other.

The item Adjustments includes the consolidation of the business relationships between the segments as well as certain reconciliation and reclassification issues.

The business relationships between companies within the divisions of the Jenoptik Group are based on prices which would also be agreed with third-parties.

Order intake relates to the estimated volume of sales for the contracts taken on after income reductions under consideration of changes in the contract value. Notices of intention are not included in the order intake.

Information by Segment (1.1. – 31.12.2009)

| in TEUR | Lasers & Optical Systems | Metrology | Defense & Civil Systems | Other | Adjustments | Group |
|--|--------------------------------|---------------------|-------------------------------|----------------------|------------------------|----------------------|
| Sales | 166,749 (207,014) | 95,973 (126,289) | 205,272 (208,539) | 23,820 (16,982) | – 18,205 (– 10,555) | 473,609 (548,269) |
| of which Germany | 52,014 (77,095) | 37,222 (47,401) | 106,787 (117,667) | 23,817 (16,982) | – 17,831 (– 10,120) | 202,009 (249,025) |
| European Union | 47,604 (61,561) | 21,036 (30,390) | 62,242 (48,203) | 0 (0) | 0 (0) | 130,882 (140,154) |
| Other Europe | 4,881 (5,877) | 6,108 (7,428) | 17,079 (19,042) | 0 (0) | 0 (0) | 28,068 (32,347) |
| NAFTA | 39,343 (35,312) | 14,587 (21,538) | 9,304 (7,952) | 3 (0) | – 374 (– 435) | 62,863 (64,367) |
| South East Asia/Pacific | 16,579 (14,077) | 11,171 (13,966) | 8,486 (13,669) | 0 (0) | 0 (0) | 36,236 (41,712) |
| Other | 6,328 (13,092) | 5,849 (5,566) | 1,374 (2,006) | 0 (0) | 0 (0) | 13,551 (20,664) |
| Sales with other business divisions | 1,102 (829) | 12 (50) | 1,760 (508) | 15,332 (9,168) | – 18,206 (– 10,555) | 0 (0) |
| EBITDA before reorganization and restructuring ¹⁾ | 15,540 | – 333 | 21,268 | 6,607 | – 44 | 43,038 |
| EBITDA (prev. year) ¹⁾ | (28,738) | (10,716) | (23,378) | (4,579) | (68) | (67,479) |
| EBIT before reorganization and restructuring ¹⁾ | 1,365 | – 4,910 | 13,918 | – 2,554 | – 44 | 7,775 |
| EBIT (prev. year) ¹⁾ | (14,945) | (6,901) | (15,817) | (– 668) | (68) | (37,063) |
| EBIT after reorganization and restructuring ²⁾ | – 16,509 | – 14,615 | 12,142 | – 626 | – 44 | – 19,652 |
| EBIT (prev. year) ²⁾ | (14,435) | (6,601) | (15,432) | (527) | (68) | (37,063) |
| Result from investments in associated and jointly controlled companies | – 1,799 (– 896) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | – 1,799 (– 896) |
| Result from other investments | – 1,587 (– 1,646) | – 529 (40) | 247 (272) | – 625 (– 3,259) | 0 (0) | – 2,494 (– 4,593) |
| Earnings after tax before profit/loss transfer | – 21,622 (8,808) | – 16,444 (4,232) | 9,171 (11,341) | – 4,930 (– 7,862) | – 30 (47) | – 33,855 (16,566) |
| Research and development expenses | 15,660 (17,070) | 8,297 (9,832) | 9,013 (8,123) | 0 (– 772) | – 368 (– 116) | 32,602 (34,137) |
| Free cash flow (before income taxes) | 17,644 (7,965) | 6,659 (3,852) | 17,755 (9,165) | – 1,010 (6,906) | 0 (0) | 41,048 (27,888) |
| Working capital | 44,394 (59,024) | 31,612 (48,125) | 96,301 (100,285) | – 5,804 (– 5,803) | – 63 (– 13) | 166,440 (201,618) |
| Order intake | 168,358 (194,753) | 83,234 (133,326) | 178,039 (173,430) | 16,411 (16,982) | – 13,206 (– 10,325) | 432,836 (508,166) |
| Tangible assets, investment properties and intangible assets | 92,590 (109,949) | 17,040 (20,986) | 38,066 (40,241) | 106,846 (123,036) | 0 (0) | 254,542 (294,212) |
| Investments excluding company acquisitions | 4,169 (10,836) | 2,548 (4,341) | 5,419 (8,311) | 2,216 (612) | 0 (0) | 14,352 (24,100) |
| Depreciation and amortization | 12,262 (13,512) | 3,945 (3,815) | 7,132 (6,982) | 5,248 (5,247) | 0 (0) | 28,587 (29,556) |
| Impairments | 8,164 (281) | 2,124 (0) | 218 (579) | 3,913 (0) | 0 (0) | 14,419 (860) |
| Employees (annual average) (without trainees) | 1,281 (1,370) | 762 (810) | 1,029 (1,048) | 134 (64) | 0 (0) | 3,206 (3,292) |

¹⁾ before group charges
²⁾ after group charges
(previous year's figures in brackets)

Free cash flow is calculated from cash flow from/used in operating activities (before income taxes) less investments in intangible assets and tangible assets plus disinvestments.

Working capital comprises inventories, trade accounts receivable and receivables from construction contracts less trade accounts payable, liabilities from construction contracts and on account payments received.

Non-current assets comprise intangible assets and tangible assets.

There were no relationships with individual customers whose share of sales is material relative to Group sales.

The share in joint ventures amounting to TEUR 261 (2008: TEUR 1,358) is entirely attributable to the Lasers & Optical Systems segment. The joint venture company accounted for proportionally in the consolidation is included in the Defense & Civil Systems segment.

Reconciliation of segment information

Reconciliation of free cash flows

| in TEUR | 2009 | 2008 |
|--|----------|----------|
| Cash flow from/used in operating activities before income taxes | 53,841 | 47,372 |
| Investments in intangible and tangible assets | – 14,067 | – 23,792 |
| Receipts from operative disposal of intangible and tangible assets | 1,274 | 4,308 |
| Free cash flow (before income taxes) | 41,048 | 27,888 |

Information by region

| in TEUR | 31.12.2009 ¹⁾ | 31.12.2008 ¹⁾ |
|--------------------------------|--------------------------|--------------------------|
| Group | 254,855 | 294,336 |
| of which Germany ²⁾ | 241,663 | 279,181 |
| European Union ²⁾ | 4,999 | 3,401 |
| Other Europe ²⁾ | 82 | 323 |
| NAFTA ²⁾ | 8,111 | 11,431 |

1) non-current assets 2) by location of the companies

Notes to the statement of comprehensive income

1 SALES

Sales decreased overall by TEUR 74,660 or 13.6 percent to TEUR 473,609 compared to 2008.

Detailed disclosures on sales by segment and region are shown in the segment reporting.

2 COST OF SALES

Cost of sales includes the costs incurred in generating sales. This item also includes provisions made for transactions dependent on sales.

Cost of sales decreased overall by TEUR 41,422 or 10.7 percent to TEUR 344,922 compared to 2008. Cost of sales declined lower than proportionally compared to sales.

Cost of sales includes impairment losses on intangible and tangible assets amounting to TEUR 192 (2008 TEUR 579) and write-downs on inventories of TEUR 130. Write-ups of TEUR 400 to inventories had an impact in the other direction.

3 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include all expenses allocable to research and development activities. Research and development costs paid for by customers are not included in the research and development expenses. Research and development expenses decreased overall by TEUR 1,535 or 4.5 percent to TEUR 32,602 compared to 2008. Research and development expenses include write-downs amounting to TEUR 1,514 (2008 TEUR 198).

4 SELLING EXPENSES

Selling expenses mainly comprise marketing costs, sales commissions, publicity work and advertising. Selling expenses declined overall by TEUR 7,332 or 12.5 percent to TEUR 51,321 compared to 2008.

5 GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses include personnel and non-personnel costs as well as depreciation and amortization relating to the administration function. General administrative expenses decreased overall by TEUR 2,388 or 6.1 percent to TEUR 36,461 compared to 2008.

Furthermore, general administrative expenses include audit fees, year-end audit fees of TEUR 630 (2008 TEUR 634), fees for other auditor services of TEUR 39 (2008 TEUR 12), fees for other advisory services of TEUR 32 (2008 TEUR 10), and other tax services of TEUR 1 (2008 TEUR 0).

6 OTHER OPERATING INCOME

| in TEUR | 2009 | 2008 |
|---|---------------|---------------|
| Income from exchange rate gains | 7,716 | 8,259 |
| Income from services, transfers and rental | 5,793 | 3,491 |
| Income from government grants | 2,079 | 2,149 |
| Income from release of allowances/provisions | 2,070 | 868 |
| Income from the release of accruals for interim profits | 1,239 | 1,239 |
| Income from the disposal of fixed assets | 320 | 559 |
| Income from the issue of licences | 296 | 507 |
| Income from damages claims/insurance services | 278 | 697 |
| Other | 3,266 | 2,444 |
| Income from the release of finance lease liabilities | 0 | 1,853 |
| | 23,057 | 22,066 |

Other operating income remained at the prior year level. In 2008 a finance lease liability was released from which income of TEUR 1,853 was realized.

Income from exchange rate gains mainly includes gains on exchange rate fluctuations on foreign exchange receivables and payables between transaction date and payment date and exchange gains from the balance sheet date rate valuation. Exchange losses from these transactions are disclosed under other operating expenses.

7 OTHER OPERATING EXPENSES

| in TEUR | 2009 | 2008 |
|---|---------------|---------------|
| Expenses for reorganization and restructuring | 27,427 | 0 |
| of which Additions to personnel provisions/restructuring | 10,433 | 0 |
| Write-down on intangible assets | 5,765 | 0 |
| Depreciation on tangible assets | 2,199 | 0 |
| Depreciation on inventories | 2,047 | 0 |
| Additions to other provisions/liabilities | 1,398 | 0 |
| Write-down on receivables | 651 | 0 |
| Other items directly recorded as expenses | 4,934 | 0 |
| Exchange losses | 7,994 | 8,125 |
| Costs of services and rentals | 6,956 | 2,064 |
| Impairment of goodwill | 2,031 | 83 |
| Amortization of intangible assets from first-time consolidation | 1,647 | 1,619 |
| Addition to/release of provisions and allowances | 1,504 | 2,078 |
| Extraordinary depreciation on fixed assets | 682 | 0 |
| Losses on disposal of fixed assets | 453 | 696 |
| Other taxes | 325 | 596 |
| Other | 1,993 | 28 |
| | 51,012 | 15,289 |

Additions to allowances are only included under other operating expenses if these are outside of the ordinary activities of the relevant company.

Other operating expenses rose compared to the prior year by TEUR 35,723. This is the result of expenses of reorganizing and restructuring amounting to TEUR 27,427. The largest single item here is the withdrawal from business with mid-format cameras amounting to TEUR 9,555.

8 NET INVESTMENT RESULT

| in TEUR | 2009 | 2008 |
|--|---------------|---------------|
| Result from investments | 540 | 468 |
| Result from investments in associated and jointly controlled companies | -1,799 | -896 |
| Write-downs on financial assets and non-current assets securities | -3,034 | -5,061 |
| | -4,293 | -5,489 |

The write-downs on financial assets and on non-current asset securities primarily relate to write-downs against loans to investments.

9 NET INTEREST RESULT

| in TEUR | 2009 | 2008 |
|---|----------------|----------------|
| Income from securities and financial asset loans | 465 | 474 |
| Interest income from repurchase/repayment of the convertible bond | 956 | 1,150 |
| Other interest and similar income | 1,311 | 2,135 |
| Total interest income | 2,732 | 3,759 |
| Interest expense on debenture loan (cash impact) | 1,859 | 1,930 |
| Accretion of bonds (no cash impact) | 662 | 1,627 |
| Interest portion of bonds (cash impact) | 583 | 1,531 |
| Interest portion of leasing instalment for finance leases | 441 | 848 |
| Interest portion on increase to pension provisions less interest on plan assets | 727 | 330 |
| Other interest and similar expenses | 8,830 | 8,824 |
| Total interest expense | 13,102 | 15,090 |
| Net interest result | -10,370 | -11,331 |

The net interest result improved by TEUR 961 to minus TEUR 10,370. The convertible bond was repaid as planned in July 2009. Interest income of TEUR 956 resulted from this which was comparable to the interest income from the partial premature repurchase of the convertible bond in 2008 of TEUR 1,150. As a result of the repayment of the convertible bond in July 2009 both the interest expense portion of the bond not impacting cash of TEUR 662 (2008 TEUR 1,627), as well as the interest portion impacting cash of TEUR 583 (2008 TEUR 1,531), were below the prior year level.

The interest portion of the leasing instalments for finance leasing amounts to TEUR 441 (2008 TEUR 848). The decline also resulted from leasing contracts coming to an end.

More information regarding the repurchase of the convertible bond can be found under Note 30.

10 INCOME TAXES

Income taxes comprise the current taxes (paid or owed) on income in the individual countries as well as the deferred taxes. The calculation of the current tax expense for the Jenoptik Group is subject to the tax rates applicable at the balance sheet date.

Deferred taxes are calculated at the relevant national income tax rates. For domestic companies the corporation tax rate for the fiscal year 2009 amounted to 15 percent (2008 15 percent) plus solidarity levy of 5.5 percent (2008 5.5 percent) of the corporation tax charge. Accounting for the effective trade tax rate of 12.78 percent (2008 12.78 percent) in 2009 the overall tax rate used for calculating deferred taxes amounted to 28.6 percent (2008 28.6 percent).

