



## Annual Report 2008



Creating value together

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#### ON THE TITLE: CREATING VALUE TOGETHER

Nature provides the best models: Growing together and creating values. The same applies to our company. Growing with sustainable success – together with our customers.

1 Key figures of Jenoptik

(in million euros)	2008	2007	Change in %
Sales	548.3	521.7	5.1
Domestic	249.0	219.7	13.3
Foreign	299.3	302.0	-0.9
EBIT	37.1	35.3	5.1
EBIT margin (EBIT in % of sales)	6.8%	6.8%	0
EBITDA	67.5	79.1	-14.7
Earnings before tax	20.2	0.7	2,785.7
Earnings after tax	16.6	-4.6	460.9
Free Cash flow (before income taxes)	27.9	42.4	-34.2
Investments in tangible and intangible assets	24.1	40.6	-40.6
Order intake	508.2	525.8	-3.3
Order backlog	395.1	439.4	-10.1
Employees (as at 31.12. incl. trainees)	3,400	3,436	-1.0

Key figures of Jenoptik in million euros

	2008	2007	Change in %
<b>Sales</b>	<b>548.3</b>	<b>521.7</b>	<b>5.1</b>
of which Lasers & Optical Systems	207.0	217.9	-5.0
Metrology	126.3	117.3	7.7
Defense & Civil Systems	208.5	181.2	15.1
Others <sup>1)</sup>	6.5	5.3	22.6
<b>EBIT</b>	<b>37.1</b>	<b>35.3</b>	<b>5.1</b>
of which Lasers & Optical Systems <sup>2)</sup>	15.0	25.2	-40.5
Metrology <sup>2)</sup>	6.9	7.6	-9.2
Defense & Civil Systems <sup>2)</sup>	15.8	10.2	54.9
Others <sup>1), 2)</sup>	-0.6	-7.7	92.2
<b>EBIT margin (EBIT in % of sales)</b>	<b>6.8 %</b>	<b>6.8 %</b>	<b>0</b>
of which Lasers & Optical Systems	7.2 %	11.6 %	-4.3
Metrology	5.5 %	6.5 %	-1.0
Defense & Civil Systems	7.6 %	5.6 %	1.9
Others <sup>1)</sup>	-9.2 %	-145.3 %	136.1
<b>EBITDA</b>	<b>67.5</b>	<b>79.1</b>	<b>-14.7</b>
of which Lasers & Optical Systems	28.7	40.9	-29.8
Metrology	10.7	10.5	1.9
Defense & Civil Systems	23.4	17.3	35.3
Others <sup>1)</sup>	4.7	10.4	-54.8
<b>Free cash flow (before income taxes)</b>	<b>27.9</b>	<b>42.4</b>	<b>-34.2</b>
of which Lasers & Optical Systems	8.0	15.5	-48.4
Metrology	4.3	6.5	-33.8
Defense & Civil Systems	9.2	27.4	-66.4
Others <sup>1)</sup>	6.4	-7.0	191.6
<b>Order intake</b>	<b>508.2</b>	<b>525.8</b>	<b>-3.3</b>
of which Lasers & Optical Systems	194.8	217.5	-10.4
Metrology	133.3	115.9	15.0
Defense & Civil Systems	173.4	187.5	-7.5
Others <sup>1)</sup>	6.7	4.9	36.7
<b>Order backlog</b>	<b>395.1</b>	<b>439.4</b>	<b>-10.1</b>
of which Lasers & Optical Systems	63.6	77.6	-18.0
Metrology	37.0	30.0	23.3
Defense & Civil Systems	294.6	332.5	-11.4
Others <sup>1)</sup>	-0.1	-0.7	85.7
<b>Employees (as at 31.12. incl. trainees)</b>	<b>3,400</b>	<b>3,436</b>	<b>-1.0</b>
of which Lasers & Optical Systems	1,412	1,431	-1.3
Metrology	820	863	-5.0
Defense & Civil Systems	1,100	1,079	1.9
Others <sup>1)</sup>	68	63	7.9

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

2) before group charges



“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.



FRANK EINHELLINGER |  
MEMBER OF THE  
EXECUTIVE BOARD

DR. MICHAEL MARTIN |  
CHAIRMAN OF THE  
EXECUTIVE BOARD

## Foreword of the Executive Board

*Dear shareholders*

2008 was a good year at Jenoptik. We numbered among the companies that fulfilled their original sales and earnings projections: While the Jenoptik Group's sales rose 5.1 percent to 548.3m euros, the Group's operating earnings came to 37.1m euros, also surpassing the figures for 2007. We achieved all this despite the accelerating economic downturn. Our presence in a variety of markets allows us to compensate for economic turbulence.

What sort of year did our divisions have in 2008? Defense & Civil Systems benefited from a strong demand for defense, security, and space technology. Our Metrology segment also developed positively, especially in the second half of 2008. The international equipment market for traffic safety also improved. And we have now become a globally present system provider in industrial metrology following the successful acquisition and integration of the French metrology firm Etamic. Our Lasers & Optical Systems segment was, however, affected by the semiconductor crisis, which worsened in the second half of 2008, and which led to a decline in sales and earnings in the optics business. The Diode Laser and Laser Processing Systems business units were partly able to compensate for this decline, the latter profiting from the upsurge in the photovoltaic market.

From 2007 onward, we have focused our efforts on ensuring a sustainable cash flow. We were indeed able to use this to finance the expansion of our business in 2008, including new investments, so that we were able to finance ourselves fully through our own resources despite the general economic downturn.

Our positive earnings of 16.6m euros in 2008 further demonstrated that Jenoptik is on the right path. In addition to the rise in the operating result, this particularly reflected an improved interest and investment result, as we departed from areas that were no longer part of our strategic focus or no longer fit in with Jenoptik's profile and size.

Streamlining of the Group's portfolio has been a part of our strategic reorganization that we, as the incoming Executive Board team, introduced in 2007. Our standing in 2009 as a Group has been improved through the further development of Jenoptik in terms of our five value levers: growth, market and customer orientation, internationalization, employees and management, and operative excellence. This, for example, included the introduction of our new innovation management and our first globally uniform umbrella brand, which also pays tribute to our integration together into one company. The first successes of our new organizational structure, which was implemented on January 1, 2008, have been reflected in the trust of our customers, which made



it possible for us to achieve organic growth in 2008 – despite disinvestments and a weakened economy. The number of Jenoptik shares traded increased again and the share was readmitted to the TecDax index of the 30 most important German technology companies in December 2008.

Our operative excellence will remain the driving force behind the further development of the Group in 2009. It is our goal to optimize the Group's processes and to sustainably lower costs. The first measures taken in the Jenoptik Excellence program should begin to have an effect beginning in the second half of 2009, and will take off some pressure from us during particularly difficult economic times.

2009 will be a difficult year for the economy as a whole, with forecasts growing increasingly gloomy. For now, it is impossible to predict an end to the financial and economic crisis.

We will not be able to extricate ourselves from the crisis in 2009. On the basis of our current information as of March 2009, we must expect that sales and Group operating results will not be able to return to the figures attained in 2008, although we do expect a positive Group EBIT for the year.

The Defense & Civil Systems division will offer us stability with long-term orders already covering a large portion of 2009 sales. The Lasers & Material Processing and Traffic Solutions divisions also have the potential to match last year's sales figures. The semiconductor business of the Optical Systems division, and the Industrial Metrology division, however, are expected to face a downturn. We will have to introduce measures to reduce costs and implement shorter working hours in these areas as well.

It is important that we meet the effects that the economic and financial crisis has on our operating business in this way so that we may rise again from the crisis as a stronger enterprise. We seek sustainable success and wish to expand our position as a leader in optoelectronics. We are preparing ourselves, together with our customers, to emerge from the crisis stronger and to set the right course for 2009. It is therefore essential in the current situation for us and indeed for everyone to find the right balance between short-term reactions and sustainable measures.



DR. MICHAEL MARTIN  
CHAIRMAN OF THE EXECUTIVE BOARD



FRANK EINHELLINGER  
MEMBER OF THE EXECUTIVE BOARD

## Supervisory Board Report.

*Honored Shareholders*

This past fiscal year, the Supervisory Board fulfilled its legal and statutory rights and obligations by supervising and advising the Executive Board in its management of the Group. In particular, the Supervisory Board worked constructively in 2008 to support the continuation of the Jenoptik Group's fundamental strategic changes, which has been a focus of the Group's activities.

The Executive Board reported, orally and in written form, on all matters of primary importance to the company regularly, timely, and comprehensively. In addition to the company's overall position and current course of business, this included company planning, the company's strategic reorientation, and risk management including information on potential risks. This information also extended to the major companies affiliated with the Jenoptik Group and to the Group's major contracts. The Executive Board provided detailed information, especially on the company's key figures and divergences from previous plans and goals, on the basis of written documents. This information was discussed at length at the Supervisory Board meetings.

The Supervisory Board was directly involved in all decisions of fundamental importance to the JENOPTIK AG and the Jenoptik Group. Between meetings, both Prof. Jörg Menno Harms – chairman through June 5, 2008 – and I were in regular contact with the Executive Board, which kept us up-to-date with all important business developments. Collaboration between the Executive Board and Supervisory Board was characterized by an open and trusting atmosphere.

The members of the Supervisory Board met five times in fiscal year 2008, of which one was the initial session subsequent to the supplementary election of the Supervisory Board by the Annual General Meeting on June 5, 2008.

### Particular topics of discussion

Fiscal year 2008 took off with a new group structure, on the basis of which the Jenoptik Group moved closer toward a stronger focus on its customers and markets. The Supervisory Board was

closely involved in the strategy project that accompanied the project, and received regular reports on its development from the Executive Board. We were informed on the central innovation management introduced in the Jenoptik Group as well as the details of the planning process, particularly in the context of expected market uncertainty in fiscal year 2009. We discussed in detail the crises in the semiconductor and automotive industries, and their possible effects, including structural effects, on Jenoptik and its Optical Systems and Industrial Metrology divisions.

The Supervisory Board also discussed potential strategic acquisitions, particularly the acquisition of the Berlin-based wafer manufacturer Three-Five Epitaxial Services AG, which would represent the expansion of Jenoptik's diode laser activities to include a further production step, epitaxial wafer production. The Supervisory Board also deliberated over the future of its fiber laser business in connection with JT Optical Engine GmbH + Co. KG, a joint venture with TRUMPF. TRUMPF's acquisition of SPI Lasers plc will accelerate the joint development of fiber laser components of the joint venture JT Optical Engine GmbH + Co. KG. As a result of the strategic reorganization and the concomitant focus on the Group's core business, possible disinvestments were also presented to the Supervisory Board such as the purchase by Rheinmetall Defence of the majority in LDT Laser Display Technology GmbH and the sale of the Group's entire interest in XTREME technologies GmbH to Japan's Ushio Group.

Other points of discussion included the risk of dependence on a single supplier for a specific component, which led to delivery delays for a product in the Lasers & Optical Systems segment, as well as the future of the service providing business in the Traffic Solutions division. Focus was placed, in particular, on the internationalization of the market and the expansion of this area of business as well as the resulting business figures that continue to be quite low.

Other matters discussed were the creation of a shared service center, and the patent dispute with ASYST Technologies, Inc., in which JENOPTIK AG achieved a final victory in the decision of the Court of Appeals for the Federal Circuit in Washington in October 2008.

In our meetings, we also discussed the Group's financing structure and made the formally necessary decisions in this context.

### Committee activity

The Supervisory Board has set up a total of five committees to further the efficient exercise of its tasks. These committees prepare specific topics and decisions of the Supervisory Board, and in exceptional cases, can also make decisions on behalf of the Board as a whole.

The Audit Committee, led by Dr. Norbert Schraad through June 5, 2008, and then by Heinrich Reimitz through the end of the year, convened four times in fiscal year 2008. Its discussions revolved around the audit of the annual financial and consolidated financial statements, the treatment of the detailed interim reports, the consideration of the regular risk reports, and the Group's compliance organization including internal revision and its auditing strategy. The Audit Committee also dealt with the Jenoptik Group management of accounts receivable and risk-opportunity management, including matters such as the risks and opportunities deriving from the sale of M+W Zander and from the financial crisis. The committee also worked on the management letter for fiscal year 2007, the commission of an auditor for the annual financial and consolidated financial statements for fiscal year 2008, in particular the determination and extension of the audit's main areas of focus.

The Personnel Committee, partly composed of shareholder representatives who are also the members of the Nomination Committee, was led by Prof. Jörg Menno Harms through June 5, 2008, and since then by myself, convening three times this past fiscal year. The committee discussed the nomination of candidates for the supplementary election of the Supervisory Board at the Annual General Meeting on June 5, 2008, and the remuneration of the Executive Board.

In fiscal year 2008, there were no meetings of the Capital Market Committee or of the Mediation Committee, the latter of which would be required to convene in accordance with sect. 27, para. 3 of the German Co-Determination Law (MitbestG).

### Corporate Governance.

The Supervisory Board has continually followed the development of corporate governance standards, and has released a new "corporate governance checklist," adapted to the German Corporate Governance Code in the version of June 6, 2008. We also opted, following thorough

preparations, for a new version of the bylaws for the Supervisory Board that take the Corporate Governance Code into account, and conducted a detailed evaluation of our efficiency.

At our December 12, 2008 meeting, we on the Supervisory Board adopted the Jenoptik declaration of conformity in accordance with section 161 of the Stock Corporation Act for fiscal year 2008. Deviations from these recommendations are explained in the corporate governance section of this report (see page 28). The system of remuneration for Executive Board members is explained in the Management Report (page 38), and the composition of the total remuneration of each Board member in the Notes (see page 157).

#### Annual financial and consolidated financial statements

The auditing agency selected by the Annual General Meeting, KPMG AG Wirtschaftsprüfungsgesellschaft, audited the annual financial and consolidated financial statements, including bookkeeping and early risk recognition systems, in addition to the combined 2008 management report for JENOPTIK AG and for the Jenoptik Group. The auditors granted their full unqualified approval.

The Supervisory Board assigned the audit following preparations conducted by the Audit Committee. The auditors submitted their reports immediately after their completion, and discussed them in detail both within the Audit Committee on March 10, 2009 and the Board as a whole on March 26, 2009. Auditor representatives took part in both meetings, reporting to us in detail on the focal points and major results of their audit. They also answered our questions and were available for additional information.

Subsequent to its own examination, the Supervisory Board had no reservation in unanimously approving the auditors' results and the annual financial and consolidated financial statements provided by the Executive Board. The JENOPTIK AG annual financial statements in accordance with section 172, paragraph 1 of the Stock Corporation Act were thus adopted.

#### Composition of the Executive Board and Supervisory Board

Prof. Jörg Menno Harms, Prof. Dr. Johann Löhn und Dr. Norbert Schraad all departed from the Supervisory Board this past fiscal year. We would like to thank the departed members for their

dedicated work. Also this past year, Dr. Lothar Meyer was appointed by the court to replace Dr. Daniel von Borries, who had already departed as of December 31, 2007, as well as Heinrich Reimitz who replaced Prof. Dr. Johann Löhn. The two were voted to the Supervisory Board by the Annual General Meeting on June 5, 2008, along with Rudolf Humer und Christian Humer. In the Board's initial session following the Annual General Meeting, the members of the Supervisory Board elected me to be chairman, and returned the committees to their full size.

Despite the general economic downturn, fiscal year 2008 all in all proved to be a successful one for Jenoptik. The Group's repositioning strategy was implemented successfully with the introduction of a new group structure in five divisions, and a stronger focus on customers and markets. We would like to extend our appreciation to the Executive Board, the employees, and everyone who contributed to this success. We would also like to extend our appreciation to our shareholders for the trust they placed in us and to the employee representatives for their constructive efforts.

JENA, MARCH 2009  
ON BEHALF OF THE SUPERVISORY BOARD

A handwritten signature in dark ink, appearing to read 'Rudolf Humer', written in a cursive style.

RUDOLF HUMER  
CHAIRMAN

## Creating value together

“Since 2007, we have heightened our focus on our customers and markets, passing on our technological advantages to our customers, and growing organically by entering and succeeding in new markets.

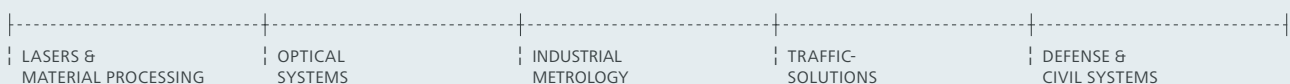
Over the past year we have presented ourselves to the market with clear structures along the lines of our five divisions. This helps us to make efficient use of our comprehensive technology portfolio, focusing on complete value chains.

Technology is not a means unto itself! We provide excellent products based on the latest technologies that boosts our customers’ performance profile and profitability. While we provide them with a competitive advantage in the market, we ensure continual, productive growth at Jenoptik.

Five of our customers speak out on the following pages on the value that Jenoptik creates for them with its products and technologies.”

MICHAEL MARTIN, CHAIRMAN OF THE EXECUTIVE BOARD, JENOPTIK AG

JENOPTIK – AN INTEGRATED OPTO-ELECTRONICS GROUP.





DR. STEFAN WÖLFEL, PHYSICIST  
FRAUNHOFER INSTITUTE FOR INTEGRATED SYSTEMS AND DEVICE  
TECHNOLOGY (IISB), ERLANGEN, GERMANY



# Lasers and Materials Processing: Jenoptik.



## JENOPTIK-VOTAN™ Semi for thermal laser beam separation --

"The Votan laser system is the first Jenoptik system that we have put to use for research and development in our semiconductor production methods and equipment area. The Jenoptik system serves Fraunhofer IISB's current projects by optimizing the separation of microchips from for 200 and 300-millimeter silicon wafers (so-called wafer dicing). We are able to use the ablation-free process to achieve excellent results in our experiments. The wafers are first heated at specific points with a laser beam and then rapidly recooled. The tensions that arise in the materials lead to a well-defined break. Unlike previous methods, this provides an excellent edge quality without creating small particles.

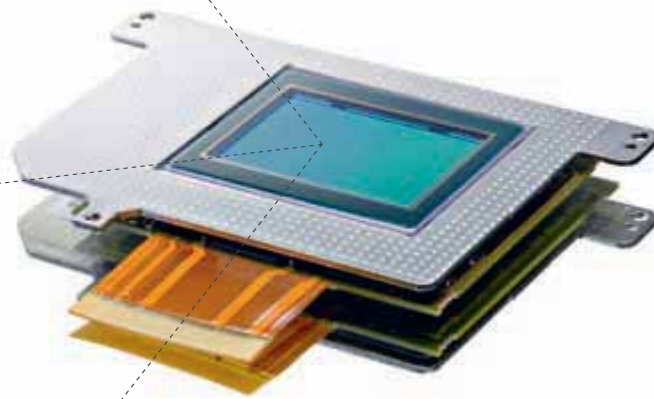
This novel processing system represents a continuation of our long-term cooperation with Jenoptik."





STEFAN TRIPPE |  
PRODUCTION AND TECHNOLOGY DIRECTOR,  
LEICA CAMERA AG, SOLMS, GERMANY

# Optical Systems: Jenoptik.



## Sensor board --

"In 2008, we signed a contract with Jenoptik for long-term cooperation in the development, integration, production, and delivery of assembly groups for digital image processing. These assemblies will be integrated into our digital cameras. Jenoptik is a reliable partner with the necessary experience to meet the high expectations of our customers."





OLIVER WÖNNMANN |  
MANAGING DIRECTOR,  
FEUER POWERTRAIN GMBH & CO. KG,  
NORDHAUSEN, GERMANY.

# Industrial Metrology: Jenoptik.



## HOMMEL OPTICLINE WMS 1323 --

"We have been working with Jenoptik metrology ever since our company was founded in 2003. Last year, Jenoptik also equipped our second crankshaft plant here in Nordhausen with the latest in metrology equipment, including optical shaft measurement devices. Jenoptik is an excellent partner for industrial optical metrology systems. They provide exceptional quality and service. We are now cooperating to develop new methods in optical crankshaft measurement. These new methods allow us to react to our customers' needs quickly and flexibly, and to provide them with the precision they require."







HELMUT PREISS |  
LANDESVERKEHRSABTEILUNG, (TRAFFIC DEPARTMENT)  
RADARGRUPPE, VIENNA  
(with mobile MULTANOVA 6F)

## Traffic Solutions: Jenoptik.



### TrafficStar Speed Monitoring System --

"We now have some 180 mobile and stationary Jenoptik speed measurement systems in commission throughout Austria, all working reliably from the very beginning. The first speed devices were introduced in the state of Carinthia in 1959. Over the past two years, we have been shifting to digital camera systems – also from Jenoptik. By the end of the year, all Multanova F6 systems will use digital technology throughout Austria. This will improve the image quality even in bad weather, and the images can be immediately downloaded from the field and sent to the appropriate authorities online. The memory chips also provide the cameras with an incomparably higher capacity than film rolls were able to offer. The new equipment already began to make a great difference in 2007, with up to 50 percent more speed violations recorded than the year before. This more intensive surveillance undoubtedly works to make traffic safer. The technology is active around the clock with rarely an interruption, and is well serviced by the Jenoptik branch in Vienna."

Colonel Roland Geider, Austrian Ministry of the Interior, Vienna.





MASTER SERGEANT  
HAMMELBURG INFANTRY SCHOOL



## Defense and Civil Systems: Jenoptik.



### NYXUS Observation Platform --

"The NYXUS Observation Platform for light artillery/mortars is used for intelligence and target coordinate analysis both day and night. NYXUS is a portable and compact device for use also on difficult terrain. Using thermographic technology and components to provide directional orientation, and determine location, directional angles, and distance, the device provides and transmits the precise coordinates of a target. The German Bundeswehr has 71 such observation platforms."



## Jenoptik 2008: Chronicle

### January 2008

Jenoptik begins the year with a new divisional structure, focusing more on customers and markets.

Jenoptik receives another order from the solar industry to provide equipment for a thin-film solar cell production line.

Largest space technology contract in company history: Jenoptik will supply the Mitsubishi Electric Corporation with rendezvous and docking sensors in a contract valued in the eight-figure range.

Attendees of the Jenoptik New Year's Reception donated a total of 17,000 euros for the project "MoMo – Monheimer Model Music School for All".

### February 2008

Together with HypoVereinsbank, Jenoptik sponsors the Third Winter Cross-Country Skiing Event at the Special Olympics in the German state of Thuringia.

A total of 25 trainees successfully complete their period of apprenticeship with Jenoptik companies.

Jenoptik makes a contribution to Jena's Phyletic Museum.

### March 2008

The Group looks back on a year of change at its balance sheet press conference, with important goals attained in 2007. This included a greater focus on customers and markets, an increase in the company's cash flow, a decrease in net debt, the introduction of a new financing structure, and an increase in its equity ratio.

Jenoptik supports the annual "Jugend forscht" Thuringia state youth research competition for the 18<sup>th</sup> time.

Jenoptik celebrates the 15<sup>th</sup> anniversary of its diode laser work. Jenoptik is now the world's leader in diode laser quality.

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE



JENOPTIK EXPANDS ITS OPTOELECTRONIC SENSOR UNIT



TRAINING SUCCESSFULLY COMPLETED



15 YEARS OF SUCCESS WITH DIODE LASERS



THE GALILEO TEST SATELLITE LAUNCH IS A SUCCESS



A GREAT TURNOUT AT THE JENOPTIK TECHNOLOGY DAYS



CHANGES ON THE JENOPTIK SUPERVISORY BOARD

### April 2008

Jenoptik sensors enable the European Space Agency's first unmanned transporter to automatically dock on to the ISS.

HypoVereinsbank donates 15,000 euros to the Parents' Initiative for Children with Cancer in Jena. Frank Einhellinger, the patron of the initiative, was able to obtain the support of the company's business partner.

Jenoptik signs its first contracts to supply major components for Europe's Global Monitoring for Environment and Security (GMES) program.

Journalists from some 20 countries come to Jena and visit Jenoptik to meet with leaders in culture, science, and industry.

### May 2008

For the second time, Jenoptik hosts the Jenoptik Technology Days for international analysts and investors in Jena.

Jenoptik receives a major industrial metrology order from Continental's Powertrain Division for the complex measurements of various components in a new U.S.-produced diesel injection system for trucks.

Jenoptik continues to sell off its non-strategic units, selling 51 percent in LDT Laser Display Technology GmbH to Rheinmetall Defense, and all shares in XTREME technologies GmbH to Japan's Ushio Group.

### June 2008

Rudolf Humer becomes the new chairman of the Jenoptik Supervisory Board. He assumes the office from Jörg Menno Harms, the former chairman.

Presence in India on new and better foundation: Jenoptik founds a joint venture in India with a majority share in the new company, thus laying a new basis for direct involvement in the country's growing market.

Jenoptik and Leica Camera AG conclude a cooperation agreement to intensify their cooperation in digital image processing.

## July 2008

The JENOPTIK-VOTAN™ Semi laser system for the thermal laser-beam dicing, in particular of wafers, wins the Best of West Award of Semiconductor Equipment and Materials International (SEMI). The award was presented at the Semicon West trade fair in San Francisco.

Jenoptik, a provider of application-specific laser systems, is becoming also a development partner for the solar industry. Jenoptik can support its customers beginning with the development of future production and processing technologies.

Jenoptik supports the Abbe School of Photonics founded at Jena's Friedrich Schiller University for the training of future scientists.

## August 2008

A total of 38 new trainees and career academy students begin their careers at Jenoptik Group locations throughout Germany.

Jena provides the world with even more state-of-the-art technology as Jenoptik equips the RapidEye earth observation system with five multispectral cameras. The German company RapidEye AG plans to establish a geospatial information service using this technology.

Jenoptik and InfraTec expand their strategic distribution partnership with a comprehensive supply contract for thermal imaging cameras.

## September 2008

The Saaleknirpse childcare center, initiated by Jenoptik at Jena's Göschwitz industrial area, celebrates its first anniversary.

Jenoptik's Traffic Solutions division celebrates its 75<sup>th</sup> anniversary. Founded in 1933, the company, based in Monheim, Germany, has been active in photographic traffic surveillance since 1955.

The international traffic safety sector gained momentum over the second half of 2008. Jenoptik received one of its new orders for digital traffic safety technology from Lithuania. Some 150 state-of-the-art stationary and mobile radar systems are installed in Lithuania in the course in 2008.

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER



JENOPTIK RECEIVES AN AWARD FOR ITS LASER SYSTEM



STATE-OF-THE-ART JENOPTIK TECHNOLOGY SUCCESSFULLY REACHES OUTER SPACE



FIRST ANNIVERSARY OF THE SAALEKNIRPSE CHILDCARE CENTER



JENOPTIK TECHNOLOGY PROTECTS THE EUROPEAN UNION'S EXTERNAL BORDERS



GOOD FORECAST FOR THE YEAR-END FIGURES



JENOPTIK COLOR SENSORS SHOW OFF THEIR ESTHETIC SIDE

## October 2008

Jenoptik prevails in the Asyst case as the Court of Appeals for the Federal Circuit in Washington confirms the decision in Jenoptik's favor made by the San Jose District Court. After more than ten years, the patent dispute is at an end.

Bystronic glass and Jenoptik join forces in the construction of production facilities for thin-film solar cells.

The acquisition of SPI Lasers by TRUMPF stands to accelerate the development of fiber lasers by Jenoptik in its Jena-based joint venture with TRUMPF.

Jenoptik delivers the first of several hundred thermal imaging systems for the surveillance and security of the European Union's external borders.

## November 2008

Zeiss and Jenoptik co-host a panel discussion on the private sponsorship of science at the first meeting in Jena of the Central German section of Stifterverband, an association promoting science in Germany.

Jenoptik reports growth in all business figures at the end of the third quarter, confirming its projections for 2008 despite the general economic downturn.

At the first Jenoptik Innovation Days event, the group presents its first ever award for group-internal innovations.

Jenoptik is awarded preferred supplier status by Carl Zeiss SMT AG for its microoptics components and systems.

## December 2008

Jenoptik puts its color sensors to an esthetic use and teams up with MAZeT on the art project "Luce. The sound of colors." This brings the Jena – City of Science year to an end.

Jenoptik returns to the TecDax, an index comprising Germany's 30 most prominent technology shares.

The Astrium satellite manufacturer named Jenoptik as its "Master Supplier 2007" for guidance, navigation, and control (GNC) sensors.

In a contract valued at over 5 million euros, Jenoptik will develop METImage, a new generation of cameras for weather satellites for the German Aerospace Center.

## The Jenoptik Share

Over the past fiscal year, the Jenoptik Group has seen a rise in its sales and earnings with a positive operative cash flow. We have benefited from the Group's presence in diversified markets and from a solid financial base. We were also able to expand our status as a leading optoelectronics company. In future, we will continue to use growth opportunities and thus gain market shares. We will pursue profitable growth and a return to the billion-euro range in the medium term.

In 2008, the world capital markets were marked by the international financial crisis and other economic problems. The German stock indices Dax and TecDax both fell precipitously, with the Dax falling nearly 40 percent to 4810.20 and the TecDax losing almost 48 percent to close the year at 508.31.


While the Jenoptik share was clearly not entirely immune from these developments, it did in fact outperform both indices, falling just under 18 percent in the course of the year. On the first day of trading in 2008, Jenoptik closed at 6.07 euros, which was its annual highest daily closing price in Xetra trading for 2008. Following a considerable drop in price in February and March, the Jenoptik share rebounded in summer 2008, nearly returning to its year-opening price. Beginning in August, however, the general downward trend on the market was also reflected in the Jenoptik share price development. The lowest closing price for the year was reached in November 2008 at 3.44 euros. Once the forecasts were confirmed for fiscal year 2008 in November and the announcement made that Jenoptik would be listed in the TecDax again, the share price rose sharply, ending the year at 5.00 euros. 

### Jenoptik returned to TecDax

The Jenoptik share returned to the German technology index TecDax on December 22, 2008. The Group had fulfilled the requirements of the Deutsche Börse, and was thus readmitted to the club of the 30 most important German technology companies (below the Dax index range), reflecting its market capitalization in relation to its free float, and its trading volume. With a free float of just under 70 percent, Jenoptik fulfills the minimum 10 percent free float (formerly 5 percent) that has been required for the index since December 22, 2008. The liquidity, i.e. the number of shares traded per trading day, also increased, especially during the final months of 2008. On the year, an average of 160,866 Jenoptik shares were traded daily on all German stock markets (2007: 139,199 shares/day), more than in the previous year.

With roughly 52 million issued Jenoptik shares, market capitalization came to 260.2 million euros as of December 30, 2008 (Dec. 28, 2007: 325.2m euros). Taking into account the net debt of 191.6 million euros, the total enterprise value came to 451.8 million euros.

### Adjusted earnings

Jenoptik has adapted the previous DVFA calculation structure in its calculations of adjusted earnings. The earnings were basically adjusted for impairments, proceeds from the repurchase of the convertible bond and from the release of finance lease and provisions. 

### Open communication with the capital market

The most important concern of Jenoptik's investor relations work is to provide the capital market with transparent and up-to-date information. This past fiscal year, we have continued our active dialogue, keeping up with old contacts and successfully forming new ones. At various events and in discussions, we have been able to inform investors, analysts, and individual investors on the strategy and develop-

ment of the Group. This included two analyst conferences in Frankfurt, various bank conferences, and road shows in Chicago, Frankfurt, London, New York, Vienna, and Zurich featuring presentations of the Jenoptik Executive Board. By means of conference calls, investors and analysts were able to receive detailed information on the publication of annual and quarterly results.

In late May, some 20 analysts and journalists from throughout Germany and abroad attended the Jenoptik Technology Days in Jena to learn more about our products, technologies, markets, and other developments, and to enter into direct conversations with Jenoptik management.

Over the past fiscal year, eleven financial analysts published research reports and commentaries on the company. An



### Calculation of earnings adjusted for one-off effects (in TEUR)

	2008	2007
Earnings after tax	16,566	-4,626
- Adjustment for deferred taxes	0	5,658
= Adjusted group income	16,566	1,032
- Erratic items (asset) after taxes <sup>1)</sup>	557	-2,058
- Erratic items (liabilities) after taxes <sup>2)</sup>	-821	6,341
- Other erratic items after taxes <sup>3)</sup>	2,551	2,326
= Adjusted earnings for entire Group	18,853	7,641
- Third party shares in profits (+)/-losses (-) after taxes	4,310	3,592
= Adjusted earnings for shareholders of the parent company	14,543	4,049
÷ Number of shares used as basis, in thousands	52,035	52,033
= Adjusted earnings per share in euros	0.28	0.08

1) Impairments

2) Income from buyback of convertible bond

3) among other things release of finance lease, impairments on financial assets, release and making of provisions / provisions for special topics (e.g. Asyst)

overview of current analyst evaluations can be accessed at [www.jenoptik.com](http://www.jenoptik.com) by following the links to “Investors” and then “Share”.

Important information on the Group, the Jenoptik share, the Jenoptik Annual General Meeting, corporate governance, as well as ad-hoc and press releases, annual and interim reports can all be accessed on the [www.jenoptik.com](http://www.jenoptik.com) investor relations pages in both German and English.

As per the company’s request, Standard & Poor’s retracted its rating for Jenoptik in 2008.

#### Annual General Meeting

Some 500 shareholders attended the JENOPTIK AG Annual General Meeting in Weimar on June 5, 2008, representing over 50 percent of the voting capital. The agenda included new elections to the Supervisory Board. Rudolf Humer, the Supervisory Board Chairman at ECE European City Estates AG of Hinterbrühl, Austria was unanimously elected Chairman of the Supervisory Board during the first session of the newly constituted board subsequent to the Jenoptik Annual General Meeting. The Annual General Meeting also elected the following new members to the Supervisory Board:

Christian Humer, CEO of ECE European City Estates AG of Hinterbrühl, Austria, Mag. Heinrich Reimitz, board member at ECE European City Estates AG, and Dr. Lothar Meyer, former CEO at ERGO Versicherungsgruppe AG. The Annual General Meeting approved all recommendations by a vast majority.

#### Shareholder structure

The free float of JENOPTIK AG shares came to 69.65 of total shares as of December 31, 2008. The Vienna-based ECE Industriebeteiligungen GmbH announced an increase in its share in JENOPTIK AG to 25.02 percent in February 2008, making ECE Jenoptik’s largest single shareholder. VARIS Vermögensverwaltung GmbH holds 5.33 percent of JENOPTIK AG shares.

A large portion of the free float is owned by institutional investors. In addition to ECE, the following voting rights announcements were made in fiscal year 2008: Franklin Templeton Investments Corp., Toronto, increased its share to 3.35 percent; Templeton Investment Counsel LLC., Fort Lauderdale, reduced its share to 4.10 percent. In October 2008 Oppenheimer Funds, Centennial, Colorado had increased its share to 3.04 percent, but reduced it to 2.92 percent in February 2009. 5

# Jenoptik: The share

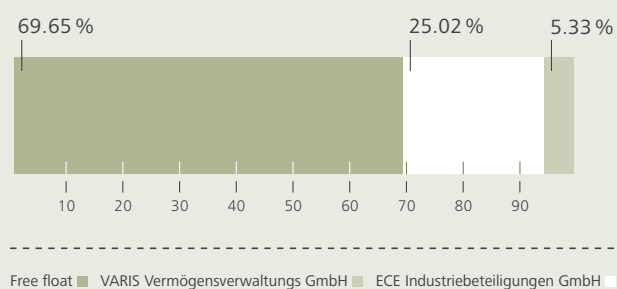
4

## Development of the Jenoptik share price (January 2, 2008 – February 28, 2009)



5

## Shareholder structure (as of Februar 28, 2009)



## Jenoptik share master data

ISIN DE0006229107 -- WKN 622910  
 Stock symbol: JEN  
 Reuters Xetra JENG.DE -- Reuters Frankfurt: JENG.F

In the following indices noted:  
 TecDax -- Prime All Share -- Tec All Share --  
 CDAX -- Prime Industrial --  
 Prime IG Advanced Industrial Equipment

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## Key Jenoptik share figures (in EUR)

	2004	2005	2006	2007	2008
Group earnings per share	0.26	-1.44	0.22	-0.16	0.23
DVFA/SG earnings per share <sup>2)</sup>	0.30	-0.76	0.23	0.08 <sup>4)</sup>	0.28 <sup>4)</sup>
Diluted DVFA/SG earnings per share <sup>3)</sup>	0.31	-0.76	0.23	-	-
Highest share price/Lowest share price (Xetra)	11.90/5.93	9.80/6.77	8.35/6.30	8.23/5.51	6.07/3.44
Closing share price (Xetra year-end)	7.76	7.60	7.50	6.25	5.00
Average daily trading volume <sup>1)</sup>	179,754	157,699	127,712	139,199	160,866
Market capitalization (Xetra year-end)	403.8 million	395.5 million	390.3 million	325.2 million	260.2 million
PER (based on highest share price)/PER (based on lowest share price)	45.77/22.81	n. A.	37.95/28.64	n. A.	26.39/14.96
Non-par value bearer shares issued	52.03 million	52.03 million	52.03 million	52.03 million	52.03 million
Bond (closing price, Frankfurt, year-end)	109.90	108.00	106.00	-	-
Convertible bond (closing price, Frankfurt, year-end)	93.00	91.00	93.00	93.00	92.00

1) Source: Deutsche Börse

2) The number of shares used as a basis is adjusted for the number of treasury shares amounting to 6,275 on annual average.  
 2007/2008 – adjusted result

3) Taking into account the maximum possible number of shares to be converted (convertible bond) pro rata temporis.

4) Adjusted earnings per share

## Corporate Governance Report

The Jenoptik Group traditionally structures its policies to adhere to the recognized standards, and supports the recommendations of the German Corporate Governance Code. The Executive and Supervisory Boards issued their declaration of conformity, in accordance with section 161 of the Stock Corporation Act, in December 2008. This stipulated that, with three exceptions, Jenoptik would implement the recommendations of the "Government Commission on the German Corporate Governance Code" in both its June 6, 2008 and June 14, 2007 versions. In addition to the recommendations of the code, Jenoptik has also followed a majority of the other suggestions made in the code. The current declaration of conformity and those of the past several years can be accessed on [www.jenoptik.com](http://www.jenoptik.com) by clicking on "Investors" and then "Corporate Governance".

Jenoptik views responsible management as a major basis for its sustainably positive business performance. We sense an obligation to uphold the principles of sound corporate governance as central components of our corporate management. We view our compliance with both external and internal guidelines as a basis for responsible action and as a major aspect of our business. For Jenoptik, its board members, and its employees, it is a top priority – that indeed goes without saying – to work in accordance with all valid laws. As of January 1, 2009, a new Compliance Guideline went into effect for the Group as a whole on compliance with laws and regulations. This will be supplemented with a Code of Conduct for Jenoptik employees. The codex features standards for the everyday work of each and every employee with information on how to avoid violating laws and to prepare for risk.

### Shareholders and Annual General Meeting.

The shareholders exercise their rights, including voting rights, at the Annual General Meeting. Each share guarantees one vote. We will again provide a proxy to enable shareholders to exercise their voting rights who cannot

attend the meeting, as in previous years. Shareholders can access reports and other information for the meeting at the Jenoptik Internet site under Investor Relations/Annual General Meeting. The attendance and voting results will be posted there following the meeting.

### Transparency.

We provide our shareholders and other target groups with all major information on the company's position and development that is of relevance to the capital market, to be accessed at [www.jenoptik.com](http://www.jenoptik.com) by clicking on "Investors". Inside information is published immediately inasmuch as the Executive Board is not, in individual cases, exempted from the disclosure. All ad-hoc and press releases are posted to the company Internet site in German and English. A financial calendar, interim and annual reports, and other investor relations information are all published there as well.

In addition to the relevant laws, the Jenoptik Group follows its own guidelines on compliance with the terms of the Securities Trading Act that were updated. These guidelines establish the major obligations of the board members and employees of the Jenoptik Group, and responsibilities with regard to insider rights, ad-hoc public relations, and directors' dealings. The guidelines are regularly revised and adapted to new regulations. Those who are, in accordance with their positions, privy to inside information, are listed in an insider list. The working group for compliance, which was formed in fiscal year 2005, examines the ad-hoc relevance of particular cases. This guarantees that potential inside information is treated in accordance with legal regulations.

Information on directors' dealings as per section 15a of the Securities Trading Act is also published on the Jenoptik website. In fiscal year 2008, CFO Frank Einhellinger, purchased JENOPTIK AG shares. The details of this transaction can be viewed at [www.jenoptik.com](http://www.jenoptik.com) by clicking on Investors/Cor-



porate Governance/Directors' Dealings. Since the total holdings of all members of the Executive and Supervisory Boards exceeds 1 percent of total shares issued, this information is provided for each of the two boards in the Notes **ON PAGES 157 AND 160**.

We, furthermore, immediately announce any information that comes to our attention when someone has reached, surpassed, or fallen below 3, 5, 10, 15, 20, 25, 30, 50, or 75 percent of all voting rights, whether due to purchases, sales, or other events. The announcements for fiscal year 2008 can be accessed at [www.jenoptik.com](http://www.jenoptik.com) by clicking on Investors/Share/Voting Rights Announcements.

#### Executive and Supervisory Boards.

The Executive and Supervisory Boards work in close cooperation and in mutual trust. The Executive Board provides the Supervisory Board with regular, comprehensive, and timely reports on all matters relevant to the company's business development, strategy, and risk situation. The Supervisory Board was involved in all fundamental decisions, served the Executive Board in an advisory role and supervised the management. There were no conflicts of interest among the members of the two Boards. More information on the work of the Supervisory Board is provided in the Supervisory Board Report beginning **ON PAGE 6**.

There were changes in the Supervisory Board membership in the course of fiscal year 2008. Dr. Lothar Meyer and Heinrich Reimitz were first appointed by the court to the Supervisory Board, and were then confirmed in June at the Annual General Meeting. The Annual General Meeting also elected two further shareholder representatives to the Supervisory Board on June 5, 2008: Rudolf Humer and Christian Humer. The election was conducted in accordance with the Corporate Governance Code in the form of an individual election, with the meeting chairman announcing before the election that Rudolf Humer was nominated to be the new chairman.

Currently, no former members of the Executive Board are members of the Supervisory Board. There are a sufficient number of independent members.

Detailed information on changes in the Executive Board and Supervisory Board membership can be viewed in the Group Management Report (p. 36 f) and the Supervisory Board Report. (**PAGE 10**)

#### Accounting and auditing.

The Annual General Meeting selected the auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor of annual accounts for fiscal year 2008. Before nominating the firm, the Supervisory Board (Auditing Committee) received a declaration of independence from the auditing firm, stating that there were no business, financial, personal or other links between KPMG, its board members and head auditors, and the company being audited and its board members.

#### Remuneration Report.

Information on the remuneration of the Executive Board and the Supervisory Board is included in the Group Management Report. This information can be found in the Annual Report beginning **ON PAGE 37**.

Individual disclosures of remuneration for the Executive and Supervisory Board members can be found in the Notes of this Annual Report **ON PAGES 157 AND 160**. We view this information as an integral part of the Remuneration Report and thus of the Corporate Governance Report.

#### Deviations from the recommendations of the code.

The JENOPTIK AG Executive and Supervisory Boards support the recommendations of the Government Commission on the German Corporate Governance Code in the version dated June 6, 2008, and declare in accordance with Section 161 of the Stock Corporation Act:

The recommendations of the Government Commission on the German Corporate Governance Code ("DCGK") in the version dated June 6, 2008 will be followed with the following exceptions:

*1. The reports and documents required by law for the Annual General Meeting will regularly be provided from the time the Annual General Meeting has been duly convened and will be sent to the shareholders upon request. The documents will be published on the company's internet site together with the agenda provided that this does not conflict with the legitimate interests of the company, its shareholders or third parties (Point 2.3.1 DCGK).*

In principle, all reports and documents, for which the law requires this, are to be published on the JENOPTIK AG Internet site together with the agenda. It should thus remain possible to prevent the general public from obtaining access to certain information in warranted individual cases. This can, for example, be the case if JENOPTIK AG has a justifiable interest in extending such information to its shareholders but not to its competitors or customers.

*2. A deductible for D&O insurance shall be waived (Point 3.8 Paragraph 2 DCGK).*

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

*3. The Personnel Committee of the Supervisory Board, responsible for Executive Board contracts, shall consult the Supervisory Board plenum with regard to the Board's remuneration scheme if the plenum wishes this or when the Committee deems it necessary for a specific reason (Point 4.2.2 DCGK).*

The case-by-case treatment of Executive Board contracts and of the remuneration scheme, including the major contractual clauses, suffices for the Supervisory Board to work efficiently.

Since the last declaration of conformity dated December 2007 the recommendations of the Government Commission on the German Corporate Governance Code ("DCGK") in the version dated June 14, 2007 have been followed with the exceptions stated above.

The Executive and Supervisory Boards regard the recommendations of the German Corporate Governance Code as a guideline for exemplary entrepreneurial activity. In business life, however, there will be situations in which these stipulations prove to be too inflexible or unnecessarily restrict well-established business practice. In such cases there may be deviations from the recommendations of the code, contrary to the current annual declaration pursuant to § 161 AktG, which will be published in the next declaration pursuant to § 161 AktG at the latest.

## JENOPTIK AG Group Management Report for fiscal year 2008

“In the 2008 Annual Report, the segment information in the Management Report and Notes will, for the first time, present our new group structure with the Lasers & Optical Systems, Metrology, and Defense & Civil Systems Segments. All figures for 2007 were adapted for these segments and are therefore comparable with the figures for 2008.”

FRANK EINHELLINGER, MEMBER OF THE EXECUTIVE BOARD, JENOPTIK AG

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# 1 Business and framework conditions

## 1.1 Group structure and business activity

### Business areas and organizational structure

As an integrated opto-electronics group, Jenoptik operates in the following five divisions:

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

These five divisions are divided into the Lasers & Optical Systems, Metrology and Defense & Civil Systems segments and have consequently formed the basis for the segment reporting since January 2008. <sup>8</sup>

This organizational structure, established on January 1, 2008, is geared towards Jenoptik's markets and clients and has enabled the Group to improve the efficiency of its speed-to-market for products and technologies that offer a high level of customer benefit. The companies, which previously operated as separate entities, have combined their areas of expertise in the respective divisions along the added value chain and consequently improve the Group's competitiveness. Detailed information on this can be found in this Management Report.

Since the 2<sup>nd</sup> half-year 2008, group-wide processes have been amalgamated within the Shared Service Center, the aim being to reduce costs and enhance quality. These processes include information technology, operating HR management, the sourcing of materials and services on a division-wide basis, real estate management, the areas of health and safety at work, technical services and environmental protection.

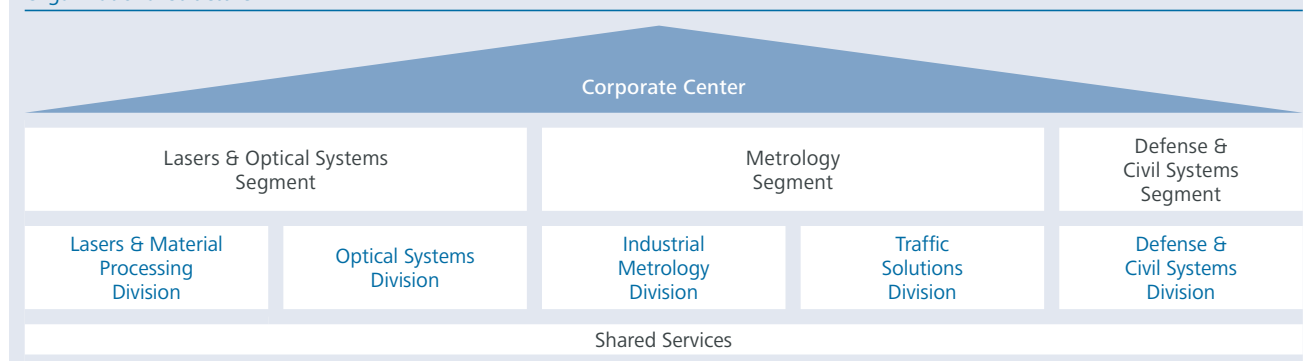
In the 2008 Annual Report the segment reporting in the Management Report and in the Notes will reflect for the first time the new structure (Lasers & Optical Systems, Metrology, Defense & Civil Systems). All details on figures for the 2007 comparison year have been adjusted to the new segment reporting so these can be compared with the segment figures for the year 2008. The figure "Other" includes Jenoptik Holding as well as real estate, special subjects and consolidation effects.

### Products, services and business processes

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

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### Organizational structure



We supply many of our systems and facilities to clients who themselves operate in the technology sector. Research and development play a key role within our business processes. We custom develop and manufacture for many of our clients and partners.

Our product portfolio extends from complex systems, industrial facilities and production lines, modules and subsystems, through to components. Comprehensive total solutions or operator models which consist of system and facility integration, the corresponding network and project management, data processing and services, are successfully placed on the market by the Jenoptik Group.

In the **Lasers & Material Processing** division, we are one of the leading providers of laser technology. The division specializes in diode lasers and innovative solid-state lasers, such as thin-disk lasers and fiber lasers. We develop, manufacture and market laser modules and components, laser systems as well as complete facilities for material processing for a wide range of applications. Jenoptik has expertise along the entire added value chain – from wafer and semiconductor material, particularly for high-power laser diodes, to laser beam sources, through to system and automation technology for complete facilities which enable laser processes to be utilized to meet a wide range of client requirements.

Jenoptik is the acknowledged worldwide leader in the quality of high-performance diode lasers.

Our **Optical Systems** division makes us one of the few manufacturers in the world to produce precision optics designed to satisfy the highest standards of quality. The division is a development and production partner for optical, micro-optical, opto-electronic and optical coating components, opto-mechanical assemblies, modules and systems – made both from glass, crystal as well as plastic. Our outstanding expertise in this area lies in the development and manufacture of micro-optics for beam shaping, as used in the semiconductor industry and for laser material processing. The portfolio also includes components and systems for life-science and lighting & energy applications as well as cameras and camera components for the world of professional digital photography, digital microscopy cameras as well as digital imaging modules for integration within image capture and processing systems.

In **Industrial Metrology**, Jenoptik is a leading manufacturer and system provider for high-precision, contact and non-contact production metrology, primarily for rotation-symmetrical parts, and is the number two provider on the world market. The range of services covers total solutions for a wide range of measurement tasks such as roughness,

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#### Sales by target market

(Markets in EUR million & % of total sales)	2008		2007	
Security and defense technology	28.3 %	155.3	28.1 %	146.8
Metrology	23.1 %	126.3	22.4 %	117.3
Material processing	10.2 %	56.1	10.5 %	54.6
Civil aviation/aerospace	9.6 %	52.8	5.1 %	26.4
Medical technology	9.5 %	52.2	9.8 %	50.9
Digital imaging	6.9 %	37.7	7.5 %	39.1
Semiconductor industry	6.1 %	33.4	9.4 %	48.9
Other	6.3 %	34.5	7.2 %	37.7

## Jenoptik: The main business locations

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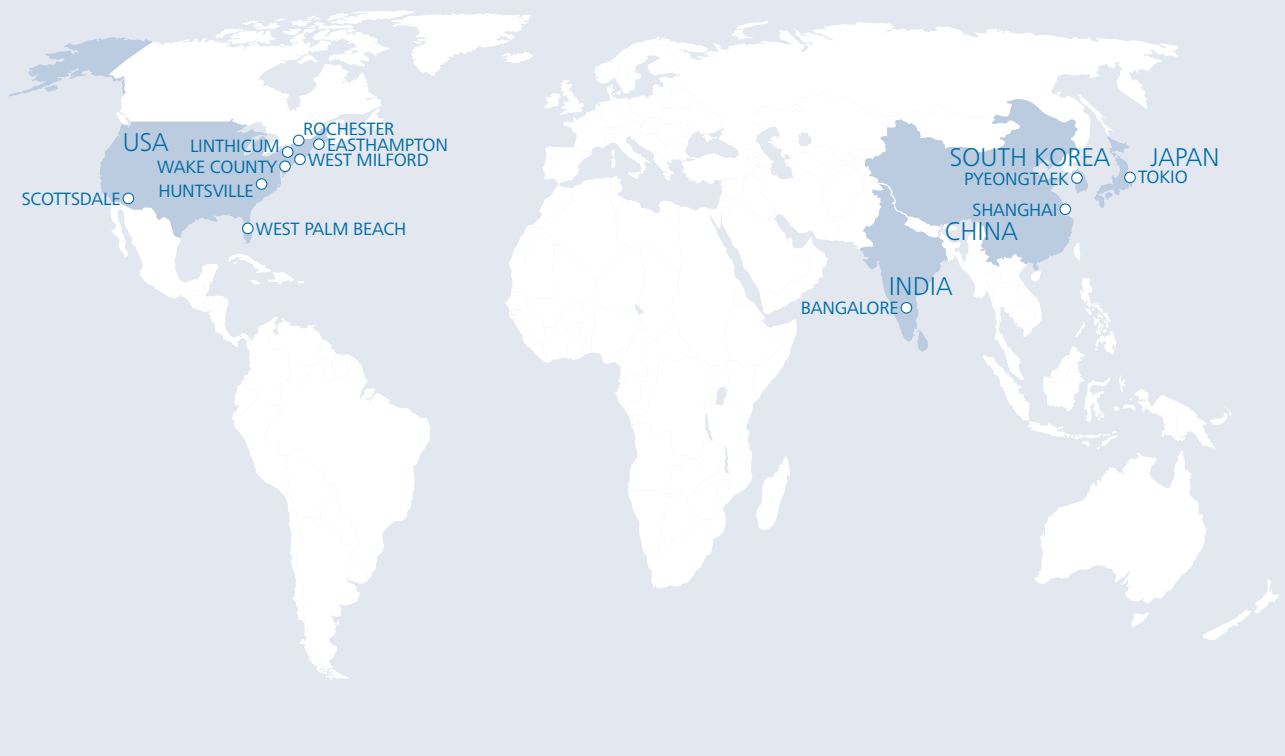
### Germany



### Europe



### America and Asia



contour and shape testing as well as calculating dimensions – both during (in-process) and after (post-process) the manufacturing process as well as in the metrology room. The product range is rounded off by comprehensive service which includes advice, training and after-sales service, plus long-term maintenance agreements.

In the Traffic Solutions division, we develop, manufacture and distribute components and systems that increase road traffic safety worldwide. We are the world leader in equipment for photographic traffic monitoring. The division's product range includes speed and red light monitoring systems as well as components for automatically recording drivers who fail to pay tolls or make the wrong payments, comprehensive systems and services for every aspect of road traffic (for example for monitoring entrances, exits and transit areas as well as for identifying stolen vehicles) plus OEM products (Original Equipment Manufacturer). In the Traffic Service Providing business, the Jenoptik Group has been covering the entire process chain in area of traffic solutions technology since 2006 – from system development, production and installation of the monitoring infrastructure, to recording monitoring images and their automatic processing, through to dispatching the fine notices and collecting the fines as the system operator.

The main areas of focus in the Defense & Civil Systems division are on military vehicle as well as rail and aircraft equipment, drive and stabilization technology and energy systems. The range of services also includes opto-electronic instruments and systems for the security and aerospace industry as well as software, measurement and control technology. In the area of laser and infrared sensors the emphasis is on the development, manufacture and marketing of laser distance measurement equipment as well as infrared camera systems for a wide range of applications.

#### Jenoptik: The main business locations

The Jenoptik Group is represented in 68 countries worldwide, in 16 of these through its own companies and/or investments. Jenoptik's headquarters and main focus of production is in Germany. In addition to the headquarters in the city of Jena, other major business locations are in Wedel near Hamburg, Monheim near Düsseldorf, Villingen-Schwenningen, Triptis and Eisenach in Thuringia, Berlin, Altenstadt (Bavaria), Essen and Göttingen. Outside Germany, Jenoptik is represented through production locations in France, Switzerland and the USA and – on a smaller scale – in Russia, India, China, South Korea and Spain. <sup>10</sup> <sup>11</sup> <sup>12</sup>

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#### Employees in Germany by major locations

(as at 31.12. incl. trainees)	2008	2007		2008	2007
Total	2,894	2,904			
Jena	1,248	1,233	Triptis	205	198
Wedel	593	577	Altenstadt	140	136
Villingen-Schwenningen	227	210	Essen	94	99
Monheim	210	222	Other*	177	229

\* Other: Göttingen, Gießen, Eisenach, Mühlhausen, Hildesheim and other

Over and above the production locations, the Jenoptik Group maintains locations in those countries that occupy a key position for the operating business. It also has a world-wide network of dealers and partners.

#### Key sales markets and position in the competition

Our key markets mainly include the security and defense industry, the market for metrology and material processing, the civil aviation and aerospace industry, medical technology, the market for traffic solutions technology as well as digital imaging.

The key sales regions are Europe, North America and Asia. It is not possible to provide a general statement regarding the Group's overall position in the competition – either in the key markets or the main sales regions – since Jenoptik is not active in the market as an overall group but operates instead through its respective products and technologies in the various markets and regions. <sup>9</sup>

#### Economic and legal influencing factors

As a result of our broad market presence, we are better able to compensate for cyclical fluctuations experienced by individual markets than companies that operate in just one or a few markets. On the economic side we are dependent in the wider sense on the general climate for capital goods. The most stable market for Jenoptik has traditionally been

defense and security technology, whilst the semiconductor equipment market is the most distinctively cyclical. We do not operate in consumer goods markets, some of which are subject to significant seasonal fluctuations. The license agreement for digital mass consumer cameras under the Jenoptik brand was terminated by Jenoptik in 2008. It will expire no later than at the end of 2009.

Our products and services are primarily geared towards industry and, in individual branches of business, the public sector. Export conditions apply to the export of certain high-tech products as well as to components in the defense technology business, which Jenoptik, however, exports itself only to a minimal extent. The largest part of this is supplied to NATO partners in Europe and to Switzerland. Individual products and services in the defense technology business 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 had been already adapted to the new corporate structure and size in 2007 and since then has comprised 12 members (previously 16), six of which are employee representatives. Since June 2008, Rudolf Humer, Chairman of the Supervisory Board of ECE European City Estates AG, Hinterbrühl/Austria, has been

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#### Employees abroad by major locations

(as at 31.12. incl. trainees)	2008	2007
Total	506	532
USA	255	254
France	111	141
Switzerland	117	115
Other European countries*	23	22


\* Other European countries: Spain, Austria



Chairman of the Supervisory Board. In addition, the Annual General Meeting elected the following new members of the Supervisory Board: Christian Humer, Chairman of the Executive Board of ECE European City Estates AG, Hinterbrühl/Austria, Heinrich Reimitz MA, Member of the Executive Board of ECE European City Estates AG, as well as Dr. Lothar Meyer, former Chairman of the Executive Board of ERGO Versicherungsgruppe AG. Dr. Lothar Meyer had been a new member of the Supervisory Board of JENOPTIK AG since January 25, 2008, he succeeded Dr. Daniel von Borries who had resigned from his post to pursue new duties. Mr. Heinrich Reimitz MA had been appointed by the court as a member of the Supervisory Board in April 2008 to replace Prof. Johann Löhn. Detailed information is contained in the Notes, p. 158.

The Jenoptik Executive Board comprises two members: Dr. Michael Mertin, Chairman of the JENOPTIK AG Executive Board, is responsible for the entire operating business as well as the areas of strategy and innovations, investments and auditing, IT, data protection, communication and marketing, quality and processes and personnel as HR Director. Frank Einhellinger is the JENOPTIK AG Chief Financial Officer. In his role, he is responsible for the areas of finances and strategic procurement, risk management, legal affairs, investor relations, mergers & acquisitions, real estate as well as environmental management within the Group.

The management structure of the Group was streamlined with effect from January 1, 2008 in line with the new organizational 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, with responsibility for the results and, with the division's strategic orientation, has responsibility for the target markets, product strategies, R+D roadmaps, growth initiatives and monitoring the competition.

The strategic decisions of the Group as a whole are taken jointly by the Executive Management Board, comprising the Executive Board of JENOPTIK AG, the five Heads of Division as well as the Head of Strategy & Innovation Management and the Head of HR. 

#### Basic features of the remuneration system

A collective wage agreement covers approx. 900 employees at the Jena location and around 50 at the Gießen site. This agreement was concluded in February 2008 for two years with retrospective effect from January 1, 2008. All elements of the remuneration were increased in two stages – in the first stage by 4.1 percent from March 1, 2008 and by a further 2.4 percent with effect from March 1, 2009. A collective profit sharing scheme exists in the form of one-off

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#### Executive Management Board (as at December 31, 2008)

**Dr. Michael Mertin**  
Chairman of the JENOPTIK AG Executive Board

**Frank Einhellinger**  
Chief Financial Officer of JENOPTIK AG

**Dr. Thomas Fehn**  
Head of Lasers & Material Processing Division

**Dr. Dirk Michael Rothweiler**  
Head of Optical Systems Division

**Christian Sommermeyer**  
Head of Industrial Metrology Division

**Bernhard Dohmann**  
Head of Traffic Solutions Division

**Wilhelm Hardich**  
Head of Defense & Civil Systems Division

**Dr. Stefan Stenzel**  
Head of Strategy & Innovation Management at JENOPTIK AG

**Markus Olbert**  
Head of HR, Head of the JENOPTIK AG Shared Service Center

payments linked to profits. Over and above this, special payments can be made to reward individual performance. In addition to financial incentive systems, Jenoptik places an emphasis on providing a pleasant working environment, such as for example creating a favorable work/life balance.

For those Group employees covered by the collective wage agreement of the metal and electronics industry, the outcome of the wage and salary negotiations dated February 2008 apply. A total of 75 percent of all 2,894 personnel employed in Germany work on the basis of a collective wage agreement.

Jenoptik has offered an employee-funded retirement model since 2001. This is based on three pillars: provident fund, pension scheme of the metals industry as well as private pension agreements with Allianz Lebensversicherung AG. No pension guarantees are given. Provisions for existing pension liabilities that were taken on with the acquisition of ESW GmbH total approx. 28 million euros and are combined within the framework of a Contractual Trust Arrangement (CTA) which is primarily secured by way of real estate assets and securities and is therefore independent of Jenoptik's operating business.

The remuneration for the Jenoptik Management was revised in 2008. Variable elements of the remuneration for the Heads of Division and the top management are calculated on the basis of the results and cash flow of the division and/or the Group as a whole as well as on individually agreed strategic and personal targets. This basis for calculation of variable elements of the remuneration, redefined in 2007, was carried over to the second Group management level in 2008.

The remuneration for the Executive Board comprises a fixed and a variable element. Supplementary benefits and annual contributions to the occupational pension scheme are also provided. The variable element of the remuneration is determined according to the personal performance of the Executive Board member, based on a target agreement concluded with the Chairman of the Supervisory Board and determined by the success of the company, with the basis for calculation in this respect being Group earnings before tax, the share price as well as strategic targets. Aside from each member being provided with a company car that can also be used for private purposes, as well as an insurance for incapacity to work, there are no other significant supplementary benefits. Occupational retirement provision agreements exist for both members of the Executive Board. The retirement guarantee is based on a retirement concept which is backed by a life insurance policy.

Further details on the remuneration for the Executive Board and Supervisory Board, including the individual itemization of the remuneration for the members of the Executive Board and Supervisory Board, can be found in the Notes to the Annual Report. We regard this information and the above details on the remuneration system as an element of the Remuneration and consequently the Corporate Governance Report which can be found FROM PAGE 28 of this Annual Report.

## 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 para. 4 HGB:

Regulation	Subject	Information or reference
§ 289 (4) 1	Composition of the subscribed capital	The subscribed capital is in the sum of TEUR 135,290 and is divided into 52,034,651 no-par value bearer shares. Further details can be found in the Group Notes under Point 25.
§ 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 under Point 25. ECE European City Estates AG, Hinterbrühl and the Humer Privatstiftung, Vienna, hold indirect interests through 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 on 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 2008 Annual General Meeting the Executive Board is authorized, up to November 30, 2009, 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 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 10 percent of the nominal capital. The terms and conditions are described in the resolutions of the 2008 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 the convertible bond, the debenture loan, two credit agreements as well as an agreement with a joint venture partner. Detailed information on these can be found in the Annual Report on Page 69.
§ 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 and are explained in detail in the Group Notes under the point Executive Board.

## 1.2 Corporate management, targets and strategy

Since 2008, a comprehensive strategic realignment, producing a leaner organizational and management structure, has been providing the basis for the necessary improvements in performance. The new divisional organization together with a group-wide Shared Service Center enables synergies to be developed on a more targeted basis than had been possible in the previous organizational structure, in which companies essentially operated independently of each other. The aim is to orientate the Jenoptik Group along its added value chains and consequently make it more market and client driven and enable it to achieve profitable growth. The vision of the Group as a whole for the years ahead is clearly formulated in a core statement drawn up by the Executive Management Board at the beginning of 2008:

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

Our vision forms the basis for the strategic guidelines of the Jenoptik Group and is explained in more detail in the

chapter below. One of the key aspects in Jenoptik's strategic realignment is the further development of the corporate culture. The whole process is being supported by an active system of Change Management. Detailed information on this can be found in this Management Report **ON PAGE 58**.

### Strategic guidelines

Jenoptik consistently aligns itself towards its markets and clients. As a technology-based company we place the benefit for the client at the heart of our products and solutions. We do not see technology as a means in itself.

By pursuing a policy of active portfolio management, we are focusing the Group on attractive markets and by doing so improving the opportunities for profitable growth. That is why, particularly in the 1<sup>st</sup> half-year 2008, we continued to dispose of activities which do not form part of the strategic core themes and diverted the financial resources which were released to areas of business which hold good prospects for the future. The increasingly focused portfolio now provides for more active management of growth opportunities. All of the measures and projects covered by our strategic realignment are geared towards the five value levers which, since 2007, have been defining the areas of focus of the Group's further development for the years ahead. 14

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#### Value levers

- Organic growth through market development, market penetration and product innovations.
- Market and customer-oriented approach through the expansion of the distribution and marketing activities and the adaptation of internal processes to customers and markets.

**Organic growth:** Based on a clear market focus, the emphasis of the development work in the Jenoptik Group is on the development of new products and technologies and the further development of existing ones. We also see new business models, like those we are offering for example with Service Providing in the traffic solutions business, as innovations.

In order to increase our innovative capability, a group-wide system of innovation management with a standardized structure was introduced in 2008, geared towards current best practices of successful high-tech companies, thus creating the basis to systematically lead the best ideas to economic success. New development projects are evaluated according to a list of criteria applicable throughout the whole Group. The key criteria are earnings and market potential, technological feasibility and a detailed risk assessment. The Jenoptik Innovation Days conference was established in 2008 and in future will be held annually. More detailed information on this is given **ON PAGE 55**.

**Market and client orientation:** Since it was introduced, the divisional organization has proven successful, particularly with regard to contact with our customers. It now enables customers for the first time to view the Group as an integrated and major specialist in their respective area of busi-

ness. This was underpinned by the introduction of the very first, worldwide, uniform umbrella label for the whole of Jenoptik in January 2009. In 2008 preparations were made throughout the Group for a group-wide Internet portal which, starting from mid 2009, will combine the Group's entire range of services within one website and consequently for the very first time provide both existing and potential clients with information on the Group's entire portfolio as well as direct support for business processes.

**Internationalization:** For new internationalization projects the divisions now have enhanced access to existing structures in the respective country. If Jenoptik is not actively involved in the target market then the new structures are established in such that they might be used by other divisions in future. This was done for example in summer 2008 with the establishment of a joint venture in India in which Jenoptik has a 51 percent majority holding. In addition, the first structures abroad were combined in 2008. For example, since 2008 the Industrial Metrology and Defense & Civil Systems divisions have been utilizing a joint location in Spain.

**Employees & management:** In the work of strategic HR positioning the company as an attractive employer and the creation of employee loyalty to the company are key as-

- Internationalization through a systematic development of the foreign markets, particularly in North America and Asia.
- Personnel & management by challenging and encouraging employees and managers through strict performance management.
- Operational excellence by examining all the company's processes in order to improve them and generate cost savings.

pects. The challenges of the future, in addition to the demographic changes, will be the waning enthusiasm of young people for careers in the natural sciences. A central strategic HR department which is also responsible for the group-wide HR marketing was established at the end of 2007. Following the introduction in 2007 of recruitment using a group-wide applicant management system, the subject of HR development and support for personnel are put under the spotlight in 2008 and 2009.

**Operational excellence:** Tasks and processes which are the same across all divisions and can be more efficiently structured by being amalgamated are combined in the Shared Service Center. This then enables the divisions to concentrate on their core tasks; in addition, synergy effects can be realized throughout the Group both with regard to optimizing costs as well as increasing quality. The Shared Service Center began operating in mid 2008 and started with the topics of information technology, operational HR management, sourcing of materials and services that are needed by multiple divisions, real estate management, as well as the areas of security, technical services as well as health and safety at work and environmental protection. One area of focus is the development of a standardized Group IT.

Comprehensive preparations were also made for the Jenoptik Excellence Program (JEP) which began in February 2009 and is already expected to produce the first results by the end of 2009. The aim of the JEP is to achieve cost reductions and improvements in quality through process optimization, the continued implementation of the divisional structure through structural reorganization as well as the migration of additional themes into the Shared Services described above.

### Control system and control indicators

At the beginning of 2008, the control system was adapted to meet the requirements of the new organizational structure. Three forecasts are being produced during the course of the fiscal year. The segments, together with the divisions, will be assessed monthly on the basis of data provided on sales, operating result, order book situation, working capital, development of cash flow, investment volumes as well as other liquidity and profitability details by comparison with the targets and the forecasts during the course of one year. Quality-related factors such as client relationships, projects, the situation regarding competitors and other early warning indicators will be subject to monthly reports at the business unit level.

Personal performance meetings will be held twice a year between Executive Boards and Heads of Division which will also assess, in particular, strategic targets as well as the business development of the segment, the divisions as well as the individual business units – consequently down to the third level of organization. Strategic decisions for the Group as a whole will be taken by the Executive Management Board (EMB) whose number of meetings was increased during the course of 2008 from four to six a year and which also holds extraordinary meetings to deal with special and important events. The status of the projects within the framework of the strategic realignment will be monitored on a monthly basis with the help of 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 2008, the global economy was unable to continue its longstanding course of growth. The economic downturn, the first signs of which became clear as early as 2007, also accelerated into the real economy as the financial and property crisis continued to widen. Whilst for the most part the global economy maintained a stable course in the first half of 2008, the indications of a marked slowdown in economic activity began to appear from autumn 2008. Average growth in GDP in the various OECD regions in 2008, at 1.4 percent according to the OECD economic outlook dated January 2009, was sharply below the figure for 2007 (2.6 percent) and 2006 (3.1 percent) and clearly lower than the 2.3 percent for the year 2008 predicted by the OECD. The third quarter in particular and even more so the fourth quarter, at -0.2 and -1.4 percent respectively, were significant contributory factors in the downturn.

The OECD expects to see the US economy reporting total growth for 2008 of 1.4 percent, compared with 2.0 percent in the previous year. The sharp fall in growth during the fourth quarter 2007 consequently accelerated over the course of the year. For the fourth quarter 2008 the OECD forecasts a reduction of 2.8 percent in US economic output.

The sharp rises in energy prices particularly during the first part of the year, the marked cutback in consumer spending as well as falling net assets caused by the property crisis were the key factors in this trend because consumer spending in the USA accounts for 72 percent of the economic output (GDP). <sup>15b</sup>

Whilst in 2007 the economies of the euro zone continued to grow at the OECD average of 2.6 percent and well above that of the USA and Japan, in 2008 it showed a significant fall. Over the full year growth was just 1.0 percent, however GDP was lower in the second and third quarters and according to provisional OECD calculations continued to fall in the fourth quarter. It was consequently just half of the figure forecast by the OECD last year. In addition to low consumer spending and the very weak dollar in the first half of 2008 this was also attributable to the reduction in global investment during the second half of 2008.

Although Germany posted stronger growth than the euro zone thanks to a strong start to 2008, the figure was also sharply down on that of the previous year. Compared with 2.6 percent in 2007, the German economy expanded by 1.4 percent in 2008. The main contributory causes of this trend were restrained consumer spending and lower growth in exports as a result of the general conditions in the global economy. Whilst the start to the first quarter 2008 was still

15b

### Change in gross domestic product (in percent)

	2006	2007	2008	2009*	2010*
OECD countries	3.1	2.6	1.4	-0.4	1.5
USA	2.8	2.0	1.4	-0.9	1.6
European Union	3.0	2.6	1.0	-0.6	1.2

Source: OECD Economic Outlook No. 84 /2008

\* forecasts

characterized by a high dynamic, growth in the real income showed a marked fall, weakened by the sharp rises in energy and food prices. During the second half of 2008 the consequences of the financial crisis in terms of increasing difficulties in obtaining refinancing and the resultant impact on investment activity became clear. Despite this, in 2008 Germany successfully defended its title as the world champion exporter for the sixth time in succession. However, according to Destatis, export growth slowed to 3.9 percent. Despite the increase of just 5.3 percent in investment in equipment (prev. year: 6.9 percent) there was a rapid fall in the level of industrial capacity utilization at the end of the year.

Japan's longest economic upturn of the post-war period was maintained up to 2007 but slowed significantly in 2008 from 2.1 percent to 0.5 percent. The fourth quarter 2008 in particular performed very badly, reporting a 1.0 percent fall in economic output. One of the significant contributory factors in this – as in other export-oriented national economies – were weakening investment activity, the slowdown in export demand as well as the rise in the value of the local currency, in this case the yen, against the US dollar.

The non-OECD economies which had made significant contributions to economic expansion over recent years were also affected by the global economic trend. For example,

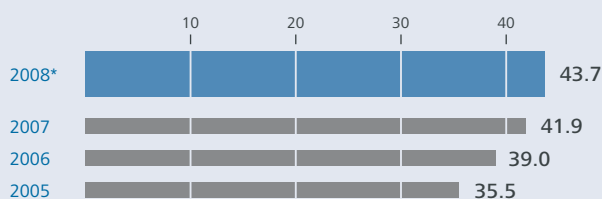
for the first time in five years, growth in China in the third quarter 2008 fell to 9 percent. China remained in second place behind Germany as an exporting nation and ahead of the USA. There was also a slowdown in domestic demand in 2008. Growth in India, the second key emerging Asian economic power, fell further to 7.0 percent in 2008. Although the anticipated restraint was applied, the same cannot be said of its monetary and fiscal policy. Driven by the strong rises in commodity prices and the rapid expansion in private consumer spending, the Russian gross domestic product grew by 6.5 percent, albeit at a markedly lower rate than in the previous year (8.1 percent). Brazil by contrast managed to maintain its growth rate at a consistent 5.3 percent compared with the previous year.

#### Development of the individual Jenoptik sectors

According to forecasts by SPECTARIS, the German industry association for optical, medical and mechatronic technologies, the global market for optical technologies in 2008 essentially remained stable despite the difficult economic environment. As such, the first two quarters 2008 posted overall growth compared with the same quarters in the previous year. There is currently no precise information available for the trend over the remainder of the year. However, based on a SPECTARIS forecast, exports to the USA in 2008 fell by 3 percent. On the assumption that the United States has suffered the most from the downturn, this would indi-

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Market of the German optical, medical technology and mechatronic industries (in billion euros)



Source: SPECTARIS November 2008

\* forecasts

-- World market for optical technologies stable in 2008.



cate a relatively stable level of sales in optical technologies on a year-by-year comparison. <sup>16)</sup>

According to Laser Focus World (LFW), in 2008 the global market for laser technology grew slightly with a forecast volume of 7.1 billion US dollars compared with 6.9 billion US dollars in 2007. Whilst the Asian and European markets were able to compensate for the losses in the USA in the previous year, the second half of 2008 was increasingly characterized by a global crisis. Nevertheless a few key areas of application continue to post strong growth, particularly those in the field of medical technology and the photovoltaics segment. <sup>17)</sup>

Competition in the industrial metrology and sensor systems area was increasingly of a global nature. In addition to the focusing on standard systems, there were signs of a cautious approach to investment by the key customers in the automotive industry as at the end of the year.

The global semiconductor market was unable to continue its dynamic course of growth: sales in the sector showed a fall for the first time in five years – down by 2.8 percent to 249 billion US dollars. The extent of the fall became clear as the year came to an end: the figures for November were 7 percent below those for October, with the figures for December in fact 16 percent down on those for November.