For foreign companies the calculation of deferred taxes is based on the tax rates applicable in each relevant country.

Deferred taxes are included in the statement of comprehensive income as tax income or tax expense unless they relate to items not impacting income, which are accounted for directly in equity. In this case the deferred taxes are also accounted for through equity having no impact on income.

The tax expense which relates to the result of the ordinary activities is classified according to its origin as follows:

| in TEUR | 2009 | 2008 |
|--|-------------|--------------|
| Income taxes | | |
| Domestic | -181 | 1,906 |
| Foreign | 397 | 690 |
| Total | 216 | 2,596 |
| Deferred tax expense and income | | |
| Domestic | -706 | 805 |
| Foreign | 30 | 277 |
| Total | -676 | 1,082 |
| Total taxes income | -460 | 3,678 |

Current taxes on income includes a tax credit of TEUR 285 (2008 expense TEUR 130) for current taxes of prior financial periods. The deferred tax expense and income includes a credit from a previous year of TEUR 573 (2008 credit TEUR 547).

The deferred tax expense and income include a credit of TEUR 3,533 (2008 expense TEUR 2,834) based on the development of timing differences.

At the balance sheet date the Jenoptik Group has unused tax losses carried forward of approx. EUR 492 million (31.12.2008 EUR 471 million) which can be set off against future profits. The increase in tax losses carried forward is due to the current loss for 2009. Losses of EUR 478 million (2008 EUR 451 million) can be carried forward for an unlimited period of time. After accounting for all currently known positive and negative influ-

encing factors on the future tax results of the Jenoptik Group, it is expected that tax losses carried forward of approx. EUR 122 million (31.12.2008 EUR 124 million) will be utilized. With regard to these utilizable losses carried forward a deferred tax asset has been accounted for amounting to EUR 43 million (31.12.2008 EUR 43 million). Of this, EUR 23 million (31.12.2008 EUR 23 million) relates to trade tax loss carry forwards. With regard to the remaining losses carried forward of EUR 370 million (31.12.2008 EUR 347 million) no deferred tax asset has been accounted for. Furthermore, no deferred tax asset has been accounted for for deductible timing differences of EUR 48 million (31.12.2008 EUR 41 million).

The following deferred tax assets and liabilities have arisen from recognition and measurement differences on individual balance sheet items and on tax losses carried forward:

| in TEUR | Deferred tax assets | | Deferred tax liabilities | |
|--|---------------------|---------------|--------------------------|--------------|
| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
| Intangible assets | 679 | 1,133 | 4,425 | 6,423 |
| Tangible assets | 3,968 | 3,720 | 1,130 | 1,624 |
| Financial assets | 11,709 | 10,563 | 783 | 378 |
| Inventories | 1,769 | 1,706 | 153 | 279 |
| Accounts receivable and other assets | 4,648 | 1,712 | 3,621 | 4,260 |
| Provisions and accrued expenses | 6,742 | 5,957 | 62 | 22 |
| Liabilities | 3,630 | 5,499 | 2,229 | 499 |
| Tax losses carried forward, interest carried forward and tax credits | 43,473 | 43,529 | 0 | 0 |
| Gross value | 76,618 | 73,819 | 12,403 | 13,485 |
| (of which long-term) | (66,518) | (64,393) | (6,990) | (9,425) |
| Allowances | -14,584 | -11,882 | 0 | 0 |
| Offsetting | -9,938 | -10,563 | -9,938 | -10,563 |
| Balance sheet amount | 52,096 | 51,374 | 2,465 | 2,922 |

| in TEUR | 2009 | 2008 |
|--|--------------|---------------|
| Earnings before tax | -34,315 | 20,243 |
| Income tax rate Jenoptik Group | 28.60 % | 28.60 % |
| Expected tax expense | -9,814 | 5,790 |
| Tax impact of the following effects led to a difference between actual and expected tax expense: | | |
| Non-deductible expenses and tax-free income | 1,111 | 1,831 |
| Changes in allowances against deferred taxes and the non-recognition of deferred taxes | 7,852 | -3,127 |
| Permanent differences | 1,288 | -38 |
| Effects of tax rate differences in 2009 | 135 | -99 |
| Effects of tax rate changes | 39 | -127 |
| Taxes from previous years | -858 | -417 |
| Other tax effects | -213 | -135 |
| Total adjustments | 9,354 | -2,112 |
| Actual tax expense | -460 | 3,678 |

The table above shows the tax reconciliation of the expected tax expense for the relevant fiscal year to the actual tax expense disclosed. In order to calculate the expected tax charge the Group tax rate valid for the fiscal year 2009 of 28.6 percent (2008 28.6 percent) was multiplied by the earnings before tax.

11 MINORITY INTEREST SHARE OF PROFIT / LOSS

The minority interest share of Group profits/losses amounted to TEUR 4,072 (2008 TEUR 4,810) and mainly relates to the property companies as well as to minority interest shares in consolidated companies.

12 EARNINGS PER SHARE

The earnings per share represents the earnings attributable to shareholders divided by the weighted average number of shares outstanding of 52,034,651 (2008 52,034,651). As a result of the repayment of the convertible bond in the fiscal year 2009 there is no possibility of dilution of the earnings per share.

| | 2009 | 2008 |
|---|------------|------------|
| Earnings attributable to shareholders in TEUR | -37,927 | 11,756 |
| Weighted average number of outstanding shares | 52,034,651 | 52,034,651 |
| Earnings per share in Euro (undiluted) | -0.73 | 0.23 |
| Dilutive effects | - | 2,255 |
| Weighted average number of outstanding shares (diluted) | - | 55,737,714 |
| Earnings per share in Euro (diluted) | - | 0.23 |

On March 9, 2010 the Executive Board of JENOPTIK AG resolved, with the approval of the capital market committee, to increase the nominal capital by 10.0 percent by way of a capital increase, partially utilizing its authorized capital and precluding the subscription rights of the shareholders. Shares currently in circulation will thus be increased by 5,203,464 in 2010.

Notes to the balance sheet

13 INTANGIBLE ASSETS

| in TEUR | Development costs | Patents, trademarks, software, customer relations | Goodwill | Other intangible assets | Total |
|-------------------------------------|--------------------|---|--------------------|-------------------------|----------------------|
| Purchase and manufacturing cost | 25,634 | 42,702 | 64,917 | 1,709 | 134,962 |
| Balance as at 1.1.2009 | (20,516) | (43,428) | (65,939) | (2,899) | (132,782) |
| Currencies | -2 (110) | -65 (196) | -91 (150) | 0 (1) | -158 (457) |
| Companies included in consolidation | -1,491 (0) | -74 (-2,286) | 1,031 (-868) | 0 (419) | -534 (-2,735) |
| Additions | 1,056 (4,338) | 848 (1,201) | 0 (0) | 1,856 (352) | 3,760 (5,891) |
| Disposals | 6,241 (542) | 1,450 (782) | 0 (304) | 65 (61) | 7,756 (1,689) |
| Reclassifications (+/-) | 0 (1,212) | 334 (945) | 0 (0) | -289 (-1,901) | 45 (256) |
| Balance as at 31.12.2009 | 18,956 (25,634) | 42,295 (42,702) | 65,857 (64,917) | 3,211 (1,709) | 130,319 (134,962) |
| Depreciation Balance as at 1.1.2009 | 11,829 (9,356) | 29,331 (28,352) | 4,771 (6,760) | 102 (0) | 46,033 (44,468) |
| Currencies | -2 (44) | -19 (58) | 0 (5) | 0 (0) | -21 (107) |
| Companies included in consolidation | -1,491 (0) | -74 (-2,279) | 0 (-1,775) | 0 (0) | -1,565 (-4,054) |
| Additions | 2,579 (2,745) | 3,598 (3,715) | 0 (2) | 0 (102) | 6,177 (6,564) |
| Impairment | 6,816 (648) | 463 (0) | 2,031 (83) | 0 (0) | 9,310 (731) |
| Disposals | 6,230 (218) | 1,358 (729) | 0 (304) | 0 (0) | 7,588 (1,251) |
| Reclassifications (+/-) | 0 (-746) | 126 (214) | 0 (0) | -102 (0) | 24 (-532) |
| Balance as at 31.12.2009 | 13,501 (11,829) | 32,067 (29,331) | 6,802 (4,771) | 0 (102) | 52,370 (46,033) |
| Net book value as at 31.12.2009 | 5,455 (13,805) | 10,228 (13,371) | 59,055 (60,146) | 3,211 (1,607) | 77,949 (88,929) |

(The amounts in brackets relate to the prior year)

The change in goodwill within the group of consolidated companies mainly results from the purchase of remaining shares in a company. The additions to other intangible assets amounting to TEUR 1,856 mainly relate to IT projects in the segment Other. The decline in investments is due to a lower capitalization of development costs as well as active investment management.

Apart from goodwill there are no intangible assets with an undefined useful life.

There are no restrictions on use of intangible assets.

Existing goodwill results almost exclusively from company acquisitions since January 1, 2003.

The impairment test is carried out at the level of cash generating units (CGU), which are expected to benefit from the synergies of the relevant business combination and to which the goodwill shall thus be allocated. If the carrying amount of the CGU is higher than its recoverable amount then the allocated goodwill should be written down in accordance with the impairment amount. The impairment test is based on the recoverable amount, the higher of its fair value less costs to sell and its value in use.

Jenoptik determines the value in use based on the discounted cash flow method (DCF). The basis for this is the 5-year business forecast as approved by management. This accounts for the experience of the past and is based on the management's best estimate of the future development. A perpetuity is assumed which is derived individually by management for each CGU from the fifth forecast year.

The discount rates used, which range from 8.26 percent to 10.21 percent, have been taken from a current capital cost study for companies within the HDax. They relate to the weighted average capital costs of JENOPTIK AG or rather of the Jenoptik peer group (comparable companies). The level of the capital costs determined in the study was confirmed by an internal parallel calculation.

As a result of the impairment test impairment losses of TEUR 2,031 (2008 TEUR 83) were accounted for in the fiscal year 2009. This impairment adjustment was made since the company's forecast does not expect further impairment. The impairment losses were accounted for as other operating expenses in the statement of comprehensive income.

Goodwill recognized mainly relates to goodwill of JENOPTIK Polymer Systems GmbH, Triptis amounting to TEUR 31,706, of Lechmotoren GmbH, Altenstadt amounting to TEUR 7,920 and of EPIGAP Optoelektronik GmbH, Berlin amounting to TEUR 5,819 as well as PHOTONIC SENSE GmbH, Eisenach amounting to TEUR 2,884.

Sensitivity analyses were performed for cash flow. A reduction of 5 percent would lead to the recoverable amount only of Photonic Sense being TEUR 624 below its carrying value. If cash flows were to be reduced by 15 percent, the difference between recoverable amount and carrying amount would increase to minus TEUR 1,872. For all other cash generating units there would still be no requirement for impairment.

14 TANGIBLE ASSETS

| in TEUR | Land, buildings | Technical equipment and machines | Other equipment, factory and office equipment | Assets under construction | Total |
|-------------------------------------|----------------------|--|---|------------------------------|----------------------|
| Purchase and manufacturing cost | 134,142 | 133,035 | 82,753 | 6,554 | 356,484 |
| Balance as at 1.1.2009 | (131,709) | (128,090) | (79,475) | (5,910) | (345,184) |
| Currencies | -169 (361) | -448 (813) | -108 (210) | 0 (0) | -725 (1,384) |
| Companies included in consolidation | 0 (0) | -355 (304) | -79 (-2,066) | 0 (-8) | -434 (-1,770) |
| Additions | 851 (2,057) | 3,553 (5,435) | 4,459 (7,470) | 1,729 (3,159) | 10,592 (18,121) |
| Disposals | 2,217 (160) | 2,405 (2,990) | 2,771 (2,927) | 1,583 (102) | 8,976 (6,179) |
| Reclassifications (+/-) | 30 (175) | 2,950 (1,383) | 707 (591) | -3,732 (-2,405) | -45 (-256) |
| Balance as at 31.12.2009 | 132,637 (134,142) | 136,330 (133,035) | 84,961 (82,753) | 2,968 (6,554) | 356,896 (356,484) |
| Depreciation | 38,507 | 88,487 | 59,001 | 0 | 185,995 |
| Balance as at 1.1.2009 | (34,445) | (79,969) | (54,897) | (0) | (169,311) |
| Currencies | -67 (92) | -351 (603) | -90 (166) | 0 (0) | -508 (861) |
| Companies included in consolidation | 0 (0) | -355 (-239) | -79 (-1,597) | 0 (0) | -434 (-1,836) |
| Additions | 4,400 (4,086) | 9,729 (10,515) | 7,504 (7,431) | 0 (0) | 21,633 (22,032) |
| Impairment | 1,860 (0) | 2,334 (0) | 47 (129) | 0 (0) | 4,241 (129) |
| Disposals | 1,816 (9) | 1,817 (2,490) | 2,517 (2,535) | 0 (0) | 6,150 (5,034) |
| Reclassifications (+/-) | 0 (-107) | 0 (129) | -24 (510) | 0 (0) | -24 (532) |
| Balance as at 31.12.2009 | 42,884 (38,507) | 98,027 (88,487) | 63,842 (59,001) | 0 (0) | 204,753 (185,995) |
| Net book value as at 31.12.2009 | 89,753 (95,635) | 38,303 (44,548) | 21,119 (23,752) | 2,968 (6,554) | 152,143 (170,489) |

(The amounts in brackets relate to the prior year)

Impairment losses of TEUR 4,241 (2008 TEUR 129) were recorded with TEUR 192 in cost of sales (2008 TEUR 129) and of TEUR 4,801 in other operating expenses (2008 TEUR 0). These result from extraordinary depreciation due to lack of economic usefulness.