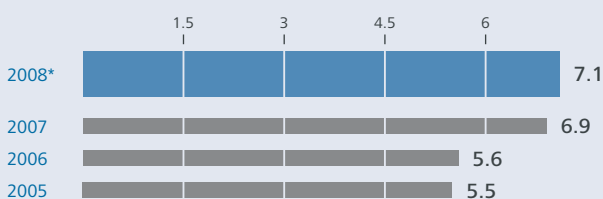
The reason for this is the restrained consumer spending as a result of the uncertain economic situation. After marked increases in sales in 2007 had enabled those equipment manufacturers who were members of the sector association SEMI to post record figures, this was followed in 2008 by a 28 percent drop to just 28 billion US dollars. As a result, the negative trend, which had commenced in the summer of 2007, not only continued throughout 2008 but in fact significantly accelerated. The predictions published by Gartner and SEMI at the beginning of the year that 2008 would only see a slight fall consequently did not materialize for the manufacturers. <sup>18)</sup>

In the machine and plant construction industry, the sector association VDMA reports growth of 5 percent to 200 billion euros. However, order intakes during the final months of 2008 were significantly down. In November 2008 they showed a 30 percent collapse compared with the previous month. This development is the sharpest fall for nearly thirty years.

According to calculations by the sector association, the Verband der deutschen Automobilhersteller (VDA), 2008 was a bad year for the automobile industry. Following a reasonable start, the situation deteriorated sharply during the second half of 2008. As such, passenger vehicle sales in Western Europe fell by 8 percent and were clearly lower

<sup>17)</sup>

Lasers: global sales (in billion US dollars)



Source: Laser Focus World January 2009

\* forecast

-- World market for laser technology with slight growth in 2008.

than the approx. 16 million vehicles in the USA and Europe as a whole which had been forecast at the beginning of the year. This is the sharpest reduction in 15 years. There was a similar collapse in the market for "Light Vehicles" in the USA, which was down by 18 percent to 13.2 million units. This is the lowest level since 1992 and for the very first time the European market exceeded the US market. After posting a record year for exports in 2007, German automobile manufacturers suffered a 4 percent fall in exports in 2008. As a result of this there was also drop in overall production levels. This market development also had a major impact on automotive suppliers. Their share of the added value over the last ten years has increased from 25 to 40 percent so they are also suffering just as badly from the sales crisis. During the fourth quarter 2008, orders for parts were down by up to a quarter, creating difficulties for some automotive suppliers.

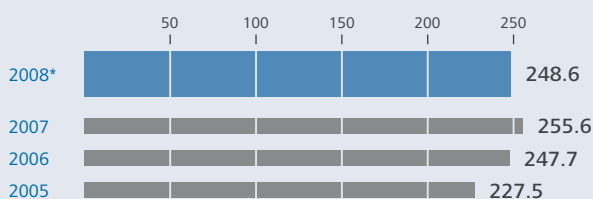
The global market for traffic systems was also unable to fully recapture its dynamic although there was a continuation of the trends observed back in 2007 – a switch in technology from analog to digital systems, trend towards comprehensive operator models as well as the convergence of toll and monitoring systems with the focus increasingly being placed on the damage to national economies caused each year by traffic accidents.

The problematical development of the economy over the course of the past year is also impacting on global air traffic. Whilst the international air transport association, IATA, had still been assuming growth of 5 percent at the beginning of 2008, in retrospect the actual level of growth being achieved is markedly lower at 2 percent. This trend was also carrying over to the aircraft manufacturers. For example, following the record year in 2007 Airbus reported just 777 new orders in 2008 and 483 aircraft deliveries (2007: 1.341/453), whilst Boeing recorded 662 new orders and just 375 aircraft deliveries (2007: 1.413/441).

In the aerospace sector, the successful launch of the first automated transfer vehicle, ATV, for the International Space Station ISS heralded a new era of European involvement. However, the number of total satellites launched fell from 25 in 2007 to 18 in 2008. At the Meeting of European Space Project Coordinators, new programs in the range of 10 billion euros were approved, these included various satellite and earth observation programs. This will result in high-quality working packages for the German aerospace industry as well as for German science and research. In addition, the German delegation defined new areas of focus for the Federal Republic of Germany within the framework of the ESA program: the further development of the Ariane 5 upper stage, the third generation of the European weather

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## Semiconductor: global sales (in billion US dollars)



Source: VLSI and SIA

\* forecast

-- Global semiconductor sales fell in 2008.

satellite system as well as data relay satellites for broadband communication.

An increased awareness of healthcare, innovative products and an ageing population are continuing to drive growth in the area of **medical technology**. The current global market volume is approx. 250 billion US dollars.

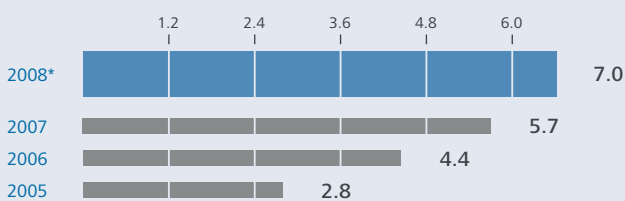
With the marked rises in the price of crude oil during the first half of 2008 there was a continuation of the boom in renewable energies, particularly in the **solar industry**: the development programs in Germany and Spain also made a considerable contribution towards the doubling of new installations to 4 gigawatts peak output. German manufacturers – both on the level of cell and module manufacturers as well as equipment manufacturers – also continued to benefit from this boom in 2008. With the collapse in oil prices in the fourth quarter 2008 and the banking crisis which increased the costs for refinancing photovoltaics projects, greater importance is being attached to cost management in this sector than was previously the case. There is also expected to be consolidation in the market. <sup>19b</sup>

The global market for **security and defense technology** also grew in 2007 by 6 percent to 1.34 billion US dollars and consequently continued its long term growth trend. In this context, the USA accounts for nearly half of all military

spending. The market is generally highly fragmented and regulated: as such, the 100 largest defense technology manufacturers account for less than 25 percent of the total market. Even within the EU, the individual national markets are still very isolated, a situation which increasingly leads to inefficiencies. German manufacturers remain the third largest exporters of armaments with a market share of approx. 10 percent. This equates to a volume of approx. 9 billion euros.

19<sup>b</sup>

Sales of the German photovoltaic industry (in billion euros)



Source: EuPD Research 2008

\* forecast

- Growth in the solar industry continued in 2008.
- Market consolidation expected.

### Summary I General statement on the framework conditions

The economic framework conditions deteriorated significantly overall in the final months of 2008 and at the beginning of 2009. However, those markets in which Jenoptik is actively engaged show a differentiated picture. Whilst the semiconductor and automotive industry are the two sectors which are experiencing difficult market conditions, in infrastructure development, for example in the traffic solutions market as well as the market for defense & security technology, the Group can look ahead to the sectors essentially continuing a stable course development.

In 2008, the strategic realignment proved to have been a necessary and correct course of action – particularly given the economic situation. 2008 represented an important step forward towards the creation of an integrated Group. This became clear particularly through the beginning of a change in the corporate culture, intensified reporting structures and numerous individual projects which have already been concluded and which make the Group overall more market and customer orientated. This course will be continued in 2009 with the focus being placed on operational excellence.

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#### Actual and forecast course of business (in million euros)

Indicator	as at year end 2007	Outlook for the fiscal year	Status as at end 2008	Explanation
Sales	521.7	≥ 550 (ca. 550)	548.3	P. 50
Lasers & Optical Systems	218	220–240	207	P. 74ff
Metrology	117	125–140	126	P. 79ff
Defense & Civil Systems	181	185–200	208	P. 83ff
Group EBIT margin (EBIT abs.)	6.8 % / 35.3	6.7 % to 7.2 % / 37–40	6.8 % / 37.1	P. 51

( ) Details in brackets: forecast during the course of 2008

## 2 Earnings, financial and asset position

### Actual and forecast course of business

Despite the weaker economic framework conditions, particularly in the 2<sup>nd</sup> half-year 2008, we achieved the lower end of the sales and earnings forecast ranges announced in spring 2008. In 2008 the Jenoptik Group benefited from the following factors:

- entry into the photovoltaics market through laser systems (SEE PAGE 75),
- strong demand for defense and security technology (SEE PAGE 84F),
- a pick-up in the international traffic solutions market in the 2<sup>nd</sup> half-year 2008 (SEE PAGE 80),
- a successful and worldwide integration of the Etamic Group into the Industrial Metrology division, giving it a global presence and making it one of the leading system suppliers for contact and non-contact metrology systems (SEE PAGE 82)
- the new divisional organization which led to an improvement in the market servicing during the course of 2008 itself (SEE PAGE 32FF),
- the consistent disposal of marginal activities within the framework of the Group's strategic realignment carried out in 2007 and the 1<sup>st</sup> half-year 2008 (SEE PAGE 71).

As forecast in the 2007 Annual Report, we were able to significantly improve the financial result in 2008. The main drivers in this respect were the abolition of the interest for

the high yield bond that we repaid prematurely at the end of 2007 – even after taking into account a one-off payment.

In 2008, the number of employees and net debt developed contrary to our forecasts. In terms of employees we had assumed an increase that was anticipated to be at a disproportionately lower rate to the increase in business. As a result of operational planning, capacity offsetting between locations and more efficient processes we succeeded in expanding our business with almost the same number of employees and therefore slightly increased the sales per employee compared with the previous year.

We had expected net debt to reduce as a result of proposed property sales and the release of financing for real estate planned within the framework of the sales which we deferred due to developments in the real estate market. We are keeping to our long-term objective of disposing of real estate which is not required for operational purposes, repaying the associated financing for real estate and consequently reducing the net debt. In addition, contrary to our original forecasts, capital expenditure was lower as the result of the implementation of a new and more consistent investment management. [20]

We issued sales forecasts for our three segments. The Lasers & Optical Systems segment suffered falls in sales primarily

[20]

### -- Continuation -- Actual and forecast course of business (in million euros)

Indicator	as at year end 2007	Outlook for the fiscal year	Status as at end 2008	Explanation
Cashflow from operating activities	73.8	Positive	46.5	P. 66f
Net debt	191.7	Reduction	191.6	P. 64
Shareholders' equity ratio	40.3 %	No details	42.5 %	P. 68f
Employees	3,436	Increase at a proport. lower rate to business	3,400	P. 57ff
R+D expenditure	39.0*	37–40	34.1	P. 55ff
Capital expenditure**	40.6	36–44	24.1	P. 64f

\* of which approx. 3 million euros through special depreciation affecting R+D \*\*without investments in financial assets

due to the crisis in the semiconductor market. This reduction was partially offset by the Defense & Civil Systems segment. The Metrology segment posted figures within the forecast range.

## 2.1 Earnings position

### Development of sales

In the fiscal year just past Jenoptik increased sales by 5.1 percent. Proceeds from sales totaled 548.3 million euros, representing an overall increase of 26.6 million euros compared with the previous year (prev. year 521.7 million euros). The share of sales abroad, in the total sum of 299.3 million euros, remained virtually at the same level in the previous year (prev. year 302.0 million euros), accounting for 54.6 percent of total sales (prev. year 57.9 percent). Europe remained the key export region followed by North America and Asia. Sales in Asia rose by more than 15 percent. <sup>[21]</sup>

The semiconductor crisis was reflected in the Lasers & Optical Systems segment and the segment was unable to repeat the high level of sales in the previous year. This reduction in sales was partially offset by an extremely good year for the Defense & Civil Systems segment which posted a 15 percent increase in sales, well exceeding the 200 million euro mark. The Metrology segment also succeeded in increasing sales,

although 2007 was a poor year for sales in the Traffic Solutions division. More detailed information on the development of sales in the segments can be found in the segment reporting **FROM PAGE 74**.

Sales in the sum of 6.5 million euros from the non-operating Others areas (Jenoptik Holding, real estate and consolidation) are mainly the result of rental sales with third parties (prev. year 5.3 million euros). <sup>[22]</sup>

### Development of the results

Group earnings before interest, taxes and depreciation and amortization (Group EBITDA) totaled 67.5 million euros and are consequently 14.7 percent down on the figure for the previous year (prev. year 79.1 million euros), primarily attributable to a figure for the previous year which was distorted by one-off effects. The operating EBITDA for the previous year was in the sum of 68.7 million euros (see 2007 Annual Report P. 50 and 123), so the previous year's figure was almost repeated in 2008.

In the 2008 fiscal year the Jenoptik Group posted a consolidated result from operating activities (Group EBIT) in the sum of 37.1 million euros (prev. year 35.3 million euros). This was achieved despite the deteriorating economic framework conditions and a significant downturn in the semiconductor industry during the 2<sup>nd</sup> half-year 2008 which was reflected

21

#### Sales (in million euros)

	2008	2007	Changes in %
Group	548.3	521.7	5.1
Domestic	249.0	219.7	13.3
Foreign	299.3	302.0	-0.9

22

#### Sales by division (in million euros)

	2008	2007	Changes in %
Group	548.3	521.7	5.1
Lasers & Optical Systems	207.0	217.9	-5.0
Metrology	126.3	117.3	7.7
Defense & Civil Systems	208.5	181.2	15.1
Others	6.5	5.3	22.6

in the lower results reported by the Laser & Optical Systems segment. A positive performance by the Defense & Civil Systems segment partially offset this reduction. The Metrology segment returned to profits in the 2<sup>nd</sup> half-year 2008 and from May 2008 benefited both from a pick-up in the international traffic solutions market as well as from the global integration of the Etamic Group and the resultant rise to a leading supplier for contact and non-contact metrology systems. More detailed information on the segments' results can be found **FROM PAGE 74**.

The Group EBIT for the 2007 fiscal year was characterized by one-off effects which balanced each other out. In the 2008 fiscal year one-off effects from the adjustment in the Group portfolio were also included in the Group EBIT, although to a far lesser extent than in 2007. Thanks to inter-group rental increases based on actual costs, there was an improvement in the real estate result. Others posted an improvement in the EBIT to minus 0.6 million euros (prev. year minus 7.7 million euros) which included a positive effect in the sum of approx. 1.8 million euros arising from the termination of a finance lease for a major property in the 1<sup>st</sup> quarter 2008. This is shown under any other operating income which totaled 22.1 million euros (prev. year 45.2 million euros). Other operating expenses in the sum of 15.3 million euros (prev. year 38.5 million euros) include, amongst other things, expenses arising from the closure of a smaller company

as well as from the setting up and release of provisions.

For example, provisions for restructuring were set up and expensed whilst the provision for legal costs for the successfully concluded US patent litigation was released. The largest individual items under other operating income and expensed are currency gains and losses arising from hedging transactions which virtually balanced each other out. <sup>[23]</sup>

As the result of a slight improvement in the investment result and a significant rise in the overall net interest result of 17.8 million euros, the financial result increased to minus 16.8 million euros (prev. year minus 34.6 million euros).

The investment result came in at minus 5.5 million euros (prev. year minus 7.1 million euros). In the previous years and up to the end of the 2<sup>nd</sup> quarter 2008 this was influenced by XTREME technologies GmbH in which Jenoptik had held 50 percent of the shares. These were sold in May 2008 to the joint venture partner Ushio so this company was only included in the investment result on a proportional basis up to May 2008. The figure also includes the depreciation on a minority shareholding and a loan claim. Both depreciations relate to non-strategic investments which are being hit particularly hard by the economic crisis as a result of a narrow market focus. Nevertheless, there was a marked improvement in the investment result compared with 2007. In addition, JT Optical Engine, the company formed in 2007

<sup>[23]</sup>

#### Result from operating activities (in million euros)

	2008	2007	Changes in %
Group	37.1	35.3	5.1
Lasers & Optical Systems*	15.0	25.2	-40.5
Metrology*	6.9	7.6	-9.2
Defense & Civil Systems*	15.8	10.2	54.9
Others*	-0.6	-7.7	92.2

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\*\* before Group charges

by Jenoptik and Trumpf for the development of optical engines for fiber lasers, was shown in the investment result at-equity.

The net interest result reported a significant improvement, coming in at minus 11.3 million euros (prev. year minus 27.5 million euros). The overall saving in the sum of 16.2 million euros was higher than the originally forecast figure of 11 to 14 million euros. The high yield bond was repaid early and in full at the end of 2007 mainly using cash resources resulting from the sale of M+W Zander. In this context there was a significant reduction both in interest expenses to minus 15.1 million euros (prev. year 35.7 million euros) as well as interest income which totaled 3.8 million euros (prev. year 8.1 million euros). The net interest result 2008 also included a positive one-off effect in the sum of approx. 1.2 million euros arising from the premature buyback of parts of the Jenoptik convertible bond which matures in July 2009.

The increase in the EBIT and an improvement in the financial result of 17.8 million euros had a positive effect on the earnings before tax of the Jenoptik Group: compared with just 0.7 million euros in the 2007 fiscal year, in the 2008 fiscal year the Jenoptik Group reported a marked increase posting a figure of 20.2 million euros.

Income taxes, at 2.6 million euros (prev. year 1.0 million euros) were incurred in Germany as well as for foreign subsidiaries. On the domestic front the Jenoptik's tax loss carried forward had a reducing effect on income taxes. Jenoptik's tax ratio affecting cash was 12.8 percent. The tax adjustments not affecting cash, in the form of deferred tax expenses, totaled 1.1 million euros. In the previous year this expense totaled 4.4 million euros, attributable to a one-off effect resulting from the reduction of the corporation tax rate.

Earnings after tax accordingly totaled 16.6 million euros compared with minus 4.6 million euros in the previous year. The contributory factors here were the improvements in the operating, investment and net interest result as well as in deferred tax expenses.

#### Order book situation

The Jenoptik Group posted an order intake of 508.2 million euros despite the weakening economic activity in the 2<sup>nd</sup> half-year 2008 (prev. year 525.8 million euros). The book-to-bill rate, the ratio between Group order intake and sales, was 0.93 (prev. year 1.00). The fall in the order intake was the result on the one side of the semiconductor crisis in the Lasers & Optical Systems segment, whose order intake reduced by 10.4 percent compared with the previous year.

24

#### Order intake (in million euros)

	2008	2007	Changes in %	Book-to-Bill-Rate
Group	508.2	525.8	-3.3	0.93
Lasers & Optical Systems	194.8	217.5	-10.4	0.94
Metrology	133.3	115.9	15.0	1.06
Defense & Civil Systems	173.4	187.5	-7.5	0.83
Others	6.7	4.9	36.7	n. a.



On the other side, the Group order intake was influenced by major orders in the Defense & Civil Systems segment which, as expected, also posted a lower order intake compared with the previous year's level as the segment had won a major order for approx. 27 million euros in the 4<sup>th</sup> quarter of the previous year. The Metrology segment reported a marked increase in its orders, with contributions coming from both divisions, Industrial Metrology and Traffic Solutions. More detailed explanatory notes on major orders and orders of strategic importance in 2008 can be found **FROM** **PAGE 79.** <sup>24)</sup>

The order backlog as at December 31, 2008 totaled 395.1 million euros (as at Dec. 31, 2007: 439.4 million euros). The fall of 44.3 million euros compared with the end of 2007 was attributable to a reduction in the order backlog of the Lasers & Optical Systems and Defense & Civil Systems segments. Whilst the laser & optics business has shorter cycles and posted a reduction in order intakes as a result of the crisis in the semiconductor industry, the order backlog from the Defense & Civil Systems division, whose business is characterized by long-term and large orders, accounted for nearly 75 percent of the Group's total order backlog. The Lasers & Optical Systems segment accounted for approx. 15 percent of the order backlog and the Metrology segment nearly 10 percent. As a result of the increased order intake compared with the previous year the Metrology segment

also succeeded in increasing its order backlog, with the Industrial Metrology and Traffic Solutions divisions contributing to equal extent.

Approx. 45 percent of the order backlog shown as at December 31, 2008 will result in sales in the current 2009 fiscal year. The contributions to sales included in the order backlog of the Defense & Civil Systems segment will extend in part to the year 2016. <sup>25)</sup>

#### Development of key items in the statement of income

There were marked shifts in the key items in the statement of income compared with 2007, primarily attributable to the strategic realignment.

Cost of sales increased by 6.8 percent to 386.3 million euros (prev. year 361.8 million euros) and therefore at a slightly higher rate proportional to the growth in sales. In addition to higher sales the increase is attributable to different sales contributions by the segments. In 2008 the Defense & Civil Systems segment made a higher contribution to sales on a percentage basis than the Lasers & Optical Systems segment. In addition, expenses from directly apportionable customer projects which are shown under cost of sales increased while R+D expenses reduced. The gross result from sales rose slightly by 1.3 percent to 161.9 million euros (prev. year 159.9 million euros). The gross margin,

<sup>25)</sup>

#### Order backlog (in million euros)

	2008	2007	Changes in %
Group	395.1	439.4	- 10.1
Lasers & Optical Systems	63.6	77.6	- 18.0
Metrology	37.0	30.0	23.3
Defense & Civil Systems	294.6	332.5	- 11.4
Others	-0.1	-0.7	85.7

defined as the gross result to sales, was approx. one percentage point lower at 29.5 percent (prev. year 30.6 percent) due to the change in the sales mix. <sup>26)</sup>

Research and development expenses showed a marked reduction of 12.6 percent to 34.1 million euros (prev. year 39.0 million euros) down to approximately the same level as two years ago. In 2007 research and development expenses reached a peak as a one-off expense of approx. 3 million euros caused by the impairments to capitalized development expenses had increased costs. On a comparable level the reduction was therefore markedly lower and was mainly attributable to the termination of fringe activities within the framework of the Group's focusing at the end of 2007 and in the 1<sup>st</sup> quarter 2008. More detailed information on research and development can be found **FROM PAGE 55**.

Selling expenses increased by 19.1 percent to 58.7 million euros (prev. year 49.3 million euros) attributable to the strengthening of the international presences and structural changes, particularly in connection with the integration of the Etamic Group in the Industrial Metrology segment. Marketing costs accounted for approx. 9 percent of the selling expenses (prev. year 11 percent).

General administrative expenses by contrast recorded a significant reduction. At 38.8 million euros they were 9.6 percent lower than in the same period in the previous year (prev. year 42.9 million euros). This is primarily attributable to the integration of the Etamic Group within the Industrial Metrology division and to cost savings.

Other operating income totaled 22.1 million euros (prev. year 45.2 million euros), and amongst other things, included currency gains which approximately equated to the currency losses under other operating expenses. In the previous year this item in the statement of income was influenced by the income from the sale of the PVA-TePla shares. In addition, the normal level of other operating income was derived from passing on charges for services and expenses or from development funds.

Other operating expenses in the sum of 15.3 million euros (prev. year 38.5 million euros) were mainly characterized by currency losses. For more detailed information **SEE NOTES, PAGE 132**. The high figure for the previous year was primarily due to so-called impairments to or in subsidiaries as part of the Group's focusing.

<sup>26)</sup>

#### Key items in the statement of income (in million euros)

	2008	2007	Change in %
Cost of sales	386.3	361.8	6.8
R+D costs	34.1	39.0	-12.6
Selling expenses	58.7	49.3	19.1
Administrative expenses	38.8	42.9	-9.6
Other operating income	22.1	45.2	-51.1
Other operating expenses	15.3	38.5	-60.3

## 2.2 Development of the key performance factors

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

With this aspect in mind, in the 2007 fiscal year all the key development projects in the Group were analyzed in terms of their sales and earnings potential, their benefit to the clients and future market opportunities as well as the technology risks. This analysis revealed the need for value adjustments and one-off depreciation which led to exceptionally high R+D expenses in the previous year.

This task was taken up by innovation management, which Jenoptik established in 2008 on a group-wide and standardized basis and whose aim is to make research and development more market-oriented and more transparent. Standardized group processes allow for a division-wide analysis. This provides the foundation for a multi-level process that continues pursuing the best ideas. From idea to concept through to business plan – only the most convincing innovations move to the next step.

The first Innovation Days provided the kick-off for 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 in November 2008 for an intensive exchange of ideas. It was also at this event that the first Jenoptik innovation prize was awarded. One R+D project was nominated from each of the five divisions. The winner of the prize for one year is the laser system for thermal laser beam separation from the Lasers & Material Processing division. The JENOPTIK VOTAN™ G Semi TLS had previously already won the "Best of West Award" presented by the sector association SEMI in San Francisco.

R+D expenses in the 2008 fiscal year totaled 34.1 million euros (prev. year 39.0 million euros). As in previous years the Lasers & Optical Systems segment was the most intensive in terms of development, accounting for approx. 50 percent of the expenses. Its R+D expenses rose slightly compared with the previous year (after adjustment for depreciation and value adjustments). Each of the other two segments accounted for about 25 percent of the Group R+D expenses. These reported a slight reduction by comparison with the previous year, in the Defense & Civil Systems segment primarily as a result of increased expenses arising from directly apportionable client projects which are shown under cost of sales.

27<sup>b</sup>

### R+D employees by segment

	2008	2007	Changes in %
Group	508	511	-0.6
Lasers & Optical Systems	212	210	1.0
Metrology	126	120	5.0
Defense & Civil Systems	170	181	-6.1

R+D expenses primarily comprise personnel costs, third party services and material costs plus depreciation on capitalized development themes. Investments in tangible assets are comparatively minimal since these are mainly restricted to laboratories and workplace equipment. The figure does not include the associated companies XTREME technologies GmbH (up to May 2008) and JT Optical Engine which were included under the investment result at-equity. Expenses arising from directly apportionable client projects are also excluded. [27] [28]

The Jenoptik Group R+D quota, the ratio between development expenses (excluding directly apportionable client projects and capitalizations) and sales, was 6.2 percent (prev. year 7.5 percent). Developments arising from directly apportionable customer projects are shown under cost of sales. In 2008 these development costs totaled almost 27 million euros (prev. year 24.2 million euros).

Capitalized development costs, also not included under R+D expenses, totaled 4.3 million euros in 2008 (prev. year 5.2 million euros). There was a marked reduction in depreciation on the capitalization of close to the market developments (including impairments) down to 3.4 million euros (prev. year 7.1 million euros). As the result of the comprehensive analysis of all the Group's major R+D projects in the 2007 fiscal year and the resultant requirement for value

adjustments, the level of depreciation in 2007 was particularly high.

The R+D ratio, including development on behalf of customers and capitalization of development costs adjusted by depreciation in the total sum of 62.1 million euros, (prev. year 62.94 million euros), was approx. 11 percent (prev. year 12 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 2008 72 patents for technological innovations (without design and utility patents as well as trademarks) were filed, much more than in 2007 (prev. year 58). With 73 percent or 53 patent filings the Lasers & Optical Systems segment accounted for the largest portion. In 2008 the purchase of research services totaled 7.4 million euros, the same level as the previous year (prev. year 7.3 million euros). In addition to the purchasing and the costs for the use of patents and licenses, this figure also includes a minimal figure for externally bought-in and outsourced R+D services.

The scientific institutions with whom Jenoptik maintains the closest cooperation arrangements are the Fraunhofer Institute for Applied Optics and Precision Mechanics in Jena,

[28]

#### R+D services\* by segment (in million euros)

	2008	2007	Change in %
Group	62.1	62.9	-1.3
Lasers & Optical Systems	27.7	29.5	-6.1
Metrology	13.2	13.0	1.5
Defense & Civil Systems	22.1	22.9	-3.5
Others	-0.9	-2.4	62.5

\* Total comprising R+D costs, capitalized development costs, developments on behalf of customers less depreciation

the Friedrich-Schiller University Jena, the Ferdinand-Braun Institute for Ultra High Frequency Technology in Berlin, the Technical University Ilmenau and the Institute of Technology Jena. Others include the Institute for Photonic Technologies (IPHT) in Jena, the Rhine Westphalia Institute of Technology (RWTH) in Aachen and the Fraunhofer Institute for Materials and Beam Technology (IWS) in Dresden. For competition reasons no details are provided on specific projects.

The proportion of public funds for research projects (states, federal government, EU) totaled 2.1 million euros (prev. year 3.1 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 research guidelines.

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. The reason for this was the reassessment of Jenoptik's requirement for consultation (SEE PAGE 165). Through its membership of numerous technology-oriented organizations Jenoptik lends support both to the perception and image of optical technologies and other subjects of relevance to the Group. Jenoptik is widely represented on committees which identify

technological and political trends. These include in particular the Thuringia Cluster OptoNet/ CoOPTICS, the European technology platform Photonics21, SPECTARIS, the German Industry Association for Optical, Medical and Mechatronic Technologies as well as the CDU Council of Economic Advisers. [29]

### Employees & Management

The number of employees at Jenoptik remained stable in 2008. As at December 31, 2008 Jenoptik had a total of 3,400 employees, 36 or 1.0 percent less than on the qualifying date in the previous year. In this context, 34 of the jobs shed are attributable to the deconsolidation of LDT Laser Display Technology GmbH in the Lasers & Optical Systems segment. The number of Jenoptik employees abroad as at the qualifying date, 506, was 26 fewer than as at December 31, 2007. This was primarily as a result of the completion of the integration of the Etamic Group within the Industrial Metrology division, together with amalgamations of sites in the USA and France.

No redundancies were issued in conjunction with the financial and economic crisis in 2008. In December, talks were held with the employee representatives at the Jena site on the possibility of short-time working for the Optics business unit. (SEE ALSO PAGE 77). [11] [12] [30]

[29]

#### Membership of Jenoptik in committees and associations (selection)

- |  |   |
|--|---|
| -- BDI Unterausschuss Verteidigungswirtschaft  | -- Optonet e.V./CoOptics  |
| -- Bundesverband der Deutschen Luft- und Raumfahrtindustrie e.V., BDLI                                   | -- German Photographic Industry Association (Photoindustrie-Verband e.V.)                 |
| -- CDU Council of Economic Advisers (CDU Wirtschaftsrat e.V.)  | -- Semiconductor Equipment Materials International  |
| -- Deutscher Industrieverband für optische, medizinische und mechatronische Technologien e.V., SPECTARIS | -- German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau e.V., VDMA) |
| -- European Technology Platform Photonics 21   | -- Stifterverband für die Deutsche Wissenschaft   |
| -- International Society for Optical Engineering SPIE  | -- Verein Deutscher Ingenieure VDI  |
| -- IVAM Microtechnology Network (Fachverband für Mikrotechnik)   | -- Zentralverband Elektrotechnik- und Elektroindustrie, ZVEI                              |
| -- Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.   |   |

Personnel expenses totaled 194.7 million euros (prev. year 192.3 million euros) and, at 1.2 percent, increased at a slightly lower rate in proportion to the increase in sales. The personnel intensity, the ratio between personnel expenses and sales, therefore reduced to 35.5 percent (prev. year 36.9 percent). <sup>[33]</sup>

The age structure of the employees in the Jenoptik Group shows a balanced picture. 65 employees throughout the Group (prev. year 77 employees) took advantage of part-time models for older personnel, approx. 57 percent of whom are in the active phase. <sup>[31]</sup>

As at December 31, a total of 132 young people (prev. year 132) were receiving training in the Group. At the start of the training year in September 2008 41 new trainees joined the Group. Training is provided primarily for the commercial, technical professions such as precision optical engineers, industrial mechanics, mechatronic engineers, together with IT specialists and industrial managers. In 2008 34 individuals passed their career training. The special program with 9 additional trainees, which has been running since 2006, was continued at the Jena site. Jenoptik has established these trainee appointments over and above its current requirement in order to cushion the anticipated fall in school leaver numbers. 113 internships were awarded at Jenoptik in 2008; in addition, 34 post graduate students did their

diploma work in the Group. In 2008 Jenoptik invested 1.3 million euros (prev. year 1.2 million euros) in education and further training for its employees, with 1,466 benefiting from this. <sup>[32]</sup>

In 2008 the **strategic HR work** was characterized by the changeover to an integrated Group. The HR Department plays a key role in harmonizing the Group structures, as well as in the development of the Executive Management Board which began work on January 1, 2008 as an expanded Group management committee (SEE PAGE 37). The annual management conferences of the Group and the five divisions are organized and presented by the HR department. These conferences were staged with the aim of developing the divisions into integrated parts of the Group.

The HR Department is responsible for the entire **change management** which has been assisting in the restructuring of the Group since 2007 and will continue to do so over the coming years. In 2008 this also included organizing the first Executive Board Roadshow. The Executive Board attended all the Group's key locations in Germany to provide the employees with first-hand information on the new strategy and to answer their questions. New platforms for strengthening internal Group communication were established in 2007 and 2008. For example, mid 2007 saw the introduction of the Executive Board Newsletter in which the Executive Board

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#### Employees as at December 31, (incl. trainees)

	Total		Domestic		Foreign	
	2008	2007	2008	2007	2008	2007
Group	3,400	3,436	2,894	2,904	506	532
Lasers & Optical Systems	1,412	1,431	1,240	1,260	172	171
Metrology	820	863	504	519	316	344
Defense & Civil Systems	1,100	1,079	1,082	1,062	18	17
Others	68	63	68	63	0	0

keeps all employees regularly informed about strategic decisions in the Group. The management conferences on both Group and divisional levels, as well as the Innovation Days, ensure an interchange of ideas and experiences and therefore contribute towards the change in culture at Jenoptik.

The new corporate structure is supported by the newly created Shared Service Center (SSC): tasks which were previously embedded within the individual companies are now dealt with on a standardized basis covering all the Group's German locations. Part of the operational HR work was also added to the SCC portfolio with effect from January 1, 2009. Concentrating on these tasks and increasing the professionalism of these processes within the Group – some of these were previously outsourced – creates cost benefits. In addition, the objective of consistently measuring success is to increase the quality of the work. The payroll accounting for all locations in Germany was outsourced to an external company. Personnel support for the senior executives is one aspect that is not included in the SSC but instead the direct responsibility of the JENOPTIK AG HR management. The bonus system for the first and second management levels has also been standardized. (SEE PAGE 38)

The Jenoptik Junior Leadership Program (J2LP), which promotes the next generation of managers from among the company's own ranks, was continued in 2008. No-

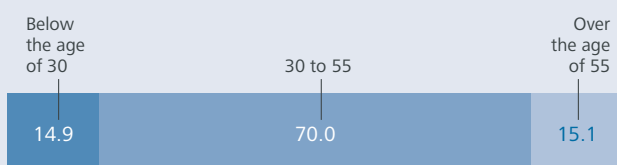
vember 2008 saw the third group of 16 participants start the modular-designed program which teaches personal, social and methodological skills together with management know-how. Last year the original eight modules were expanded by the addition of a ninth which deals with Change Management. The J2L program also puts the emphasis on the convergence of the Group; the aim is to expand the junior leadership program so that it makes a contribution towards developing standardized career paths throughout the Group.

The recruitment of skilled employees, particularly natural scientists, engineers and business economists, is a key topic for Jenoptik. That is why the HR marketing has been restructured and become an integral element of the strategic HR work. In 2008 this approach placed Jenoptik amongst the top 50 "most popular employers" for scientists in the rankings of the Universum Student Survey and Wirtschaftswoche magazine. 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 in Jena and provides training for top management in the field of optics and photonics.

Jenoptik established itself as an attractive employer at the Jena location in 2007 with the opening of a child daycare

31

#### Age structure (in percent)



32

#### Basic jobs that require training at Jenoptik

- Optical engineers
- Industrial mechanics
- Mechatronic engineers
- Electronic technician
- Lathe mill operators
- IT specialists
- Industrial managers
- University of cooperative education in the fields of industrial engineering and engineering



center which was found even more acceptance in 2008 and is available predominantly for the children of Jenoptik employees. With opening hours from 06.00 to 20.00 hrs and an attractive concept of early child development, including bilingual language teaching, Jenoptik is seeking 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

No general statements will be made on the organizational and production cycle as these are the responsibility of the divisions. As such, the processes and organization reflect the requirements of the respective division and are heterogeneous. 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 set out as examples.

#### Quality and environmental management

The Decree on the Reform of European Chemical Act (REACH – Registration. Evaluation. Authorization and Restriction of Chemicals) in the area of environmental management was implemented on time in 2008. Under the Decree, which came into force on June 1, 2007, material properties

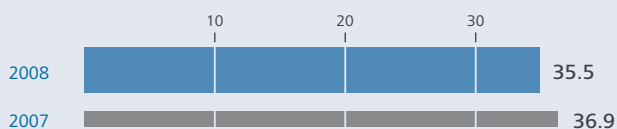
and their applications must be registered throughout the added value chain and materials with particular hazardous potential registered separately. Following the initial registration and evaluation of all chemical substances in 2008, including on the supplier side, REACH was introduced and will be implemented as an ongoing process.

Some of the environmental management systems of the Group's companies are certificated under ISO 14001. This applies to ESW GmbH (Defense & Civil Systems segment), JENOPTIK Laser, Optik, Systeme GmbH at the Jena and Gießen sites, with both having successfully passed the annual review audit in 2008. Another company to be added to the list is JENOPTIK Polymer Systems GmbH at the Triptis site that was certificated under ISO 14001 for the first time in 2001. In the Industrial Metrology division certification under ISO 14001 is planned at Hommel-Etamic for 2009.

The quality management system under ISO 9001 in the companies of the Jenoptik segments is renewed annually as part of the review audit for, amongst others, JENOPTIK Laser, Optik, Systeme GmbH, the US American optics subsidiary Coastal Optical Inc., JENOPTIK Laserdiode GmbH and JENOPTIK Diode Lab GmbH, JENOPTIK Automatisierungstechnik GmbH (Lasers & Optical Systems segment), ESW GmbH (Defense & Civil Systems segment), Hommel-

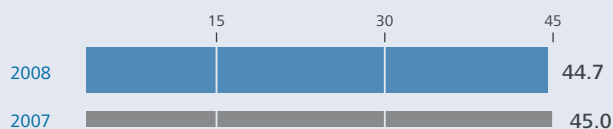
33

#### Personnel ratio (as a percentage of sales)



34

#### Material ratio (as a percentage of sales)



Etamic GmbH and ROBOT Visual Systems GmbH (Metrology segment).

Jena-Optronik GmbH and ESW GmbH (Defense & Civil Systems segment) are certificated under ISO 9100, a special quality management system for the civil aviation and aerospace industry. In addition to ISO 9001, Jenoptik Polymer Systems (Optical Systems segment) meets the demanding requirements for the continuous and total transparency of all processes for the medical technology industry with certification in accordance with ISO 13485.

In the Diode Laser business unit of the Lasers & Material Processing division, the Six-Sigma method, a statistic-based quality management process, was also expanded as a pilot scheme at the end of 2008. Corresponding training was provided for first employees. 35

### Procurement

Jenoptik's range of suppliers was concentrated in 2008. At the Jenoptik Group's Shared Service Center, strategic centralized procurement was introduced for materials and services covering all divisions, such as for example the procurement of standardized hardware and software, business and office equipment and company vehicles. The coordination

of the company-wide software license management was also initiated. In conjunction with what is now the Central IT Department the procurement costs for example for PCs and laptops as well as for the SAP hosting were significantly reduced during the course of 2008. Cost savings were also generated from the newly negotiated payroll accounting for the vast majority of the Group's employees in 2008. The effects derived from the new agreements that were mainly negotiated in the 2<sup>nd</sup> half-year 2008 will be realized in full during the years 2009 and beyond in conjunction with other new agreements currently being negotiated.

Price increases for raw materials were able to be partially cushioned through long-term and existing framework agreements with suppliers for the procurement of operating materials which account for the vast majority of the procurement volume.

Costs for materials and purchased services increased by 0.1 percent to 252.5 million euros (prev. year 252.2 million euros) accounting for 44.7 percent of the company performance (prev. year 45 percent). The increase is mainly attributable to the growth in sales. Raw materials, consumables and supplies accounted for around 206.4 million euros (prev. year 207.4 million euros). The balance corresponds to the value

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### Certification in the Group (selection)

ISO 9001:2000	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
Six-Sigma method	a statistic based quality-management operation

of the purchased services and prepayments for the company performance which consequently also showed only a minimal change by comparison with the previous year. <sup>[34]</sup>

The net added value increased by 0.6 percent as a result of the rise in sales, to 226.7 million euros (prev. year 221.2 million euros). However, it increased at a rate proportionately lower to the growth in sales since the company performance had been increased on a one-off basis in the previous year by the sale of the PVA-TePla shares through other operating income. Since the company performance is therefore virtually unchanged, the increase in the net added value led to a higher added value quota of 40.1 percent (prev. year 39.5 percent).

On the distribution side of the added value, personnel expenses accounted for 85.9 percent (prev. year 87.0 percent) increasing by 1.2 percent to 194.7 million euros (prev. year 192.3 million euros). However, with virtually no change in the number of employees this increase was at a disproportionately lower rate to the increase in sales. <sup>[36]</sup> <sup>[37]</sup>

## 2.3 Financial situation

Jenoptik is a technology group with a sound financial base. The entire planning, management and control in terms of the deployment of financial resources is the core task of Jenoptik's financial management. Having the optimum payment terms and procurement of financial resources enables the Group to improve e.g. the supply of capital and liquidity as well as profitability.

### Financing analysis

The financing structure of the Jenoptik Group in 2008 was characterized in particular by the shift in maturities. With virtually no change in gross and net debt, non-current liabilities were essentially reduced through reclassification with a simultaneous increase in current financial liabilities. Thanks to comprehensive, non-utilized lines of credit in the sum of 79.2 million euros, a debenture loan of 30 million euros issued in December 2007 and very long-term mortgage loans secured through land charges, the Group's operating financing options remained unchanged in 2008. Since the five year convertible bond will mature in July 2009 and the remaining term is consequently reduced to less than 12 months, this has been reclassified from non-current to current financial liabilities from the end of the 3<sup>rd</sup> quarter 2008. As a result of favorable market conditions some of the convertible bond was repurchased and consequently redeemed

<sup>[36]</sup>

### Creation of added value

	2008		2007	
	in million euros	in %	in million euros	in %
Company performance (sales, income, investment result)	565.3	100.0	560.4	100.0
./. Prepayments (materials)	252.5	44.7	252.2	45.0
./. Prepayments (others)	55.7	9.9	43.2	7.7
./. Depreciation	30.4	5.4	43.8	7.8
<b>Net added value</b>	<b>226.7</b>	<b>40.1</b>	<b>221.2</b>	<b>39.5</b>

in the 4<sup>th</sup> quarter 2008. Compared with a nominal value of 62.1 million euros as at September 30, 2008 it had a nominal value of 47.1 million euros as at December 31, 2008.

This had virtually no effect on the net debt. The termination of a finance lease for real estate not utilized by the company itself and so not required for operating purposes also gave rise to a reclassification from non-current to current financial liabilities in the 1<sup>st</sup> quarter 2008 in preparation for the subsequent sale. The reduction in primarily non-current leasing liabilities is now offset by increased current bank loans. In the event of a sale of the real estate in future the net debt would be reduced by the amount of the sale price.

As a consequence of the reclassifications the **proportion of non-current financial liabilities** (bonds, loans, finance lease) of the Jenoptik Group's financing reduced by 33.1 percentage points to 44.8 percent as at December 31, 2008 by comparison with the previous year (Dec. 31, 2007: 77.9 percent). At 92.4 million euros (Dec. 31, 2007: 161.8 million euros, of which 60.9 million euros in bonds) non-current financial liabilities essentially comprise long-term bank loans in the total sum of 58.2 million euros plus debenture loans issued in December 2007 with a total term of 3 to 5 years in the total sum of 30.0 million euros. Since the long-term bank loans mainly comprise mortgage loans of separate real estate companies, these are fully consolidated in the Group annual financial statements as a result of their commercial

content, but JENOPTIK AG has no liability for them from the credit side.

Current financial liabilities increased from 45.9 million euros to 113.7 million euros to reflect the reduction in non-current liabilities. The figure now includes the partially redeemed convertible bond in the sum of 48.3 million euros. As a result of the partial repayment and termination of the non-current leasing liabilities, current loan liabilities increased by 20.9 million euros to 64.7 million euros (prev. year 43.8 million euros). <sup>[38]</sup>

The **level of debt**, the ratio between borrowings (396.3 million euros) and shareholders' equity (292.8 million euros), improved further in 2008 to 1.35 (Dec. 31, 2007: 1.48). This is due to lower liabilities of 396.3 million euros (Dec. 31, 2007: 416.4 million euros) and an increase in shareholders' equity to 292.8 million euros as a result of the net profit (Dec. 31, 2007: 280.9 million euros).

The **net cash position** is calculated on the basis of the sum of cash and cash equivalents including current securities in the sum of 14.5 million euros (Dec. 31, 2007: 16.0 million euros), less current financial liabilities in the sum of 113.7 million euros (Dec. 31, 2007: 45.9 million euros). As a result of the sharp increase in current financial liabilities due to the remaining period of less than 12 months for the

37<sup>b</sup>

#### Distribution of the added value

	2008		2007	
	in million euros	in %	in million euros	in %
Employees (personnel expenses)	194.7	85.9	192.3	87.0
Public sector (taxes)	3.7	1.6	5.4	2.4
Creditors (interest)	11.8	5.2	28.1	12.7
Companies, shareholders	16.5	7.3	-4.6	-2.1
<b>Net added value</b>	<b>226.7</b>	<b>100.0</b>	<b>221.2</b>	<b>100.0</b>

convertible bond which matures in 2009, as well as the termination of a finance lease, there was a marked deterioration in the net cash position which showed a figure of minus 99.2 million euros (Dec. 31, 2007: minus 29.9 million euros).

Total financial liabilities, including bonds, loans, bills of exchange and finance lease, less cash and cash equivalents as well as securities, produced a **net debt** in the sum of 191.6 million euros for the fiscal year 2008 just past, despite a smaller acquisition, i.e. at the same level as in the previous year (Dec. 31, 2007: 191.7 million euros). Payment for the acquisition of TESAG was made out of the operating cash flow. **Gross debt**, representing the total non-current and current financial liabilities, at 206.1 million euros remained virtually unchanged by comparison with the previous year (Dec. 31, 2007: 207.7 million euros). <sup>[39]</sup>

For new buildings which were required and normally leased, the Jenoptik Group utilizes **off-balance sheet financing** instruments and works in conjunction with, amongst others, partners such as LEG Landesentwicklungsgesellschaft North Rhine Westphalia. As at December 31, 2008 total future expenses arising from rental agreements for buildings, vehicles, copiers and miscellaneous, totaled 39.9 million euros (Dec. 31, 2007: 47.1 million euros). Building rentals represented the majority of the future rental expenses which

will be spread over periods of up to 10 years on the basis of long-term rental agreements.

#### Analysis of capital expenditure

In the 2008 fiscal year, the Jenoptik Group invested a total of 24.1 million euros in intangible and tangible assets. The volume of investment was therefore down by 40.6 percent compared with the same period in the previous year (Dec. 31, 2007: 40.6 million euros). The sharp fall is attributable not only to a reduction in the capitalization of development costs but to reduced investment in real estate as well as the consistent investment management which has been recently introduced. Investments were offset by regular depreciation in the sum of 29.6 million euros (Dec. 31, 2007: 32.7 million euros). Value adjustments, at 0.9 million euros, were significantly lower than in the previous year (prev. year 11.0 million euros), this was mainly attributable to the termination of individual marginal activities. <sup>[42]</sup>

**Investments in intangible assets**, at 5.9 million euros totaled 64.8 percent of the figure in the previous year (Dec. 31, 2007: 9.1 million euros) and accounted for approx. one quarter of the total capital expenditure. The reduction is attributable to lower capitalization of development costs which totaled 4.3 million euros (prev. year 5.2 million euros).

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#### Elements of interest-bearing liabilities (in million euros)

	2008	2007		2008	2007
Current	113.7	45.9	Non-current	92.4	161.8
bonds	48.3	0.0	bonds	0.0	60.9
bank liabilities	64.7	43.8	bank liabilities	88.2	76.1
finance lease liabilities	0.7	2.1	finance lease liabilities	4.2	24.8

Investments in tangible assets, at 18.2 million euros accounted for approx. 75.5 percent of the total capital expenditure and were down by 42.2 percent compared with the figure in 2007 (Dec. 31, 2007: 31.5 million euros). The majority of this, 12.9 million euros, went into technical equipment and machines as well as factory and office equipment (prev. year 22.5 million euros). Capital expenditure was reduced in particular in real estate and investment properties (detailed itemization in the Notes under Point 14).

Regular amortization on intangible assets in the sum of 6.6 million euros was down slightly on the level in the previous year (Dec. 31, 2007: 7.4 million euros). Impairment of intangible assets, at 0.7 million euros, were significantly lower than in the previous year (Dec. 31, 2007: 8.9 million euros). The high figure for 2007 was primarily attributable to the adjustment of the Group portfolio, with particular attention also being paid to R+D topics.

Since capital expenditure in real estate and investment properties was comparatively low at 2.1 million euros, regular depreciation on tangible assets and investment properties in the sum of 5.0 million euros exceeded capital expenditure. Impairments which are applied each year by the Jenoptik Group on the basis of value impairment tests, totaled just 0.1 million euros in 2008 (prev. year 2.1 million euros).

The 19 percent reduction in the financial assets to 20.1 million euros (Dec. 31, 2007: 24.8 million euros) was the result of depreciation on a minority shareholding and loans. Capital expenditure in the sum of 7.8 million euros was offset by depreciation in the sum of 6.4 million euros. Shareholdings in associated companies were included. 40

### Analysis of cash flows

The cash flow from operating activities before taxes and changes in working capital, takes account of the items in the result affecting cash, (excluding interest) and makes adjustments for special items, in particular the profit arising from the sale of assets in the previous year. Consequently, neither the improvement in the net interest result in 2008 nor the high level of impairments and profits arising from the sale of assets (both in the previous year) play any role when comparing this indicator. On this basis the cash flow from operating activities before taxes and changes in working capital increased by 13.9 percent to 67.4 million euros (prev. year 59.2 million euros).

This operating cash flow enabled the Group to not only refinance the expansion of working capital from the current business during the course of the expansion of sales but all capital expenditure as well. We consequently achieved our objective of financing our activities entirely out of our

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### Net and gross debt (in million euros)

	2008	2007
Non-current financial liabilities	92.4	161.8
Current financial liabilities	113.7	45.9
<b>Gross debt</b>	<b>206.1</b>	<b>207.7</b>
less securities	2.0	2.2
less cash and cash equivalents	12.5	13.8
<b>Net debt</b>	<b>191.6</b>	<b>191.7</b>

own resources despite an increasingly difficult economic environment.

The cash flow from operating activities at 46.5 million euros, was approx. 37 percent lower than in the previous year (Dec. 31, 2007: 73.8 million euros). The sharp fall was attributable to an increase in the working capital as at the balance sheet date, the utilization of provisions as well as the reduction in other liabilities as a result of increased payments for sales taxes. In this context the working capital is derived from the total of inventories and receivables from operating business activities, less liabilities to suppliers, liabilities arising from PoC (Percentage of Completion) as well as on-account payments received. In the previous year the working capital was sharply reduced in conjunction with the initial introduction of specific working capital targets and accordingly had a strong positive impact on the cash flow. Another contributory factor was an increased on-account payment in December 2007 for which no services were rendered in return and which was consequently shown as a liability arising from PoC (Percentage of Completion). The increase in the working capital in 2008 is primarily attributable to the expansion of sales.

The cash flow from operating activities was utilized for capital expenditure in intangible assets, tangible and financial assets, again without additional loans being taken up.

At minus 18.9 million euros, the cash flow from investing activities was significantly lower than the figure in the previous year (Dec. 31, 2007: minus 5.2 million euros). The cash inflows from disposal of financial assets, at 3.0 million euros, were significantly down on the figure in the previous year (Dec. 31, 2007: 34.4 million euros). The reasons for this were the sale of all shares in PVA TePla AG, the sale of the shares in KSI GmbH and the repayment of third parties loans in the year 2007. In addition to reduced payments for capital expenditure in tangible assets in the sum of 17.9 million euros (prev. year 25.9 million euros), positive influencing factors included reduced capital expenditure in intangible assets in the sum of 5.9 million euros (prev. year 10.0 million euros). The newly introduced consistent investment management is reflected in this result. Receipts from the disposal of tangible assets in the sum of 3.7 million euros (prev. year 3.0 million euros) were mainly derived from the sale of two small properties not required for operating purposes.

The cash flow from financing activities was minus 29.1 million euros (prev. year minus 208.1 million euros). The key factors in 2007 were the redemption of the high yield bond as well as the commercial papers which were responsible for the high payments at that time arising from the repayment of bonds and loans in the sum of minus 207.5 million euros. Restricted cash that was not included in the cash flow from financing activities was used, among

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#### Capital expenditure, disinvestments and depreciation (Intangible assets and tangible assets in million euros)

	2008	2007	Changes in %
Capital expenditure	24.1	40.6	-40.6
Intangible assets	5.9	9.1	-35.3
Tangible assets	18.2	31.5	-42.2
Disinvestments	4.2	2.7	56.1
Intangible assets	0.4	-0.1	538.0
Tangible assets	3.8	2.7	40.7
Net capital expenditure (capital expenditure less disinvestments)	19.9	37.9	-47.5
Depreciation/impairment	30.4	43.8	-30.6
Intangible assets	7.3	16.3	-55.2
Tangible assets	23.1	27.5	-15.9



other things, for this purpose. Payments arising from the redemption of bonds and loans totaled minus 24.9 million euros in 2008. This was due to payments from finance lease in the sum of 12.3 million euros which were financed through the take-up of loans. In addition, the cash flow from financing activities was influenced by changes in the Group financing in the sum of minus 6.4 million euros as well as marked reductions in interest payments in the sum of 12.3 million euros due to the repayment of the high yield bond at the end of 2007. <sup>41)</sup>

## 2.4 Asset position

The balance sheet items as at December 31, 2007 and December 31, 2008 can be compared. There was a marked shift in the fiscal year just past between the Group's non-current and current liabilities. This was due to the reclassification of the convertible bond and the termination of a long-term finance lease for a property.

### Analysis of the asset structure

As shown in the Notes to the account and valuation methods, the fair values of the assets and liabilities are stated in accordance with IFRS 3 for enterprise values. Intangible and tangible assets, including investment properties (real estate which is primarily leased to third parties) were shown at

their acquisition and production costs in accordance with IAS 38 and/or IAS 40. Financial instruments, in particular financial assets available for sale, are shown at their fair values in accordance with IAS 32 and 39.

The Jenoptik Group **balance sheet total** reduced in the 2008 fiscal year by 8.2 million euros or 1.2 percent to 689.1 million euros (Dec. 31, 2007: 697.3 million euros) despite the growth in sales.

**Non-current assets** reduced by 11.4 million euros or 2.9 percent to 376.3 million euros (Dec. 31, 2007: 387.7 million euros). This was due mainly to a reduction in the financial assets and tangible assets.

Intangible assets, which are included in non-current assets, remained virtually unchanged at 88.9 million euros (Dec. 31, 2007: 88.3 million euros). The largest single item in this was goodwill at 60.1 million euros (Dec. 31, 2007: 59.2 million euros). Tangible assets fell by approx. 6.6 million euros to 205.3 million euros (Dec. 31, 2007: 211.9 million euros) as a result of the sale of two smaller properties and the depreciation, which exceeded the volume of capital expenditure.

<sup>43)</sup>

**Financial assets** fell by 4.7 million euros to 20.1 million euros (Dec. 31, 2007: 24.8 Mio). This was mainly the result

<sup>41)</sup>

### Cash flow (in million euros)

	2008	2007
Cash flow from operating activities before changes in working capital	67.4	59.2
Cash flow from operating activities	46.5	73.8
Cash flow from investing activities	-18.9	-5.2
Cash flow from financing activities	-29.1	-208.1

of the reduction in the investments item from 11.0 million euros at the end 2007, to 6.8 million euros as at December 31, 2008 due to the depreciation applied to a minority shareholding and two loans.

Current assets rose by 3.1 million euros or 1.0 percent to 312.8 million euros (Dec. 31, 2007: 309.6 million euros). This was attributable to inventories which increased by 5.4 million euros to 179.5 million euros (Dec. 31, 2007: 174.1 million euros) as a result of the increase in business, particularly in the Defense & Civil Systems segment. Despite the increase in sales, receivables and other assets, at 118.8 million euros, remained at the same level as in the previous year (Dec. 31, 2007: 119.5 million euros). Receivables from operating business activities included in this figure rose slightly by 2.4 million euros to 97.8 million euros due to the increase in sales (Dec. 31, 2007: 95.4 million euros). This increase was extensively offset by a reduction in other assets of 1.8 million euros to 14.9 million euros (Dec. 31, 2007: 16.7 million euros). Cash and cash equivalents, at 12.5 million euros, were down slightly compared with the level in the previous year (Dec. 31, 2007: 13.8 million euros).

The working capital, defined as total receivables from operating business activities and inventories, less trade accounts payable, liabilities from PoC and on-account payments received, showed a slight increase to 201.6 million euros

(Dec. 31, 2007: 189.7 million euros). The 11.9 million euro rise was attributable to increased inventories and PoC receivables as a result of the growth in sales, particularly in the Defense & Civil Systems segment, as well as a reduction in PoC liabilities. The working capital quota, the ratio between working capital and sales, remained virtually the same as in the previous year at about 37 percent due to the increase in sales (prev. year 36.4 percent).

The net profit for the year produced an increase in the shareholders' equity, including minority interests, of 11.9 million euros to 292.8 million euros (December 31, 2007: 280.9 million euros). Other reserves reduced as a result of currency losses and the revaluation of financial instruments.

The shareholders' equity quota, the ratio between shareholders' equity and balance sheet total, increased from 40.3 percent at the end of 2007 to the new figure of 42.5 percent. This is attributable to the increase in the shareholders' equity with virtually no change in the balance sheet total. <sup>44)</sup>

As at December 31, 2008 there was a shift between the Group's non-current and current liabilities. This was due on the one hand to the reclassification of the convertible bond with a nominal volume of 47.1 million euros (after buyback).

42)

#### Capital expenditure by segment\* (in million euros)

	2008	2007	Changes in %
Group	24.1	40.6	-40.6
Lasers & Optical Systems	10.8	21.5	-49.8
Metrology	4.4	7.5	-41.3
Defense & Civil Systems	8.3	7.1	16.9
Others	0.6	4.5	-86.7

\* Intangible assets and tangible assets

As a result of the scheduled maturity in July 2009 and the fact that this now has a remaining period of less than twelve months it is no longer shown under non-current but under current liabilities. The shift also resulted from the termination of a finance lease for real estate carried out in the first quarter 2008. This laid the preparations for the planned sale of the property which is not used by the company itself and is therefore not required for operational purposes, with the Group's liability being further reduced in the event of a successful sale.

**Non-current liabilities** reduced as a result of the two above-mentioned effects by 75.7 million euros to 133.1 million euros (Dec. 31, 2007: 208.8 million euros).

Pension liabilities remained constant at 6.4 million euros. Other non-current provisions reduced to 18.4 million euros (Dec. 31, 2007: 22.0 million euros).

There was a significant reduction in non-current financial liabilities. As a result of the reclassification of the convertible bond and the interim financing of a property, there was a reduction in non-current liabilities from bonds, non-current liabilities to banks as well as non-current liabilities from finance lease. These fell by a total of 69.4 million euros to 92.4 million euros (Dec. 31, 2007: 161.8 million euros).

Non-current liabilities as at the end 2008 mainly comprised the in the debenture loans sum of 30 million euros issued at the end of 2007, which have a remaining term of two or four years, plus separate, very long-term loans secured on property.

Clauses which apply in the event of a change of control in the shareholder structure of JENOPTIK AG exist both for financing as well as for an agreement that covers specific rights of use.

Two loan agreements of JENOPTIK AG, which are used for financing the current working capital requirement and which are designed as credit lines each in the sum of 10 million euros, can be exceptionally terminated by the corresponding bank in the event of a change of control in the JENOPTIK AG shareholder structure.

In the case of the debenture loans with a total volume of 30 million euros the lenders are entitled to exceptional termination of the loans in the amount representing their share of the loan. A change of control applies in these cases if one or more persons acting in concert, with the exception of the main shareholders on the closing date of the contract, should hold more than 50 percent of the outstanding nominal capital or voting rights, indirectly or directly at any time.

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#### Composition of the non-current assets (in million euros)

	2008		2007		Changes in %
Intangible assets	88.9	23.6 %	88.3	22.8 %	0.7
Tangible assets incl. investment properties	205.3	54.5 %	211.9	54.6 %	-3.1
Financial investments	20.1	5.4 %	24.8	6.4 %	-19.0
Other non-current assets	10.6	2.8 %	10.8	2.8 %	-2.0
Deferred tax assets	51.4	13.7 %	51.9	13.4 %	-1.0
<b>Total</b>	<b>376.3</b>	<b>100.0 %</b>	<b>387.7</b>	<b>100.0 %</b>	<b>-2.9</b>

In the case of the convertible bond in the nominal sum of 47.1 million euros (after buyback), in accordance with the bond terms in the event of conversion after July 23, 2008 there is no further provision for an automatic adjustment in the conversion price as a result of a change of control although any other stipulated adjustment can be made. A change of control in accordance with the terms of the convertible bond applies on the basis of defined criteria which are explained comprehensively in the bond terms and conditions which are available in the public domain.

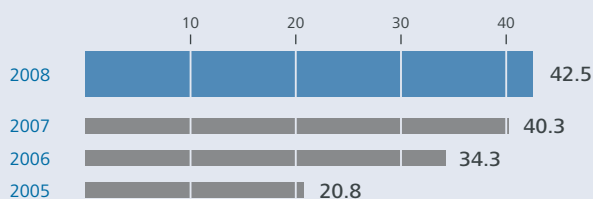
There is also a framework agreement in existence with a joint venture partner which grants Jenoptik direct access to a comprehensive basis of patents, technological know-how and components of the partner in the area of fiber laser development and manufacture and which includes the agreements described below, in particular: in the event of a change of control in favor of a competitor of the joint venture partner within a specific period of time, Jenoptik's right of use is restricted to the manufacture and distribution of the product portfolio manufactured with the help of the rights of use granted at the date on which the change of control comes into effect. Jenoptik's right to purchase components, granted for a specific period, expires on termination of a transitional period. Further information under § 289 Para. 4 on change of control clauses can be found on P. 157.

Current liabilities increased by 55.5 million as a result of the two above-mentioned reclassification effects, to 263.1 million euros as at December 31, 2008 (Dec. 31, 2007: 207.6 million euros). The current financial liabilities included in this figure increased as a result of these effects, to 113.7 million euros (Dec. 31, 2007: 45.9 million euros). The convertible bond is now shown under current bonds which increased from 0 euros at the end 2007 to 48.3 million euros as at end 2008. This figure does not reflect the full nominal amount of the convertible bond as Jenoptik had already repurchased part of the bond in the 4<sup>th</sup> quarter 2008 using current bank loans. Current liabilities to banks increased from 43.8 million euros at the end of 2007 to 64.7 million euros as at the end 2008 due to the abovementioned termination of a finance lease and partial purchase of the convertible bond. Current liabilities arising from finance lease reduced to 0.7 million euros as at December 31, 2008 (Dec. 31, 2007: 2.1 million euros).

Despite the growth in sales, liabilities arising from operating activities, at 75.6 million euros, were down on the figure of 79.8 million euros in the previous year. Although liabilities from on-account payments received rose to 33.8 million euros (Dec. 31, 2007: 26.9 million euros) these were however more than offset by the reduction in trade accounts payable to 41.3 million euros (Dec. 31, 2007: 44.8 million euros).

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#### Shareholders' equity quota (in percent)



-- Net profit produced increase in shareholders' equity.

-- Shareholders' equity quota increased to 42.5 percent.

and in PoC liabilities to 0.5 million euros (Dec. 31, 2007: 8.0 million euros).

Liabilities from investments fell from 5.6 million euros to 2.6 million euros. These were reduced in conjunction with the sale of shares in XTREME Technologies GmbH. <sup>45b</sup>

#### Explanation of purchases and sales of companies

In the 2008 fiscal year just past, the Jenoptik Group continued its strategic focusing as planned. The Group portfolio was streamlined and marginal activities which did not form part of the strategic focus were sold. These included the EUV beam source technology and laser display technology. In May 2008 Jenoptik sold its entire shareholding in XTREME technologies GmbH to the Japanese Ushio Group. Ushio had previously held 50 percent of the shares in the R+D company. The withdrawal from the R+D company had already been taken extensively into account in the results in the 2007 annual financial statements. Xtreme technologies, shown as an associated company, had been a negative influencing factor in the Jenoptik Group's investment result in 2007. It was included in the 2008 investment result up to May.

In May 2008, Rheinmetall Defence acquired 51 percent of the shares in LDT Laser Display Technology GmbH, Jena and took over the company's employees. Jenoptik now still holds a 49 percent stake so the company is no longer

consolidated. With the exception of a fall in sales in the mid single-figure million euro range this share sale had no major impact on the statement of income or the consolidated balance sheet.

In December 2008, Jenoptik acquired Three-Five Epitaxial Services AG (TESAG), consequently making the Group one of the few total providers for high-power diode lasers in the world. TESAG was created in 1999 as a spin-off from the Ferdinand-Braun Institute for Ultra High Frequency Technology (FBH). The company is a highly specialized supplier of epitaxial structures, particularly for laser diodes, and has therefore been a longstanding, reliable supplier to Jenoptik. This acquisition had no major impact on the Group's statement of income and only minimal effects on the balance sheet.

#### Assets and liabilities not included in the balance sheet

The main assets not included in the balance sheet include the value of the Jenoptik brand. The firm of semion brand broker gmbh calculated a total brand value of 89 million euros in October 2008 (prev. year 91 million euros). The Jenoptik brand is therefore one of the 50 leading German brands and in the rankings of semion brand broker gmbh occupies the number 40 spot as it did in the previous year. With the preparations made in 2008 for a group-wide, uniform umbrella brand for the first time – which was in-

<sup>45b</sup>

#### Financial liabilities by due date (in million euros)

	Up to 1 year		1–5 years		Over 5 years		Dec. 31, 2008	
	2008	2007	2008	2007	2008	2007	2008	2007
Bonds	48.3	0	0	60.9	0	0	48.3	60.9
Liabilities to banks	64.7	43.8	38.3	33.6	50.0	42.4	153.0	119.9
Liabilities from finance lease	0.7	2.1	2.5	4.6	1.6	20.2	4.8	27.0
<b>Total</b>	<b>113.7</b>	<b>45.9</b>	<b>40.8</b>	<b>99.1</b>	<b>51.6</b>	<b>62.7</b>	<b>206.1</b>	<b>207.7</b>

roduced with effect from January 1, 2009 – the Group can now be perceived by customers, business partners and in the public domain as more self-contained and a single unit. Both internally as well as externally, the future development of the Group as well as the global convergence is reflected in a new, globally standardized logo. Keeping close to the old logo in terms of color and proportions portrays continuity and preserves the brand value.

Off-balance sheet financing instruments were explained in detail ON PAGE 64 as well as in THE NOTES UNDER POINT 34.

#### Intangible assets not included in the balance sheet

Our success is based on our customers' success. Mutual trust is needed for the creation of high-technology products and systems which can often only be created in collaboration with the client. In our opinion, the most important intangible asset is our knowledge of client needs as well as the longstanding collaboration with many of our key clients. As an example of this we have orders totaling approx. 154 million euros that extend beyond 2009.

We also consider our employees' know-how and years of experience as well as their commitment and loyalty to the company to be intangible assets. This is reflected for example in a low fluctuation rate of 2.6 percent.

Our technology-intensive business is essentially based on the success of our product and technology development. Our knowledge of research and development as well as processes and projects accumulated over many years is something we consider to be an essential intangible asset which it 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 which enjoys an excellent reputation as an "optical valley" among both scientists as well as clients. 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, again totaled approx. 0.2 million euros in 2008 (prev. year 0.2 million euros), something which we see as an investment in our location and our employees. <sup>[46]</sup>

We did not carry out a valuation of intangible assets not included in the balance sheet, either as a total sum or as individual figures.

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#### Assets and liabilities as well as intangible assets not included in the balance sheet

- Worldwide standardized umbrella brand since 2009
- Longstanding customer relations
- Know-how of the employees
- Research and development know-how
- Main location Jena with its reputation as "Optical Valley"

### Summary | General statement on the economic situation

By just meeting our forecast sales and results for 2008, Jenoptik is one of the few companies to have succeeded in this during the course of the fiscal year just past. All our other financial targets were also essentially achieved, such as the significant improvement in the net interest result which was the main contributory factor in the 16.6 million euros for the earnings after tax. Thanks to operational planning and capacity offsetting between the locations, sales per employee were increased slightly whilst the number of employees remained stable. We have a solid financial base. Changes in our financing structure resulted from the reclassification of the convertible bond which will mature in summer 2009 and is now included under current liabilities. We have already been able to redeem parts of this in 2008.

The performance by the segments during the course of the fiscal year varied significantly. Falls in sales and results in the Lasers & Optical Systems segment, characterized by the crisis in the semiconductor industry, were partly offset by an extremely good performance on the business side from the Defense & Civil Systems segment. The successful entry into the photovoltaics industry through laser systems also helped. The Metrology segment achieved the turnaround. Up to October 2008 the Industrial Metrology division posted a good order intake, benefiting from its global presence – including in India since 2008. The Traffic Solutions division saw a marked pick-up in the international market in the 2<sup>nd</sup> half-year, having been in the doldrums for nearly one year.



### 3 Segment reporting

For the first time we are reporting in the segments in accordance with IFRS 8 "Segment reporting". According to this the external reporting is carried out on the basis of organizational and management structures within the Group as well as the internal reporting structure. In the Jenoptik Group the Executive Board is responsible for the financial information evaluated by him which serves as the basis for decision. The accounting principles for the segments are the same as described in the accounting principles for the Group.

For the year 2008 the presentation was carried out on the basis of the new Lasers & Optical Systems, Metrology and Defense & Civil Systems segments. All the details given here on the figures for the year 2007 were calculated on the basis of the new segments and can therefore be compared with the indicators for 2008. The details based on the old divisions for the year 2007 in the 2007 Annual Report cannot be compared with the details based on the new segments for the year 2008 – despite the similar terms used in some cases – as the operational business is based on a different composition.

#### 3.1 Lasers & Optical Systems

The Lasers & Optical Systems segment comprises the Lasers & Material Processing and Optical Systems divisions. The segment's 2008 fiscal year was influenced by the crisis in the semiconductor industry, particularly in the Optical Systems division. 47

##### Development of sales and results

Sales of the segment totaled 207.0 million euros, representing a fall of 5 percent or approx. 11 million euros in total compared with the previous year (prev. year 217.9 million euros). In this context the effects on sales arising from EPIGAP GmbH, Berlin, newly consolidated as at December 31, 2007 and the deconsolidation of the laser display business,

the majority holding in which was sold to Rheinmetall in May, essentially balanced each other out. The main reason for the reduction in sales is the crisis in the semiconductor industry which began in mid 2008 and worsened over the remainder of the year to the year end. This had a particular impact on the Optics and Micro Optics business units. In the Digital Imaging business unit, fierce competition on prices between the providers of digital professional equipment following Photokina led to falls in sales, particularly in the 4<sup>th</sup> quarter. These developments were partially offset to a minimal extent by the Diode Lasers and Laser Processing Systems business units of the Lasers & Material Processing division. New business in the photovoltaics area in the Laser Processing Systems business unit more than compensated for stagnating demand from the automobile industry. The segment achieved nearly 63 percent of its total sales abroad (prev. year 68.4 percent), with the reduction in the figure essentially attributable to the lack of sales with international semiconductor customers.

The result from operating activities (segment EBIT) fell more strongly than sales, to 15.0 million euros, representing a reduction of 40.5 percent or 10.3 million euros in total (prev. year 25.2 million euros). Since the semiconductor industry is mainly supplied with high technology products with correspondingly higher margins, the fall in sales caused by the crisis in the semiconductor industry, together with the downward pressure on prices, is having a greater impact on the results. Furthermore, as a result of supplier problems and fierce competition on prices in 2008, the Digital Imaging business unit failed to meet our expectations.

##### Order book situation

The order intake of the segment was down by 10.4 percent to 194.8 million euros (prev. year 217.5 million euros). Nearly all customers in the semiconductor industry significantly reduced their order placements during the 2<sup>nd</sup> half-year 2008. Order intakes of the Laser Systems business

unit were also down slightly, caused mainly by the displacement competition from fiber lasers. By contrast, the Diode Lasers business unit and, to a partial extent, Laser Processing Systems, posted good performances in their order intakes. In 2008 Jenoptik successfully established itself as a permanent partner to the solar industry in this area, capturing market shares in the process. The segment's book-to-bill rate was 0.94 (prev. year 0.99). The order backlog was also lower – in line with the reduction in the order intake. As at December 31, 2008 it was 63.6 million euros (Dec. 31, 2007: 77.6 million euros).

In 2008, the Lasers & Material Processing division benefited from its successful entry into the photovoltaics market, particularly with laser systems for structuring thin-film solar cells. Among other things the division designed special development systems for manufacturers which are used for testing and optimizing processes. This gives Jenoptik direct access to the manufacturers in the development and optimization of production process. In order to speed up the market access and supply clients with optimum production systems, Jenoptik has been working together with Bystronic glass since summer 2008. Bystronic glass brings technological and market-specific know-how in the area of glass processing to the cooperation arrangement, whilst Jenoptik contributes innovative laser technologies specially designed for processing brittle materials. At the glasstec 2008 trade

fair, Jenoptik and Bystronic glass showcased the first results of a joint machine concept that combines the processes in laser edging and laser glass cutting in one process. Two machines were previously needed for this purpose. Delivery of the first machines is planned for 2009.

In the Optical Systems division, the Group successfully concluded a comprehensive and long-term framework agreement with Carl Zeiss SMT AG for the development and supply of micro-optic components and systems, having already maintained a successful business relationship with this company over many years. The contract, signed in October 2008, makes Jenoptik one of the preferred suppliers. The range of products supplied covers optical and micro-optic components and systems. In the Digital Imaging business unit Jenoptik and Leica Camera AG have concluded a long-term cooperation agreement for the development, integration, manufacture and supply of assemblies for digital imaging, comprising opto-electronics and camera software. During the course of the market development it is the intention of Leica in particular to integrate digital technology and opto-electronics into existing and future cameras and in this way to further expand its position as a leader in the premium segment. The division began a sales offensive starting from August 2008 in order to develop new markets and sectors – both outside the previous target sectors as well as in new regions.

47<sup>b</sup>

#### Lasers & Optical Systems segment at a glance (in million euros)

	2008	2007	Changes in %
Sales	207.0	217.9	–5.0
EBIT*	15.0	25.2	–40.5
Order intake	194.8	217.5	–10.4
Order backlog	63.6	77.6	–18.0
Employees	1,412	1,431	–1.3

\* before Group charges

- Figures 2008 influenced by semiconductor crisis.
- Acquisition of TESAG completes value-added chain in the Diode Lasers business unit.

### Research & Development

Research and Development (R+D) expenses reduced by 13.6 percent to 17.1 million euros (prev. year 19.8 million euros). This reduction was the result of disinvestments and the comprehensive analysis of all the Group's key R+D projects which was conducted in the 2<sup>nd</sup> half-year 2007. In addition, R+D expenses were lower in 2008 due to the discontinuation of topics following the results of the analysis. In 2008 no developments were terminated purely as the result of the economic framework conditions. Development topics which offer good prospects for the future were continued as planned to enable the Group to emerge from the crisis in a stronger position with products that are technology leaders.

In the **Optical Systems** division these include, amongst others, developments of optics and micro-optics for new manufacturing processes in the semiconductor industry as well as opto-electronic systems for new LED lighting concepts.

In the **Lasers & Material Processing** division, the emphasis is on the further developments for the photovoltaics industry as well as new laser concepts. The division's key development theme, fiber lasers, has received a boost since October 2008. The acquisition of the British company SPI Lasers plc, Southampton by Trumpf also gave Jenoptik direct access to the comprehensive basis of SPI's patents, technological know-how and components, particularly in the field of fiber laser development and manufacture. Within the framework of the joint venture JT Optical Engine Jenoptik and Trumpf have been working together since summer 2007 on the development of optical modules, so-called optical engines for fiber lasers. The ability for both companies to utilize SPI Laser's know-how will reduce development times. On the basis of this, Jenoptik launched new fiber lasers on the market in the 2<sup>nd</sup> half-year 2008, expanding its range of fiber laser products in the process.

In summer 2008 Jenoptik received an internationally recognized and prestigious innovation award with its new JENOPTIK-VOTAN™ Semi laser system for thermal laser beam separation (TLS dicing), specially designed for wafers. The system won the Best of West Award presented by the global sector association SEMI and, as such, is a development that promises to have an important impact on the semiconductor and associated industries. The system was developed in 2007/2008 and brought the process of thermal laser beam separation developed by Jenoptik to the mass-production stage. Customers benefit from an increase in the process speed of up to 300 percent compared with conventional technologies.

### Products and technologies.

In January, the segment showcased the key new products developed in the fiscal year 2008 at the important headline trade fair Photonics West in the USA. In 2009 Jenoptik was represented at this trade fair for the very first time as an integrated group under the new brand umbrella and was consequently one of the largest exhibitors. Jenoptik also announced at the trade fair that it was acquiring the Berlin-based Three-Five Epitaxial Services AG (TESAG for short). Jenoptik now has the entire technology chain for diode lasers in-house – from the manufacture of the epitaxial wafer as a result of the TESAG acquisition, to the unmounted semiconductor material and mounted diode laser bars, to high quality, finished products in the form of fiber-coupled diode lasers as well as stacks.