Also for investments in tangible assets, the effect of an active investment management is clear and led to less investments compared to the prior year. Restrictions on use of tangible assets amount to TEUR 445 (31.12.2008 TEUR 237). Tangible assets order commitments amount to TEUR 709 (31.12.2008 TEUR 718).

An investment grant of TEUR 4,328 (31.12.2008 TEUR 4,207) was deducted from the acquisition costs of tangible assets.

Group land and buildings amount to TEUR 89,753 (31.12.2008 TEUR 95,635) and mainly include the production and administration buildings in Jena, Triptis, Villingen-Schwenningen and in Altenstadt.

15 INVESTMENT PROPERTIES

| in TEUR | Investment properties |
|-------------------------------------|-----------------------|
| Purchase and manufacturing cost | 52,657 |
| Balance as at 1.1.2009 | (53,318) |
| Companies included in consolidation | -17,445 |
| | (2,307) |
| Additions | 0 |
| | (88) |
| Disposals | 0 |
| | (3,056) |
| Balance as at 31.12.2009 | 35,212 |
| | (52,657) |
| Depreciation | 17,863 |
| Balance as at 1.1.2009 | (17,326) |
| Companies included in consolidation | -8,746 |
| | (0) |
| Additions | 777 |
| | (960) |
| Impairment | 868 |
| | (0) |
| Disposals | 0 |
| | (423) |
| Balance as at 31.12.2009 | 10,762 |
| | (17,863) |
| Net book value as at 31.12.2009 | 24,450 |
| | (34,794) |

(The amounts in brackets relate to the prior year)

Investment properties held as at December 31, 2009 primarily include a property fund to which mainly properties located in the industrial area of Jena-Göschwitz belong. This property fund has been included in the consolidated financial statements in accordance with IAS 27 in conjunction with SIC-12.

Changes in companies included in consolidation include the transfer of a property fund to JENOPTIK Pension Trust e.V.

Please find more details of this under Note 27.

The valuation of investment properties is at amortized cost amounting to TEUR 24,450 (31.12.2008 TEUR 34,794). In the fiscal year under report impairment losses of TEUR 868 (2008 TEUR 0) were accounted for, which mainly relate to an office building in Jena.

The fair value is principally determined based on the discounted cash flow method due to the lack of current market data. Under this method the net rentals excluding energy costs are determined and discounted over the total remaining useful lives. The interest rate applied represents a normal market interest rate accounting for an inflation deduction and risk premium. A valuation report is available for individual cases. The fair value of the investment properties thus calculated amounts to TEUR 29,878 (31.12.2008 TEUR 41,952).

Rental income from investment properties held at the year end amounted to TEUR 2,302 (2008 TEUR 3,199) for the year under report.

The direct operating costs for the rented areas of the properties included in the financial statements at the relevant year end amounted to TEUR 1,644 (2008 TEUR 1,655) for the fiscal year and for non-rented areas they amounted to TEUR 105 (2008 TEUR 129).

16 LEASING

FINANCE LEASE

The Group as lessee

Finance leases primarily include technical equipment and machinery. These are mainly rental purchase contracts or contracts with purchase options which are due to be exercised. The borderline loan interest rates on which the contracts are based vary, depending on market position and timing of the inception of the lease, between 6.8 percent and 9.8 percent.

The assets which are used under finance leases are included in capitalized tangible assets at TEUR 5,760 (31.12.2008 TEUR 6,106), their acquisition and manufacturing costs amount to TEUR 10,293 (31.12.2008 TEUR 14,378) at the balance sheet date.

In the fiscal year lease payments amounting to TEUR 1,506 (2008 TEUR 1,668) have been charged against income.

Leasing payments due in the future can be seen from the following table:

| in TEUR | Up to 1 year | 1 – 5 years | More than 5 years | Total |
|---------------------------------------|-----------------|----------------|----------------------|-------|
| Minimum lease payments | 1,405 | 3,360 | 1,564 | 6,329 |
| Interest portion included in payments | 358 | 872 | 223 | 1,453 |
| Present value | 1,047 | 2,488 | 1,341 | 4,876 |

The discounted cash flow from the minimum lease payments amounts to TEUR 4,876 (2008 TEUR 4,906).

The Group as lessor

In the fiscal year 2009 finance lease contracts were concluded for the first time in the Group whereby Group companies are lessors.

The Group leased a laser annealing machine to an American company under a finance lease. The lease has a term of 45 months, commencing in April 2009. The contract partner has a purchase option. Until the option is valid the legal ownership remains with JENOPTIK Automatisierungstechnik GmbH, Jena. The leasing instalments are not allocated evenly over the term.

Furthermore digital speed measuring equipment has been delivered to Lithuania. The underlying leasing contracts have a term of 76 and 83 months, commencing in August and December 2009. The customer has a purchase option at the end of the term. Until this time legal ownership remains with JENOPTIK Robot GmbH, Monheim am Rhein.

For the finance leasing transactions described amounts due from finance lease of TEUR 3,433 will be accounted for in the current fiscal year. Outstanding minimum lease payments and present values are as follows:

| in TEUR | Up to 1 year | 1 – 5 years | More than 5 years | Total |
|---------------------------------------|-----------------|----------------|----------------------|-------|
| Minimum lease payments | 909 | 2,660 | 890 | 4,459 |
| Interest portion included in payments | 81 | 581 | 364 | 1,026 |
| Present value | 828 | 2,079 | 526 | 3,433 |

Unrealized finance income amounts to TEUR 999 (2008 TEUR 0).

OPERATING LEASE

The Group as lessee

Operating lease mainly consists of rental income for trade properties as well as for office and data processing equipment.

In the fiscal year lease payments amounting to TEUR 7,443 (2008 TEUR 8,580) have been charged against income.

As at the balance sheet date the Group has open commitments from non-cancellable operating leases which are due as follows:

| in TEUR | Up to 1 year | 1–5 years | More than 5 years | Total |
|--|-----------------|--------------|----------------------|--------|
| Minimum lease payments from operating leases | 7,579 | 20,742 | 5,313 | 33,634 |

The Group as lessor

Within operating leases the Group rents out trade properties. Income from leasing tangible assets during the fiscal year amounted to TEUR 4,470 (2008 TEUR 5,613).

As at the balance sheet date the following minimum lease payments are agreed between the Group and lessees:

| in TEUR | Up to 1 year | 1–5 years | More than 5 years | Total |
|--|-----------------|--------------|----------------------|--------|
| Minimum lease payments from operating leases | 4,055 | 15,215 | 3,501 | 22,771 |

Rental income with no specified term is included at the amount of rental income until the earliest possible date for cancellation. Probable sub-letting of space or extension options on rental contracts has not been included in the calculation.

17 SHARES IN ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

The balance of TEUR 261 (31.12.2008 TEUR 1,358) includes shares in JT Optical Engine GmbH + Co. KG. The share of losses of associated companies not recognized amounts to TEUR 624 (2008 TEUR 313).

18 FINANCIAL ASSETS

| in TEUR | 31.12.2009 | 31.12.2008 |
|--|---------------|---------------|
| Shares in non-consolidated affiliated companies | 4,168 | 3,286 |
| Investments | 5,204 | 6,846 |
| Loans to non-consolidated affiliated companies and investments | 5,994 | 4,445 |
| Non-current securities | 1,612 | 1,284 |
| Other loans | 1,960 | 2,941 |
| | 18,938 | 18,802 |

During the fiscal year write-downs of TEUR 3,034 (2008 TEUR 5,061) were accounted for.

19 OTHER NON-CURRENT ASSETS

Other non-current assets include:

| in TEUR | 31.12.2009 | 31.12.2008 |
|--|---------------|---------------|
| Surplus amount from pension obligation | 5,452 | 4,748 |
| Reinsurance coverage | 1,399 | 1,371 |
| Derivatives | 869 | 3,499 |
| Receivables from non-consolidated affiliated companies | 0 | 350 |
| Miscellaneous | 3,317 | 621 |
| | 11,037 | 10,589 |

Miscellaneous includes Amounts due from leasing contracts amounting to TEUR 2,579 (31.12.2008 TEUR 0).

The derivatives relate to forward exchange contracts which provide long-term protection against risks. The whole item of derivative financial instruments is described in more detail in Note 34.

20 DEFERRED TAXES

The development of the balance sheet item of deferred taxes is described under Note 10.

21 INVENTORIES

| in TEUR | 31.12.2009 | 31.12.2008 |
|---|----------------|----------------|
| Raw materials, consumables and supplies | 56,809 | 67,314 |
| Work in progress | 81,822 | 90,376 |
| Finished goods and merchandise | 16,034 | 21,760 |
| | 154,665 | 179,450 |

Inventories declined compared to the prior year by TEUR 24,785 due to reduced sales and, particularly within the inventory project as part of the Jenoptik Excellence Program (JEP). The fair value of inventories is represented by their carrying value. At the fiscal year end cumulative write-downs of TEUR 28,890 (31.12.2008 TEUR 29,160) were accounted for against the net realizable value. Reversals of previously written down assets amounted to TEUR 400 (31.12.2008 TEUR 281).

For the credit lines of a subsidiary amounting to TEUR 30,000 in total as at December 31, 2009, of which TEUR 17,710 (31.12.2008 TEUR 20,748) had been taken up, securities have been assigned or pledged as security by way of globally assigned trade receivables and inventories of the company to an amount ensuring there is sufficient cover of the bank liabilities. As at December 31, 2009 these receivables amounted to TEUR 21,902 (31.12.2008 TEUR 24,350). Additionally inventories of TEUR 79,279 (31.12.2008 TEUR 85,643) were pledged as security for the credit lines.

22 CURRENT ACCOUNTS RECEIVABLE AND OTHER ASSETS

| in TEUR | 31.12.2009 | 31.12.2008 |
|--|----------------|----------------|
| Trade accounts receivable | 70,873 | 93,389 |
| Receivables from non-consolidated affiliated companies | 4,195 | 3,390 |
| Receivables from investment companies | 1,869 | 2,792 |
| Receivables from construction contracts | 9,925 | 4,400 |
| Other current assets | 16,378 | 14,861 |
| | 103,240 | 118,832 |

Trade accounts receivable declined compared to the prior year by TEUR 22,516 as a result of decreased sales and receivable management. The fair values of trade accounts receivable correspond with their carrying values. Receivables from investments include receivables from associates amounting to TEUR 21 (31.12.2008 TEUR 9) and receivables from joint ventures amounting to TEUR 334 (31.12.2008 TEUR 68).

Receivables from long-term construction contracts less payments received on account amounting to TEUR 9,925 (31.12.2008 TEUR 4,400) include customer-specific construction contracts with asset balances where manufacturing costs incurred, including profit portions, exceed payments received on account. The total of asset and liability balances of manufacturing costs, including profit portions amounting to TEUR 5,462 (31.12.2008 TEUR 3,839), for long-term construction contracts disclosed under receivables or liabilities from long-term construction contracts amounts to TEUR 33,835 (31.12.2008 TEUR 25,463). During the fiscal year total payments on account amounting to TEUR 30,544 (31.12.2008 TEUR 21,570) were offset against receivables or liabilities from long-term construction contracts.

There are no further restrictions to access for other assets in addition to those outlined under Note 21.

Bad debts are accounted for using allowances. Other current receivables are predominately not subject to interest.

The following table shows the changes in allowances against trade accounts receivable:

| in TEUR | 2009 | 2008 |
|--|--------|--------|
| Allowances at the beginning of the fiscal year | 13,904 | 12,150 |
| Additions | 5,126 | 2,990 |
| Utilization | 2,771 | 269 |
| Release/write-off | 8,801 | 1,045 |
| Currencies | 8 | 78 |
| Allowances at the end of the year | 7,466 | 13,904 |

During the fiscal year 2009 old receivables already provided for amounting to TEUR 7,372 were written off due to lack of recoverability.

The ageing structure of trade accounts receivable is as follows:

| in TEUR | 31.12.2009 | 31.12.2008 |
|---|------------|------------|
| Carrying values | 70,873 | 93,389 |
| Of which neither overdue nor provided for | 51,309 | 65,361 |
| Overdue but not provided for | 19,564 | 28,028 |
| of which less than 30 days | 13,169 | 15,915 |
| of which between 30 and 60 days | 3,047 | 4,376 |
| of which more than 60 days | 3,348 | 7,737 |

There is a significant decline in overdue receivables not provided for compared to the prior year. These amounted to TEUR 19,564 (2008 TEUR 28,028). Overdue receivables not provided for are principally due from public contractors, the automobile industry and its suppliers. There was no need to make allowance for these at the year end because the receipt of payment is expected at the amounts shown above.

Other current assets include:

| in TEUR | 31.12.2009 | 31.12.2008 |
|--|------------|------------|
| Derivatives | 4,797 | 4,871 |
| Other receivables from tax authorities | 4,734 | 3,784 |
| Accruals | 2,507 | 1,783 |
| Subsidies receivable | 754 | 837 |
| Loans to third parties | 1,070 | 818 |
| Creditors with debit balances | 147 | 228 |
| Miscellaneous current assets | 2,369 | 2,540 |
| | 16,378 | 14,861 |

The whole item of derivative financial instruments is described in more detail in Note 34.

23 SECURITIES HELD AS CURRENT INVESTMENTS

Securities available for sale:

| in TEUR | 31.12.2009 | 31.12.2008 |
|------------|------------|------------|
| Fair value | 1,110 | 1,959 |

Securities held as current investments mainly consist of money market funds.

24 CASH AND CASH EQUIVALENTS

| in TEUR | 31.12.2009 | 31.12.2008 |
|---|------------|------------|
| Cheques, cash in hand, credit bank balances and funds due at any time | 11,201 | 12,523 |

25 SHAREHOLDERS' EQUITY

The development of JENOPTIK AG's equity is shown in the statement of development of shareholders' equity.