The **Lasers & Material Processing** division added the 880 nanometer wavelength to its product range of high efficiency diode laser bars in the Diode Lasers business unit. High-power diode lasers with this wavelength will from now also be manufactured on the basis of this new semiconductor material. Lasers with this wavelength are preferred for the manufacture of passive-cooled diode lasers. In addition to the previous standard wavelengths of 808, 915, 938, 976

and now 880 nanometers, special wavelengths are also available. The new JOLD-100-CPX2PA diode laser requires no water cooling. The air-cooled laser is offered with an output capacity of 100 Watts from a 400 micrometer fiber. The advantage of this for users is the easy handling. The Laser Systems business unit presented the femto second laser JenLas® D2.fs. The very high pulse repetition rates up to 200 kHz, in conjunction with perfect beam characteristics, means that microstructures can be produced without generating relevant thermal penetration. This is where disk laser technology offers opportunities for the flexible structure of the performance parameters. The new JenLas® disk IR50 disk laser, also premiered at Photonics West, enables pulse lengths to be individually selected for the very first time, providing for a variation in the laser properties and a broad range of parameters which previously required different laser sources. Applications include, amongst others, micro material processing in industrial environments such as for example wafer structuring or solar cell machining. The JenLas® disk IR50 has also been specially designed for integration into complete production lines.

In 2008 the **Optical Systems division** expanded its offering of optical components for laser material processing. Jenoptik is one of the few suppliers in the world able to manufacture aspheres and cylindrical lenses using a wide range of optical materials with the required surface quality, geometry and optical coating, to customer specifications. In addition to reflection grids for femto second lasers, new micro-optical solutions were presented in the Micro Optics business unit: by optimizing the manufacturing process it is now possible to produce micro-optic components made from calcium fluoride (CaF<sub>2</sub>) and zinc selenide (ZnSe). This provides the client with an improved profile of applications, particularly in the areas of lithography, semiconductor inspection, medical technology, laser material processing with infrared lasers and in other infrared applications. Highly efficient micro-optics for projection systems were developed jointly in 2008 by the

Micro Optics and Optoelectrical Systems business units.

A new tool technology enables both sides of lenses to be aligned together on a defined basis and consequently allows for the manufacturer of double-sided lenses through the injection molding process. These are used for example in micro projectors, as found for example in beamers or mobile phones.

Photokina in 2008 was one of the most important headline trade fairs for the Digital Imaging business unit. New camera systems and accessories were showcased; these simplify, in particular, the handling of the professional cameras for photography and microscopy. The Sinar ArTec, a professional camera specially developed to meet the requirements of architectural photography, was awarded the Photokina Star making it one of the high profile new launches at the trade fair. However, fierce competition on prices between the few providers in the market for professional digital photography led to falling orders in the 4<sup>th</sup> quarter 2008. In 2008 Jenoptik introduced new imaging software on the market to improve working with the ProgRes® microscopy cameras. With the new camera driver, Jenoptik's ProgRes® microscopy cameras can now for the first time also be controlled directly in the imaging analysis software.

#### Employees & management.

As at December 31, 2008 the Lasers & Optical Systems segment had 1,412 employees, 19 fewer than as at end 2007 (Dec. 31, 2007: 1,431 employees). The reduction mainly resulted from the sale of the majority stake in the laser display business to Rheinmetall Defense in May 2008, together with 34 employees. Agency working in the segment, which accounted for approx. 4 percent as at December 31, 2008 was reduced. As a result of the sharp fall in the order intake from the semiconductor sector starting from the 3<sup>rd</sup> quarter 2008, talks were commenced in the Optics business unit at the end of 2008 with the employee representatives on the subject of short-time working. Short-time working (70 per-

cent) started for approx. 300 employees of the business unit at the Jena and Gießen locations for an initial period of six months in January 2009.

172 of the segment's employees worked abroad (prev. year 171). The focus here is on the USA with comprehensive optics activities, including full-stage production, mainly for the US American military, aerospace and research industry. Today, in Israel Jenoptik supplies clients from the semiconductor equipment industry, the optical inspection and print machine industries. Jenoptik has secured access to specialist laser know-how via Russia.

In 2008, changes were made in the management in connection with the Group's strategic realignment. With the introduction of the new divisional structure commencing from January 1, 2008, Dr. Dirk Michael Rothweiler has been responsible since then for the entire optics business and Dr. Thomas Fehn for the Group's entire laser business.

The focus of the HR work in 2008, both in the Optical Systems and Lasers & Material Processing divisions, was on amalgamating the employees and management within one division.

#### Capital expenditure

Capital expenditure in the Lasers & Optical Systems segment totaled 10.8 million euros and was therefore at half the level of the previous year (prev. year 21.5 million euros). Key items included machinery and equipment for the manufacture of polymer and glass optics. The Laser Processing Systems business unit expanded its Customer Application Center, set up in 1999, by adding systems for the photovoltaics industry. In the Application Center customers can conduct comprehensive tests of their processes before purchasing a laser system and, if necessary, optimize the system to suit their special requirements together with Jenoptik. Capital expenditure

by the segment was offset by depreciation in the sum of 13.5 million euros (prev. year 15.7 million euros).

#### Acquisitions & other key events.

In addition to the acquisition of TESAG at the end of 2008 (SEE PAGE 71), the Berlin-based Epigap GmbH, acquired at the end of 2007, was integrated into the Optical Systems division in the fiscal year just past. The activities were amalgamated in 2008 with those of the Triptis-based Optoelectrical Systems business unit.

A program designed to optimize order processing and consequently the entire process from client enquiry through to delivery was started up in the Optics business unit. The aim of the "ProOpt" project is to reduce and create greater flexibility in the fixed costs, manufacturing costs and throughput times. All locations of the Optics business unit and the interfaces between them are included in this project.

## 3.2 Metrology

The Metrology segment comprises the Jenoptik Industrial Metrology and Traffic Solutions divisions. Thanks to a pick-up in the international traffic solutions market in the 2<sup>nd</sup> half-year 2008 and the successful worldwide integration of the Etamic Group into the existing Metrology business for the automotive industry, the second half-year 2008, in particular, was a successful one for the segment, enabling it to make up for a weak first half-year. There were no significant acquisitions or disinvestments in 2008, the figures for the 2008 fiscal year can therefore be compared with those for 2007. <sup>48)</sup>

### Development of sales and results

In 2008 the Metrology segment increased its sales significantly by 7.7 percent to 126.3 million euros (prev. year 117.3 million euros), representing a growth of nearly 9 million euros. Both divisions were able to increase their proceeds from sales. Industrial Metrology benefited from the global presence with the corresponding scope of activities by comparison with its competitors, most of which are local and smaller. Traffic solutions reported an increase in business, particularly from the end of the 2<sup>nd</sup> quarter. Some of the orders awarded in the early summer, which again came increasingly from the international market environment, were delivered already during the 4<sup>th</sup> quarter 2008 itself.

Accordingly, the segment's share of foreign sales, at 62.5 percent, was once again at the same level as the previous year (prev. year 63.0 percent).

The segment's earnings from operating activities (EBIT), at 6.9 million euros, were unable to repeat the level achieved in the previous year (prev. year 7.6 million euros) as restructuring in both divisions entailed high start-up costs in some areas and was unable to produce the corresponding effects for results, particularly in the first half-year 2008. In the Industrial Metrology division this was the result of the amalgamation of locations. In the Traffic Solutions division, high costs for the expansion of the Traffic Service Providing business directly impacted on the EBIT where Jenoptik had made a conscious decision not to include the costs of the market development in the capital expenditure and therefore at the cost of the future. In addition, necessary restructuring measures were introduced for the US company in the Traffic Solutions division in the 2008 fiscal year and will be completed in 2009. However, the figures for the second half-year 2008 subsequently exceeded those for the previous year.

### Order book situation

The improved market position and pick-up in the market was clearly reflected in the order intake. The segment's order intakes exceeded those of the previous year by 15.0 percent, totaling 133.3 million euros (prev. year

48)

### Metrology segment at a glance (in million euros)

	2008	2007	Changes in %
Sales	126.3	117.3	7.7
EBIT*	6.9	7.6	-9.2
Order intake	133.3	115.9	15.0
Order backlog	37.0	30.0	23.3
Employees	820	863	-5.0

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\* before Group charges

- Increase in sales and order intake.
- Second half of the year successful for EBIT.

115.9 million euros). The overall growth of 17.4 million euros came from both divisions, primarily from abroad. The segment's book-to-bill rate, the ratio between order intakes and sales, totaled 1.06 (prev. year 0.98). Within the context of the economic crisis in the automotive industry which intensified in the 4<sup>th</sup> quarter 2008, the Industrial Metrology division reported a substantial fall in demand since November 2008. The order backlog of the segment as at December 31, 2008, however, increased by comparison with the end 2007, totaling 37.0 million euros compared with 30.0 million euros as at December 31, 2007.

The Industrial Metrology division won e.g. a major order in the USA from Continental AG. The key factor in winning the order was the division's global presence, complete portfolio of measurement technology and its size, it is now one of the leading system suppliers for contact and non-contact metrology systems and combines all three measurement technologies (optical, pneumatic and tactile) under one roof. The major order encompassed machinery and systems for conducting complex measurements of seven different components of a new diesel injection system for trucks which is being manufactured in the USA. Jenoptik equipped the entire production line and parts of the metrology rooms and in 2008 installed both optical, pneumatic as well as tactile measurement machines and systems.

The Traffic Solutions division posted an increase in international orders in the 2<sup>nd</sup> half-year 2008, including one from Lithuania worth nearly 4 million euros. The supply and installation of the approx. 150 stationary and mobile radar systems already begun in 2008. In addition, Syria, Canada and Belgium, which had previously not been part of the Jenoptik client base, were also won over as new clients in 2008.

### Research & Development

The R+D expenses of the segment totaled 9.8 million euros and were consequently almost at the same level as in the previous year (prev. year 10.3 million euros).

In the Industrial Metrology division the development work continued to concentrate on the market trend in favor of more flexible and highly precise measurement systems, plus those that allow for the combination of various measurement technologies. Customers will be able to save time and capital expenditure costs with these new equipment systems as they will be able to utilize just one system or facility – depending upon the measurement task. The key R+D projects in 2008 included, amongst others, the development of a new generation of roughness and contour measurement equipment that was launched on the market in 2008, as well as a flexible shaft measurement system for complex measurement tasks.

In the Traffic Solutions division, the focus of developments was on new mobile and stationary radar technology, with these developments being successfully concluded in 2008. They included, amongst others, the new Multaradar CM/CD which can also be used to optionally determine the traffic lane, as well as the TrafficStar SR590, a modern system for red light and speed monitoring based on radar technology. This means there is no need for any preparation to be made in the corresponding lane when installing the system. A new laser handheld measurement device with digital image documentation also went into mass production in 2008. Essential developments for an alternative system on the basis of a laser scanner were completed in 2008. With this the division can now offer the complete range of sensor systems.



### Products & technologies

In the Metrology segment, both divisions presented an expanded product portfolio which is geared towards trends in the markets and amongst international customers in 2008.

On the product side, the **Industrial Metrology division** benefited from the fact that it has all three measurement technologies in industrial metrology in-house – optical, tactile and pneumatic. The demand for optical metrology once again showed a marked increase in 2008. This was reflected in particular at the key European headline trade fair Control in spring 2008. In the area of surface measurement equipment customers were particularly interested in the new HOMMEL nanoscan which was launched on the market recently and combines high precision roughness and contour measurement. The HOMMEL roundscan, which combines automated form and roughness measurements, posted particularly strong demand in the area of form measurement. A new generation of crank and camshaft measurement machines was showcased with the HOMMEL shaftscan 1030 which can measure shafts with a peak width of up to 1000 millimeters and a diameter of 300 millimeters. The machine measures all shape and position tolerances, lengths and diameters as well as all cam shapes.

Traffic Solutions posted a recovery following a difficult year 2007. Jenoptik is well positioned in the international competitive environment with a full range in the equipment area plus its service offering for Traffic Service Providing.

### Employees & Management

There was a marked fall in the number of employees in the segment in 2008 – from 863 at the end of 2007 to a total of 820 as at December 31, 2008. The reduction of 43 was primarily the result of the amalgamation of locations worldwide in the Industrial Metrology division in conjunction with the integration of the Etamic Group. The Traffic Solutions division also showed a fall in its number of employees, albeit a minimal one. This reduction is mainly due to process optimization on the production side. 316 of the segment's employees, almost 40 percent, work abroad. With its global presence and own production and assembly capacities, the largest locations of the **Industrial Metrology division** are in the USA, France and Switzerland, plus South Korea and China. The division has also been represented in India with its own employees since 2008. The **Traffic Solutions division** is represented worldwide through dealers and its own sales personnel. In 2008 training on the product portfolio was established for all sales personnel and is to be held quarterly. In addition, the management structures in the division were streamlined and augmented by staff specialized in bid management. This is intended to ensure more systematic support for international customers for major invitations to tender.

### Capital expenditure

Capital expenditure by the segment in intangible and tangible assets totaled 4.4 million euros in 2008 and was therefore below the level for the previous year (prev. year 7.5 million euros). As in 2007, this figure includes the new systems for traffic monitoring in North America as part of the Service Providing business, which includes the corresponding equipment. Systems and equipment for Traffic Service Providing remain Jenoptik's property and so are considered as capital expenditure. These had already influenced the previous year but were also included in the segment's capital expenditure in 2008. The capital expenditure was offset by depreciation in the sum of 3.8 million euros (prev. year 2.9 million euros).

### Acquisitions & other key events

There were no acquisitions or any disinvestments in the Metrology segment in 2008. In June 2008 Jenoptik established a joint venture in India in which Jenoptik holds the majority stake. HOMMEL-ETAMIC Metrology India Pvt. Ltd., Bangalore, forms the basis for direct access to both markets and clients in one of the world's most important growth markets.

The Industrial Metrology division amalgamated all sales activities within HOMMEL-ETAMIC Metrology India Pvt. Ltd. The local partner is Francis Klein, the renowned Indian company and longstanding sales partner of the Etamic Group acquired in 2006. The new presence in India, which can also be utilized by the Group's other divisions, is therefore an indirect result of the amalgamation of Hommelwerke and the Etamic Group within the Industrial Metrology division.

In the Traffic Solutions division, ROBOT Visual Systems GmbH, Monheim, the core of the new Jenoptik division, celebrated its 75th anniversary in the summer. Founded in 1933 as a camera manufacturer, a unique shutter system for ROBOT cameras made them successful worldwide. The company entered the traffic solutions business in the 50s with the first camera installations in police vehicles. In September approx. 450 customers, current and former employees as well as guests from the world of politics and society celebrated the company's anniversary. At almost the same time, the Group Management took the strategic decision to operate ROBOT under the Jenoptik umbrella with effect from mid 2009. The well-known brand will then appear on the equipment and systems, marketed worldwide, as a technological seal of quality.

### 3.3 Defense & Civil Systems

2008 was a good year for the Defense & Civil Systems segment. Thanks primarily to a very good performance by all business units, sales and results reported a significant rise, well up on the figures for the previous year and above the forecasts originally announced in spring 2008. The business, which is influenced by long-term orders, is less cyclical than others and has long lead times for developments which then contribute to sales and earnings over periods of several years. By contrast to the other two segments of the Jenoptik Group, this segment comprises just one division: Defense & Civil Systems. <sup>49b</sup>

#### Development of sales and results

In 2008, the Defense & Civil Systems segment posted a 15.1 percent rise in sales to 208.5 million euros (prev. year 181.2 million euros). The leap in sales was down to a good performance by all business units. In addition, shifts in sales from the previous year also had a small impact. The foreign share of total sales, at 43.6 percent, was at almost precisely the same level as in 2007. It is lower than in the other two segments as defense technology and aircraft equipment in particular is frequently supplied to German system companies.

The result from operating activities of the segment increased by over 50 percent to 15.8 million euros (prev. year 10.2 million euros). The leap in sales resulted from the good development of the Optronics and Sensor Systems business units, in particular from economies of scale. In the Optronics business unit the boost to the results was particularly strong following a difficult 2007. The Sensors Systems business unit also posted a marked increase and benefited in particular from new product market launches. The success was also supported by the intensive collaboration within the segment which began early in the 2008 fiscal year.

#### Order book situation

As expected, the order intake of the segment came in lower than in 2007, totaling 173.4 million euros, representing a reduction of 7.5 percent (prev. year 187.5 million euros). The book-to-bill rate was 0.83 (prev. year 1.03). At the end of the 4<sup>th</sup> quarter 2007 the segment had been awarded a major order for radomes worth approx. 27 million euros. This shows that large and long-term orders have a significant impact on the order intake for a reporting period and/or parts are included in different fiscal years. In 2008 the segment's order backlog reduced as a result of the high sales volume and totaled 294.6 million euros as at end December 2008 (Dec. 31, 2007: 332.5 million euros).

49b

#### Defense & Civil Systems at a glance (in million euros)

	2008	2007	Changes in %
Sales	208.5	181.2	15.1
EBIT*	15.8	10.2	54.9
Order intake	173.4	187.5	-7.5
Order backlog	294.6	332.5	-11.4
Employees	1,100	1,079	1.9

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\* before Group charges

- Marked rise in sales and earnings.
- Forecast for 2008 exceeded.

In MTU Friedrichshafen GmbH, the **Mechatronics business unit** gained a new customer for traction generators. Additional orders were placed, amongst others for generator systems in military vehicles.

In the **Optronics business unit** Jenoptik was awarded the order worth 21 million euros by Mitsubishi for guidance, navigation and control sensors for space transport vehicles. The contract was signed in Japan in July 2008, a pre-authorization had already been agreed at the end of 2007 and was therefore already partly included in the order intake for the 4<sup>th</sup> quarter 2007 in the single digit million euro range.

In the **Sensor Systems business unit** the new thermal imaging camera received its successful market launch. A long-term order for the manufacture and supply of cameras, with an order value in the upper single digit million euro range, was concluded with InfraTec GmbH Infrarotsensorik und Messtechnik, Dresden. In spring 2008, Jenoptik won a public invitation to tender from the European Commission, in conjunction with its partners, for the associated VarioVIEW™ 150 unit which was developed for the defense & security market segments and will be equipping the government border authorities of Ukraine with new thermal imaging equipment.

### Research & Development

At 8.1 million euros, the R+D expenses of the Defense & Civil Systems segment were at approximately the same level as in the previous year (prev. year 8.3 million euros). In comparison with the other two segments its share of R+D is lower since parts of the development work are financed by customers and therefore not shown under R+D expenses but under cost of sales.

In previous years the **Mechatronics business unit** was influenced by developments of components and subsystems for the Puma armored tank. Over the years ahead these will

lead to a sales volume of approx. 70 million euros. The order is now expected at the end of fiscal year 2009. Systems and components from energy supply to the gun and turret stabilization have been developed in close cooperation with the project partners Krauss-Maffei Wegmann GmbH & Co KG, Rheinmetall Landsysteme GmbH, MTU Friedrichshafen as well as PSM GmbH, Kassel, the general contractor for the entire project. The latest development in 2008 was a plastic laminated windscreen for use in armored vehicles to protect soldiers. It does not lose its functionality even under the toughest conditions and extensively retains its transparency even after receiving multiple gunshots.

The aerospace business, combined within the segment's **Optronics business unit**, is dominated by long-term developments. Jenoptik is continually developing rendezvous laser technologies for space missions which, amongst other things, provided for the first successful automatic docking of the transport mission to the ISS in April 2008 and which are supplied to international clients worldwide. One current project on behalf of the European Space Agency ESA for new Imaging Lidar technologies has been in the second phase of development since April 2007. Up to summer 2008 testing has been carried out on new technologies using laser beams in the near infrared range. The business unit also successfully positioned itself in the global satellite system as part of the European Earth Observation Program GMES. In November 2008 Jenoptik was also awarded a development contract for 5 million euros for the new generation of METImage cameras for weather satellites.

The focus of developments in the **Sensor Systems business unit** is, amongst other things, on systems for providing training and protection for soldiers. In 2008 the business unit launched VarioTherm and the new generation of the VarioView, two infrared systems which aroused a great deal of interest amongst customers. The developments for the related systems were successfully concluded at the begin-

ning of 2008. Major orders for both systems were already delivered as at the end of 2008.

### Products & Technologies

In the **Mechatronics business unit**, deliveries to Airbus were made on schedule. During the course of the year orders were issued for additional components, for example special control panels for cabins, various controllers and heating systems. Delayed deliveries of the A380, however, also negatively affected the suppliers of the system partners.

In the **Optronics business unit**, 2008 was a year which saw the successful launch of numerous missions. Jenoptik's systems have continued to successfully demonstrate their ability to be used under conditions in space. For example, the second satellite of the European Galileo satellite navigation system was launched in summer, with Jenoptik supplying three sun sensors for the satellite's guidance, navigation and control. The multispectral cameras manufactured by the business unit, which form the centerpiece of the RapidEye satellite-aided Earth observation system, were launched in summer and shortly afterwards started delivering the first images. The data supplies information for agriculture and cartography. The Jenoptik rendezvous and docking sensors were premiered in space in April 2008. These provide for the fully-automated docking process of the supply vehicle with the ISS 350 kilometers in space.

In 2008, the **Sensor Systems business unit** began deliveries of two major orders for the VarioTherm and VarioView infrared systems. Following the successful completion of testing, Jenoptik started delivery of the VarioVIEW™ 150 in October 2008. Jenoptik is the world's first manufacturer to offer a thermal imaging device with a wide range based on a non-cooled infrared detector with 640 x 480 pixel resolution which can be used to reliably identify persons at night at a distance of up to five kilometers and vehicles up to seven kilometers. In addition to displaying high resolution thermal

images, VarioVIEW™ 150 can also precisely measure distances to the target objects – invisible to the human eye and very difficult to detect using conventional reconnaissance technology. The integrated laser distance measurement device with a range of up to five kilometers is based on a compact diode laser distance measurement device in the DLEM series with a wavelength of 1550 nanometers, also developed by Jenoptik.

### Employees & Management

The number of employees in the segment increased as at end 2008 by 21 to 1,100 (Dec. 31, 2007: 1,079) and consequently at a lower rate proportional to the increase in business. 18 of the employees worked abroad. The focus of the HR work in 2008 was on the amalgamation of the employees and management within one division. A total of three management meetings were held, the so-called Division Management Days. A project roadmap for the division was defined and edited. One of the first successful projects was the exchange of employees between the division locations in order to balance out capacities. The amalgamation into one division was documented by the first joint presence at the Eurosatory trade fair in June 2008.

### Capital expenditure.

In 2008 capital expenditure by the segment in intangible and tangible assets totaled 8.3 million euros (prev. year 7.1 million euros). This was offset by depreciation in the sum of 6.9 million euros (prev. year 7.1 million euros). The segment invested primarily in machines and equipment for testing Airbus components.

### Acquisitions & other key events.

There were no acquisitions in the 2008 fiscal year.

## 4 Report on post-balance sheet events

The Optronics business unit was presented with an award as supplier of the year by the satellite manufacturer Astrium. The title of "Master Supplier 2007" was awarded for the guidance, navigational and control sensors and was presented on the basis of outstanding and proven operational excellence in the area of aerospace over many years. Astrium's award was in acknowledgement of the adherence to delivery times as well as the high quality of the Jenoptik products. Winning a number of major orders enabled Jenoptik in 2008 to position itself as one of the leading providers of opto-electronic instruments and sensors for the aerospace industry.

In the Sensor Systems business unit, HILLOS GmbH, a joint venture between Hilti and Jenoptik, celebrated its fifth anniversary in July. The millionth unit manufactured in Jena was simultaneously delivered to Hilti. Hillos manufactures laser equipment for use in construction, as well as distance measurement and positioning equipment. Since 2008 Hillos has been directly supplying the Hilti organizations worldwide.

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

## 5 Risk report

Jenoptik endeavors to exploit opportunities and limit risks. However, these both go closely hand in hand with commercial activities. The current system of reporting on risks, in addition to the network of risk officers in the subsidiaries, together with Internal Auditing which uses the key instrument of the Jenaudit, is an important, integral part of the early warning system.

### 5.1 Risk management system

The risk report takes account of the focus on the operating business and was adapted to meet the requirements of the strategic realignment as an integrated opto-electronics group and consequently to the new divisional structure.

#### Risk report

The divisions periodically report on all risks and opportunities that exceed 1.5 million euros. On the divisional level the minimum threshold for reporting was lower in some cases in 2008; risks on the overall Group or JENOPTIK AG level are also recorded for amounts exceeding 1.5 million euros. If a new risk or new opportunity arises between the reporting periods, or if there is a fundamental change to a statement in the report (for this purpose the minimum thresholds are 50 percent higher than the minimal thresholds for the periodic reporting), an ad-hoc risk report had to be produced and forwarded both to the risk officer as well as the Group Executive Board. This guarantees a fast response and ensures that a full and up-to-date overview of the key opportunities and risks is maintained at all times. These minimum thresholds were set relatively low in order to encompass as many individual topics as possible which could have a noticeable detrimental effect on or produce a positive development for the Group on an accumulated basis. A risk manual which covers all areas of the Group defines the procedure for dealing with the topics covered in the reporting.

The report also contains details on the probability of occurrence, the maximum and realistic level, associated measures as well as on the employee who monitors the development of the corresponding topic, whether this be a risk or an opportunity. The individual reports are collated into a Group risk-opportunities report and submitted to the Executive Board and Supervisory Board. These reports are divided into a strategic and an operating opportunity-risk matrix. The potential level and probability of the risk as well as the change in the scale of this over the course of time are set out in this matrix. The same system is used for presenting the opportunities and risks arising from changes in currencies and interest rates although the underlying risk assessment is ascertained and evaluated in separate, special reports.

We operate in markets which are subject to rapid technological change. The risk of developing products not taken up by the market is offset by opportunities arising from products with a technological leading edge and unique selling points. In order to exploit these to the full and to minimize the risks of mistaken developments, R+D projects are undertaken where possible in close coordination with the customers. Regular impairment tests, in particular of the R+D topics, are carried out on a quarterly basis. In 2008 the group-wide standards for approval and monitoring of R+D projects were improved with the introduction of a system of innovation management that applies throughout the Group (SEE PAGE 41). The Scientific Advisory Board is a high-quality committee that provides support for the monitoring and evaluation of long-term technology trends.

#### Auditing, Committees & Meetings

The internal auditing is led by the auditor appointed by the Chairman of the Executive Board and is normally conducted with the support of an external auditor in the form of so-called Jenaudits. The teams have an interdisciplinary structure, comprising in general one external auditor and employees from other Jenoptik companies, with each team

respectively auditing one subsidiary or one business unit. In 2008 a clear categorization of all findings and recommendations of the Internal Audit was introduced, which stipulates defined levels of escalation depending on the importance of the finding and the urgency to initiate actions. Since 2008 internal auditing has been strengthened by so-called ad-hoc Jenaudits to enable current special topics to be tackled promptly. Examples of these special topics are signs of process weaknesses, the functionality of a specific IT solution or the imminent liquidation of a company. In addition, the audit process was expanded by the addition of electronic data analysis for the automatic identification of any conspicuous items and a new, improved reporting structure introduced. JENOPTIK AG's Internal Auditing Department will receive additional strengthening of personnel numbers in the first quarter 2009, the external auditor for the Jenaudits changed at the beginning of 2008. The Jenaudits identify not only deficiencies or mistakes but also produce recommendations based on the experiences of the team members. The audited companies produce an implementation report under the aspect of an effective implementation of the recommendations issued. These are followed, as required, by so-called follow-up audits, the results of which are forwarded to the corresponding management level and the Jenoptik Executive Board. In 2008, seven Jenaudits were conducted, of these three were ad-hoc audits and one a follow-up audit.

The tasks of the Investment Committee for Participations were taken over by the expanded Central Mergers & Acquisitions Department. It provides support for all Jenoptik's M&A investment and disinvestment projects, including the integration processes following the acquisition of participations and new parts of companies and reports directly to the Executive Board.

The formats of the meetings, which were comprehensively changed in 2007, have proven successful. In addition to

the monthly meeting of the Executive Board, the Executive Board holds a *jour fixe* meeting every 14 days with the technical departments of the Corporate Center, with the monthly holding round being held with a further expanded group of participants. Monthly results meetings were set up between the Executive Board and the divisions at which discussions were held not only on the figures but in particular the business development, opportunities and risks, projects as well as the outlook. The Executive Management Board was established as the key advisory and decision-making committee which met six times in 2008 (SEE PAGE 37)

The system of guidelines of the Jenoptik Group is currently being revised in order to adapt it to the new organizational structure and management philosophy. The Basic Directive, which applies throughout the Group, came into force with effect from January 1, 2009, this forms the basis for the revision of all guidelines. In addition to rules under legislation relating to conduct on the part of management and each and every employee, as well as the basic principles of corporate governance that apply to quoted companies, the system also takes into account topics such as risk provision, danger avoidance and loss prevention. The system of rules in the Jenoptik Group is based on three elements: the Central Legal Department as the coordinator for corporate governance, the Group Risk Officer as well as internal auditing.

#### Currency and interest risk management system

Payment flows in foreign currencies are normally recorded as a risk-opportunity item and included in a monthly report for the attention of Group Controlling. Both the positions arising from the series production business (prices in foreign currencies are defined for a specific period on the basis of price lists) as well as the opportunities and risks arising from the projects business (prices in foreign currencies are only fixed on the basis of current exchange rates during the offer or negotiation phase) are reported to the central Treasury department of JENOPTIK AG as a gross or net currency



exposure which carries out the hedging for foreign currency transactions. Deviations from this rule are set out in the group foreign currency guidelines. A monthly compulsory report is sent to Group Controlling for hedging transactions which are concluded externally. This ensures that all current foreign currency positions and consequently the potential foreign currency risk are continually monitored on the group level.

In order to define an annual currency hedging strategy and the system of reporting on risks, the Treasury management analyses the net risk position per currency based on the familiar scenarios such as “most likely” (anticipated development of the currency), risk potential (double volatility per currency) and shock (greatest fluctuation over the last five years) and from this determines which instruments are to be used, the maximum permitted loss limit as well as the position limit for the currency hedging for the next year (value-at-risk forecast). The adherence to these limits is ascertained in a risk report which is produced at the end of each quarter.

The interest risk management system covers all the interest-bearing and interest-sensitive asset and liability items of both JENOPTIK AG as well as the group companies. Here again, the companies send monthly reports on their positions to the Group Controlling. A cash flow plan that shows the financing and investment requirements for the current fiscal year highlights the demand for new financing or new investment. Forecasts of the potential market values and fluctuations in results for the next year are drawn up using an analysis of the market risk. Historic fluctuations are the key here. Based on this quarterly analysis, specific strategy proposals are produced on the structure or adaptation of the financial portfolio for the attention of the Executive Board. So for example, suggestions would be regarding the conclusion of corresponding interest hedging transactions for variable interest positions if the anticipated change in the interest result might have a significant impact on the change

in the net result for the year. Interest hedging transactions, both for asset as well as liability items, are essentially only concluded at JENOPTIK AG. Exceptions to this rule require express approval by the Executive Board and are clearly set out in the internal authorization matrix.

## 5.2 Individual risks

In order to give a general statement on the development of Jenoptik's risk profile it is necessary to include the development of the economic situation as well as the corporate data: these two developments are diverging. Whilst the risks arising from the economic trend have increased markedly for Jenoptik – as they have for all other companies – from the corporate viewpoint Jenoptik's risk profile has continued to improve: the Asyst legal dispute, which had been litigious for more than ten years, ended in Jenoptik's favor. The risks arising from the contractual obligation to provide guarantees resulting from the sale of M+W Zander have also been almost fully eliminated in 2008.

### General economic risks and individual sector risks

Jenoptik primarily generates its sales through capital goods. There is consequently a time delay in the effect of fluctuations in the overall economic activity. In view of the continuing and dramatically deteriorating market framework conditions, at this point in time it is impossible to forecast the consequences on the earnings and asset of the Jenoptik Group.

It is virtually impossible to forecast how the deepening financial crisis during the 2<sup>nd</sup> half-year 2008 will continue to develop in 2009. The consequences of the crisis are increased loan and credit rates plus restrictions in the refinancing options available to all companies. The Group is currently looking at the options for refinancing the convertible bond that matures in summer 2009, which reduced to the nominal sum of 47.1 million euros as at December 31, 2008

following partial buybacks during the 4<sup>th</sup> quarter 2008. Negotiations are in progress with several banks, with the Group benefiting from its orientation towards high-tech products that provide for greater efficiency particularly in the production processes in various sectors. As at December 31, 2008 the Jenoptik Group also has unused credit lines in the sum of 79.2 million euros. However, from the current point of view, Jenoptik's supply of liquidity is secured through the placement of the debenture loans in 2007, the positive cash flow and unused credit lines which are shared between several banks without any one bank being predominant.

**Cyclical nature of key individual markets.** In the 2<sup>nd</sup> half-year 2008 and in the first months of the current fiscal year the financial crisis spread to the so-called "real economy". However, the individual sectors are being affected by this to differing degrees of intensity. Jenoptik's business is not heavily dependent upon any one specific sector. Consequently, although the Jenoptik business does go hand in hand with numerous risks in the various sectors, the individual effect of these on sales and results does vary. The three largest target markets (defense technology, industrial metrology and material processing) which are essentially independent of each other, accounted for approx. 62 percent of total sales in 2008. The probability of these three or all of Jenoptik's target sectors simultaneously collapsing or experiencing a sharp economic downturn without any causal events beyond our control – for example a dramatic collapse in the global economy, wars, natural disasters and pandemics – were considered minimal in our opinion in the past. This was seen in 2008 by the fact that a good performing defense and security business was able to cushion falls in sales and results in the semiconductor market. We are however currently seeing that a general global recession extending to virtually all sectors can significantly increase virtually unrelated market risks. Here again, it is not possible at the

present time to forecast how events will develop. At present we see a stable market environment only in the Defense & Civil Systems segment.

Fluctuations within individual sectors can affect customer solvency. In the case of larger projects Jenoptik counters this risk through on-account payments and payment agreements which reflect the progress of the project and the costs. In 2008 the public sector accounted for approx. 30 percent of sales. Over recent years there has been an increasing trend by the public sector towards significantly extending its payment periods or permanently reducing the proportion of on-account payments as a result of shortage of funds and permanent reductions in budgets. The outcome of this is that liquid assets are being increasingly tied-up in current assets.

#### Corporate strategy risks

Corporate strategy risks are primarily derived from the strong growth which Jenoptik plans for the coming years. The aim is to generate growth both organically – in particular through new products, business models, and regional growth – as well as via acquisitions, cooperation arrangements and further internationalization. These areas of focus also give rise to the following main corporate strategy risks:

**Success of key development projects.** As a result of the fact that our business is in fast changing markets, the risk of mistaken developments which could lead to the loss of planned sales and depreciation on capitalized development costs can be reduced through the measures described above, but it can neither be eliminated nor quantified on a relevant basis.

As a result of the compulsory capitalization of own development costs when predefined criteria are met in accordance with IAS 38, there has been an increase in the risks of po-

tential mistaken developments affecting the balance sheet. Mistaken developments not only threaten to impact on sales and earnings but also represent a risk of impairment. However, a technology company can never completely rule out the possibility of developments failing to succeed in the market. The total collapse of an individual major R+D topic can lead to losses in the single figure million euro range. The risk should be limited by carrying out a detailed audit of all major R+D projects and this will receive support from the recent introduction of an innovation management system.

Risks are also derived from our own and third party patents. These can lead to unscheduled expenses or income from license purchases and sales as well as unscheduled delays in sales, both on the positive and negative side, as well as litigation as a result of patent infringements.

Acquisition risks are countered by Jenoptik conducting a detailed due diligence which in the past more frequently led to a decision not to proceed with an acquisition. For example, in 2008 Jenoptik examined several companies as possible acquisitions or investments, only a very small of which resulted in a positive acquisition decision. The Group's review process is structured on a staged basis. On the basis of the growth strategy and the strategy of the area a market screening is performed within the framework of the strategy process. Acquisition options in the Group are examined by the Executive Board, the M&A department and the management of the division.

Put options for the acquisition of shares in companies from minority shareholders could reduce cash resources or sources of financing. However, in most cases there is no direct risk to results as new shares in a company are normally acquired. Where terms and conditions have already been

stipulated there is however both a risk as well as an opportunity of a deviation in the future value of the shareholding on the date the option is exercised, either on the negative or positive side, from the option agreement. There are currently no put options for operational shareholdings, frequently an element of an acquisition process. In the real estate side there are put options from silent investors who are motivated by tax purposes, although these cannot be exercised until at least 2011 and beyond.

The expansion of the international business is a key growth path. The aim is to achieve this expansion both through acquisitions abroad, moving into new markets as well as expanding and simultaneously locally streamlining the direct international presence. In addition to the acquisition risks described above, investments abroad entail e. g. legal risks. Where possible, Jenoptik counters these risks by entering into a market with local partners or local management. In addition, when we enter into a new market we will as far as possible utilize any existing structures of the Jenoptik Group and consequently access the existing resources and know-how.

The risk arising from changes in the market position primarily exists as the result of changes or leaps in technology, of a trend by key clients which has been increasing since 2008 of pursuing a policy of "second sourcing", as well as massive market penetration by competitors. Within the framework of the strategy process market observation has been intensified. In each of our core markets we compete with a handful of companies worldwide. Although Jenoptik views the risk of all its rivals simultaneously launching new products and technologies onto the market as minimal – as with sector risks. The change in the market position in one or more core markets could, however, lead to falls in sales and earnings.

The risk of takeover for the Group as a whole is dependent upon the share price. Approx. 70 percent of Jenoptik's shares are held in free float. On February 25, 2008 ECE Industriebeteiligungen GmbH, Vienna, announced that it held 25.02 percent of the shares. According to its own statements ECE has invested for the medium to long-term, thus reducing the risk of takeover.

**Personnel risks.** Jenoptik relies on qualified employees. In this context it competes with other major companies as well as numerous medium sized, small and start-up companies for the best personnel. With demand falling sharply in individual markets Jenoptik's aim is to keep hold of employees. Appropriate measures designed to achieve this will firstly be the reduction in overtime and introduction of short-time working. In addition, employees affected by short-time working will receive further training. Should these measures be exhausted in the event of a long-lasting crisis, the risk of redundancies and the associated loss of skilled personnel will be permanently balanced against the opportunities in the event of a pick-up in the market.

There is also a long-term risk arising from the fall in the number of school leavers from 2008, particularly in the new federal states. A shortage in the next generation of qualified employees is being countered by Jenoptik through various measures designed to permanently improve its attraction as a potential employer, particularly amongst young people. A Central HR Management Department, which includes HR Marketing, continued the task started in 2007 of profiling Jenoptik as an attractive employer both for potential employees and trainees as well as those currently working in the Jenoptik Group.

Risks arising from the development of the organization are derived from the necessary adjustments to the organizational and management structure. These are needed in order to provide for more direct control of growth in the

future. Changes will be made if these create greater corporate success over the medium-term compared with the old structures. We are countering these risks with the help of an active change management process. (SEE PAGE 58 AND PAGE 59).

There is significant dependency upon individual customers in some operating areas. In 2008 the order intake on the overall group level from the three largest customers accounted for approx. 11 percent of the total Group order intake. The three main customers accounted for 12 percent of sales. We counter the potential risk of a breakdown in business relationships through a system of Key Account Management. In addition, some customer relationships are also based on long-term supply contracts, which are in part based on special developments, countering the risk of a complete breakdown in business relationships. On the other side however, because of the dependency relationship, the customers are also in a strong position when it comes to negotiations.

There is dependency upon individual suppliers particularly for the procurement of special components or development orders issued by Jenoptik which do not lead to the required results. Thanks to Jenoptik's product mix there is a generally low risk to sales and results for the Group as a whole in the event of delivery bottlenecks on the part of a key supplier. In individual cases, however, supplier problems can lead to a shutdown in production, loss of sales, loss of reputation, contractual penalties, damages and the loss of follow-up orders and consequently to losses of income significantly disproportionately higher to the loss of sales. Countermeasures designed to reduce the dependency upon individual suppliers include the development of second sources, active interface management for outsourced developments, as well as the in-sourcing of strategic key components.

At the beginning of 2009 this risk increased for the Jenoptik Group by the application for opening of insolvency pro-

ceedings of Franke & Heidecke GmbH in Brunswick. Franke & Heidecke is the supplier for a special component of the Lasers & Optical Systems segment. Measures taken in 2008 to minimize the risk showed only an interim success. The effects on the operating business, in particular on the sales development of the respective business area and potential contractual penalties will depend on the further course of the insolvency proceedings, in particular on the decision on a continuation of the business activities of Franke & Heidecke GmbH. Jenoptik is examining different scenarios for a catalog of measures for 2009 which it can and will use if required.

**Long-term orders**, with stable costing bases and future capacity utilization, provide a good level of certainty for forecasts. Risks are derived in particular from the normal high volume of the orders, long-term costings, investment in advance performance and – in the case of very long-term orders – as a result of inflation. Jenoptik counters these risks through rolling forecasts, price escalator clauses and payments on account.

In order to avoid **product liability cases** the companies in the Jenoptik Group work on the basis of pertinent national and international rules and laws and strict measures regarding quality assurance. One residual risk which is viewed as minimal, is essentially covered by Jenoptik's business and product liability insurance which covers all of Jenoptik's national and international investments in the form of worldwide cover. This also takes account of the special requirements on the US market.

**Export risks** apply as a result of trading restrictions with specific countries, institutions, individuals, companies and for obtaining export licenses for products which require approval for Jenoptik as a supplier of defense technology goods. Jenoptik counters this export risk by having in place comprehensive testing and through the new SAP module SAP Global Trade Services which was successfully introduced

in 2008. When the business processes are transferred to the SAP GTS system all existing purchasing, sales and financing activities are scanned once and then subject to permanent monitoring, enabling export risks to be identified at an early stage.

#### Financial risks

Financial risks primarily result from orders denominated in foreign currencies, from the Group's financing activity as well as from options for the acquisition of parts of companies.

**Group liquidity risk and capital market position.** The risk of liquidity bottlenecks is limited by the take-up of the debenture loan, the full repayment of the commercial paper, available bank lines of credit in the sum of approx. 79 million euros which are also spread between several banks without any one bank being predominant and through a continuing and clear positive cash flow from current business activities. However, this risk has increased compared with the previous year as a result of the global financial crisis. The quantitative effects on the cash flow risk are set out in the Notes **UNDER POINT 34**. Negotiations on follow-up financing are currently being held for the convertible bond in the nominal sum of 47.1 million euros (previously 62 million euros) which matures in summer 2009. Financial covenants (special credit ratings from the banks which are linked to corporate indicators) exist as at December 31, 2008 for just 15 percent of the Group's gross debt in the sum of 206 million euros.

**Group currency risk.** Virtually all orders denominated in a foreign currency are hedged by Jenoptik using currency exchange hedging instruments, primarily current forward transactions and currency options. The amount hedged for outstanding currency forward transactions as at December 31, 2009 was 46.9 million euros (prev. year 57.1 million euros).

The exchange rate between the US dollar and the euro rose from 1.472 US \$/€ on December 31, 2007 to 1.3917 US \$/€ on December 31, 2008. This gentle upward trend continued until February 2009 (exchange rate on February 24, 2009: 1.28 US \$/€). According to experts the US dollar is currently benefiting from the lack of a coordinated approach by countries in the euro region to dealing with the financial and economic crisis as well as from the structural weakness in individual European countries. Orders from 2008 and future order intakes based on a further strengthening US dollar will lead to increasing margins in euros, providing the strength of the dollar is not fully reflected in price reductions. The quantitative effects on the currency risk are shown in the Notes **UNDER POINT 34**.

The risk of changes in short-term interest rates has not changed during the course of 2008 since there has been no major shift in the financing. A large portion of the Group's debt is based on fixed interest rates. Some variable interest-bearing borrowings are secured through interest rate hedging transactions. However, interest expenses in 2008 were clearly lower than in previous years (SEE PAGE 52) since there was a significant improvement in the financing structure at the end 2007 as a result of the repayment of the high-yield bond and this had a positive effect on the net interest result in 2008. The five year convertible bond with fixed interest rate matures in July 2009. We anticipate a higher rate of interest for follow-up financing, negotiations for which are currently in progress.

Interest hedging instruments such as interest caps and interest swaps continue to be used. A defined variable interest rate is received for a specific capital sum for the interest swaps used by Jenoptik. In return, Jenoptik pays a specific rate of interest on the same capital sum. The quantitative effects on the interest rate risk are shown in the Notes **UNDER POINT 34**.

Credit risks (default risks for receivables and loans) are countered by Jenoptik through comprehensive credit rating checks and – for larger projects – with agreements on payments on account which are contractually agreed and stipulated in advance. As a general rule credit risks then only apply to any residual receivable. The proportion of payments on account as a ratio between on-account payments received and receivables from operating business activities in the Jenoptik Group was 34.6 percent in 2008 (prev. year 28.2 percent). The risk of insolvency on the part of customers has increased due to the deterioration in the economic situation. This gives rise to a higher credit risk for Jenoptik than in the previous years. The quantitative effects on the credit risk are shown in the Notes **UNDER POINT 34**.

#### Risks arising from the sale of shareholdings and legal risks

The risks arising from the sale of shareholdings, in particular from the sale of M+W Zander, reduced further in 2008. Opportunities and risks arose from individual topics and projects retained at Jenoptik, from standard guarantees during the course of the sale as well as from agreements to provide guarantees. There was a significant reduction particularly in guarantee risks which fell from 54.4 million euros as at end 2007 to 0.5 million euros as at end 2008. In addition, Jenoptik issued the standard guarantees that apply to sales of major shareholdings, for example for the accuracy of the financial statements issued, the tax returns submitted or the existence of licenses required for the operation of the business. In principle, these guarantee assurances could give rise to future claims by the purchaser. The standard warranty period has expired but the audit by the fiscal authorities that extends over the relevant period of 4 years is currently still being conducted.

Since December 2008 a customer from the area of new technologies has claimed that a settlement concluded in 2006 with M+W Zander was invalid and is filing for damages in an arbitration court. This was rejected by M+W Zander which is setting up counterclaims. There is the risk arising from these current proceedings that if it loses the case M+W Zander could file claims against Jenoptik.

**Provision of guarantees.** The revolving guarantee framework granted during the sale of M+W Zander was terminated prematurely in 2007. Existing old guarantees reduced to just 0.5 million euros. A special guarantee still in force at the end of 2007 for an AMD project in the sum of 46.8 million euros was returned prematurely. The total volume of guarantees for M+W Zander as at December 31, 2008 was therefore just 0.5 million euros (prev. year 54.3 million euros).

The guarantee framework provided for caverion GmbH (formerly M+W Zander Gebäudetechnik GmbH) in which Jenoptik has a 15.1 percent shareholding was reduced in 2008 from 150 million euros at the end 2007 to 130 million euros as at end 2008. It was utilized in the sum of 103.1 million euros as at December 31, 2008. The budgeted liquidity facility in the sum of 15.9 million euros was not utilized in 2008 either. There has also been a significant improvement in the business situation of caverion since 2007 so the risks entailed for Jenoptik have been reduced.

The guarantees provided for other companies, in particular investments, were also significantly reduced from 13.3 to 7.0 million euros. A warranty guarantee accounts for a major portion of these, the main warranty period of which however expired in the 4<sup>th</sup> quarter 2008.

As a general rule, looking at historical empirical figures, the risk arising from guarantees can be categorized as quite low. For example, over the last five years, on average just 0.3 percent of guarantees have been utilized. Furthermore,

both the M+W Zander investments as well as caverion have a liability to repay Jenoptik if a guarantee is "drawn".

**Legal risks.** The patent dispute with the US American company Asyst Technologies, which had been litigious for more than ten years, was won by Jenoptik. The case has therefore ended.

Apart from the risks described in this risk report there are no other known legal risks which could have a significant effect on the asset and earnings situation of the Group.

#### Other risks

**Real estate assets** are subject to the fluctuations in the rental market, creating the risk of impairments. Significant portions of Jenoptik's real estate are rented to non-group companies, in some cases on a long-term basis. Rental prices and occupancy levels could impact on Jenoptik's earnings situation, particularly over the medium term. It is very difficult to forecast potential impairments, although none are expected.

**There is still no unified IT system throughout the Group.** Its configuration is up-to-date and state-of-the-art, including fall-back security systems, reliable network, data and application systems with redundant structures. Since Jenoptik exclusively sells capital goods, distribution would only be affected by a total system failure, unlike in the case of companies who sell a significant proportion of their products via the Internet.

The operators of SAP R/3 guarantee availability in excess of 98 percent. In 2008 100 percent availability was achieved. The data lines are designed on a redundant basis, the energy supply is secured through uninterrupted power supplies for fluctuations in electricity and an emergency electricity back-up unit. It is impossible to assess the probability and extent of damage caused by viruses and hackers. Jenoptik-

tik uses modern firewalls and applies strict security rules, amongst other things, in order to protect itself.

Environmental risks exist to a partial extent, resulting from the use of materials and substances which are required for production processes and may be harmful to health or cause damage to the environment. There are minimal risks arising from the so-called RoHS Directive which came into force in Germany on July 1, 2006. Risks which are currently viewed as minimal also exist as a result of the new environmental legislation which has been and will be implemented such as the Environmental Pollution Act dated May 14, 2007 and the new European Chemicals Ordinance (REACH) which came into effect on June 1, 2007. In 2008 environmental risks were recorded and evaluated at the respective locations throughout the company, in accordance with the requirements of the environmental liability insurance. The insurance covers all known risks, from storage, to production, through to disposal.

#### General statement on the risk situation

From the overall viewpoint we consider our ratio risks as correspondingly appropriate to the company. As a result of our broad presence in the markets we see the risk arising from the economic situation, related to the economic development of Jenoptik, as being more manageable than in companies which are dependent upon just one market. It is not possible at the moment to estimate the risks arising from the economic situation from the aspect of the Group's financing.

With the success in the Asyst legal dispute in which a jury had latterly recommended a claim for damages against Jenoptik in the sum of 57.6 million euros, Jenoptik's legal risks have been significantly reduced. By contrast, the risks arising from falls in sales and results due to the economic crisis have increased markedly for individual markets in which the Jenoptik Group operates.

With the exception of this and the risks arising from the sale of M+W Zander and the guarantee framework for caverion GmbH, Jenoptik's overall risk profile, in our opinion, is typical for our type of company and is inextricably linked with commercial business. Following the repayment of the high-yield bond the Jenoptik Group has no corporate rating from a rating agency as the banks that provide the financing for Jenoptik rely on their own internal bank ratings.



## 6 Forecast report

### 6.1 Future economic framework conditions

All details below relating to the future economic framework conditions are based on information up to February 23, 2009. As a result of the dynamic development of the economic situation there are likely to be changes in these forecasts during the course of 2009. In the event of any changes to the forecasts given in this report, reference is made to the 2009 quarterly reports for updated figures.

#### Future development of the economy as a whole

The global economy is experiencing a downturn. The trend since the third quarter 2008 points to profound cuts. The OECD does not anticipate an improvement until the second half of 2010. In view of the fact that the situation with regards to information is continually changing, statements about future developments are uncertain and the consequences of further bank failures, or government economic programs having minimal or insufficient effect, are virtually impossible to predict at present. Against this background and based on the easing which has been seen in the commodity and in particular the oil markets, the OECD expects the global economy to shrink by 0.4 percent in 2009. It sees a recovery averaging 1.5 percent for 2010 which could accelerate during the course of 2010. In its models the International Monetary Fund assumes a reduction in economic output in 2009 of 2 percent in the industrialized countries and 0.5 percent for the global economy, with growth of 1.0 percent anticipated for 2010. These forecasts are backed up by the Global Economic Climate Index of the Ifo Institute which fell to a historic low of 45.7 points in February 2009.

The OECD expects the USA to show negative growth of 0.9 percent for 2009. As at November 2008 the OECD predicted a minus of -2.0 percent for the first quarter 2009 whilst at the end of February 2009 Deutsche Bank actually

forecast a – 6.5 percent fall for the same period. Negative effects on assets and an unfavorable climate for consumer spending, combined with lower corporate investment, are all contributing towards this development. A recovery is not expected until the third quarter 2009 at the earliest. A program of measures totaling 2,000 billion US dollars aimed at supporting the economy was introduced by the new US President Obama. The effect of these will not be felt until 2010 at the earliest.

According to the OECD, growth in the euro zone will shrink by 0.6 percent in 2009. The OECD had originally forecast growth of 2 percent. Growth in 2010 is anticipated to be 1.2 percent. Weak private consumer spending and increasing unemployment from mid 2009 are likely to be just as responsible for this development as the slower export growth caused by the slowdown in the global economy. As a result of the delay effect, a marked recovery and an associated reduction in surplus supply is not expected until the second half of 2010.

Because of its strong exports the German economy is particularly affected by the reduction in corporate investment on a worldwide basis and according to estimates by the OECD will shrink by 0.8 percent in 2009 (forecast for the previous year: growth of 1.6 percent). However, here again the widely differing forecasts indicate significant uncertainties: as such Deutsche Bank anticipates a reduction of 5 percent in economic output, subject however to the start of a sustained upturn from summer 2009. It remains unclear as to what effect the two economic packages initiated by the federal German government totaling 82 billion euros will have. For 2010 the OECD forecasts average economic growth of 1.2 percent, although this forecast is viewed as entailing a lot of uncertainty.

According to assessments from the OECD, Japan, by contrast, will initially benefit from a special boost to economic

activity resulting from fiscal impetuses before the country also experiences stagnation in the second half of the year.

Growth in the non-OECD economies will slow in 2009 before these are expected to see a recovery in 2010. According to the OECD, growth in China in 2009 will be 8.0 percent, markedly weaker than in the previous years, with a figure of 9.2 percent being predicted for 2010. As a result of weak domestic demand the extent of the fall in export demand is of crucial importance.

India is on a sound course of growth. In the opinion of OECD experts, economic growth will be 7.3 percent (2009) and 8.3 percent (2010). However, there are significant risks in the receding attempts to achieve budgetary consolidation as well as in the substantial revaluation in the equity markets.

Growth in the Russian economy in 2009 will markedly weaken to 2.3 percent before it is forecast to see a revival of 5.6 percent for 2010. Risks to Russian growth are mainly contained in the on-going falls in commodity prices and the associated budgetary risks. Growth in Brazil will lose significant impetus in 2009 and will fluctuate around the 3.0 percent range for 2009 and 4.5 percent for 2010. However, the worldwide financial crisis also poses significant risks in Brazil.

#### Future development of the Jenoptik sectors

The sector association SPECTARIS anticipates a reduction in sales in 2009 for **Optical Technologies** as a result of the economic situation. It is virtually impossible to provide meaningful forecasts for 2009 given the current economic conditions. The experts at Laser Focus World are developing several scenarios for the global laser technology market: in the best case, the market for laser technology will stagnate at 7.1 billion US dollars. However, if the current weakness in demand continues in key applications and markets, the possibility of the market shrinking by up to 20 percent cannot be ruled out. As a guideline LFW anticipates a fall in sales of approx. 11 percent to 6.3 billion US dollars.

For **Metrology and Sensor Systems**, Jenoptik's experts also expect key customers in the automobile sector to hold back on investment activity in 2009. This will continue to drive the consolidation of the market. A recovery is not expected until mid 2009 at the earliest.

Experts, for example at the sector association SEMI and the Gartner Market Research Institute, agree that 2009 will be a poor year for the **semiconductor market**. Gartner expects a 16 percent reduction in the global chip market, mainly due to cautious consumer spending. According to the assessment by SEMI, this trend will also have a significant impact on the equipment manufacturers in the semiconductor industry. After what was already a difficult 2008, 2009 is expected to see a further fall of 21 percent or to 22 billion US dollars. The sector does not anticipate a recovery until the end of 2009 or beginning of 2010 at the earliest.

Whilst manufacturers in the **machine and plant construction** sector initially anticipated a stagnating market in 2009 this assessment is now no longer supported by the sector association VDMA. Instead, it expects to see a 7 percent fall in production for 2009.

The bad trend in the automobile markets will continue in 2009 according to assessments from banking and association experts. For example, Credit Suisse anticipates that the market will continue its weak development until at least into the second quarter 2009 whilst Unicredit assumes a fall in the market of 10 percent for the full year, to 2.9 million vehicles. For the USA, the sector association VDA sees a further reduction in the market volume to below 12 million vehicles. In the medium term, however, the general demographic conditions should lead to the return to an expanding US market. German suppliers are expecting a difficult 2009. They are reducing their levels of investment and either preparing for or have already introduced short-time working.

Experts in the traffic solutions business expect market conditions in 2009 to essentially remain stable as decisions are imminent on a number of major projects which have long been in the preparation stage. At the same time, downward pressure on prices is increasing as a result of the intensified competition and system integrators acting as intermediaries.

According to forecasts by the experts at IATA, air traffic volumes in 2009 will shrink by 3 percent in terms of passenger numbers. This will be the first fall in passenger numbers since 2001. Air freight traffic will be hit even harder with a fall of 5 percent. Due to the resultant overcapacities the major aircraft manufacturers foresee a marked reduction in new orders of between 300 and 400 units with the same number of aircraft deliveries.

The European space industry will be boosted by the programs approved in 2008. For example, the Arianespace company anticipates 15 to 20 satellite invitations to tender for 2009. However, there is even uncertainty about these in view of the current economic situation.

The demographic trend, particularly in Asia, will continue to ensure stable growth rates in medical technology. Rates of increase averaging 10 percent per annum by 2015 are seen as realistic- even in the current economic environment. The market volume will increase during the same period to more than 400 billion US dollars.

West LB predicts stagnation in the number of new installations for the solar industry following the boom of the previous years. This is primarily attributable on the one side to the difficult credit climate and secondly to a cap on the volume of development in Spain, one of the key client markets. There is the additional factor of increasing downward pressure on prices in the sector caused by significant expansion in capacities of up to 15 Gigawatts (peak output) by the cell manufacturers. There is expected to be consolidation in the market.

The defense and security technology sector is expected to see a continuation of the long-term growth trend. However, conventional scenarios will also return to the spotlight as a result of changes in framework conditions in parallel with the requirements for small and flexible units, high standards of personnel protection and locational flexibility.

## 6.2 Future development of the Jenoptik Group

Despite the global economic downturn we see the conditions for sales of our products and services for the long-term as good. We are reaffirming our long-term growth targets. In our view the Group's strategic realignment and the package of measures which we have defined for and will implement in 2009 and 2010 places us in a good position.

### Orientation of the Group over the coming years

Over the coming years the Group will be further developed on the basis of the five value levers defined in 2007:

- Organic growth,
- Market and customer orientation,
- Internationalization,
- Employees & management as well as
- Operational excellence.

**Organic growth:** Work on the implementation of the first growth options taken from the strategy process was commenced in 2008/beginning 2009. The strategy process and innovation management were successfully introduced and are now on-going on the divisional level. In addition, 2009 will see the start of intensive monitoring of the market with a view to potential acquisitions in conjunction with market adjustments as a result of the financial and economic crisis. These will create opportunities which are not available under positive economic framework conditions or only available at markedly less favorable terms.

**Organic growth:** Work on the implementation of the first growth options taken from the strategy process was commenced in 2008/beginning 2009. The strategy process and innovation management were successfully introduced and are now on-going on the divisional level. In addition, 2009 will see the start of intensive monitoring of the market with a view to potential acquisitions in conjunction with market

adjustments as a result of the financial and economic crisis. These will create opportunities which are not available under positive economic framework conditions or only available at markedly less favorable terms.

**Market and customer orientation:** The trust of our customers was evidence of the first successes of our new organizational structure, and allowed for the organic growth in our core business areas in 2008 – in spite of the termination of activities which hold no good prospects for the future and disinvestments. We will continue these intensive customer contacts in 2009 and beyond, concretely with the development of processes that are close to customers and markets, in particular in the area of distribution, supported with training courses. A new website which combines the complete range of products and services of the Group in one portal and is expanded with sales applications will go online in 2009. In addition, we will continue the positioning of the joint brand which has been applicable throughout the whole Group since January 2009.

**Internationalization:** We see high sales potential particularly abroad. The process of internationalization is currently also being extended to cover the subject of procurement. The first concrete step was the acquisition of parts of the Chinese company Shanghai AES Auto Equipment Co. Ltd. (AES). By taking this step, the Jenoptik Group primarily expanded its assembly capacities and enhanced its expertise in the procurement of electronic and mechanical components in China. The activities of AES will be amalgamated with Hommel Telstar Co. Ltd., Shanghai. In the traffic solutions business, the Service Providing business model provides for the development worldwide of new sales markets that could not be previously targeted purely through the conventional equipment business. The Lasers & Optical Systems segment intends to expand its activities in Asia, a key location for the global semiconductor and flat screen industry. Its presence in Israel was also expanded in March 2009. A joint venture

between Jenoptik and the Israeli company Dagesh will supply opto-mechanical modules to Israeli customers in the semiconductor and security industry.

**Employees & Management:** Following the establishment in 2007 of recruitment using a group-wide applicant management system, the subject of HR development and support for personnel are put under the spotlight in 2008 and 2009. Against this background the main task in the current fiscal year will be to support personnel measures that will become necessary as a result of the Jenoptik Excellence Program and the current economic situation. In additions, investments will be made in the training at the Jena location in 2009.

**Operational excellence:** The value lever operational excellence will be the focal point in 2009. The Jenoptik Excellence Program, which essentially pursues three main objectives, was started up in January 2009:

- comprehensive and continual optimization of processes in order to reduce costs and to ensure quality,
- continued consolidation of the divisional structure by amalgamating processes and adjusting structures which are currently still based on the old limited company structures, and
- the establishment of group-wide process standards which will save costs and increase quality.

Projects specific to individual divisions will be defined and in the first phase of implementation topics having the greatest positive impact will be tackled already during 2009.

The Shared Service Center started to perform its operational tasks from in mid 2008. These tasks currently cover the areas of information technology (IT), personnel, group procurement, real estate management, health and safety at work and environmental protection, security and technical services and are expected to be expanded step-by-step

over the years ahead. The course for the harmonization of the Group IT has already been defined in 2008. Some of the new group-wide infrastructure solutions are already being implemented. The commissioning of a new central computer center, which is equipped with state-of the-art technology to ensure security and performance, in January 2009 was an important step in this process. It is the basis for the current projects to establish a group-wide uniform internet and intranet.

#### Future development in the segments

The information below on the future developments of the Jenoptik Group segments is given on the assumption that there will be a general recovery in the global economy and the individual markets which are suffering from the crisis to varying degrees. It is impossible at the current time to forecast the long-term impact of the economic crisis on the general market trends described here.

In the **Lasers & Optical Systems** segment the duration and extent of the current crisis in the semiconductor industry and the development of its related industries will be a key determining factor in development over the next two years.

Back in 2008, the Optical Systems division had already commenced targeted sales activities which contribute to growth and the development of new markets. New optical and micro-optic components and systems (see Page 75) are being developed, applications and markets being opened up further, in particular abroad. In the Optoelectrical Systems business unit the intention is to utilize lighting technology in particular to develop a new market. The Jena-based company Mazet and Jenoptik are jointly marketing color sensors under the JENCOLOR brand, with prospects for potential new areas of use particularly for lighting as well as industrial applications. The color sensors identify and measure properties of body colors or active light sources.

In the Lasers & Material Processing division the focus of the work in 2009 in the Laser Processing Systems business unit will once again be on the expansion of the photovoltaic activities. Today, support is already being given to customers for the development of future manufacturing and processing technologies with the help of special series systems which received their market launch in 2008. In the Laser Systems business unit success will depend upon, among other things, a fast and successful market launch of the new laser showcased at Photonics West (SEE PAGE 76) as well as other new developments. The fiber laser product range is expected to be extended in 2009 by the addition of more lasers in higher output categories. Following the acquisition of TESAG the Diode Laser business unit now has the value-added step of wafer production at its disposal, the key step in the process of creating laser bar functionality and quality as well as for production costs of the laser bars. Jenoptik is a world leader in diode lasers and aims to capture additional market shares over the years ahead.

In the Metrology segment Jenoptik considers itself well positioned. With its Industrial Metrology division Jenoptik is one of the leading system supplier for contact and non-contact metrology systems. Following a successful progress of business up to the 2<sup>nd</sup> half-year 2008, order intakes have experienced a sharp fall since November 2008. The duration and the extent of the current financial and economic crisis, in particular in the automotive industry, will influence the course of business. Measures aimed at adapting the cost structures have been taken and will be expanded during 2009. Thanks to the division's broadly-based international position and the fact that it possesses the entire portfolio of measurement technologies in-house, it does however have advantages over competitors, some of whom are local. The main demand is in particular for optical measurement technologies and systems that combine various technologies and/or different measurement tasks. The division will also be

able to benefit from the global demand for fuel-saving and low emission engines which we are clearly seeing independently of current developments and not only for the US market.

The Traffic Solutions division is holding its ground in what according to current assessments is essentially a stable market. Following a difficult 2007 the international equipment business in particular reported a pick-up during the 2<sup>nd</sup> half-year 2008. As a global market leader in photographic traffic monitoring the division benefits from having a comprehensive product portfolio in the Equipment business unit which encompasses all technologies – including a laser scanning system since 2008. In the long term, the Traffic Service Providing business unit, which is currently actively engaged in the USA, will benefit from the trend in the public sector towards Public Private Partnership models. The transfer of the entire infrastructure and supporting processes to private contractors, is expected particularly in the countries of Eastern Europe as well as in North and South America as well as Asia.

The Defense & Civil Systems segment operates in what is essentially a stable market environment. The reasons for this are the standard procedures for awarding major contracts which can extend for long-term periods of ten years or more – starting with developments of platforms on behalf of clients (military equipment, aircrafts or satellites). This is particularly true in the Mechatronics and Optronics business units, where Jenoptik supplies system companies and maintains very close, longstanding relationships with the clients. Particularly in 2008, the division and specially the Sensor Systems business unit saw the trend towards security systems – both in the civil as well as in the military area. The segment was successful in launching new developments quickly and in large numbers involving various systems, such as for example the VarioView® (SEE PAGE 84).

## 6.3 Future development of the business situation

Jenoptik aims to further expand its position as a leading global provider of opto-electronics. In order to achieve this it has set itself specific, long-term goals.

### Long-term goals

Value retaining growth. Over the long-term, the aim is to increase sales to again reach the one billion euro mark. The target will be to achieve average annual growth of 10 percent – this will include smaller acquisitions which expand the technology and product portfolio as well as the international market presence. The Group EBIT margin is to be improved gradually but clearly to between 9 and 10 percent. It is impossible at this point in time to forecast the impact the current economic crisis will have on delaying the attainment of our long-term goals, particularly the sales and results targets.

In 2007 and 2008 we have already achieved a significant increase in and focus on the cash flow compared with the previous years. A positive cash flow from operating activities well into the double-figure million euro range is needed in order to finance and secure our future growth and capital expenditure – including the capital expenditure needed in intangible and tangible assets as well as smaller acquisitions.

By pursuing an active personnel management we are providing our employees and the management with a challenge as well as encouragement. The number of employees in the Jenoptik Group is expected to rise further in line with our long-term growth targets. However, the rate of increase should be at a clearly lower rate proportional to the expansion of business.

The expansion of the international business is focused particularly on regions showing strong growth. In this context, a key role will be played by those markets in which we will be able to expand our strong market position as the Jenoptik Group – building on existing client relationships. This expansion is expected to take place primarily through our direct presence. We will seek to streamline our presence in the core markets of Europe, Asia and North America.

### Development of key indicators in 2009 and 2010

All the details below are given on the assumption that there is no further significant deterioration in the economic situation. Statements on the future development of the business situation have been made on the basis of information at the current time. As a result of the current economic situation, definitive forecasts for the 2009 and 2010 fiscal years can only be given to a limited extent. Our assumptions for planning for our three segments as at the beginning of March are the following:

#### Lasers & Optical Systems segment:

- Slight attenuation of the crisis in the semiconductor industry starting from the second half of the year 2009. The decline in sales and earnings presumably associated with this is to be compensated in part through the focus on the markets of life sciences, public infrastructure and security as well as measures to reduce costs.
- Lasers & Material Processing division with an overall stable development. The decrease in the automotive industry can probably be compensated through the increase in the photovoltaic business and the area of medical technology.



**Metrology segment:**

- The fall in order intake in the Industrial Metrology division since November 2008 has continued in early 2009 and will result in a marked decline in sales which can hardly be compensated. Measures for cost reduction have been started.
- In the Traffic Solutions division we expect the market to show a stable development and see opportunities resulting from the complete range of products as well as from our position as market leader in the equipment business.

**Defense & Civil Systems business:**

- With the high and long-term order backlog we have a relatively high planning reliability for the development of sales and earnings.

The Jenoptik Excellence Program which started at the beginning of 2009 will contribute to cost reduction from the 2<sup>nd</sup> half 2009 (SEE PAGE 42).

We do not expect the progress of the Group's business in 2009 to enable us to achieve sales and results at the 2008 level. We anticipate more difficult overall sales conditions, although the extent of these will vary in the individual segments. Jenoptik will continue to benefit from the stable business of the Defense & Civil Systems segment in 2009, where we anticipate another contribution to sales in excess of 200 million euros (2008: 208.5 million euros). Approx. 68 percent (prev. year 43 percent) of these sales has already been secured through the segment's order backlog (Dec. 31, 2008: 294.6 million euros, of which 148 million euros for 2009). In 2009, we expect in the Lasers & Material Processing division (Lasers & Optical Systems segment) and in the Traffic Solutions division (Metrology segment) a relatively stable development of sales. However, we anticipate the Optical Systems and Industrial Metrology divisions to post lower sales than in the 2008 fiscal year as a result of falling demand.

The result from operating activities of the Jenoptik Group will be influenced by the downward pressure on prices due to the economic crisis and an anticipated lower sales volume. However, as a result of the stable contribution from the Defense & Civil Systems segment, together with our presence in various markets, we expect a positive Group operating result. We will be setting out our forecasts in more precise detail in the 2009 quarterly reports during the course of the year.

There are plans for further sales of real estate not required for operational purposes which, if successful, will lead to a further reduction in net debt. This will simultaneously reduce the contribution to the positive EBIT from real estate, although this would be offset by a similar amount on the financial result level thanks to savings in interest payments.

2009 should see a further improvement in the investment result. The net interest result in 2009 will be down slightly as a result of the increased refinancing costs. There was a significant improvement in the net interest result in 2008 due to the early repayment of the high-yield bond. In addition, it included a one-off effect of 1.2 million euros due to the favorable buyback of parts of the convertible bond.

On the order book side, Jenoptik will benefit from its presence in various markets. The development of the order intakes varied according to the individual markets during the 4<sup>th</sup> quarter 2008 and the first months of the 2009 fiscal year. Sharp falls were recorded in some order intakes from the semiconductor and automotive industry. By contrast, the defense and security as well as the traffic safety areas reported stable order intakes. Since order intakes in the double figure million euro range can be achieved particularly in the Defense & Civil Systems and Traffic Solutions divisions, although these cannot be forecast with sufficient reliability, it is impossible to provide reliable statements on the level of



the order intake and, consequently, the anticipated order backlog.

R+D expenses (excluding customer-funded R+D and capitalizations) are expected to come in at between 36 and 39 million euros in 2009. The figure does not include JT Optical Engine which was formed in 2007 together with Trumpf and is shown at-equity in the investment result. There are no plans to significantly reduce R+D expenses in conjunction with the economic crisis. It is however possible that improvements will be made in conjunction with the launch of the Jenoptik Excellence Program.

The number of employees is expected to reduce slightly. Here again, adjustments may be made dependent upon the anticipated results of the Jenoptik Excellence Program. It is impossible at present to provide forecasts on the development of employee numbers in view of the economic and financial crisis. With regard to the development of employee numbers, adjustments between order book situation, costs and personnel capacities will be made in relatively short time intervals. Jenoptik's fundamental aim is to retain personnel. Adjustments are made by reducing overtime and introducing short-time working, a system that has been applied in parts of the Group since January 2009.

#### Anticipated financial position

For financing purposes, in addition to cash in hand and bank credit balances in the sum of 12.5 million euros as at December 31, 2008 and current securities, the Group also has non-utilized lines of credit in the sum of nearly 79 million euros at its disposal. These are only short-term but have been available for the Jenoptik Group on a revolving basis for several years. There were no changes due to the financial and economic crisis by the time the financial statements were prepared on March 6, 2009. The financing of smaller acquisitions is primarily to be funded out of the current cash flow. Jenoptik could avail itself of the financing instruments

resulting from the resolutions passed at the 2008 Annual General Meeting in order to finance larger acquisitions, although there are no plans for this at present.

The financing structure will change in 2009. The five year convertible bond matures at the end July 2009. Negotiations are currently in progress for follow-up financing. These are expected to lead to a higher interest rate. The sale of real estate not required for operational purposes, to be carried out in 2009 depending upon the market conditions, could enable long-term mortgage loans to be repaid and consequently reduce Group net debt. Whether this will materialize and what prices will be achieved will also depend upon the further development of the German real estate market since real estate not required for operational purposes should only be sold providing the sale prices realized are within our anticipated range.

JENOPTIK AG does not plan to pay any dividends for the 2008 fiscal year.

The level of capital expenditure will essentially depend upon the further development of the markets and consequently the development of the Group's business situation. Investments are reviewed in accordance with the new investment management process by the top management. Individual investments are sometimes required as a result of specific order intakes and are only approved once definite orders have been received.

## 6.4 Opportunities

The broad basis of our operating business is a positive factor for the Jenoptik Group in the current economic environment. We are benefiting in particular from the stable sales and contributions to results from the Defense & Civil Systems segment. Jenoptik is therefore in a better position to compensate for economic fluctuations than companies that only operate in one market. The current market adjustment, which could affect smaller and highly specialized companies in particular, opens up opportunities for Jenoptik for acquisitions at attractive prices. We also see opportunities in the following areas:

- the continuing process of internationalization which could provide for a disproportionately high level of growth,
- the high standard of qualifications and training amongst our employees plus a low fluctuation rate,
- close cooperation with key customers, including the joint optimization of product and process strategies,
- our uniform brand worldwide which highlights our size and consequently our stability as a partner even during the economic crisis,
- our package of measures designed to achieve our medium-term targets, as well as
- our intensive research and development and our activities in technology-intensive markets with high entry barriers.

The Group's strategic realignment increases our opportunities since it provides for synergies which were either not utilized in the past or only utilized to a minimal extent.

### Summary I General statement on future development

The economic framework conditions for the current fiscal year are poor. It is impossible at the present time to predict the duration and intensity of the financial and economic crisis. We assume that this crisis will delay the attainment of our long-term objectives.

The Jenoptik Group's aim is to emerge stronger from the financial and economic crisis. We feel that we are well placed to do this since we are better able to compensate for economic fluctuations than those companies that operate in just one market. This was confirmed by the development of business in 2008.

We expect the Defense & Civil Systems segment to make a stable contribution to sales and results for the year 2009. In the other two segments sales and result from operating activities are unlikely to reach the figures achieved in 2008. There are signs of a fall in particular in the semiconductor activities of the Optical Systems division and in the Industrial Metrology division. We see opportunities for the Lasers & Material Processing and Traffic Solutions divisions to repeat the level of sales recorded in the previous year. All in all the Group result from operating activities is expected to be positive in 2009. We will be setting out our forecasts in more detailed form during the course of the current fiscal year.

Jena, March 6, 2009



Dr. Michael Mertin  
Chairmann of the Executive Board



Frank Einhellinger  
Member of the Executive Board

## Consolidated financial statements and notes of JENOPTIK AG for fiscal year 2008

“We have streamlined the Notes and introduced new report formats. This includes the removal of the multiyear overview according to HGB accounting standards. As we changed to IFRS reporting in 2002, we no longer deem a double report necessary. We also are implementing the new IFRS 8 (segment reporting) standard for the first time, and a year earlier than mandated. We have therefore adapted the segment reporting and regional figures in comparison with those shown in the previous year.”