SUBSCRIBED CAPITAL

Subscribed capital amounts to TEUR 135,290 and is divided into 52,034,651 bearer shares. VARIS Vermögensverwaltungs GmbH, Munich, (held via Mrs Wahl-Multerer) announced in August 2007 it held a share of 5.33 percent. ECE Industriebeteiligungen GmbH, Vienna, announced in February 2008 that it held 25.02 percent of the voting rights in JENOPTIK AG.

Thus, the free float in JENOPTIK AG amounts to 69.65 percent as at December 31, 2009. In February 2009 Oppenheimer Funds, Centennial, USA announced a reduction of its voting rights to 2.92 percent. In March 2009 Templeton Investment Counsel LLC., Fort Lauderdale, USA, announced a reduction in its voting rights to 2.99 percent and Franklin Templeton Investments Corp., Toronto, Canada, announced a voting right interest of 2.84 percent.

AUTHORIZED CAPITAL

By resolution of the annual general meeting on June 3, 2009 the resolution "Authorized capital 2005", which was limited until May 31, 2010, was cancelled and redrafted as follows: The Executive Board is authorized, with the approval of the Supervisory Board, to increase the nominal capital of the company by up to TEUR 35,000 up to May 30, 2014 through one or several issues of new no-par value bearer shares in exchange for cash and/or non-cash contributions ("Authorized capital 2009"). The new shares can be adopted by one or several banks under the obligation of offering them to shareholders (indirect subscription right). The Executive Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders in certain cases. Exclusion is possible for fractional amounts, for capital increases in exchange for non-cash contributions, also in particular as part of business combinations or for the purchase of companies, parts of companies or investments in companies, for capital increases in exchange for cash contributions to the extent that the share of nominal capital attributable to the new shares, under consideration of annual general meeting resolutions or the use of other authorizations to exclude the subscription rights under the direct or corresponding application of § 186 (3) S. 4 AktG since this authorization became effective, neither exceeds a total of ten of one hundred (=10.0 percent) of the nominal capital in existence at the time of filing this authorized capital, nor exceeds a total of ten of one hundred (=10.0 percent) of the nominal capital in existence at the time of issue of the new shares and the issue price of the new shares is not materially lower than stock exchange price, as well as for the issue to employees of JENOPTIK AG and of companies with a majority affiliation with it.

The Executive Board, under approval by the Supervisory Board, decides on the details of the issue of the new shares, in particular on their conditions as well as on the content of the rights of the new shares.

CONDITIONAL CAPITAL

As a result of the resolution of the annual general meeting dated June 9, 2004 the nominal capital is conditionally increased in connection with the convertible bond by up to TEUR 31,200 through the issue of up to 12,000,000 new no-par value bearer shares (Conditional capital 2004). The resolution was valid for the period from June 9, 2004 to May 30, 2009. The conversion right was not exercised up to the return of the convertible bond on July 22, 2009.

Furthermore, nominal capital is conditionally increased by up to TEUR 23,400 through the issue of up to 9,000,000 new no-par value bearer shares (Conditional capital 2005). The conditional capital increase will only be executed to the extent that the creditor or owner of the option certificates or conversion rights, which were issued by the company or a domestic or foreign company in which the company holds a direct or indirect majority holding, on the basis of an authorization resolution of the annual general meeting dated June 7, 2005 to May 30, 2010, exercises its option or conversion rights and/or – the creditor obliged to convert the issued convertible bonds, which were issued by the company or a domestic or foreign company in which the company holds a direct or indirect majority holding, by May 30, 2010, based on the resolution of the annual general meeting dated June 7, 2005, fulfils its right to conversion and own shares are not utilized. The new shares participate in profits from the beginning of the fiscal year for which, at the time of their issue, there is not yet a resolution by the annual general meeting for the appropriation of profit. The Executive Board is empowered to determine further details of the issue and terms of the convertible and/or option bonds and of the implementation of the conditional capital increase.

By resolution of the annual general meeting on June 3, 2009 the nominal capital of the company is conditionally increased by up to TEUR 23,400 through the issue of up to 9,000,000 new no-par value bearer shares (Conditional capital 2009). The conditional capital increase will only be executed to the extent that the creditor or owner of the option certificates or conversion rights, which were issued by the company or a domestic or foreign company in which the company holds a direct or indirect majority holding, on the basis of an authorization resolution of the annual general meeting dated June 3, 2009 to May 30, 2014, exercises its option or conversion rights and/or – the creditor obliged to convert the issued convertible bonds, which were issued by the company or a domestic or foreign company in which the company holds a direct or indirect majority holding, by May 30, 2014, based on the resolution of the annual general meeting dated June 3, 2009, fulfils its right to conversion and own shares are not utilized nor fulfillment made in cash.

The new shares participate in profits from the beginning of the fiscal year for which, at the time of their issue, there is not yet a resolution by the annual general meeting for the appropriation of profit. The Executive Board is empowered to determine further details of the issue and terms of the convertible and/or option bonds and of the implementation of the conditional capital increase.

RESERVES

Reserves comprise the results generated in the past and not distributed by companies included in the consolidated financial statements. Additionally, reserves include the adjustments recorded from the first-time application of IFRS and the differences on capital consolidation which were offset against reserves up to December 31, 2002.

Furthermore, changes in the value of securities available for sale to be accounted for without impacting income amounting to TEUR 98 (2008 TEUR minus 1,882) are included in reserves. Likewise, the effective part of the change in value of derivatives

for hedging cash flows to be recorded with no impact on income as part of hedge accounting is also included and amounts to TEUR 2,143 (2008 TEUR 323). Movements in deferred taxes not impacting income increased reserves by TEUR 847 (2008 minus TEUR 106) in the fiscal year 2009.

OWN SHARES

On resolution of the annual general meeting on June 3, 2009 the Executive Board was authorized to purchase own no-par value shares under certain conditions by November 30, 2010, either once, several times or in parts, at a calculated maximum of 10 percent of nominal capital for purposes other than to deal in own shares. The purchased own shares together with own shares already purchased and still held by the company may not exceed 10 percent of nominal capital. The conditions are described in the publicly available resolutions of the annual general meeting 2009.

26 MINORITY INTERESTS

For the property companies consolidated in accordance with IAS 27 in connection with SIC 12 the atypical silent shareholders have "Put Options", which can be exercised in the following years (for LEUTRA SAALE Gewerbegrundstücksgesellschaft mbH & Co KG for the first time in 2011 and SAALEAUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG for the first time in 2014). In compliance with IAS 32 the possible serviceable minority interest is disclosed at the discounted present value of TEUR 9,007 as a non-current liability. In this connection minority interests of TEUR 9,007 have been reclassified to other non-current liabilities. The non-serviceable portion of the minority interests remains in equity.

As a result of the purchase of the remaining shares of 25.12 percent in JENOPTIK Laserdiode GmbH, minority interests changed compared to the prior year by TEUR 3,290. The purchase price amounts to TEUR 4,000.

The minority interests in shareholders' equity relate to a foreign company.

27 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions are set up on the basis of provision plans for commitments for old-age, invalidity and death cover. The cover by the Group varies depending on the legal, tax and economic situation of each country and depends, as a rule, on the length of service and the salary of the employee. Pension provision within the Group is based on both defined contribution and defined benefit plans. Under defined contribution plans the company pays contributions on the basis of statutory or contractual conditions or on a voluntary basis to state or private pension plans.

Once the contribution has been paid there are no further obligations for the company.

Most pension plans are based on defined benefit plans, whereby these are distinguished between provision-based and externally financed pension plans.

Pension provisions for the benefit obligations are determined in accordance with the projected unit credit method, which is common internationally, in accordance with IAS 19. Under this method future commitments are valued at the balance sheet date according to proportional benefits earned and trend assumptions are considered for the relevant values which affect the amount of the benefit. For all benefit systems actuarial calculations are required.

The Group's benefit commitment covers approximately 886 persons entitled, comprising 517 active employees, 58 former employees and 311 pensioners and widows. In the years 2001 to 2002 parts of the pension were transferred to the JENOPTIK Pension Trust e.V. by way of cumulative assumption of liabilities.

The plan assets held in the JENOPTIK Pension Trust e.V. are offset against the pension commitments in accordance with IAS 19.

Pension provisions:

| in TEUR | 31.12.2009 | 31.12.2008 |
|---|------------|------------|
| Present value of funded obligations | 29,795 | 26,168 |
| Present value of unfunded obligations | 6,726 | 6,156 |
| Fair value of plan assets | -25,711 | -27,990 |
| Present value of net obligation | 10,810 | 4,334 |
| Actuarial gains/losses not accounted for | -9,844 | -2,645 |
| Net liability recorded in the balance sheet | 966 | 1,689 |
| of which disclosed as other asset | 5,451 | 4,748 |
| of which disclosed as pension obligation | 6,417 | 6,437 |

Change in defined benefit obligation (DBO):

| in TEUR | 2009 | 2008 |
|--------------------------------------|--------|--------|
| DBO as at 1.1. | 32,324 | 33,457 |
| Current service cost for fiscal year | 426 | 465 |
| Interest cost | 1,927 | 1,830 |
| Termination and curtailment of plans | 0 | 0 |
| Actuarial gains | 3,392 | -2,026 |
| Transfers | 0 | 0 |
| Disinvestments | 0 | 0 |
| Pension payments | -1,549 | -1,402 |
| DBO as at 31.12. | 36,520 | 32,324 |

Net expense recognized in the consolidated statement of comprehensive income:

| in TEUR | 2009 | 2008 |
|--|--------------|------------|
| Current service cost | 426 | 465 |
| Interest cost | 1,927 | 1,830 |
| Expected return on plan assets | -1,200 | -1,500 |
| Offsetting of actuarial gains and losses | 0 | 0 |
| Effects of curtailments and settlements | 0 | 0 |
| Costs of claims purchased in the fiscal year | 0 | 0 |
| Total expense | 1,153 | 795 |

The above amounts are included in the personnel costs of the functional areas; interest costs on obligations are included in other net interest under Note 9.

Changes in plan assets:

| in TEUR | 2009 | 2008 |
|----------------------------------|---------------|---------------|
| Plan assets as at 1.1. | 27,990 | 30,046 |
| Expected return on plan assets | 1,200 | 1,500 |
| Actuarial losses | -3,730 | -2,524 |
| Employer contributions (funding) | 1,365 | 0 |
| Employees own amounts | 0 | 0 |
| Acquisitions | 0 | 0 |
| Transfers | 0 | 0 |
| Pension payments | -1,114 | -1,032 |
| Plan assets as at 31.12. | 25,711 | 27,990 |

In order to finance pension obligations Jenoptik transferred 90 percent of its limited partner share in FIRMICUS as plan assets to JENOPTIK Pension Trust e.V. with effect from September 30, 2009. The shares in FIRMICUS were fully consolidated up to September 30, 2009 in the consolidated financial statements. The transfer to the JENOPTIK Pension Trust e.V. does not lead to a loss of control as defined in IAS 27 since the plan assets transferred continue to be attributable economically to Jenoptik as trustor. The plan assets shall be measured at fair value in accordance with IAS 19.54. At the time of transfer the assets transferred have a carrying value of TEUR 235 and a fair value of TEUR 1,517.

A transfer of funds to plan assets is not planned for the fiscal year 2009.

Portfolio structure of plan assets:

| in percent | 31.12.2009 | 31.12.2008 |
|---|------------|------------|
| Shares and investments (available for sale) | 30 | 28 |
| Loans (loans and receivables) | 57 | 55 |
| Funds | 13 | 17 |
| Total | 100 | 100 |

Actuarial assumptions:

| in percent | 31.12.2009 | 31.12.2008 |
|--------------------------|-------------|-------------|
| Discount rate | 5.15 | 6.00 |
| Return on plan assets | 4.29 | 4.99 |
| Future salary increases | 2.75 | 2.75 |
| Future pension increases | 1.75 to 2.0 | 1.75 to 2.0 |

The planned return on plan assets is determined based on a uniform method and reflects the expected return on the whole portfolio. The assumptions for the expected return orientate themselves toward the portfolio structure, the long-term actual asset income of the past, as well as the long-term returns expected in the future. The actual return on plan assets in the fiscal year 2009 amounted to TEUR 1,420 which was reduced by a write-down of TEUR 3,950 (2008 minus TEUR 1,024).

Actuarial gains or losses result from changes in balances and differences in actual trends (e.g. salary increases, pension increases) compared to the calculation assumptions. In accordance with IAS 19 this amount is recorded over the future average remaining service lives of the employees and recognized as income or expense if, at the beginning of the fiscal year the net cumulative unrecognized actuarial gains or losses exceed 10 percent of the higher of the pension commitment, or the fair value of plan assets at the beginning of the fiscal year.

Historical information:

| in TEUR | 31.12.2009 | 31.12.2008 | 31.12.2007 | 31.12.2006 | 31.12.2005 |
|---|------------|------------|------------|------------|------------|
| Present value of defined benefit obligation | 36,520 | 32,324 | 33,456 | 37,060 | 140,646 |
| Fair value of plan assets | -25,711 | -27,990 | -30,046 | -29,322 | -24,679 |
| Plan deficit (surplus) | 10,810 | 4,334 | 3,410 | 7,738 | 115,967 |
| Experience adjustments of the obligation | -132 | -38 | -134 | -101 | -117 |
| Experience adjustments of the plan assets | 3,524 | -1,988 | -4,490 | -3,098 | 4,474 |

The experience adjustments result from the difference between previous actuarial assumptions and what has actually occurred.

28 TAX PROVISIONS

Taxes are described in detail under Note 10.

29 OTHER PROVISIONS AND ACCRUED EXPENSES

The development of other provisions and accrued expenses is as follows:

| in TEUR | Personnel | Restructuring | Potential losses | Warranties | Legal and court case costs | Obligation from sale of property | Protection and licence fees | Miscellaneous | Total |
|-------------------------------------|-----------|---------------|------------------|------------|----------------------------|----------------------------------|-----------------------------|---------------|--------|
| Balance as at 1.1.2009 | 15,133 | 1,563 | 16,457 | 7,952 | 1,378 | 2,844 | 1,769 | 7,025 | 54,121 |
| Currencies | -15 | 5 | -53 | -2 | 0 | 0 | 0 | -16 | -81 |
| Companies included in consolidation | 0 | -502 | 0 | -201 | 0 | 0 | 0 | -6 | -709 |
| Increases | 7,961 | 10,633 | 3,244 | 4,885 | 150 | 59 | 47 | 3,169 | 30,148 |
| Compound interest | 124 | 0 | 330 | 0 | 0 | 0 | 0 | 5 | 459 |
| Utilization | 9,295 | 800 | 136 | 3,351 | 399 | 126 | 154 | 3,462 | 17,723 |
| Release | 1,321 | 81 | 2,842 | 716 | 713 | 34 | 0 | 1,372 | 7,079 |
| Balance as at 31.12.2009 | 12,587 | 10,818 | 17,000 | 8,567 | 416 | 2,743 | 1,662 | 5,343 | 59,136 |

Material items within personnel provisions are part-time early retirement of TEUR 6,228 (31.12.2008 TEUR 5,925) and long-term service awards of TEUR 1,450 (31.12.2008 TEUR 1,232). Additionally, personnel provisions include performance premiums, profit sharing, severance payments and similar obligations. Provisions for restructuring amount to TEUR 10,818 (31.12.2008 TEUR 1,563). These include costs of location transfers, compensation for employees as well as costs of ending contract relationships.

Miscellaneous provisions include price audit risks amounting to TEUR 433 (31.12.2008 TEUR 469). Furthermore, they include provisions for potential contract penalties and compensation claims. Detailed information on these can be found in the management report under Point 5 Risk Report.

Furthermore, miscellaneous provisions relate to many recognizable specific risks and uncertain obligations which are accounted for at the probable amount required to settle them.

The expected cash flows of other provisions and accrued expenses are as follows:

| in TEUR | Up to 1 year | 1 – 5 years | More than 5 years | 31.12.2009 |
|--|-----------------|----------------|----------------------|---------------|
| Personnel provisions | 6,275 | 5,917 | 394 | 12,586 |
| Restructuring | 10,522 | 297 | 0 | 10,819 |
| Potential losses on pending transactions | 11,663 | 5,337 | 0 | 17,000 |
| Warranty provisions | 6,846 | 1,721 | 0 | 8,567 |
| Legal and court case provisions | 416 | 0 | 0 | 416 |
| Obligation on property sale | 0 | 0 | 2,743 | 2,743 |
| Trademark and licence fees | 0 | 1,662 | 0 | 1,662 |
| Miscellaneous provisions | 4,870 | 464 | 9 | 5,343 |
| | 40,592 | 15,398 | 3,146 | 59,136 |

30 FINANCIAL LIABILITIES

Details of current and non-current financial liabilities can be seen in the following table:

| in TEUR | Up to 1 year | 1 – 5 years | More than 5 years | 31.12.2009 |
|---------------------------------|-----------------------------|-----------------------------|----------------------------|------------------------------|
| Bonds | 0 (48,258) | 0 (0) | 0 (0) | 0 (48,258) |
| Bank liabilities | 12,478 (64,697) | 113,893 (38,272) | 40,503 (49,969) | 166,874 (152,938) |
| Liabilities from finance leases | 1,054 (729) | 2,478 (2,510) | 1,344 (1,667) | 4,876 (4,906) |
| Total | 13,532 (113,684) | 116,371 (40,782) | 41,847 (51,636) | 171,750 (206,102) |

(The amounts in brackets relate to the prior year)

The current fiscal year was mainly characterized by a shift between current and non-current financial liabilities. In the first half year 2009 three long-term loans with a nominal value of TEUR 23,000 were concluded. On July 23, 2009 the convertible bond described below was repaid. In September 2009 four long-term loan agreements for a total volume of TEUR 87,000

were concluded. Part of these loans was secured by a Federal-State Guarantee for TEUR 44,000. Due to fulfillment of all payment conditions at the balance sheet date these were classified as non-current.

In April of the fiscal year portions amounting to a nominal amount of TEUR 1,000 from the convertible bond issued in the fiscal year 2004 were repurchased at an average rate of 98.5 percent. The convertible bond issued on July 23, 2004 was repaid on time on July 23, 2009 at the nominal amount of TEUR 46,090 remaining after the proportional premature repurchases in prior years. The equity component of the convertible bond of TEUR 4,318 continued to be accounted for in equity in accordance with the non-exercise of the convertible right.

For the current financial liabilities from current account facilities and the current portion of long-term loans amounting to TEUR 12,478 interest rates have been agreed ranging from 2.54 percent to 7.72 percent.

In addition to the newly taken up loans non-current bank liabilities include property loans amounting to TEUR 43,551. Financial covenants have been determined for TEUR 79,000 of the non-current bank loans.

In the fiscal year 2007 JENOPTIK AG issued three debenture loans with a total nominal value of TEUR 30,000. As a result of extraordinary expenses from withdrawal from business with mid-format cameras, one of three criteria determined for covenants was no longer fulfilled. The liability coverage ratio amounted to 4.0 at the balance sheet date (against the contractual requirements of 3.9), whereby the targets for the equity ratio and interest coverage ratio were achieved. The right of cancellation was claimed by creditors for TEUR 26,000. The remaining debenture bond amounting to TEUR 4,000 attracts interest at the 3-month EURIBOR plus a credit margin and has a term running to December 31, 2012. Refinancing the repayment of the debenture loan was accounted for in the new structuring of the financing.

Of the bank liabilities disclosed in the balance sheet TEUR 43,821 (31.12.2008 TEUR 44,186) are secured by mortgages.

As at December 31, 2009 the Group has access to credit facilities amounting to TEUR 90,579, of which TEUR 32,902 remained unused and more than TEUR 36,000 had not yet been drawn upon.

The liabilities from finance leases represent the discounted payments for factory/office fixtures and fittings. On September 30, 2009 the shares in FIRMICUS were transferred as plan assets to JENOPTIK Pension Trust e.V. This led to a reduction in bank liabilities of TEUR 9,236.

Detailed information regarding hedging of existing interest risks is given under Note 34.

31 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities comprise:

| in TEUR | 31.12.2009 | 31.12.2008 |
|---------------------------------------|---------------|---------------|
| Non-current accruals | 9,932 | 11,602 |
| Derivatives | 12 | 36 |
| Miscellaneous non-current liabilities | 10,172 | 1,329 |
| | 20,116 | 12,967 |

The non-current accruals include interim profits on properties amounting to TEUR 9,911 (31.12.2008 TEUR 11,150) which are allocated on a straight-line basis over the remaining term of the original leasing contract. The potential serviceable portion of the minority interest at the discounted present value of TEUR 9,007 represents the main non-current liability.

Further information on derivatives can be found under Note 34 Financial Instruments.

32 OTHER CURRENT LIABILITIES

This item includes:

| in TEUR | 31.12.2009 | 31.12.2008 |
|--|----------------|----------------|
| Trade accounts payable | 38,541 | 41,289 |
| Liabilities from on-account payments received | 23,848 | 33,825 |
| Liabilities from construction contracts | 6,634 | 507 |
| Liabilities from investments | 3,271 | 2,623 |
| Liabilities to non-consolidated affiliated companies | 2,136 | 2,009 |
| Miscellaneous current liabilities | 30,200 | 30,526 |
| | 104,630 | 110,779 |

Liabilities from on account payments received declined in the fiscal year by TEUR 9,977, on the other hand liabilities from construction contracts rose by TEUR 6,127.

Normal market interest rates have been agreed for liabilities to non-consolidated affiliated and associated companies. Liabilities to investment interests include liabilities to joint ventures of TEUR 3,132 TEUR (31.12.2008 TEUR 2,521).

Miscellaneous current liabilities comprise the following:

| in TEUR | 31.12.2009 | 31.12.2008 |
|---|---------------|---------------|
| Liabilities to employees | 6,402 | 8,002 |
| Purchase price liabilities | 6,175 | 2,646 |
| Other liabilities from taxes | 5,551 | 5,963 |
| Accruals | 2,137 | 2,026 |
| Other liabilities for social security | 1,184 | 1,086 |
| Derivatives | 907 | 1,791 |
| Liabilities to employees' accident insurance | 874 | 1,082 |
| Interest liabilities from financial liabilities | 455 | 1,035 |
| Financial liabilities to third parties | 200 | 1,507 |
| Miscellaneous liabilities | 6,315 | 5,388 |
| | 30,200 | 30,526 |

Liabilities to employees include holiday entitlements and flexi-time credits.

The increase in purchase price liabilities of TEUR 3,529 includes the purchase price payment for the purchase of the remaining shares in JENOPTIK Laserdiode GmbH.

The whole item of Financial Instruments is described in more detail in Note 34.

33 CONSOLIDATED CASH FLOW STATEMENT

Liquid funds in the cash flow statement include the cash and cash equivalents disclosed in the balance sheet amounting to TEUR 11,201 (31.12.2008 TEUR 12,523).

The cash flow statement provides information on cash flows, separately for cash flows from operating activities, from investing activities and from financing activities. Changes in balance sheet items required in the development of the cash flow statement are not directly derivable from the balance sheet since effects of foreign currency exchange and changes in companies consolidated are non-cash effective and are eliminated. Cash flow from operating activities is indirectly derived based on the earnings before tax. The earnings before tax is adjusted for non-cash expenses and income. Cash flow from operating activities is calculated after accounting for changes in working capital.

Cash flow from operating activities rose by TEUR 6,832 to TEUR 53,287 (31.12.2008 TEUR 46,455). This is mainly due to a cash effective decrease in working capital of TEUR 44,225.

Cash flow from investing activities amounted to minus TEUR 12,515 (2008 minus TEUR 18,894).

The cash flow from financing activities amounted to minus TEUR 41,966 (2008 minus TEUR 29,065) and resulted mainly from the repayment of capital on bank loans.

More information can be found on the cash flow statement under Point 2.3 Financial Position in the Management Report.

Other notes

34 FINANCIAL INSTRUMENTS

RISKS

As part of its operating activities the Jenoptik Group is exposed to credit risks, liquidity risks and market risks within the financial area. Market risks relate principally to interest rate and exchange rate fluctuation risks.

More detailed information on risk management and monitoring of risks is given in the Management Report under Point 5 Risk Report. The following comments relate exclusively to the quantitative effects of the risks in the fiscal year.

The risks described above have an effect on the following financial assets and liabilities. The carrying values of the financial assets and liabilities represent their market values. According to the fair value hierarchy under IFRS 7, prices for identical assets or liabilities in active markets are allocated to level 1 quoted prices:

| in TEUR | Market values 31.12.2009 | Market values 31.12.2008 |
|--|-----------------------------|-----------------------------|
| Financial assets | 139,959 | 172,818 |
| Cash and cash equivalents | 11,201 | 12,523 |
| Financial assets available for sale | 12,094 | 13,375 |
| Loans and receivables | 111,113 | 138,550 |
| Derivatives with hedge relationships | 5,551 | 8,370 |
| Financial liabilities | 276,392 | 316,916 |
| Trade accounts payable | 38,541 | 41,289 |
| Bonds and loans | 0 | 48,258 |
| Liabilities to banks and other financial obligations | 166,874 | 152,937 |
| Liabilities from finance lease | 4,876 | 4,906 |
| Other non-derivative financial liabilities | 65,182 | 67,699 |
| Fair value option | 0 | 922 |
| Derivatives with hedge relationship | 919 | 905 |

Items allocated to level 3 according to the fair value hierarchies are at fair values determined from non-observable market data and are as follows:

| in TEUR | 31.12.2009 | 31.12.2008 |
|--|----------------|----------------|
| Level 3 determined fair value asset according to DCF method | 414,635 | 480,820 |
| Intangible and tangible assets | 259,970 | 301,370 |
| Inventories | 154,665 | 179,450 |
| Level 3 determined fair value liability according to DCF method | 88,244 | 76,423 |
| Pension obligations | 6,417 | 6,437 |
| Other non-current provisions | 18,544 | 18,370 |
| Other non-current liabilities | 20,104 | 12,931 |
| Tax provisions | 2,587 | 2,934 |
| Other current provisions | 40,592 | 35,751 |

The explanations of the changes in fair values are included within the relevant comments to the balance sheet items.

The **risk of credit or default** is the risk that a customer or contracting partner of the Jenoptik Group does not meet their contractual obligations. From this results the danger, on one hand, that financial instruments suffer impairment related to credit-worthiness and, on the other hand, the danger of partial or full default of contractually agreed payments.

Credit risks exist mainly for trade accounts receivable which are accounted for by setting up allowances. The Jenoptik Group is exposed marginally to default risks from other financial assets which primarily consist of cash and cash equivalents, loans and derivatives. The maximum risk of default is equal to the carrying values of the financial assets at the balance sheet date of TEUR 139,959 (31.12.2008 TEUR 172,818). The gross amount of trade accounts receivable before allowances amounts to TEUR 78,339 (31.12.2008 TEUR 107,292). The allowances accounted for in the fiscal year and the ageing of receivables are both described in Note 22.