PETRA STAPPENBECK, FINANCIAL DIRECTOR, JENOPTIK AG

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# Consolidated Financial Statements

## Consolidated Statement of Income

in TEUR	Note No.	01.01.–31.12. 2008	01.01.–31.12. 2007
Sales	1	548,269	521,687
Cost of sales	2	386,344	361,817
Gross profit		161,925	159,870
Research and development expenses	3	34,137	38,990
Selling expenses	4	58,653	49,274
General administrative expenses	5	38,849	42,900
Other operating income	6	22,066	45,170
Other operating expenses	7	15,289	38,547
Result from operating activities		37,063	35,329
Result from investments in associated companies	8	–896	–5,331
Result from other investments	8	–4,593	–1,742
Interest income	9	3,759	8,148
Interest expenses	9	15,090	35,667
Financial result		–16,820	–34,592
Earnings before tax		20,243	737
Income taxes	10	2,595	952
Deferred taxes	10	1,082	4,411
Earnings after tax		16,566	–4,626
Minority interests' share of profit/loss	11	4,810	3,592
Net profit		11,756	–8,218
Earnings per share in euros	12	0.23	–0.16
Earnings per share (diluted) in euros		0.23	–0.16

# Consolidated Balance Sheet

Assets in TEUR	Note No.	31.12.2008	31.12.2007	Change
Non-current assets		376,335	387,711	- 11,376
Intangible assets	13	88,929	88,314	615
Tangible assets	14	170,489	175,873	- 5,384
Investment properties	15	34,794	35,992	- 1,198
Shares in associated companies	17	1,358	847	511
Financial assets	18	18,802	23,931	- 5,129
Other non-current assets	19	10,589	10,821	- 232
Deferred tax assets	20	51,374	51,933	- 559
Current assets		312,764	309,615	3,149
Inventories	21	179,450	174,099	5,351
Current accounts receivable and other assets	22	118,832	119,502	- 670
Securities	23	1,959	2,222	- 263
Cash and cash equivalents	24	12,523	13,792	- 1,269
Total assets		689,099	697,326	- 8,227
Shareholders' equity and liabilities in TEUR	Note No.	31.12.2008	31.12.2007	Change
Shareholders' equity	25	292,837	280,924	11,913
Subscribed capital		135,290	135,290	0
Capital reserve		186,137	186,726	- 589
Other reserves		- 50,507	- 62,726	12,219
Minority interests	26	21,917	21,634	283
Non-current liabilities		133,114	208,788	- 75,674
Pension provisions	27	6,437	6,404	33
Other non-current provisions	29	18,370	22,046	- 3,676
Non-current financial liabilities	30	92,418	161,755	- 69,337
Other non-current liabilities	31	12,967	15,195	- 2,228
Deferred tax liabilities	20	2,922	3,388	- 466
Current liabilities		263,148	207,614	55,534
Tax provisions	28	2,934	1,085	1,849
Other current provisions	29	35,751	39,907	- 4,156
Current financial liabilities	30	113,684	45,918	67,766
Other current liabilities	32	110,779	120,704	- 9,925
Total shareholders' equity and liabilities		689,099	697,326	- 8,227

## Consolidated Statement of Movements in Shareholders' Equity

in TEUR	Subscribed capital	Capital reserve	
Balance as at 01.01.2007	135,290	186,726	
Valuation of financial instruments			
Currency differences			
Changes in value recorded in shareholders' equity			
Earnings after tax			
Sum of earnings after tax and changes in value not impacting income			
Dividends paid			
Change in consolidated companies			
Other changes			
Balance as at 31.12.2007	135,290	186,726	
Valuation of financial instruments			
Currency differences			
Changes in value recorded in shareholders' equity			
Earnings after tax			
Sum of earnings after tax and changes in value not impacting income			
Dividends paid			
Change in consolidated companies			
Other changes		-589	
Balance as at 31.12.2008	135,290	186,137	

	Cumulated profit	Fair value measurement	Hedging	Cumulative currency differences	Own shares	Minority interests	Total
	-56,887	9,143	3,958	-1,404	-47	22,585	299,364
		-9,149	2,271				-6,878
	-276			-1,995		-22	-2,293
	-276	-9,149	2,271	-1,995	0	-22	-9,171
	-8,218					3,592	-4,626
	-8,494	-9,149	2,271	-1,995	0	3,570	-13,797
						-3,604	-3,604
						-917	-917
	-169				47		-122
	-65,550	-6	6,229	-3,399	0	21,634	280,924
		-1,882	323			19	-1,540
	43			2,004			2,047
	43	-1,882	323	2,004	0	19	507
	11,756					4,810	16,566
	11,799	-1,882	323	2,004	0	4,829	17,073
						-4,571	-4,571
							0
	-25					25	-589
	-53,776	-1,888	6,552	-1,395	0	21,917	292,837

## Consolidated Statement of Cash Flows

in TEUR	01.01.–31.12. 2008	01.01.–31.12. 2007
Earnings before tax	20,243	737
Interest	11,331	27,519
Depreciation/write-up	31,076	34,533
Impairment	5,720	11,438
Profit on disposal of fixed assets	–54	–21,094
Other non-cash expenses/income	–916	6,073
Operating profit/loss before working capital changes	67,400	59,206
Increase/decrease in provisions	–10,834	–1,542
Increase/decrease in working capital	–10,207	14,838
Increase/decrease in other assets and liabilities	1,013	2,387
Cash flow from/used in operating activities before income taxes	47,372	74,889
Income taxes paid	–917	–1,084
Cash flow from/used in operating activities	46,455	73,805
Receipts from disposal of intangible assets	561	356
Payments for investments in intangible assets	–5,891	–9,963
Receipts from disposal of tangible assets	3,747	2,956
Payments for investments in tangible assets	–17,901	–25,861
Receipts from disposal of financial assets	3,022	34,423
Payments for investments in financial assets	–5,335	–4,582
Payments for acquisition of consolidated companies	–662	–10,031
Interest received	3,565	7,501
Cash flow from/used in investing activities	–18,894	–5,201
Dividend payments to shareholders	–4,572	–3,590
Receipts from issue of bonds and loans	31,470	31,119
Repayments of bonds and loans	–24,869	–207,503
Repayments for finance leases	–12,342	–2,528
Change in group financing	–6,421	5,168
Interest paid	–12,331	–30,774
Cash flow from/used in financing activities	–29,065	–208,108
Change in cash and cash equivalents	–1,504	–139,504
Foreign currency translation changes in cash and cash equivalents	235	–544
Cash and cash equivalents at the beginning of the period	13,792	153,840*
Cash and cash equivalents at the end of the period	12,523	13,792

\* including restricted cash of TEUR 143,200



# Notes to the consolidated financial statements for the fiscal year 2008

## 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 2008 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:

#### IFRIC 11 "IFRS 2 Group and Treasury Share Transactions"

In November 2006 the IASB published the Interpretation IFRIC 11. IFRIC 11 addresses the issue of how to account for share-based payments within a group, what the consequences are for employees transferring within a group and how share-based payments are to be treated where the company issues its own shares or has to acquire shares from a third-party.

The interpretation shall apply to fiscal years beginning on or after January 1, 2008. The application of IFRIC 11 has no effect on the consolidated financial statements of JENOPTIK AG.

IFRIC 14 "The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction" In July 2007 the IASB issued the Interpretation IFRIC 14. The Interpretation gives guidance on how to assess the limit in IAS 19 "Employee Benefits" on the amount of the surplus that can be recognized as an asset. It also explains how the pension assets or provisions from defined benefit plans may be affected when there is a statutory or contractual minimum funding requirement. As a result it is ensured that entities recognize an asset in relation to plan surpluses on a consistent basis. The Interpretation shall apply to fiscal years beginning on or after January 1, 2008. The application of IFRIC 14 has no effect on the consolidated financial statements of JENOPTIK AG.

Furthermore, the IASB has issued the following Standards, Interpretations and changes to existing standards which are not yet obligatory. Early adoption of the following Standards has been made:

#### IFRS 8 "Segment Reporting"

The IASB published IFRS 8 in November 2006 and it replaces the standard until now IAS 14 "Segmental Reporting". Under IFRS 8 segmental reporting is based on the so-called "Management Approach". In accordance with this, segmentation and disclosure on segments is carried out on the basis of information used internally by management for the purposes of allocating resources and assessing performance of the business divisions.

IFRS 8 is obligatory for fiscal years which begin on or after January 1, 2009. JENOPTIK AG opted to adopt IFRS 8 prematurely starting with the fiscal year ending on December 31, 2008. As a result of the application of IFRS 8 the presentation of the segments has changed and required additional disclosures.

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

#### IFRIC 13 "Customer Loyalty Programmes"

In June 2007 the Interpretation IFRIC 13 "Customer Loyalty Programmes" was issued. IFRIC 13 devotes itself to the accounting of entities that grant customers premium credits ("Loyalty points" or flight miles) or participate in such programmes in another way. In particular it explains how these entities should account for their obligation to provide free or discounted goods or services (points) if and when the customers redeem the points. The Interpretation shall be applied for fiscal years beginning on or after July 1, 2009 and is not expected to have any effect on the accounting and measurement of the Group.

#### IAS 1 "Presentation of 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 fiscal years beginning on or after January 1, 2009. It may be applied earlier. 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 currently existing option to immediately expense borrowing costs will be removed. The revised standard shall apply to fiscal years beginning on or after January 1, 2009. The effects of the application of this Interpretation on the future consolidated fiscal statements of JENOPTIK AG cannot be conclusively determined.

#### As 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 fiscal 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.

#### IAS 39 and IFRS 7 "Reclassification of Financial Instruments"

In October 2008 the IASB resolved the change in 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 standard shall apply to fiscal years beginning on or after July 1, 2008. It is not expected that the adoption of IAS 39 and IFRS 7 will have an effect on future consolidated financial statements of JENOPTIK AG.

#### 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 fiscal 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.

The financial reporting for the fiscal year 2008 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 income is prepared on a 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 associated companies. These companies have each prepared interim financial statements for twelve months as at December 31.

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

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 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 composition of the Jenoptik Group can be seen from the following table:

#### Number of companies

	2008	2007
JENOPTIK AG and fully-consolidated subsidiaries		
Domestic	21	19
Foreign	10	10
Associated companies		
Domestic	2	3
Foreign	0	0
Proportionally consolidated companies		
Domestic	1	1
Foreign	0	0
	34	33

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

On March 31, 2008 the limited partner shares were purchased in FIRMICUS Verwaltungsgesellschaft mbH + Co. Vermietungs KG, Jena (FIRMICUS). This company owns a building which until now has been accounted for as a finance lease under IAS 17 "Leases". As a result of the purchase the finance lease was discontinued, the universal rental contract cancelled and the company fully included in the consolidated financial statements.

On December 31, 2008 100 percent of the shares were purchased in Three-Five Epitaxial Services Aktiengesellschaft, Berlin (TESAG) and it was included in the consolidated financial statements for the first time. With the purchase of this company the Group has

become one of the few all-round suppliers of high-power diode lasers worldwide.

Furthermore, the newly established JENOPTIK SSC GmbH, Jena was included in the consolidated financial statements for the first time as at December 31, 2008.

On March 31, 2008 the majority of the shares in JENOPTIK Laser Display Technologies GmbH, Jena (LDT) were sold and it is now accounted for as an investment company.

On May 21, 2008 all the shares were sold in the company XTREME technologies GmbH (XTREME), Göttingen, measured using the equity method.

The joint venture HILLOS GmbH, Jena is included in the consolidated financial statements proportionally at 50 percent in accordance with IAS 31 "Interests in Joint Ventures".

In accordance with IAS 28 "Investments in Associates" two domestic associated companies are accounted for using the equity method. Jenoptik has no significant influence on the financial and operating policy of these entities. 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 HGB. The property funds SAALAEUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Jena (SAALAEUE) and LEUTRA SAALAEUE Gewerbegrundstücksgesellschaft mbH & Co. KG, Grünwald, (LEUTRA SAALAEUE) and FIRMICUS 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 to the financial statements.

Additions are shown from the point of first-time consolidation; disposals represent a deconsolidation as at March 31, 2008.

The following subsequent effects result overall from the change in the companies consolidated:

in TEUR	Additions	Disposals	Total
Non-current assets	9,723	-456	9,267
Current assets	1,734	-1,502	232
Non-current liabilities	143	0	143
Current liabilities	11,834	-6,183	5,651

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

in TEUR	2008	2007
Non-current assets	1,860	1,875
Current assets	5,676	5,102
Non-current liabilities	14	10
Current liabilities	2,747	2,759
Income	14,671	16,558
Expenses	14,111	16,201

The companies accounted for at equity in the consolidated financial statements show the following proportional values at the year end December 31, 2008:

in TEUR	2008	2007
Non-current assets	1,368	3,919
Current assets	682	4,408
Non-current liabilities	0	2,458
Current liabilities	614	4,868
Income	1,149	4,032
Expenses	2,358	8,475

Those companies exempt from publication of their financial statements in accordance with § 264 (3) or § 264b HGB are disclosed within obligatory disclosures and supplementary information under HGB.

#### Company acquisitions

Company acquisitions are accounted for in accordance with the purchase method. As part of the allocation of the purchase price all assets and liabilities as well as certain contingent liabilities are measured at market value. Furthermore, identifiable intangible assets are capitalized. The remaining difference is capitalized as goodwill and not amortized systematically but subject to an annual impairment test.

During the fiscal year 100 percent of the shares were purchased in TESAG and all the shares in FIRMICUS.

The following table shows the carrying amounts and fair values of the assets and liabilities purchased at the time of acquisition.

in TEUR	IFRS-carrying amount prepurchase	Adjustments	Fair values
Tangible assets	9,223	500	9,723
Inventories	155	0	155
Receivables and other assets	972	0	972
Cash and cash equivalents	607	0	607
Non-current liabilities	0	143	143
Current liabilities	11,834	0	11,834
Purchased net assets	-877	357	-520

The purchase price for the companies acquired amounted to TEUR 11,783, of which TEUR 11,400 was already paid in the fiscal year 2008.

On purchase of FIRMICUS the universal rental agreement was cancelled prematurely and the finance lease liability released. The objective of the company purchase is the timely sale of the property complex. For this reason goodwill has been written off completely. Details of the effects of the company purchase of FIRMICUS on the income statement have not been disclosed as part of the first-time consolidation due to the property fund having been accounted for as a finance lease until now. Further information in this has been included under Note 16.

The purchase price paid for TESAG less the fair values of the net assets acquired reflect the goodwill of TEUR 500 for the company purchased. The goodwill represents the other economic benefits which did not lead to separate recognition in accordance with the criteria for intangible assets. There was no income effect as a result of the purchase of TESAG on December 31, 2008. Disclosure under IFRS 3 "Business Combinations" has not been made under consideration of the cost-benefit assessment regarding the potential effects on the income statement on full inclusion in the fiscal year.

#### 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 at the time of acquisition. 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 single entity 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 expenditure 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 "dealing at 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 in the previous year within the Jenoptik Group are disclosed in equity with no effect on income. In the fiscal year 2008 an amount of TEUR 2,047 (31.12.2007 TEUR -2,293) has been included 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 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 2008 foreign exchange differences amounted to gains of TEUR 8,259 (2007 TEUR 5,822) and losses of TEUR 8,125 (2007 TEUR 7,356).

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

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

	1EUR=	Average annual rate		Balance sheet date rate	
		2008	2007	2008	2007
USA	USD	1.45730	1.38562	1.39170	1.47210
Switzerland	CHF	1.57760	1.64973	1.48500	1.65470

## 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

The exemption provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards" have been applied to all business combinations before the date of transition to IFRS.

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 calculation 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 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 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 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. Financing costs are not capitalized.

#### 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”.

Borrowing costs are treated directly as expenses as set out in IAS 23.

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 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 amount 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 lease in accordance with IAS 17 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

Under finance leasing the relevant assets are capitalized 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 installments are discounted and accordingly recognized as liabilities.

#### Operating leasing

Rental income from operating lease agreements is written off straight line to the income statement 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. It is determined using the discounted cash flow model. 10.0 percent of the fair values were 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 are 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.

Tangible assets rented under finance lease are capitalized at the lower of fair values and the present values of the leasing rates and depreciated over the shorter of expected useful lives and the leasing term.

#### 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 a 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 public limited companies 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 income for the current period. Initial valuation is at acquisition 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 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 cost applying the effective interest method. Financial liabilities not accounted for like this are those which have an effect on income and which are measured at fair value. This type of financial liability does not currently exist.

An equity instrument is a contract that evidences a residual interest in the assets of an entity 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 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 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 cash flows in the determination of external capital components. The difference between the amount determined above and the actual interest received 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 borrowings component represents the embedded option to convert the liability into equity of the Group. The value of this option represents the equity component.

#### 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 task of our central interest management (Group Treasury) is to monitor and optimize interest rate fluctuation risk.

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 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 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 income statement are performed in the period where the underlying primary transaction becomes effective. Changes in value from financial instruments classified as non-effective are recorded directly in the statement of income.

#### 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 capital. In addition to direct costs they include a share of material and production overheads as well as depreciation of assets used in production to the extent that these are attributable to the production process. In particular those costs are accounted for which are incurred under the specific production cost centers. Administration costs are accounted for if they can be allocated to production. Borrowing costs are not capitalized as a part of acquisition or production costs in accordance with IAS 23. 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 payments on account 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 for salary development of 2.75 percent (2007 2.75 percent), for pension development 1.75 percent to 2.0 percent (2007 1.75 percent) and a discount factor of 6.0 percent (2007 5.5 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 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 those risks specific to the liability and 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 also 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 long-term assets and performance-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 wholly within the control of the Jenoptik Group. Furthermore, present obligations can represent contingent liabilities if the probability of an outflow of resources is not sufficient to recognize a provision and/or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are measured at the level of the scope of the liability at the balance sheet date. They are not recorded in the balance sheet but explained in the notes to the financial statements.

#### Statement of income

Income from the sale of goods is recorded in the statement of 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 tangible assets are recognized as they arise and included in manufacturing cost, selling or administration expenses. Research and development costs not qualifying for capitalization as well as write-downs against development costs are 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	2002	2003	2004	2005	2006*	2007	2008
Non-current assets	625.1	775.6	636.2	454.9	417.0	387.7	376.3
Intangible assets	29.3	92.9	99.1	76.7	89.5	88.3	88.9
Tangible assets	242.7	252.2	231.0	164.7	170.2	175.9	170.5
Investment properties	115.8	145.1	63.2	58.0	34.6	36.0	34.8
Financial assets	139.0	167.2	120.7	73.0	55.0	24.0	18.8
Shares in associated companies	13.7	18.2	33.5	16.7	1.4	0.8	1.3
Other non-current assets	3.0	10.9	16.9	8.8	11.2	10.8	10.6
Deferred tax assets	81.6	89.1	71.8	57.0	55.1	51.9	51.4
Current assets	1,005.9	982.0	918.8	279.6	456.7	309.6	312.8
Inventories	295.3	270.8	184.2	143.3	161.5	174.1	179.5
Accounts receivable and other assets	577.8	564.4	558.2	125.5	137.8	119.5	118.8
Securities held as current investments	3.1	4.2	1.4	2.0	3.6	2.2	2.0
Cash and cash equivalents	129.7	142.6	175.0	8.8	153.8	13.8	12.5
Assets held for sale				773.8	0.0	0.0	0.0
Shareholders' equity	351.8	359.8	369.0	314.3	299.4	280.9	292.8
of which subscribed capital	105.8	127.0	135.3	135.3	135.3	135.3	135.3
Non-current liabilities	428.2	603.0	452.6	369.2	333.2	208.8	133.1
Pension provisions	50.8	59.7	56.3	6.9	6.4	6.4	6.4
Other non-current provisions	24.0	5.8	20.7	15.3	22.3	22.1	18.4
Non-current financial liabilities	313.2	462.0	339.8	324.7	281.6	161.7	92.4
Other non-current liabilities	34.9	58.2	34.0	19.2	20.0	15.2	13.0
Deferred tax liabilities	5.3	17.3	1.8	3.1	2.9	3.4	2.9
Current liabilities	851.0	794.8	733.4	193.0	241.1	207.6	263.2
Tax provisions	9.9	11.8	15.2	1.7	1.2	1.1	2.9
Other current provisions	57.1	87.2	67.8	26.0	41.1	39.9	35.8
Current financial liabilities	147.8	57.4	75.5	61.6	78.8	45.9	113.7
Other current liabilities	636.2	638.4	574.9	103.7	120.0	120.7	110.8
Liabilities held for sale				631.8	0.0	0.0	0.0
Total assets	1,631.0	1,757.6	1,555.0	1,508.3	873.7	697.3	689.1
Change compared to prior year							
Non-current assets		24.1 %	-18.0 %	-28.5 %	-8.3 %	-7.0 %	-2.9 %
Current assets		-2.4 %	-6.4 %	-69.6 %	63.4 %	-32.2 %	1.0 %
Shareholders' equity		2.3 %	2.6 %	-14.8 %	-4.7 %	-6.2 %	4.2 %
Non-current liabilities		40.8 %	-24.9 %	-18.4 %	-9.8 %	-37.5 %	-36.3 %
Current liabilities		-6.6 %	-7.7 %	-73.7 %	24.9 %	-13.6 %	26.8 %
Share of total assets							
Non-current assets (asset ratio)	38.3 %	44.1 %	40.9 %	30.2 %	47.7 %	55.6 %	54.6 %
Current assets	61.7 %	55.9 %	59.1 %	18.5 %	52.3 %	44.4 %	45.4 %
Shareholders' equity (equity ratio)	21.6 %	20.5 %	23.7 %	20.8 %	34.3 %	40.3 %	42.5 %
Debt capital (debt capital ratio)	78.4 %	79.5 %	76.3 %	37.3 %	65.7 %	59.7 %	57.5 %
Dividends	14.2	0.0	0.0	0.0	0.0	0.0	0.0
per share	0.35	0.00	0.00	0.00	0.00	0.00	0.00
in % of subscribed capital	13.4 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Return on dividend based on year-end price 31.12.	3.8 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net financial liabilities <sup>1)</sup>		372.6	238.9	375.5	203.0	191.6	191.6
in % of adjusted total assets		24.5 %	18.7 %	26.4 %	32.4 %	32.3 %	32.7 %

\* Continuing business divisions 1) Financial liabilities less cash and securities

## Historical summary of financial data in accord. with IFRS (2)

	2003	2004	2005	2005*	2006*	2007	2008
in million EUR				adjusted			
Sales	1,922.0	2,523.0	1,914.4	410.1	485.1	521.7	548.3
Gross profit	204.2	293.0	191.7	124.8	151.3	159.9	161.9
in % of sales	10.6 %	11.6 %	10.0 %	30.4 %	31.2 %	30.6 %	29.5 %
EBITDA <sup>1)</sup>	50.9	128.8	43.7	57.7	69.9	79.1	67.5
in % of sales	2.6 %	5.1 %	2.3 %	14.1 %	14.4 %	15.2 %	12.3 %
Result from operating activities <sup>2)</sup>	9.0	81.1	-9.8	25.1	38.2	35.3	37.1
in % of sales	0.5 %	3.2 %	-0.5 %	6.1 %	7.9 %	6.8 %	6.8 %
Earnings before tax	-43.3	37.4	-52.5	8.1	19.1	0.7	20.2
in % of sales	-2.3 %	1.5 %	-2.7 %	2.0 %	3.9 %	0.1 %	3.7 %
Earnings after tax	-45.9	19.0	-69.4	4.0	16.1	-4.6	16.6
in % of sales	-2.4 %	0.8 %	-3.6 %	1.0 %	3.3 %	-0.9 %	3.0 %
Cash flow from/used in operating activities <sup>3)</sup>	64.4	100.8	31.7	65.7	28.8	73.8	46.5
Change compared to prior year							
Sales		31.3 %	-24.1 %		18.3 %	7.5 %	5.1 %
Gross profit		43.5 %	-34.6 %		21.2 %	5.7 %	1.3 %
EBITDA		153.0 %	-66.1 %		21.1 %	13.2 %	-14.7 %
Result from operating activities		801.1 %	-112.1 %		52.5 %	-7.6 %	5.1 %
Earnings after tax		-141.5 %	-464.3 %		307.6 %	-128.5 %	460.9 %
Employees (average)	10,049	10,052	9,486	2,621	2,849	3,215	3,292
Personnel expenses (incl. pensions)	500.0	536.7	472.6	148.4	180.1	192.3	194.7
Personnel ratio (in % of sales)	26.0 %	21.3 %	24.7 %	36.2 %	37.1 %	36.9 %	35.5 %
Sales per employee (in TEUR)	191.3	251.0	201.8	156.5	170.3	162.3	166.6
Cost of materials (incl. purchased services)	1,217.3	1,468.7	1,076.0	184.8	227.1	252.2	252.5
Materials ratio (in % company performance)	62.3 %	56.6 %	55.4 %	43.8 %	44.5 %	45.1 %	44.7 %
Research and development expenses	28.4	31.8	34.4	27.4	33.8	39.0	34.1
in % of sales	1.5 %	1.3 %	1.8 %	6.7 %	7.0 %	7.5 %	6.2 %
Net value added	494.4	618.4	456.6	168.1	213.3	221.2	226.7
in % of company performance <sup>4)</sup>	25.3 %	23.8 %	23.5 %	39.8 %	41.8 %	39.5 %	40.1 %
of which shareholders', company share	-9.3 %	3.1 %	-15.2 %	2.4 %	7.6 %	-2.1 %	7.3 %
Return on sales based on EBIT	0.5 %	3.2 %	-0.5 %	6.1 %	7.9 %	6.8 %	6.8 %
Total turnover of assets	1.09	1.62	1.27		0.56	0.75	0.80
Total return on capital based on EBIT	0.5 %	5.2 %	-0.6 %		4.4 %	5.1 %	5.4 %
Return on shareholders' equity before tax (at balance sheet date)	-12.0 %	10.1 %	-16.7 %		6.4 %	0.2 %	6.9 %
Adjusted equity ratio <sup>5)</sup>	17.6 %	21.1 %	16.7 %		33.5 %	32.5 %	34.8 %
Non-current assets financed by shareholders' equity	46.4 %	58.0 %	69.1 %		71.8 %	72.5 %	77.8 %
Asset cover <sup>6)</sup>	142.7 %	159.7 %	190.8 %		175.9 %	159.7 %	171.7 %

\* Continuing business divisions

1) EBIT before depreciation/write-ups on tangible and intangible assets

2) Operating income before interest and net investment result; in 2003 before costs of capital measures

3) Earnings after tax + changes in provisions + depreciation/write-ups, each excl. effects from first-time consolidation and deconsolidation

4) Company performance = sales plus other operating income and net investment result and income from securities

5) Shareholders' equity less intangible assets/total assets less intangible assets, cash and cash equivalents and securities

6) Shareholders' equity/tangible assets excl. property =&gt; ratio of plant, machinery, equipment financed by shareholders' equity

## Segment reporting

The presentation of segments is in accordance with IFRS 8 "Segment Reporting" for the first time.

IFRS 8, which follows the management approach, replaces IAS 14 and the risk-and-reward approach followed in that standard. 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. Within the Jenoptik Group the Executive Board is responsible for the financial information it analyses which serves as a decision basis for the allocation of resources and as a measure of 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 2008 segment reporting is performed for the first time according to the new segments Lasers & Optical Systems, Metrology, Defense & Civil Systems and Other. The following disclosures on the key indicators for the year 2007 have been calculated on the basis of the new segments and are, thus, comparable with the key indicators for 2008. The segments published in the Annual Report 2007 are not comparable with the disclosures according to the new segments for the fiscal year 2008 – despite similar descriptions, since the basis of the operating activities is different.

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 is a development and production partner for optical, micro-optical, opto-electrical and optical coating components, opto-mechanical components, modules and systems made of glass, crystal and plastic. The Lasers & Material Processing division has specialized in innovative solid-state lasers such as, e.g. disk and fiber lasers.

The Metrology segment comprises the development, production and sale of components and systems for traffic safety. Furthermore, in the area of industrial metrology the division is one of the manufacturers and systems providers for high-precision, contact and non-contact production metrology.

The main focus of the Defense & Civil Systems segment is on the areas of vehicle and aircraft equipment, drive and stabilization technology and energy systems.

JENOPTIK AG, the real estate companies and other non-strategic companies are included in the Other segment. Furthermore, this segment includes expenses for projects that are driven in accordance with the management approach such as restructuring, legal disputes or write-downs against capitalized research and development items.

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.

Segment liabilities include non-current and current liabilities less deferred taxes, tax provisions and finance lease liabilities.

Segment expenses are expenses resulting from the operating activities of a segment that are directly attributable to a segment and that can be allocated on a reasonable basis to the segment.



## Information by Segment

01.01. – 31.12.2008

in TEUR (previous year's figures in brackets <sup>1)</sup> )	Lasers & Optical Systems	Metrology	Defense & Civil Systems	Other	Adjustments	Group
Sales	207,014 (217,870)	126,289 (117,301)	208,539 (181,216)	16,982 (16,588)	– 10,555 (– 11,288)	548,269 (521,687)
of which Germany	77,095 (68,905)	47,401 (43,459)	117,667 (101,554)	16,982 (16,588)	– 10,120 (– 10,840)	249,025 (219,666)
European Union	61,561 (75,009)	30,390 (32,070)	48,203 (45,282)	0 (0)	0 (0)	140,154 (152,361)
Other European	5,877 (7,926)	7,428 (6,487)	19,042 (17,967)	0 (0)	0 (0)	32,347 (32,380)
NAFTA	35,312 (37,278)	21,538 (16,332)	7,952 (9,070)	0 (0)	– 435 (– 448)	64,367 (62,232)
South East Asia/Pacific	14,077 (15,917)	13,966 (12,854)	13,669 (6,769)	0 (0)	0 (0)	41,712 (35,540)
Other	13,092 (12,835)	5,566 (6,099)	2,006 (574)	0 (0)	0 (0)	20,664 (19,508)
Sales with other business divisions	829 (1,831)	50 (42)	508 (818)	9,168 (8,597)	– 10,555 (– 11,288)	(0) (0)
Operating result (EBIT) before Group charges	14,945	6,901	15,817	– 668	68	37,063
Operating result (EBIT)	(25,164)	(7,640)	(10,179)	(– 7,557)	(– 97)	(35,329)
Operating result (EBIT) after Group charges	14,435	6,601	15,432	527	68	37,063
EBITDA before Group charges <sup>2)</sup>	28,738	10,716	23,378	4,579	68	67,479
EBITDA <sup>2)</sup>	(40,898)	(10,497)	(17,340)	(10,456)	(– 97)	(79,094)
EBITDA after Group charges <sup>2)</sup>	28,228	10,416	22,993	5,774	68	67,479
Result from investments in associated companies	– 896 (– 5,331)	0 (0)	0 (0)	0 (0)	0 (0)	– 896 (– 5,331)
Result from other investments	– 1,646 (– 1,383)	40 (121)	272 (158)	– 3,259 (– 638)	0 (0)	– 4,593 (– 1,742)
Earnings before Group charges <sup>3)</sup>	9,318	4,532	11,726	– 9,057	47	16,566
Earnings <sup>3)</sup>	(14,604)	(5,789)	(5,968)	(– 30,916)	(– 71)	(– 4,626)
Earnings after Group charges <sup>3)</sup>	8,808	4,232	11,341	– 7,862	47	16,566
Segment expenses	200,836 (203,408)	121,635 (111,562)	200,680 (178,136)	24,733 (52,031)	– 14,612 (– 13,609)	533,272 (531,528)
Research and development expenses	17,070 (19,843)	9,832 (10,253)	8,123 (8,320)	– 772 (2,870)	– 116 (– 2,296)	34,137 (38,990)
Free cash flow (before income taxes)	7,965 (15,501)	3,852 (6,507)	9,165 (27,357)	6,906 (– 6,988)	0 (0)	27,888 (42,377)
Working capital	59,024 (52,973)	48,125 (45,192)	100,285 (95,169)	– 5,803 (– 3,550)	– 13 (– 90)	201,618 (189,694)
Order intake	194,753 (217,514)	133,326 (115,927)	173,430 (187,505)	16,982 (16,588)	– 10,325 (– 11,726)	508,166 (525,808)
Segment liabilities	90,721 (102,346)	65,495 (56,784)	137,983 (145,734)	328,480 (247,188)	– 237,179 (– 167,084)	385,500 (384,968)
Tangible assets, investment properties and intangible assets	109,949 (118,452)	20,986 (20,421)	40,241 (40,123)	123,036 (121,183)	0 (0)	294,212 (300,179)
Investments excluding company acquisitions	10,836 (21,476)	4,341 (7,502)	8,311 (7,128)	612 (4,508)	0 (0)	24,100 (40,614)
Depreciation and amortization	13,512 (15,734)	3,815 (2,857)	6,982 (7,161)	5,247 (6,974)	0 (0)	29,556 (32,726)
Impairments	281 (0)	0 (0)	579 (0)	0 (11,039)	0 (0)	860 (11,039)
Employees (annual average) (without trainees)	1,370 (1,309)	810 (803)	1,048 (1,043)	64 (60)	0 (0)	3,292 (3,215)

1) previous year's figures published are not comparable

2) Earnings before taxes, depreciation/amortization, interest

3) after taxes before transfer of profit/loss

Order intake relates to the estimated volume of sales for the contracts taken on after income reductions under consideration of changes in the contract value. Notices of intention are not included in the order intake.

Free cash flow is calculated from cash flow from operations (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 clients whose share of sales is material relative to Group sales.

The share in associated companies of TEUR 1,358 (2007 TEUR 847) is attributed exclusively to the Lasers & Optical Systems segment. The joint venture company accounted for proportionally is included in the Defense & Civil Systems segment.

## Reconciliation of segment information

### Reconciliation of free cash flows

in TEUR	2008	2007
Cash flow from operating activities before income taxes	47,372	74,889
Investments in intangible and tangible assets	-23,792	-35,824
Receipts from operative disposal of intangible and tangible assets	4,308	3,312
Free cash flow (before income taxes)	27,888	42,377

### Information by region

in TEUR	2008*	2007*
Group	294,336	300,315
of which Germany**	279,181	284,192
European Union**	3,401	3,478
Other Europe**	323	1,766
NAFTA**	11,431	10,879

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 \* non-current assets    \*\* by location of the companies

## Notes to the statement of income

### | 1 | Sales

Sales increased overall by TEUR 26,582 or 5.1 percent to TEUR 548,269 compared to 2007.

Detailed disclosures on sales by segment and region are shown in the segmental 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 increased overall by TEUR 24,527 or 6.8 percent to TEUR 386,344 compared to 2007. Cost of sales rose at a slightly higher rate compared to sales. Cost of sales include impairment losses on intangible and tangible assets amounting to TEUR 579 (2007 TEUR 632).

### | 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 4,853 or 12.4 percent to TEUR 34,137 compared to 2007. Research and development expenses include impairment losses amounting to TEUR 198 (2007 TEUR 2,870).

The major reason for the lower research and development costs is the one-off expense of impairment losses on capitalized development costs included in the previous year.

### | 4 | Selling expenses

Selling expenses mainly comprise marketing costs, sales commissions, publicity work and advertising. Selling expenses increased overall by TEUR 9,379 or 19.0 percent to TEUR 58,653 compared to 2007. This is a result of strengthened international presence as well as structural changes within the Group.

### | 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 fell overall by TEUR 4,051 or 9.4 percent to TEUR 38,849 compared to 2007.

Furthermore, general administrative expenses include auditors' fees, year-end audit fees of TEUR 634 (2007 TEUR 654), fees for other services provided by the auditor of TEUR 12 (2007 TEUR 2) and other confirmation services of TEUR 10 (2007 TEUR 22).

### | 6 | Other operating income

in TEUR	2008	2007
Income from exchange rate gains	8,259	5,822
Income from services, transfers and rental	3,491	5,080
Income from government grants	2,149	3,060
Income from the release of finance lease liabilities	1,853	0
Income from the release of accruals for interim profits	1,239	1,239
Income from the release of allowances	868	334
Income from damages claims/insurance services	697	329
Income from the disposal of fixed assets	559	978
Income from the issue of licences	507	213
Income from the sale or discontinuation of business operations	0	24,104
Other	2,444	4,011
	22,066	45,170

Other operating income declined significantly compared to the prior year by TEUR 23,104. The primary reason for this is that the prior year included income generated from the sale and discontinuance of business activities amounting to TEUR 24,104. In the fiscal year a finance lease liability was released. Income of TEUR 1,853 was generated from this sale.

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	2008	2007
Exchange losses	8,125	7,356
Increase/release of provisions and allowances	2,078	2,604
Costs of services and rentals	2,064	673
Amortization of intangible assets from first-time consolidation	1,619	2,099
Losses on disposal of fixed assets	696	547
Other taxes	596	406
Expense of streamlining, sale or discontinuance of business operations	0	21,268
Miscellaneous	111	3,594
	15,289	38,547

Additions to allowances are only included under other operating expenses if these are outside of the ordinary activities of the relevant company. The item increase/release of provisions and allowances includes income from the reversal of the provision for the patent dispute with Asyst which has, however, been over-compensated by the creation of new provisions and allowances.

Other operating expenses declined significantly compared to the prior year by TEUR 23,258. The prior year includes expenses from the streamlining, sale or discontinuance of business activities amounting to TEUR 21,268.

Other operating expenses include impairment losses on goodwill amounting to TEUR 83 (2007 TEUR 0).

#### | 8 | Net investment result

in TEUR	2008	2007
Result from investments	468	-61
Result from investments in associated companies	-896	-5,331
Write-downs on financial assets and non-current assets securities	-5,061	-1,681
	-5,489	-7,073

The write-downs on financial assets and non-current asset securities primarily include write-downs against the book value of a minority company as well as against two loans.

The result from investments in associated companies has improved substantially compared to the prior year since the prior year was particularly affected by the losses of XTREME which was sold in 2008.

## | 9 | Net interest result

in TEUR	2008	2007
Income from securities and financial asset loans	474	482
Interest income on early partial repurchase of the convertible bond	1,150	0
Other interest and similar income	2,135	3,172
Interest income from restricted cash	0	4,494
Total interest income	3,759	8,148
Interest expense on debenture loan (cash impact)	1,930	53
Discounting of bonds (no cash impact)	1,627	6,082
Interest portion of bonds (cash impact)	1,531	11,893
Interest portion of leasing instalment for finance leases	848	1,525
Interest portion on increase to pension provisions less interest on plan assets	330	959
Other interest and similar expenses	8,824	8,478
Interest expense in connection with sale of discontinued business division	0	727
Interest portion swap	0	43
Premature compensation bond	0	5,907
Total interest expense	15,090	35,667
Net interest result	-11,331	-27,519

The net interest result improved significantly by TEUR 16,188 or by 58.8 percent to minus TEUR 11,331. This was principally due to the full and early repayment of the high-yield bond in 2007. As a result of the use of the cash from the sale of the discontinued business division in the prior year, both interest income and interest expense were reduced. Furthermore, the early repurchase of part of the convertible bond due in July 2009 resulted in a one-off, positive effect of TEUR 1,150. The lower annual average borrowings also had a positive effect. For more information on the repurchase of the convertible bond please see 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 income 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 2008 amounted to 15 percent (2007 25 percent) plus solidarity levy of 5.5 percent (2007 5.5 percent) of the corporation tax charge. Accounting for the effective trade tax rate of 12.78 percent (2007 12.53 percent) in 2008 the overall tax rate used for calculating deferred taxes amounted to 28.6 percent (2007 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 income statement 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	2008	2007
Income taxes		
Domestic	1,906	144
Foreign	690	808
Total	2,596	952
Deferred tax expense and income		
Domestic	805	4,176
Foreign	277	235
Total	1,082	4,411
Total taxes income	3,678	5,363

Current taxes on income include a tax expense of TEUR 130 (2007 tax credit TEUR 21) for current taxes of prior fiscal periods. The deferred tax expense includes a deferred tax credit of TEUR 547 (2007 credit TEUR 26) relating to prior periods.