The **liquidity risk** of the Group is that the Group is potentially unable to meet its financial commitments. This can, for example, be due to inadequate availability of cash and cash equivalents, capital repayment of financial liabilities, payment of suppliers and obligations from finance lease. In order to guarantee liquidity and financial flexibility, credit lines and cash availability are planned using a 5-year financial plan and a rolling monthly 5-month liquidity forecast. The focus is increasingly on liquidity risk as a result of the difficult market environment due to the financial crisis and will be limited by an effective cash and working capital management as well as by credit facilities yet unused. In the fiscal year 2009 it was possible to reduce the liquidity risk by reorganizing the structure of financing.

The following overview shows the cash flows from the interest and capital repayments of financial liabilities: Cash outflows for variable-interest bank liabilities are based on an interest rate of 4.0 percent (2008 4.3 percent). Fixed interest liabilities are charged interest at rates of between 4.0 percent and 7.7 percent.

Further details are described under Note 30.

JENOPTIK AG is primarily exposed to **interest rate fluctuation risks** in the area of medium-term and long-term interest-bearing financial assets and liabilities due to fluctuations in market interest rates. This risk is met by concluding hedging transactions depending on the market situation.

| in TEUR | Carrying values | |
|--|-----------------|------------|
| | 31.12.2009 | 31.12.2008 |
| Interest-bearing financial assets | 19,155 | 19,909 |
| of which variable interest | 11,201 | 12,523 |
| of which fixed interest | 7,954 | 7,386 |
| Interest-bearing financial liabilities | 171,750 | 206,102 |
| of which variable interest | 84,250 | 95,158 |
| of which fixed interest | 87,500 | 110,944 |

With a fluctuation in the market interest rate as at December 31, 2009 over a range of 100 base points an opportunity loss or gain of TEUR 80 (31.12.2008 TEUR 74) would result for the fixed-interest financial assets. For financial liabilities within the same range an opportunity loss or gain of TEUR 875 (31.12.2008 TEUR 1,109) would result. A change of 100 base points in the variable-interest financial assets would have an impact of TEUR 112 (31.12.2008 TEUR 125) and for variable-interest financial liabilities it would have an impact of TEUR 843 (31.12.2008 TEUR 952).

| in TEUR | Carrying values | Cash outflow | | | |
|--|------------------------------|------------------------------|-----------------------------|-----------------------------|----------------------------|
| | 31.12.2009 | Total | Up to 1 year | 1 – 5 years | Over 5 years |
| Fixed-interest bonds | 0 (48,258) | 0 (49,157) | 0 (49,157) | 0 (0) | 0 (0) |
| Variable-interest bank liabilities | 79,374 (90,252) | 88,286 (100,544) | 10,759 (66,463) | 77,527 (20,405) | 0 (13,676) |
| Fixed-interest bank liabilities | 87,500 (62,686) | 124,580 (78,803) | 11,441 (1,031) | 60,318 (25,732) | 52,821 (52,040) |
| Variable-interest liabilities from finance lease | 4,876 (4,906) | 4,876 (4,906) | 1,054 (729) | 2,478 (2,510) | 1,344 (1,667) |
| Total | 171,750 (206,102) | 217,742 (233,410) | 23,254 (117,380) | 140,323 (48,647) | 54,165 (67,383) |

(The amounts in brackets relate to the prior year)

JENOPTIK AG meets the risks with the following interest hedges.

| in TEUR | Nominal volumes | | Market values | |
|---------------|-----------------|------------|---------------|------------|
| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
| Interest cap | 20,000 | 0 | 115 | 0 |
| Interest swap | 0 | 38,010 | 0 | -922 |

The interest swap concluded for 5 years, which secured the interest risk of a variable-interest property loan, closed at December 31, 2009.

In 2009 JENOPTIK AG concluded a financing package of medium and long-term loans of which loans amounting to TEUR 65,000 attract variable interest. For part of these loans JENOPTIK AG concluded an interest hedging instrument in the 2nd quarter 2009 in the form of an interest cap with the following parameters:

| | |
|-------------------------|----------------------------------|
| Interest cap | TEUR 20,000 (2008 TEUR 0) |
| Term | March 31, 2009 to March 30, 2012 |
| Maximum interest rate | 2.45 % |
| Reference interest rate | 3-month Euribor |

Under the interest cap liabilities of TEUR 20,000 are secured against the 3-month-Euribor rising above 2.45 percent for three years. Since there is no highly effective hedging relationship to our loan financing the derivative is separately disclosed and measured.

The market value of the derivative amounts to TEUR 115 (31.12.2008 TEUR 0) as at December 31, 2009. The change in market value is accounted for in income.

Currency rate risks arise from the fluctuation in the financial assets and liabilities denoted in foreign currency.

In order to hedge currency risk forward exchange contracts are used. In the fiscal year 2009 forward exchange contracts with a nominal value of TEUR 36,347 were used in order to hedge and document the underlying transactions as cash flow hedges. Also in the prior year only forward exchange contracts were concluded and accounted for as cash flow hedges. Their total volume in the prior year amounted to TEUR 46,929. These transactions relate to the exchange rate hedging of major cash flows in foreign currency from the operating business (in particular sales and materials purchases).

The following positive market values arise from derivative financial instruments:

| in TEUR | 31.12.2009 | 31.12.2008 |
|---|--------------|--------------|
| Transactions to hedge against | | |
| Currency risks from future cash flows (cash flow hedges): Forward exchange contracts, non-current | 754 | 3,499 |
| Currency risks from future cash flows (cash flow hedges): Forward exchange contracts, current | 4,797 | 4,871 |
| Interest cap | 115 | 0 |
| Total | 5,666 | 8,370 |

The following negative market values arise from derivative financial instruments:

| in TEUR | 31.12.2009 | 31.12.2008 |
|---|------------|--------------|
| Transactions to hedge against | | |
| Currency risks from future cash flows (cash flow hedges): Forward exchange contracts, non-current | 12 | 36 |
| Currency risks from future cash flows (cash flow hedges): Forward exchange contracts, current | 907 | 869 |
| Swaps, current | 0 | 922 |
| Total | 919 | 1,827 |

The market values shown above were calculated and confirmed by the banks.

Net gains arose from the repurchase of a financial liability amounting to TEUR 956 (2008 TEUR 1,150) as well as income from the release of allowances amounting to TEUR 1,127 (2008 TEUR 868). **Net losses** for financial liabilities include expenses from the measurement of a swap amounting to minus TEUR 24 (2008 TEUR 199).

Foreign currency risks of TEUR 31,095 for a time frame of until the end of the year 2010 are hedged by forward exchange contracts. Foreign currency risks of TEUR 5,252 for a time frame of until June 2013 are hedged.

Forward currency transactions are analyzed by currency sales and purchases as follows:

| in TEUR | 31.12.2009 | 31.12.2008 |
|----------------------------|------------|------------|
| Forward exchange contracts | | |
| USD/EUR sale | 28,515 | 30,097 |
| USD/EUR purchase | 403 | 1,168 |
| GBP/EUR sale | 6,309 | 14,192 |
| GBP/EUR purchase | 801 | 240 |
| CAD/EUR sale | 319 | 1,232 |

The underlying transactions mainly relate to the sales of products. The risk hedged is always the currency risk.

Since these are for the purpose of hedging cash flow and are assessed as effective, the change in fair value is accounted for in equity.

The main foreign currency transactions within the Jenoptik Group relate to the US Dollar.

Consistent management of foreign currency resulted in underlying transactions being extensively hedged and the risk position declining again.

The table shows the net foreign currency risk position in US Dollar:

| in TUSD | 31.12.2009 | 31.12.2008 |
|---|---------------|---------------|
| Financial assets | 16,975 | 16,935 |
| Financial liabilities | 2,288 | 2,863 |
| Foreign currency risk from balance sheet items | 14,687 | 14,072 |
| Foreign currency risk from pending transactions | 21,111 | 22,079 |
| Transaction-related foreign currency item | 35,798 | 36,151 |
| Items hedged economically by derivatives | 35,320 | 34,363 |
| Net position | 478 | 1,788 |

A sensitivity analysis relative to the US Dollar led to the following result:

A change in the US Dollar exchange rate as at the balance sheet date of 5 percent would have a positive or negative impact of TEUR 17 and a change of 10 percent a positive or negative impact of TEUR 34 on the statement of comprehensive income.

35 COMMITMENTS AND CONTINGENT LIABILITIES

Compared to the prior year the volume of guarantees has decreased as expected and amounted to TEUR 103,664 (31.12.2008 TEUR 132,136) as at December 31, 2009.

| in TEUR | 31.12.2009 | 31.12.2008 |
|---|----------------|----------------|
| Liabilities from guarantees | 103,664 | 132,136 |
| of which M+Z Zander Group | 250 | 520 |
| of which guarantees and facility for caverion GmbH | 94,990 | 109,608 |
| of which Hermes letter of comfort for caverion GmbH | 0 | 15,000 |
| of which other companies | 8,424 | 7,008 |
| | 103,664 | 132,136 |

Guarantees amounting to TEUR 250 (31.12.2008 TEUR 520) still in existence for the sold M+W Zander Group as at December 31, 2009 are expected to be returned in 2010.

Furthermore, a guarantee facility exists for caverion GmbH (formerly: M+W Zander Gebäudetechnik GmbH) as part of a financing commitment of TEUR 130,000 (31.12.2008 TEUR 130,000), which was backed up as at December 31, 2009 using surety lines and operative guarantees for a maximum amount of TEUR 94,990 (31.12.2008 TEUR 109,608). The actual utilization of these surety facilities amounted to TEUR 83,664 (31.12.2008 TEUR 103,131) as at December 31, 2009. Overall, the demand for guarantees is due to the positive order situation of caverion GmbH. The planned reduction of the financial commitment continued to be implemented on the basis of the increasing creditworthiness of caverion GmbH and the solid financial and business position despite the difficult economic environment. The company has its own secured guarantee facilities with banks and credit insurers which are not secured by Jenoptik. The liquidity facility available as part of the financing commitment remained at TEUR 15,900 (31.12.2008 TEUR 15,900) and had not been taken up as at December 31, 2009.

Guarantees for other companies, which amounted to TEUR 8,424 (31.12.2008 TEUR 7,008) as at December 31, 2009, are partially secured by counter-guarantees from co-shareholders. The loan security granted to OLPE Jena GmbH, Jena was extended at the amount of TEUR 1,000 (31.12.2008 TEUR 1,000) and will be reduced gradually. The largest item consisted of the warranty guarantees in connection with the Clinic 2000 Jena amounting to TEUR 5,500 (31.12.2008 TEUR 5,500 TEUR), the partial release from liability of which is still outstanding by the Free State of Thuringia. Potential claims from guarantees of only TEUR 527 (31.12.2008 TEUR 527) exist with regard to Jenoptik.

36 OTHER FINANCIAL COMMITMENTS

Financial commitments from rental and leasing contracts are described in Note 16.

In addition to order commitments for tangible assets there are further order commitments amounting to TEUR 24,120 (31.12.2008 TEUR 48,752).

37 LEGAL DISPUTES

JENOPTIK AG and its Group companies are involved in several court or arbitration cases.

For more information on pending legal disputes which may have significant influence on the economic position of the Group, we refer to the section "Legal Risks" in the Group Management Report.

For any potential charges from court or arbitration cases adequate provisions have been accounted for in the relevant Group companies for litigation risks and litigation costs where these are for events before the balance sheet date and the probability of an outflow of economic resources is estimated by the legal representatives of the company as being higher than 50 percent. Adequate insurance coverage exists.

38 POST BALANCE SHEET EVENTS

The Executive Board authorized the financial statements on March 10, 2010 for approval by the Supervisory Board.

39 RELATED PARTY DISCLOSURES ACCORDING TO IAS 24

Related parties are defined in IAS 24 "Related Party Disclosures" as entities or people which/who control or are controlled by the Jenoptik Group to the extent that these are not already included in the consolidated financial statements as consolidated companies. Control exists if a shareholder holds more than half of the voting rights in JENOPTIK AG or, on the basis of the constitutional conditions or contractual agreement, has the possibility to direct the financial and business policies of the management of the Jenoptik Group.

All business transactions with non-consolidated subsidiaries, joint ventures and associated companies are undertaken under normal market conditions.

From operating activities the companies included in the consolidated financial statements have utilized services from non-consolidated, associated and jointly controlled companies of the Jenoptik Group amounting to TEUR 1,389. In the other direction, the consolidated group companies have generated sales of TEUR 7,728 from companies not included in the consolidation. As at the balance sheet date receivables due from operating activities amount to TEUR 2,189 and payables to TEUR 139. In addition to services from operating activities loans to non-consolidated companies of the Jenoptik Group amount to TEUR 5,494 and guarantees amount to TEUR 145.

Members of the Executive Board and Supervisory Board of JENOPTIK AG are members in supervisory boards and in executive boards in other companies with which JENOPTIK AG has relationships as part of its normal operating activities. All transactions with these companies are conducted under conditions which are normal between unrelated parties.

Total remuneration of members of the Supervisory and Executive Boards amounted to TEUR 1,537 (without LTI) in total.

Remuneration of members of the Supervisory and Executive Boards comprises entirely payments due short-term. Detailed disclosures of these are given in the Notes on the Executive and Supervisory Boards.

Obligatory and supplementary disclosures under HGB

OBLIGATORY DISCLOSURES UNDER § 315A HGB AND § 264 (3) OR § 264B HGB

The consolidated financial statements of JENOPTIK AG have been prepared in accordance with § 315a HGB in line with the rules of the IASB with an exemption from preparation of consolidated financial statements under HGB. At the same time the consolidated financial statements and Group management report are in line with the European Union Directive on Consolidated Accounting (83/349/EWG), whereby this directive has been interpreted accordingly in compliance with Standard No. 1 (GAS 1) "Exempt Consolidated Financial Statements under § 315a HGB" issued by the German Accounting Standards Committee (GASC). In order to achieve comparability with consolidated financial statements prepared in accordance with the German Commercial Code all disclosures and information required by HGB, and which are in addition to the obligatory disclosures necessary for IFRS, are published.

Due to their inclusion in the consolidated financial statements of JENOPTIK AG the following fully consolidated affiliated German companies have utilized the simplifications of § 264 (3) or § 264b HGB:

- SAALEAUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Jena
- LEUTRA SAALE Gewerbegrundstücksgesellschaft mbH & Co. Vermietungs KG, Jena
- JENOPTIK Robot GmbH, Monheim am Rhein (formerly: ROBOT Visual Systems GmbH, Monheim am Rhein)
- HOMMEL-ETAMIC GmbH, Villingen-Schwenningen
- JENOPTIK Automatisierungstechnik GmbH, Jena
- ESW GmbH, Wedel
- JENOPTIK Laser, Optik, Systeme GmbH, Jena
- JENOPTIK Laserdiode GmbH, Jena
- Lechmotoren GmbH, Altenstadt
- JENOPTIK Polymer Systems GmbH, Triptis
- EPIGAP Optoelektronik GmbH, Berlin
- JENOPTIK SSC GmbH, Jena
- JORENT Techno GmbH, Jena
- Jena-Optronik GmbH, Jena
- JENOPTIK Diode Lab GmbH, Berlin
- Innovavent GmbH, Göttingen

SUPPLEMENTARY DISCLOSURES UNDER § 314 HGB

NUMBER OF EMPLOYEES

The average number of employees is analyzed as follows:

| | 2009 | 2008 |
|-----------|-------|-------|
| Employees | 3,206 | 3,292 |
| Trainees | 127 | 123 |
| | 3,333 | 3,415 |

An average of 35 (2008: 37) employees were employed in proportionally consolidated companies in 2009.

COST OF MATERIALS AND PERSONNEL EXPENSES

| in TEUR | 2009 | 2008 |
|--|---------|---------|
| Cost of materials | | |
| Raw materials, consumables, supplies and purchased merchandise | 157,164 | 206,370 |
| Cost of purchased services | 49,446 | 46,127 |
| | 206,610 | 252,497 |
| Personnel expenses | | |
| Wages and salaries | 158,274 | 164,227 |
| Social security and pension costs | 29,035 | 30,470 |
| | 187,309 | 194,697 |

German Corporate Governance Code

On December 11, 2009 the Executive and Supervisory Boards of JENOPTIK AG submitted the declaration of conformity with the recommendations of the government commission on the German Corporate Governance Code in the version dated June 18, 2009 in accordance with § 161 AktG (German Stock Corporation Act). The statement has been made permanently available to shareholders via the Internet pages of JENOPTIK AG. Furthermore, the statement is available for viewing at JENOPTIK AG.

Executive Board

The following gentlemen were appointed members to the Executive Board during the fiscal year 2009:

| | Additional appointments at: |
|--|-----------------------------|
| Dr. Michael Mertin Chairman of the Executive Board of JENOPTIK AG | CoOptics GmbH (SB member) |
| Frank Einhellinger Member of the Executive Board of JENOPTIK AG | None |

Remuneration of the active members of the Executive Board of JENOPTIK AG for 2009 is expected to amount to TEUR 1,160 (2008 TEUR 1,190.5) excluding other benefits.

| in TEUR | Remuneration for 2009 | | |
|---|-----------------------|--------------------------------------|--------------|
| | Fixed | Variable (without LTI) ¹⁾ | Total |
| Dr. Michael Mertin (Chairman of the Executive Board) | 490 | 225 | 715 |
| Frank Einhellinger (Member of the Executive Board) | 310 | 135 | 445 |
| Total | 800 | 360 | 1,160 |

1) LTI=Long-term incentive component

Since 2008 the variable portion of remuneration has been based on the personal performance of the Board member, as set out in an agreement on targets concluded with the Supervisory Board chairman, and on the success of the company. The basis of measurement for this is Group EBIT together with caps, capital market and share-price relevant targets, as well as strategic objectives such as the re-structuring of financing and the successful implementation of the Jenoptik Excellence Program. The target computation of the variable remuneration for 2009 is performed retrospectively. It is agreed in advance but still requires approval of the body and is thus not final.

The fixed remuneration of members of the Executive Board was increased for Dr. Mertin with effect from January 1, 2009 from TEUR 460 to TEUR 490 and for Mr Einhellinger with effect from July 1, 2009 from TEUR 300 to TEUR 320. In 2007 contracts for company pension schemes were concluded with both Board members. The pension commitment is based on a pension fund reinsured by a life insurance. It is a defined contribution pension as part of a benevolent fund. In 2009 the expense for the benevolent fund amounted to TEUR 240 for Dr. Mertin and TEUR 66 for Mr Einhellinger.

In the final reconciliation there is additionally a so-called long-term incentive component (LTI) in the form of virtual shares with a four-year term. The allocation is performed based on an agreement of targets for 2009 and will, according to the initial preliminary vote, amount to 30,000 virtual shares for Dr. Mertin and 21,000 virtual shares for Mr Einhellinger. The details are currently being processed. A total provision of TEUR 500 has been accounted for based on the discounted value of the variable remuneration of TEUR 360 to be paid retrospectively in accordance with the above table and the LTI.

Supplementary benefits for Dr. Mertin amount to TEUR 42.5 (2008 TEUR 42.5) and for Mr Einhellinger TEUR 22.8 (2008 TEUR 22.8). In addition to a company car, supplementary benefits include the adoption of the employer portion of professional indemnity insurance. In the case of a change in control of JENOPTIK AG, a change of control clause becomes effective for both members of the Executive Board for purchases of at least 30 percent of the voting rights of JENOPTIK AG. This enables them to give notice on their service contracts within a certain period after control has been transferred and enables payment of their contracts for the remaining term of office, as well as payment of their bonus at an average amount based on the last years. In the case of voluntary resignation as a result of a change in control, both members of the Executive Board additionally receive, on continuation of payment of the pension contributions up to the end of their relevant service contracts, a contractually vested entitlement to pension benefits.

The shares privately purchased by the members of the Executive Board amounted to 1,036 at the year end and are held by Mr Frank Einhellinger. Dr. Michael Mertin does not hold any shares in JENOPTIK AG.

Pension payments amounting to TEUR 293 were made to former Executive Board members. Pension provision (defined benefit obligation) for former Executive Board members amounted to TEUR 4,155 as at December 31, 2009. The interest cost recorded in 2009 for these existing provisions amounted to TEUR 221.

Supervisory Board

The following ladies and gentlemen were appointed members to the Supervisory Board during the fiscal year 2009:

| | Additional appointments at: |
|---|--|
| <hr/> <p> RUDOLF HUMER Entrepreneur, Hinterbrühl/Austria </p> <p> Member of: Personnel Committee (Chairman) Mediation Committee (Chairman) Nomination Committee (Chairman) </p> <hr/> | <hr/> <ul style="list-style-type: none"> • Bauman AG, Austria (Ccb member) • Ühinenud Farmid AS, Estonia (Ccb Chair) <hr/> |
| <hr/> <p> WOLFGANG KEHR¹⁾ Regional Manager Working Area Tarif Policy IG Metall-Bezirk Frankfurt/Main, Frankfurt am Main </p> <p> Member of: Personnel Committee Mediation Committee </p> <hr/> | <hr/> <p>None</p> <hr/> |
| <hr/> <p> MICHAEL EBENAU¹⁾ Second authorized representative of the administration of IG Metall Jena-Saalfeld, Jena and second authorized representative of the administration of IG Metall Gera, Gera </p> <p> Member of: Audit Committee </p> <hr/> | <hr/> <p>None</p> <hr/> |
| <hr/> <p> MARKUS EMBERT¹⁾ Dipl.-Ing. for electrical engineering at ESW GmbH, Hamburg </p> <p> Member of: Capital Market Committee </p> <hr/> | <hr/> <p>None</p> <hr/> |
| <hr/> <p> CHRISTIAN HUMER Chairman of the Executive Board of ECE European Estates GmbH, Hinterbrühl/Austria </p> <p> Member of: Personnel Committee Nomination Committee </p> <hr/> | <hr/> <ul style="list-style-type: none"> • Ühinenud Farmid AS, Estonia (Ccb member) <hr/> |
| <hr/> <p> THOMAS KLIPPSTEIN¹⁾ Product manager development for JENOPTIK Laser, Optik, Systeme GmbH, Jena </p> <p> Member of: Personnel Committee Audit Committee </p> <hr/> | <hr/> <p>None</p> <hr/> |

Abbreviations: SB – Supervisory Board Ccb. – Comparable controlling body ig – Internal group appointment Dep. – Deputy 1) Employee representative

| | |
|--|--|
| <hr/> <p>ANITA KNOP ¹⁾ Dipl.-Ing., Software developer at Jena-Optronik GmbH, Jena</p> <p>Member of: Capital Market Committee</p> <hr/> | <hr/> <p>Additional appointments at:</p> <p>None</p> <hr/> |
| <hr/> <p>DR. LOTHAR MEYER Former Executive Board Member of ERGO Versicherungsgruppe AG, Bergisch-Gladbach</p> <p>Member of: Audit Committee Capital Market Committee (Chairman)</p> <hr/> | <hr/> <ul style="list-style-type: none"> • UniCredit Bank AG (SB Member) • ERGO Versicherungsgruppe AG (SB Member) • DKV Deutsche Krankenversicherung AG (SB Member) • Hamburg-Mannheimer Versicherungs-AG (SB Member) • Victoria Lebensversicherung AG (SB Member) <hr/> |
| <hr/> <p>GÜNTHER REISSMANN ¹⁾ Chairman of the Group works' council of JENOPTIK AG, Jena</p> <p>Member of: Personnel Committee Mediation Committee Capital Market Committee</p> <hr/> | <hr/> <p>None</p> <hr/> |
| <hr/> <p>HEINRICH REIMITZ Chairman of the Executive Board of ECE European City Estates GmbH, Vienna/Austria</p> <p>Member of: Audit Committee (Chairman) Capital Market Committee</p> <hr/> | <hr/> <ul style="list-style-type: none"> • Ühinenud Farmid AS, Estonia (SB member) <hr/> |
| <hr/> <p>PROF. DR. RER. NAT. HABIL., DIPL.-PHYSIKER ANDREAS TÜNNERMANN Director of the Institute for Applied Physics and Professor for Applied Physics at the Friedrich-Schiller-University Jena and Head of the Fraunhofer Institute for Applied Optics and Fine Mechanics, Weimar</p> <p>Member of: Personnel Committee Mediation Committee Nomination Committee</p> <hr/> | <hr/> <ul style="list-style-type: none"> • BioCente GmbH (SB Chair) <hr/> |
| <hr/> <p>GABRIELE WAHL-MULTERER Dipl.-Kaufrau, entrepreneur, Munich</p> <p>Member of: Capital Market Committee</p> <hr/> | <hr/> <p>None</p> <hr/> |

Abbreviations: SB – Supervisory Board Ccb. – Comparable controlling body ig – Internal group appointment Dep. – Deputy ¹⁾ Employee representative

Remuneration of the Supervisory Board is set out in § 19 of the newly drafted Articles of Association of JENOPTIK AG as resolved by the annual general meeting on June 6, 2007. This remuneration rule sets out, as part of total remuneration, a fixed annual payment of TEUR 15. The Chairman of the Supervisory Board receives twice this amount and the Deputy Chairman one and a half times this amount. Additionally, each member of a committee receives TEUR 5. The committee chairman receives twice this amount. The remuneration is payable at the end of the fiscal year.

In the fiscal year 2009 an amount of TEUR 298 has been provided for as remuneration for the Supervisory Board.

The fixed remuneration of the Supervisory Board was paid in retrospect (in 2009 for the fiscal year 2008) and, up to their relevant leaving date in 2009, for those Supervisory Board members who have left during the fiscal year 2009. Remuneration paid to the Supervisory Board comprises the following for the fiscal year 2009:

| in TEUR | Total remuneration | of which | | Value added tax ¹⁾ |
|---|--------------------|---------------------------|----------------------|-------------------------------|
| | | Fixed annual remuneration | Meeting remuneration | |
| Rudolf Humer (Chairman since 05.06.2008) | 26.5 | 22.9 | 3.6 | 0.0 |
| Prof. Dipl.-Ing. Jörg Menno Harms (Chairman until 05.06.2008) | 21.8 | 21.8 | 0.0 | 3.5 |
| Wolfgang Kehr (Dep. Chairman) | 36.3 | 32.7 | 3.6 | 5.8 |
| Michael Ebenau | 25.4 | 20.0 | 5.4 | 0.0 |
| Markus Embert | 22.4 | 20.0 | 2.4 | 0.0 |
| Christian Humer (since 05.06.2008) | 15.0 | 11.4 | 3.6 | 0.0 |
| Thomas Klippstein | 37.6 | 29.7 | 7.9 | 6.0 |
| Anita Knop | 26.7 | 23.8 | 2.9 | 4.3 |
| Prof. Dr. Johann Lohn (until 24.04.2008) | 7.5 | 7.5 | 0.0 | 1.2 |
| Dr. Lothar Meyer (since 22.01.2008) | 34.6 | 28.2 | 6.4 | 5.5 |
| Günther Reißmann | 31.5 | 27.2 | 4.3 | 5.0 |
| Heinrich Reimitz (since 25.04.2008) | 24.3 | 18.9 | 5.4 | 0.0 |
| Dr. Norbert Schraad (until 05.06.2008) | 17.8 | 17.8 | 0.0 | 2.8 |
| Prof. Dr. rer. nat. habil. Dipl.-Physiker Andreas Tünnermann | 22.4 | 20.0 | 2.4 | 0.0 |
| Gabriele Wahl-Multerer | 26.7 | 23.8 | 2.9 | 4.3 |

1) Included in fixed remuneration and in meeting remuneration.

At the end of the fiscal year 2009 total shares held by all Supervisory Board members amounted to 3,354,253 shares or financial instruments of JENOPTIK AG related to these. These include 2,773,066 shares held by Mrs Wahl-Multerer as sole shareholder of VARIS Vermögensverwaltung GmbH.

Responsibility statement by management

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Management Report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Jena, March 10, 2010



Dr.-Ing. Michael Mertin
Chairman of the Executive Board



Frank Einhellinger
Executive Board Member

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by JENOPTIK Aktiengesellschaft, Jena, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2009. 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 (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch "German Commercial Code"] 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 supplementary provisions of the shareholder agreement/articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, March 11, 2010

KPMG AG WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

DR. KRONNER
Auditor

NEUMANN
Auditor

ADDITIONAL INFORMATION

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EXECUTIVE MANAGEMENT BOARD

(AS AT JANUARY 2010)

DR. MICHAEL MERTIN
Chairman of the Executive Board

MELANIE JAKLIN
Head of HR

FRANK EINHELLINGER
Member of the Executive Board

DR. DIRK MICHAEL ROTHWEILER
Head of Optical Systems division

BERNHARD DOHMANN
Head of Traffic Solutions division

VOLKMAR HAUSER
Head of Industrial Metrology division

DR. THOMAS FEHN
Head of Lasers & Material Processing division

DR. STEFAN STENZEL
Deputy head of Optical Systems division

WILHELM HARDICH
Head of Defense & Civil Systems division

SCIENTIFIC ADVISORY COUNCIL

(AS AT JANUARY 2010)

DR. MICHAEL MERTIN

JENOPTIK AG, Jena, Chairman

PROF. DR. RER. NAT. JÜRGEN POPP

IPHT Institut für Photonische Technologien e.V., Jena

PROF. DR. HARTMUT BARTELT

IPHT Institut für Photonische Technologien e.V., Jena

PROF. DR. ROLAND SAUERBREY

Forschungszentrum Rossendorf, Dresden

PROF. DR. KARLHEINZ BRANDENBURG

Technische Universität Ilmenau,
 Fakultät Elektrotechnik/Institut für Medientechnik

PROF. DR. MICHAEL SCHENK

IFF Fraunhofer Institut für Fabrikbetrieb und -automatisierung, Magdeburg

PROF. DR. GERHARD FETTWEIS

Technische Universität Dresden,
 Fakultät für Elektrotechnik,
 Mannesmann Mobilfunk Stiftungslehrstuhl

PROF. DR. HARTWIG STEFFENHAGEN

Rheinisch-Westfälische Technische Hochschule (RWTH), Aachen

PROF. DR. JOHANN LÖHN

Steinbeis-Hochschule Berlin

PROF. DR. GÜNTHER TRÄNKLE

Ferdinand-Braun-Institut für Höchstfrequenztechnik, Berlin

PROF. DR. ANDREAS TÜNNERMANN

IOF Fraunhofer Institut für angewandte Optik und Feinmechanik, Jena

PROF. DR. RER. NAT. HABIL. JÜRGEN PETZOLD

Technische Universität Ilmenau,
 Fakultät für Elektrotechnik und Informationstechnik,
 Institut für Elektrische Energiewandlungen und Automatisierung

FINANZGLOSSAR A – Z

A

ACCRUALS: Balance sheet liabilities that include future payments and reductions in value as expenses for the accounting period. The exact amount and/or time of payment for these items are not yet determined by the balance sheet date, but their occurrence is quite certain.

ACCRUALS AND DEFERRALS: Payments made or received during the accounting period, but which go into effect after the balance date.

AFFILIATED COMPANIES: JENOPTIK AG and all its subsidiaries, whether or not they are included in the consolidated financial statements.

ASSET RATIO: Figure used in the analysis of the asset structure which describes the ratio of non-current assets to total assets.

ASSOCIATED COMPANIES: Companies not completely or majority owned by the parent company, but upon which the parent company exercises significant influence (with an ownership interest of more than 20 percent).

AT-EQUITY EVALUATION: The evaluation of an interest in an affiliated company reflecting the company's shareholders' equity and annual earnings proportionate to the interest held.

B

BOOK-TO-BILL RATIO: Order intake to sales for a fiscal year. A ratio of over 1.00 indicates that order intake surpassed sales for the fiscal year, likely leading to an increase in order backlog. This is usually also a good indicator of a future rise in sales.

BORROWED CAPITAL: Capital that a company receives as a credit to finance fixed and current assets.

C

CAP.: In a contractual agreement of this sort, the purchaser pays for a guaranteed interest rate cap for an agreed period of time. If the market interest rate rises above the cap on the specified interest determination dates for the next interest period, the cap seller must pay the difference.

CAPITAL EXPENDITURE: Expenditure on items required for production purposes over a period of more than a year, such as buildings, machinery and computer programs. Capital expenditure is subject to depreciation throughout its useful life.

CASH FLOW: A corporate analysis figure that sheds light on the yield and financial strength of the company which indicates the amount of liquid funds the company has at its disposal within a specific period of time as a result of its economic turnover.

COMMERCIAL PAPERS: Money market papers with a term of between 7 and 270 days. They are placed on the money market mostly by companies with a very good credit rating. The terms of these debt instruments can be determined flexibly to meet the needs of the companies. Interest payments proceed through the calculation of a loan discount.

CONSOLIDATION: The incorporation of partial accounts into a total account, such as the incorporation of the individual balance sheets of group companies into a group balance sheet.

CONSOLIDATION OF ASSETS AND LIABILITIES: Adjustments necessary in consolidated financial statements that offset all group-internal receivables and payables – not only the positions included in the balance sheet.

CONSOLIDATION OF EQUITY: Equity relationships between companies within a group are consolidated as a part of the overall consolidation process. This entails offsetting the book value of the investment in the subsidiary against the shareholders' equity of the subsidiary.

CONSOLIDATION OF INCOME AND EXPENSES: Only expenses and income arising from transactions with third parties outside the group may be included in the consolidated income statement. Therefore income and expense items which arise from the group-internal supply of goods and services need to be offset against each other in the consolidated financial statements.

CONSOLIDATED COMPANIES: Companies included in a group's consolidated statement.

CORPORATE GOVERNANCE (CODE): This code determines the guidelines for the transparent management and supervision of a company. The recommendations of the Corporate Governance Code provide for transparency and increase trust in responsible management. The recommendations protect the shareholders in particular.

D

DEBT: This includes all long-term and short-term interest-bearing third-party capital, including bonds, participatory capital, bank loans and loans from social welfare funds.

DEFERRED TAXES: Temporary tax expense differences between individual or consolidated group accounts in accordance with commercial law and tax returns. This figure is a measure of the relationship between company results and tax expenses.

DEPRECIATION: Capital expenditure is subject to depreciation throughout its entire useful life, with the purchase price being amortized over a period of time.

DERIVATIVES: Derivatives are derived financial instruments dependent on the price development of the underlying assets (e.g. shares, interest rates, currencies, or goods). The basic forms are futures and options.

DISINVESTMENT: The effect of depreciation surpassing replacement investment (e.g. to maintain production machinery).

DUE DILIGENCE: Due diligence is the intensive investigation and evaluation by external experts of the financial, legal and commercial situation of a company including risks and prospects. This analysis is a prerequisite in, e.g., the preparation process for IPOs, the acquisition or sale of companies or company segments, the granting of credits and for capital increases.

E

EBIT: Earnings before interest and taxes.

EBITDA: Earnings before interest, taxes, depreciation and amortization.

ELIMINATION OF GROUP-INTERNAL PROFITS AND LOSSES: For the purposes of the consolidation process, group-internal profits and losses arising from the delivery of goods or services between group companies are not considered valid until the asset in question departs from the group. The elimination of group-internal profits and losses is made possible through the evaluation of deliveries and services according to uniform group acquisition and production costs.

EQUITY RATIO: Ratio used in capital structure analysis depicting the ratio of the shareholders' equity in the total capital (shareholders' equity divided by the balance sheet total).

F

FREE CASH FLOW: The free cash flow is the cash flow available. The amount of the free cash flow is regarded by financing institutions as an indicator for the ability to repay credits and is therefore often

used as basis to calculate the financing capacity. The free cash flow is calculated taking the cash flow from operating activities (before income taxes and interests) less investments from operating activities plus disinvestments.

FREE FLOAT: Scattered company shares held by a large number of different investors.

FINANCIAL LIABILITIES: This includes all current and non-current interest-bearing external finances, e. g. bonds, bank liabilities, and leasing liabilities.

G

GOODWILL: The purchase price of a newly acquired company minus its shareholders' equity (assets minus liabilities).

H

HEDGING: Through hedging, extant securities can be protected against negative price trends though the purchase or sale of derivatives (futures, options, swaps).

I

IFRS / IAS (INTERNATIONAL FINANCIAL REPORTING STANDARDS): These internationally valid accounting standards ensure the comparability of consolidated financial statements and, through their particular transparency, satisfy the information requirements. The sections of the IFRS are known as the IAS (International Accounting Standards), while the newer sections are referred to as IFRS.

J

JOINT VENTURE: Economic cooperation between companies, usually limited in time and scope which is run by the partner companies together.

L

LOAN DISCOUNT: The difference between the amount of a loan to be repaid and the amount received when the loan was granted.

M

MARKET CAPITALIZATION: Number of shares multiplied by share price.

MINORITY INTERESTS: Interests in Jenoptik Group companies that are not majority-owned by JENOPTIK AG or the group companies. They are included in the earnings and net assets of the subsidiary company.

O

OPTION: The right to purchase (call option) or sell (put option) the underlying of an option (e. g. securities or currencies) at a previously agreed price (exercise price) at a specific time or within a specific period of time.

P

PERCENTAGE-OF-COMPLETION METHOD: A procedure in accordance with IAS 11, which computes sales revenue, order costs, and order results deriving from partial payments on a long-term customer-specific contract or similar services in accordance with the degree to which the project is completed. This method is also valid when the order has not yet been fully completed although the customer has paid the invoice.

PREPAID AND DEFERRED EXPENSES: Payments which are made or received in advance in the period under report but concern a period after the balance sheet date.

PROJECTED-UNIT-CREDIT METHOD: A method used to evaluate pension obligations in accordance with IAS 19, which includes the expected future increase of salaries and pensions in addition to the pension benefits secured before the cut-off date.

PURCHASE PRICE ALLOCATION: The method of dividing the purchase price of a newly acquired company among its assets and liabilities.

R

RETURN ON SALES: Earnings after tax divided by sales.

RETURN ON EQUITY: Ratio of earnings after tax and capital employed.

R + D RATIO: R + D expenditure as a percentage of sales.

REVENUE RESERVES: Reserves that are accumulated from undistributed profits.

S

SHAREHOLDERS' EQUITY: The capital contributed by a company's owners (shareholders) that is gradually accumulated within the company in the form of reserves. It is available for use by the company in the long term.

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.

V

VALUE ADDED: The growth in value that is created through company operations, in addition to goods and services purchased from outside the company. Value added is then distributed as labor costs, taxes, interest, profits and dividends.

W

WORKING CAPITAL: sum of inventories and receivables from operating activities less trade accounts payable, PoC (percentage of completion) liabilities and on-account payments received.

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

SELECTED INVESTMENT COMPANIES (as at February 2010)

| | | | |
|-------|--|-------|--|
| 75 % | Electroop S.A. Spain, Madrid | 100 % | JENOPTIK Laser, Optik, Systeme GmbH Germany, Jena |
| 100 % | EPIGAP Optoelektronik GmbH Germany, Berlin | 100 % | JENOPTIK Laserdiode GmbH Germany, Jena |
| 100 % | ESW GmbH Germany, Wedel | 100 % | JENOPTIK North America, Inc. USA, Delaware (Florida) |
| 50 % | HILLOS GmbH Germany, Jena | 100 % | JENOPTIK Optical Systems, Inc. USA, Jupiter (Florida) |
| 100 % | Hommel-Etamic GmbH Germany, Villingen-Schwenningen | 100 % | JENOPTIK Polymer Systems GmbH Germany, Triptis |
| 100 % | HOMMEL-ETAMIC America Corp. USA, Rochester Hills (MI) | 100 % | JENOPTIK Robot GmbH Germany, Monheim |
| 100 % | Hommel-Etamic France SA France, Bayeux Cedex | 100 % | JENOPTIK SSC GmbH Germany, Jena |
| 100 % | Hommel-Movomatic Suisse SA Switzerland, Peseux | 50 % | JT Optical Engine GmbH+Co. KG Germany, Jena |
| 100 % | Innovavent GmbH Germany, Göttingen | 100 % | Lechmotoren GmbH Germany, Altenstadt |
| 100 % | Jena-Optronik GmbH Germany, Jena | 100 % | Multanova AG Switzerland, Uster |
| 100 % | JENOPTIK Automatisierungstechnik GmbH Germany, Jena | 100 % | PHOTONIC SENSE GmbH Germany, Eisenach |
| 100 % | JENOPTIK Diode Lab GmbH Germany, Berlin | 100 % | Traffipax Inc. USA, Linthicum (MD) |

The above mentioned investment companies are not necessarily direct shareholdings of JENOPTIK AG.

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