The deferred tax expense includes an expense of TEUR 2,834 (2007 credit TEUR 2,450) based on the development of timing differences.

At the balance sheet date the Jenoptik Group has unused tax losses carried forward of approx. EUR 471 million (2007 EUR 495 million) which may be set off against future profits. The decrease in tax losses carried forward is due to the offsetting of profits as well as from deconsolidation. Losses of EUR 451 million (2007 EUR 485 million) can be carried forward for an unlimited period of time. After accounting for a reduction for planning uncer-

tainties, as well as for all currently known positive and negative influencing factors on the future tax results of the Jenoptik Group, it is expected that tax losses carried forward of approx. EUR 124 million (2007 EUR 127 million) will be utilized. With regard to these losses carried forward a deferred tax asset has been accounted for amounting to EUR 43 million (2007 EUR 45 million). Of this, EUR 23 million (2007 EUR 24 million) relates to trade tax loss carry forwards. With regard to the remaining losses carried forward of EUR 347 million (2007 EUR 368 million) no deferred tax asset has been accounted for. Furthermore, no deferred tax asset has been accounted for regarding deductible timing differences of EUR 41 million (2007 EUR 54 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	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Intangible assets	1,133	1,195	6,423	7,084
Tangible assets	3,720	2,561	1,624	2,881
Financial assets	10,563	10,163	378	0
Inventories	1,706	1,499	279	336
Accounts receivable and other assets	1,712	1,996	4,260	4,702
Provisions and accrued expenses	5,957	5,641	22	4
Liabilities	5,499	11,441	499	546
Tax losses carried forward	43,529	44,564	0	0
Gross value	73,819	79,060	13,485	15,553
(of which long-term)	(64,393)	(73,736)	(9,425)	(11,359)
Allowances	- 11,882	- 14,962	0	0
Offsetting	- 10,563	- 12,165	- 10,563	- 12,165
Balance sheet amount	51,374	51,933	2,922	3,388

The following table shows the tax reconciliation of the expected tax expense for the relevant fiscal year to the actual tax expense disclosed. In order to calculate the expected tax charge the Group tax rate valid for the fiscal year 2008 of 28.6 percent (2007 38.91 percent) was multiplied by the IFRS earnings before tax.

in TEUR	2008	2007
Earnings before tax	20,243	737
Income tax rate Jenoptik Group	28.6 %	38.91 %
Expected tax expense	5,790	287
Tax impact of the following effects led to a difference between actual and expected tax expense:		
Non-deductible expenses and tax-free income	1,831	-6,699
Changes in allowances against deferred taxes and the non-recognition of deferred taxes	-3,127	-2,792
Permanent differences	-38	473
Effects of tax rate differences 2008	-99	-205
Effects of tax rate changes	-127	14,587
Taxes from previous years	-417	-287
Other tax effects	-135	-1
Total adjustments	-2,112	5,076
Actual tax expense	3,678	5,363

#### 11 Minority interest share of profit/loss

The minority interest share of Group profits/losses amounted to TEUR 4,810 (2007 TEUR 3,592) and mainly relates to the property companies as well as to the minority shares in consolidated companies.

#### 12 Earnings per share

The earnings per share represent the profit/loss attributable to the shareholders divided by the weighted average number of shares outstanding of 52,034,651 (2007 52,033,430). A dilution of the earnings per share can arise from so-called potential shares. In calculating the diluted earnings per share the dilution effects are accounted for in determining the weighted average of outstanding shares. The weighted average of outstanding shares is adjusted for the effect of the options granted in the convertible share assuming all options are exercised. The diluted earnings per share were higher than the undiluted earnings per share and have, thus, been adjusted to the lower value in accordance with IAS 33 "Earnings per Share".

	2008	2007
Shareholders' earnings in TEUR	11,756	-8,218
Weighted average outstanding shares	52,034,651	52,033,430
Earnings per share in euro (undiluted)	0.23	-0.16
Dilutive effects	2,255	2,215
Weighted average of outstanding shares (diluted)	55,737,714	56,916,849
Earnings per share (diluted) in euro	0.23	-0.16

## 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 Balance as at 01.01.2008	20,516	43,428	65,939	2,899	132,782
	(20,096)	(42,763)	(60,347)	(1,325)	(124,531)
Currency changes	110	196	150	1	457
	(-20)	(-226)	(-254)	(-6)	(-506)
Companies included in consolidation	0	-2,286	-868	419	-2,735
	(-1,996)	(-1,305)	(8,173)	(-1)	(4,871)
Additions	4,338	1,201	0	352	5,891
	(5,182)	(2,120)	(0)	(1,784)	(9,086)
Disposals	542	782	304	61	1,689
	(2,746)	(171)	(2,327)	(51)	(5,295)
Reclassifications (+/-)	1,212	945	0	-1,901	256
	(0)	(247)	(0)	(-152)	(95)
Balance as at 31.12.2008	25,634	42,702	64,917	1,709	134,962
	(20,516)	(43,428)	(65,939)	(2,899)	(132,782)
Depreciation Balance as at 01.01.2008	9,356	28,352	6,760	0	44,468
	(5,242)	(22,454)	(7,345)	(0)	(35,041)
Currencies	44	58	5	0	107
	(-2)	(-69)	(-35)	(0)	(-106)
Companies included in consolidation	0	-2,279	-1,775	0	-4,054
	(0)	(-1,300)	(0)	(0)	(-1,300)
Additions	2,745	3,715	2	102	6,564
	(2,544)	(4,833)	(1)	(7)	(7,385)
Impairment	648	0	83	0	731
	(4,528)	(2,586)	(1,775)	(0)	(8,889)
Disposals	218	729	304	0	1,251
	(2,956)	(152)	(2,326)	(7)	(5,441)
Reclassifications (+/-)	-746	214	0	0	-532
	(0)	(0)	(0)	(0)	(0)
Balance as at 31.12.2008	11,829	29,331	4,771	102	46,033
	(9,356)	(28,352)	(6,760)	(0)	(44,468)
Net book value as at 31.12.2008	13,805	13,371	60,146	1,607	88,929
	(11,160)	(15,076)	(59,179)	(2,899)	(88,314)

(The amounts in brackets relate to the prior year)



Additions to development costs of TEUR 4,338 relate primarily to development costs in the Lasers & Optical Systems segment.

The change in the companies consolidated is mainly the result of the deconsolidation of LDT. The decline in investments is due to a lower capitalization of development costs as well as an active investment management.

The prior year includes allowances amounting to TEUR 4,528. One assessment showed that capitalized development costs can no longer be assumed saleable.

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 business acquisitions performed after January 1, 2003.

In the current fiscal year goodwill changed through the acquisition of shares in TESAG and through the sale of the majority of the shares in LDT. The cash generating unit to which goodwill is allocated represents the subsidiary.

Capitalized goodwill mainly represents goodwill of JENOPTIK Polymer Systems GmbH, Triptis amounting to TEUR 31,706, goodwill of Lechmotoren GmbH, Altenstadt of TEUR 7,920, of Epigap Optoelektronik GmbH, Berlin amounting to TEUR 5,819 as well as TEUR 4,914 from Photonic Sense GmbH, Eisenach.

For the cash generating unit an impairment test is carried out annually to determine whether there is any potential loss in value in goodwill which is not amortized ordinarily. The annual impairment test is based on the expected cash flows over a planning period of up to 5 years. Additionally, an annuity is assumed based on a growth rate of 5 to 8 percent which is discounted at an interest rate after tax of 10 to 12 percent. In the fiscal year 2008 this impairment test led to a write-down of goodwill of TEUR 83 (2007 TEUR 1,775). The recoverable amount which is to be compared with the cash generating unit as part of the impairment test is determined by the value in use. The value in use is based on a risk-adjusted, market oriented interest rate. One company's goodwill was measured at fair value less selling expenses.

#### | 14 | Tangible assets

Impairment losses of TEUR 129 were recorded in cost of sales. These impairment losses result from extraordinary depreciation due to lack of economic usefulness.

Changes within the group of consolidated companies mainly relate to the deconsolidation of the Laser Display business.

Also for investments in tangible assets the effect of an active investment management is clear and led to lower investment compared to the prior year.

Restrictions on use of tangible assets amount to TEUR 237 (2007 TEUR 62). Tangible assets order commitments amount to TEUR 718.

An investment grant of TEUR 4,207 (2007 TEUR 4,550) was deducted from the acquisition costs of tangible assets.

Group land and buildings amount to TEUR 95,635 (2007 TEUR 97,264) and mainly include the production and administration buildings in Jena, Triptis, Villingen-Schwenningen and Altenstadt.

## Tangible assets

in TEUR	Land, buildings	Technical equipment and machines	Other equipment, factory and office equipment	Assets under construction	Total
Acquisition/production costs Balance as at 01.01.2008	131,709	128,090	79,475	5,910	345,184
	(130,286)	(109,638)	(71,605)	(4,948)	(316,477)
Currencies	361	813	210	0	1,384
	(-415)	(-1,417)	(-274)	(-6)	(-2,112)
Companies included in consolidation	0	304	-2,066	-8	-1,770
	(579)	(6,211)	(2,534)	(223)	(9,547)
Additions	2,057	5,435	7,470	3,159	18,121
	(3,292)	(14,489)	(8,052)	(3,577)	(29,410)
Disposals	160	2,990	2,927	102	6,179
	(1,930)	(2,238)	(3,512)	(66)	(7,746)
Reclassifications (+/-)	175	1,383	591	-2,405	-256
	(-103)	(1,407)	(1,070)	(-2,766)	(-392)
Balance as at 31.12.2008	134,142	133,035	82,753	6,554	356,484
	(131,709)	(128,090)	(79,475)	(5,910)	(345,184)
Depreciation Balance as at 01.01.2008	34,445	79,969	54,897	0	169,311
	(29,853)	(68,138)	(48,308)	(0)	(146,299)
Currencies	92	603	166	0	861
	(-80)	(-1,042)	(-196)	(0)	(-1,318)
Companies included in consolidation	0	-239	-1,597	0	-1,836
	(128)	(1,184)	(1,429)	(0)	(2,741)
Additions	4,086	10,515	7,431	0	22,032
	(3,980)	(12,462)	(7,923)	(0)	(24,365)
Impairment	0	0	129	0	129
	(664)	(848)	(638)	(0)	(2,150)
Disposals	9	2,490	2,535	0	5,034
	(100)	(1,621)	(3,205)	(0)	(4,926)
Reclassifications (+/-)	-107	129	510	0	532
	(0)	(0)	(0)	(0)	(0)
Balance as at 31.12.2008	38,507	88,487	59,001	0	185,995
	(34,445)	(79,969)	(54,897)	(0)	(169,311)
Net book value at 31.12.2008	95,635	44,548	23,752	6,554	170,489
	(97,264)	(48,121)	(24,578)	(5,910)	(175,873)

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(The amounts in brackets relate to the prior year)

## | 15 | Investment properties

in TEUR	Investment properties
Acquisition and production cost	53,318
Balance as at 01.01.2008	(50,903)
Companies included in consolidation	2,307
	(0)
Additions	88
	(2,118)
Disposals	3,056
	(0)
Reclassifications (+/-)	0
	(297)
Balance as at 31.12.2008	52,657
	(53,318)
Depreciation	17,326
Balance as at 01.01.2008	(16,350)
Additions	960
	(976)
Disposals	423
	(0)
Balance as at 31.12.2008	17,863
	(17,326)
Net book value as at 31.12.2008	34,794
	(35,992)

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(The amounts in brackets relate to the prior year)

The investment properties held as at December 31, 2008 mainly consist of a building complex in the town centre of Jena. The addition from companies included in the consolidation results from the purchase of FIRMICUS amounting to TEUR 2,307 (2007 TEUR 0). Please find more details of this under Note 30.

Disposals of investments properties amounting to TEUR 3,056 mainly include the sale of a commercial property in Jena.

Furthermore, investment properties 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.

The valuation of investment properties is at amortized acquisition or production cost amounting to TEUR 34,794 (2007 TEUR 35,992). No impairment losses were accounted for in the past fiscal year as in the year before.

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 41,952 (2007 TEUR 42,609).

Rental income from investment properties held at each year end amounted to TEUR 3,199 (2007 TEUR 3,240) in the year under report.

The direct operating costs for the rented areas of the properties accounted for at each year end amounted to TEUR 1,655 (2007 TEUR 1,844) and for non-rented areas amounted to TEUR 129 (2007 TEUR 190) for the fiscal year

## | 16 | Leasing

## Finance lease

The Group as lessee. The assets which are used under finance leases are included in capitalized tangible assets at TEUR 6,106 (2007 TEUR 14,961), their acquisition and production costs amount to TEUR 14,378 (2007 TEUR 28,972) at the balance sheet date. The decline results from the release of the leasing contract for the building complex in the town centre of Jena as described in Note 15 to the Notes to the financial statements. Thus, finance leases no longer include any investment properties (2007 TEUR 6,942).

For most assets rented under finance leases there are purchase options which should 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 8.2 percent and 9.8 percent.

In the fiscal year lease payments amounting to TEUR 1,668 (2007 TEUR 4,100) have been charged against income. The decline is the result, in particular, of the release of the leasing contract already mentioned. Thus, the investment funds have no longer fulfilled the IAS 17 criteria since March 31, 2008.

Leasing payments due in the future can be seen in the following table:

in TEUR	Up to 1 year	1–5 years	More than 5 years	Total
Minimum lease payments	1,124	3,568	2,037	6,729
Interest portion included in payments	394	1,059	370	1,823
Present value	730	2,509	1,667	4,906

Cash flow from minimum lease payments amounts to TEUR 4,906 (2007 TEUR 26,961).

#### Operating lease

The Group as lessee. In the fiscal year lease payments amounting to TEUR 8,580 (2007 TEUR 7,480) 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	8,029	22,783	9,128	39,940

The Group as lessor. Income from leasing tangible assets during the fiscal year amounted to TEUR 5,613 (2007 TEUR 5,390).

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	5,290	21,070	5,264	31,624

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 companies

The balance of TEUR 1,358 (2007 TEUR 847) includes shares in JT Optical Engine GmbH + Co. KG. The share of losses of associated companies not recognized amounts to TEUR 313.

#### 18 Financial assets

in TEUR	31.12.08	31.12.07
Shares in non-consolidated affiliated companies	3,286	2,368
Investments	6,846	11,031
Loans to non-consolidated affiliated companies and investments	4,445	4,926
Non-current securities	1,284	1,751
Other loans	2,941	3,855
	18,802	23,931

During the fiscal year write-downs of TEUR 5,061 (2007 TEUR 399) were accounted for against financial assets.

## | 19 | Other non-current assets

Other non-current assets include:

in TEUR	31.12.08	31.12.07
Surplus amount from pension obligations	4,748	5,140
Derivatives	3,499	3,326
Reinsurance coverage	1,371	1,227
Receivables due from non-consolidated affiliated companies	350	349
Miscellaneous	621	779
	10,589	10,821

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	31.12.08	31.12.07
Raw materials and supplies	67,314	56,358
Work in progress	90,376	99,037
Finished goods and merchandise	21,760	18,704
	179,450	174,099

Inventories increased by TEUR 5,351 compared to the prior year due to the climb in sales. The fair value of inventories is represented by their carrying value. At the end of the fiscal year write-downs to net realizable value of TEUR 29,160 (2007 TEUR 32,203) were accounted for. Reversals of previously written down assets amounted to TEUR 281 (2007 TEUR 349).

## | 22 | Current accounts receivable and other assets

in TEUR	31.12.08	31.12.07
Trade accounts receivable	93,389	93,715
Receivables from non-consolidated affiliated companies	3,390	4,325
Receivables from investments	2,792	3,105
Receivables from construction contracts	4,400	1,673
Other current assets	14,861	16,684
	118,832	119,502

Current receivables and other assets decreased compared to the prior year by TEUR 670. The fair values of trade accounts receivable correspond with their carrying values. Allowances of TEUR 800 (2007 TEUR 0) were accounted for against receivables from non-consolidated affiliated companies.

Receivables from investments include receivables from associated companies amounting to TEUR 58 (2007 TEUR 324) and receivables from joint ventures amounting to TEUR 19 (2007 TEUR 30).

As the result of the completion of a percentage-of-completion contract and its related invoicing and payment receivables from long-term construction contracts decreased.

Receivables from long-term construction contracts less payments received on account amounting to TEUR 4,400 (2007 TEUR 1,673) 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 3,839 (2007 TEUR 1,441), for construction contracts disclosed under receivables or payables for construction contracts, amounts to TEUR 25,463 (2007 TEUR 10,797). During the fiscal year payments on account amounting to TEUR 21,570 (2007 TEUR 17,138) were offset against receivables or payables from long-term construction contracts.

For the other current assets disclosed there are no material ownership or availability restrictions. 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	2008	2007
Allowances at the beginning of the fiscal year	12,150	10,287
Additions	2,990	3,010
Utilisation	269	583
Release	1,045	703
Currencies	78	139
Allowances at the end of the year	13,904	12,150

The ageing structure of trade accounts receivable is as follows:

in TEUR	2008	2007
Carrying values	93,389	93,715
Of which neither overdue nor provided for	65,361	52,326
Overdue but not provided for	28,028	41,389
of which less than 30 days	15,915	28,322
of which between 30 and 60 days	4,376	4,132
of which more than 60 days	7,737	8,935

There is a significant decline in overdue receivables not provided for compared to the prior year. These amounted to TEUR 28,028 (2007 TEUR 41,389) at the year end. 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. As at February 15, 2009 TEUR 17,432 had already been repaid against the major overdue receivables. This represents a decrease of 62 percent in the balance of overdue receivables.

Other current assets include:

in TEUR	31.12.08	31.12.07
Derivatives	4,871	4,519
Other receivables from tax authorities	3,784	4,977
Accruals	1,783	2,688
Subsidies receivable	837	344
Loans to third parties	818	225
Creditors with debit balances	228	443
Other current assets	2,540	3,488
	14,861	16,684

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	31.12.08	31.12.07
Fair value	1,959	2,222

Securities held as current investments mainly consist of money market funds.

24 Cash and cash equivalents

in TEUR	31.12.08	31.12.07
Cheques, cash in hand, credit balances and funds due at any time	12,523	13,792

## 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 no-par value 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, 2008.

In May 2008 Templeton Investment Counsel LLC., Fort Lauderdale, USA, announced that it held a 4.10 percent share of the voting rights and Franklin Templeton Investments Corp., Toronto, Canada, a 3.35 percent share of the voting rights. Furthermore, in October 2008 the Oppenheimer Funds, Centennial, USA, announced a 3.04 percent share of the voting rights.

In February 2009 the Oppenheimer Funds, Centennial, USA announced a reduction of its voting rights to 2.92 percent.

### Authorized capital

By resolution of the annual general meeting on June 7, 2005 the Executive Board was authorized, with the approval of the Supervisory Board, to increase the nominal capital of the company by up to TEUR 35,000 by May 30, 2010 through one or several issues of new no-par value bearer shares in exchange for cash and/or non-cash contributions. The Executive Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders in certain cases. The exclusion applies to fractional amounts, to capital increases through non-cash contributions for purchasing companies and participating interests, to capital increases in exchange for cash contributions for the purpose of issuing shares to employees of JENOPTIK AG or to affiliated companies, as well as to cash capital increases, where the proportion of new shares, including the exercise of other entitlements to exclude rights, neither exceeds 10 percent of the nominal capital in existence at the time of filing the authorized capital, nor is the issue price of the new shares materially lower than the stock exchange price.

### Conditional capital

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. Where own shares are not used the conditional capital increase will only be carried out, accounting for the partial repurchase of the convertible bond, where the holder or owner of option certificates or conversion rights exercise their options or conversion rights and/or the holders obliged to convert fulfill their duty to convert. Further details regarding convertible bonds are given under Note 30.

Furthermore, nominal capital is conditionally increased in connection with the authorization for the issuance of options or convertible bonds of up to TEUR 23,400 through the issue of up to 9,000,000 new, no-par value bearer shares. Where own shares are not used the conditional capital increase will only be carried out to the extent that, as a result of this authorization, an option or conversion right is issued and the holder or owner of option certificates or conversion rights exercises his options or conversion rights and/or the holder obliged to convert does fulfill his duty to convert.

The new shares participate in the profits for the fiscal year for which, at the time the conversion right is exercised, a profit distribution resolution has not yet been drafted by the annual general meeting.

### 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 minus TEUR 1,882 (2007 TEUR -9,149) 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 323. (2007 TEUR 2,271) in order to serve to secure payment flows.

Movements in deferred taxes not impacting income decreased reserves by TEUR 106 (2007 TEUR 111) in the fiscal year 2008.

The repurchase of the convertible bond led to a reduction in reserves amounting to TEUR 589. More information can be found under Note 30 regarding the repurchase of the convertible bond.

#### Own shares

On resolution of the annual general meeting on June 5, 2008 the Executive Board was authorized to purchase own shares under certain conditions by November 30, 2009, 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 2008.

At the fiscal year end there was no balance of own shares (2007 4 shares).

#### | 26 | Minority interests

Minority interests in shareholders' equity mainly relate to the property companies LEUTRA SAALE and SAALEAUE as well as to JENOPTIK Laserdiode GmbH, Jena.

#### | 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. As part of this valuation 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 891 persons entitled, comprising 560 active employees, 39 former employees and 292 pensioners and widows. In the years 2001 to 2002 parts of the pension were transferred to the Pension Trust by way of cumulative assumption of liabilities.

The plan assets held in the Pension Trust are offset against the pension commitments in accordance with IAS 19.

Pension provisions:

in TEUR	31.12.08	31.12.07
Present value of funded obligations	26,168	27,069
Present value of unfunded obligations	6,156	6,387
Fair value of plan assets	-27,990	-30,046
Present value of net obligation	4,334	3,410
Actuarial gains/losses not accounted for	-2,645	-2,146
Net liability recorded in the balance sheet	1,689	1,264
of which disclosed as other asset	4,748	5,140
of which disclosed as pension obligation	6,437	6,404



## Change in defined benefit obligation (DBO):

in TEUR	31.12.08	31.12.07
DBO as at 01.01.	33,457	37,060
Current service cost for fiscal year	465	650
Interest cost	1,830	1,660
Termination and curtailment of plans	0	0
Actuarial gains	-2,026	-4,624
Transfers	0	0
Divestments	0	0
Pension payments	-1,402	-1,290
DBO as at 31.12.	32,324	33,456

## Changes in plan assets:

in TEUR	31.12.08	31.12.07
Plan assets as at 01.01.	30,046	29,322
Expected return on plan assets	1,500	1,200
Actuarial losses (2007 gains)	-2,524	449
Employer contributions (funding)	0	0
Employees own amounts	0	0
Acquisitions	0	0
Transfers	0	0
Pension payments	-1,032	-925
Plan assets as at 31.12.	27,990	30,046

## Net expense recognized in the consolidated statement of income:

in TEUR	31.12.08	31.12.07
Current service cost	465	650
Interest cost	1,830	1,660
Expected return on plan assets	-1,500	-1,200
Offsetting of actuarial gains and losses	0	501
Effects of curtailments and settlements	0	0
Costs of claims purchased in the fiscal year	0	0
Total expense	795	1,611

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.

A transfer of funds to plan assets is not planned for the fiscal year 2008.

## Portfolio structure of plan assets:

In percent	31.12.08	31.12.07
Shares and participations (available for sale)	28	35
Loans (loans and receivables)	55	56
Funds	17	9
Total	100	100

## Actuarial assumptions:

In percent	31.12.08	31.12.07
Discount rate as at 31.12.	6.00	5.50
Return on plan assets	4.99	4.09
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 2008 amounted to minus TEUR 1,024 (2007 TEUR 1,649).

Actuarial gains or losses result from changes in balances and differences in current 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	31.12.08	31.12.07	31.12.06
Present value of defined benefit obligation	32,324	33,456	37,060
Fair value of plan assets	-27,990	-30,046	-29,322
Plan deficit (surplus)	4,334	3,410	7,738
Experience adjustments of the obligation	-38	-134	-101
Experience adjustments of the net assets	-1,988	-4,490	-3,098

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	Potential losses	Warranties	Legal and court case costs	Obligation from sale of property	Protection and licence fees	Price audit risks	Miscellaneous	Total
Balance as at 01.01.2008	19,172	14,857	9,002	7,549	3,498	1,625	689	5,561	61,953
Currencies	21	0	64	1	0	0	0	22	108
Companies included in consolidation	-158	0	-234	0	0	0	0	918	526
Increases	12,399	1,517	5,142	321	0	168	116	3,353	23,016
Compound interest	-3	248	0	198	88	0	37	4	572
Utilization	12,995	78	4,438	1,146	420	24	0	2,153	21,254
Release	1,740	87	1,584	5,545	322	0	373	1,149	10,800
Balance as at 31.12.2008	16,696	16,457	7,952	1,378	2,844	1,769	469	6,556	54,121

Material items within personnel provisions are part-time early retirement of TEUR 5,925 (2007 TEUR 5,658), long term service awards of TEUR 1,232 (2007 TEUR 1,251) as well as a restructuring provision of TEUR 1,563 (2007 TEUR 1,600). The provision for restructuring relates to costs of relocation, severance payments for employees and the costs connected with the termination of

contractual relationships. Additionally, personnel provisions include performance premiums, profit sharing, severance payments and similar obligations.

The reversal of the provision for legal and court case costs related to a patent dispute with Asyst.

Miscellaneous provisions and accruals include potential contract penalties and damages claims. More details of these can be found in the Management Report under Section 5 The Opportunities and Risks 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	31.12.08
Personnel provisions	10,820	5,754	122	16,696
Potential losses on pending transactions	10,468	5,989	0	16,457
Warranty provisions	6,450	1,502	0	7,952
Legal and court case costs	1,378	0	0	1,378
Obligation on property sale	0	2,844	0	2,844
Trademark and licence fees	125	1,644	0	1,769
Price audit risks	31	438	0	469
Miscellaneous provisions	6,478	72	6	6,556
	35,750	18,243	128	54,121

### 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	31.12.08
Bonds	48,258	0	0	48,258
	(0)	(60,854)	(0)	(60,854)
Bank liabilities	64,697	38,272	49,969	152,938
	(43,797)	(33,635)	(42,426)	(119,858)
Liabilities from finance leases	729	2,510	1,667	4,906
	(2,121)	(4,614)	(20,226)	(26,961)
Total	113,684	40,782	51,636	206,102
	(45,918)	(99,103)	(62,652)	(207,673)

(The amounts in brackets relate to the prior year)

With effect from July 23, 2004 a convertible note was issued amounting to TEUR 62,100. The term of the convertible bond amounts to 5 years in units of TEUR 10 each. The conversion right into shares of JENOPTIK AG can be exercised under certain conditions from September 1, 2004 until July 9, 2009 at a conversion price of EUR 12.7165. The interest coupon amounts to 2.5 percent and is due annually. The bond was issued as an issue rate of 101.90 percent. The original repayment value at the end of the term (July 23, 2009) amounts to TEUR 63,333.

The convertible bond as a hybrid structured financial instrument has an equity and a borrowing component from JENOPTIK AG's point of view. At the time of initial accounting these are determined and disclosed separately.

The market value of the borrowing component was determined by discounting the cash flows applying an interest rate common to the market for a fixed interest bond without conversion options of 5.775 percent. The equity component is the resulting differences between the nominal volume of the convertible note and the market value of the borrowing component. The equity component, amounting to TEUR 4,907, is included in equity. The transaction costs incurred were allocated accordingly in the proportion of the borrowing and equity components.

In the fiscal year 2008 JENOPTIK AG prematurely repurchased a nominal amount of TEUR 15,010 of the convertible bond. The consideration for the premature repurchase amounted to TEUR 13,663 in total. Repurchase was at an average rate of 91.03 percent. The consideration for the repurchase was allocated proportionally to equity and borrowings, whereby the same method was used as for the original division. The profits resulting from the repurchase were treated in accordance with the accounting principle for the relevant component. In accordance with this the proportional profit of TEUR 1,150, relating to borrowing components, was taken to income. No transaction costs arose in connection with the repurchase.

Interest on the current bank liabilities amounting to TEUR 64,697 has been agreed at a range from between 2.47 percent to 5.80 percent. Non-current bank liabilities include a property loan of TEUR 43,474 at an interest rate of 5.25 percent. Furthermore, they include three debenture loans taken up in December 2007. One debenture loan of TEUR 17,000 is a fixed interest loan and has a term of five years, whereas the debenture loans for TEUR 8,000 and TEUR 5,000 attract variable interest at the 3-month EURIBOR rate plus a credit margin of 1.75 percent and have terms of five and three years. The debenture loans were paid out at an issue rate of 99.325 percent.

Of bank liabilities disclosed in the balance sheet TEUR 44,186 (2007 TEUR 44,526) are secured by mortgages.

As at December 31, 2008 the Group has access to credit lines amounting to TEUR 143,993, whereby TEUR 79,176 was not utilized.

The liabilities from finance leases represent the discounted payments for factory/office fixtures and fittings. During the fiscal year 2008 a significant universal rental contract between JENOPTIK AG and FIRMICUS was cancelled. During the fiscal year 100 percent of the shares in FIRMICUS were purchased and thus "Control" as defined under IAS 27 has been achieved. The finance lease has been reversed with inclusion in the

consolidated financial statements and cancellation of the universal rental contract. This resulted in a reduction in the liabilities from finance lease and an increase in bank liabilities.

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	31.12.08	31.12.07
Non-current accruals	11,602	13,151
Derivatives	36	744
Miscellaneous non-current liabilities	1,329	1,300
	12,967	15,195

The non-current accruals include interim profits on properties amounting to TEUR 11,150 (31.12.2007 TEUR 12,389) allocated on a straight-line basis over the remaining term of the original leasing contract.

The change in the derivatives results from an interest swap expiring as at December 30, 2009 and thus being classified as a current derivative. Further information can be found under Note 34 Financial Instruments.

### 32 Other current liabilities

This item includes:

in TEUR	31.12.08	31.12.07
Trade accounts payable	41,289	44,849
Liabilities from on-account payments received	33,825	26,930
Liabilities from investments	2,623	5,628
Liabilities to non-consolidated affiliated companies	2,009	3,276
Liabilities from construction contracts	507	8,014
Miscellaneous current liabilities	30,526	32,007
	110,779	120,704

The liabilities from construction contracts have decreased compared to the previous year due to these contracts having been performed in the fiscal year. Liabilities from on account payments received rose in the fiscal year by TEUR 6,895.

Normal market interest rates have been agreed to liabilities to non-consolidated affiliated and associated companies. Liabilities to participating interests include liabilities to joint ventures of TEUR 2,521 (2007 TEUR 2,153). In the prior year liabilities to participating interests also included liabilities to associated companies of TEUR 3,451.

Miscellaneous current liabilities comprise the following:

in TEUR	31.12.08	31.12.07
Liabilities to employees	8,002	7,954
Other liabilities from taxes	5,963	8,071
Purchase price liabilities	2,646	2,263
Accruals	2,026	2,147
Derivatives	1,791	747
Financial liabilities to third parties	1,507	1,507
Other liabilities for social security	1,086	988
Liabilities to employees' accident insurance	1,082	1,137
Interest liabilities from financial liabilities	1,035	845
Miscellaneous liabilities	5,388	6,348
	30,526	32,007

Liabilities to employees include holiday entitlements and flexi-time credits.

Purchase price liabilities also include the amount still outstanding for the acquisition of TESAG.

Derivatives rose compared to the prior year since this interest swap was classified as current based on its term.

The whole item of derivative financial instruments is described in more detail in Note 34.

### 33 Group cash flow statement

The cash and cash equivalents in the cash flow statement include liquid funds as shown in the balance sheet amounting to TEUR 12,523 (2007 TEUR 13,792).

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 used 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 and are eliminated. Cash flow from operating activities is indirectly derived based on earnings before tax. Earnings before tax are 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 fell by TEUR 27,350 to TEUR 46,455 (2007 TEUR 73,805). This is mainly due to the cash impact of increasing working capital by TEUR 10,207.

Cash flow from investing activities amounts to minus TEUR 18,893 (2007 TEUR -5,201).

Cash flow from company acquisitions amounts to TEUR 607 (2007 TEUR 771).

Cash flow from financing activities amounts to TEUR 29,065 (2007 TEUR -208,108). In the prior year the cash outflow resulted from repayment of the high-yield bond, repayment of the commercial paper and of interest paid.

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.

Details information on risk management and monitoring of risks is given in the Management Report under Point 5 Report on risks.

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.

in TEUR	Market values 31.12.08	Market values 31.12.07
Financial assets	172,818	165,128
Cash and cash equivalents	12,523	13,792
Financial assets available for sale	13,375	17,372
Loans and receivables	138,550	126,111
Derivatives with hedge relationships	8,370	7,853
Financial liabilities	316,916	328,300
Trade accounts payable	41,289	44,849
Bonds and loans	48,258	60,854
Liabilities to banks and other financial obligations	152,937	119,858
Liabilities from finance lease	4,906	26,961
Other non-derivative financial liabilities	67,699	74,287
Fair value options	922	723
Derivatives with hedge relationship	905	768

The carrying values of the financial assets and liabilities represent their market values.

The risk of credit or default is the risk that a customer or contracting partner of the Jenoptik Group does not meet his contractual obligations. From this results the danger, on one hand, that financial instruments suffer impairment related to creditworthiness 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 172,818 (2007 TEUR 165,128). The gross amount of trade accounts receivable before allowances amounts to TEUR 107,292 (2007 TEUR 105,865). The allowances accounted for in the fiscal year and the ageing of receivables are described in Note 22.

The liquidity risk is limited by an effective cash and working capital management as well as by credit lines yet unused.

The following overview shows the cash flows from the interest and capital repayments of financial liabilities.

in TEUR	Carrying amounts	Cash outflow			
		Total	Up to 1 year	1 – 5 years	Over 5 years
Fixed-interest bonds	48,258	49,157	49,157	0	0
	(60,854)	(65,206)	(1,553)	(63,653)	(0)
Variable-interest bank liabilities	90,252	100,544	66,463	20,405	13,676
	(56,797)	(64,107)	(47,207)	(16,900)	(0)
Fixed-interest bank liabilities	62,686	78,803	1,031	25,732	52,040
	(63,061)	(72,719)	(3,740)	(26,753)	(42,226)
Variable-interest liabilities from finance lease	4,906	4,906	729	2,510	1,667
	(26,961)	(28,808)	(1,424)	(7,248)	(20,136)
Total	206,102	233,410	117,380	48,647	67,383
	(207,673)	(230,840)	(53,924)	(114,554)	(62,362)

(The amounts in brackets relate to the prior year)

Cash outflows for variable-interest liabilities due to banks are based on an interest rate in 2008 of 4.3 percent (2007 6.0 percent). Fixed interest liabilities are charged interest at rates between 3.5 percent and 6.6 percent.

Further details are described under Note 30.

The Jenoptik Group is primarily exposed to **interest rate fluctuation risks** in the area of medium-term and long-term interest-bearing 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 amounts	
	31.12.08	31.12.07
Interest-bearing financial assets	19,909	22,583
of which variable interest	12,523	13,792
of with fixed interest	7,386	8,791
Interest-bearing financial liabilities	206,101	207,673
of which variable interest	95,158	83,758
of with fixed interest	110,944	123,915

If the market interest rate changed as at December 31, 2008 within a range of 100 base points, an opportunity loss or gain of TEUR 74 (2007 TEUR 88) would arise for the fixed-interest financial assets. For the financial liabilities with the same range an opportunity loss or gain of TEUR 1,109 (2007 TEUR 1,239) would result. A change of 100 base points for the variable-interest financial assets would have an impact of TEUR 125 (2007 TEUR 133) and for the variable-interest financial liabilities an impact of TEUR 952 (2007 TEUR 838).

JENOPTIK AG meets the risks with the following interest hedges.

in TEUR	Nominal volumes		Market values	
	31.12.08	31.12.07	31.12.08	31.12.07
Interest cap	0	2,000	0	8
Interest swap	38,010	39,356	-922	-723

The interest swap was purchased in order to maintain a future interest risk from the payment of leasing installments with a variable loan-financed portion from December 30, 2004 at a level of 5.65 percent for five years.

The fair value and the carrying value of the cap at December 31, 2008 amounted to minus TEUR 922 (2007 TEUR -723).

For the interest swap there is no effective hedging connection to the underlying KORBEN finance leasing and, thus, the interest swap is accounted for separately as a derivative. The fair-value change is accounted for in income. Currently this interest swap is being used to reduce the interest risks of other variable financing transactions.

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 2008 forward exchange contracts with a nominal value of TEUR 46,929 were used exclusively in order to hedge the underlying transactions as cash flow hedges. In the prior year foreign exchange options with a nominal value of TEUR 57,078 were used in addition to forward exchange contracts with a nominal value of TEUR 473 for hedging purposes.

These transactions relate to the 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	31.12.08	31.12.07
Transactions to hedge against		
Currency risks from future cash flows (Cash flow hedges):		
Forward exchange contracts, long-term	3,499	3,326
Currency risks from future cash flows (Cash flow hedges):		
Forward exchange contracts, short-term	4,871	4,519
Interest cap	0	8
Total	8,370	7,853

The following negative market values arise from derivative financial instruments:

in TEUR	31.12.08	31.12.07
Transactions to hedge against		
Currency risks from future cash flows (Cash flow hedges):		
Forward exchange contracts, long-term	36	21
Swaps, long-term	0	723
Transactions to hedge against		
Currency risks from future cash flows (Cash flow hedges):		
Forward exchange contracts, short-term	869	747
Swaps, short-term	922	0
Total	1,827	1,491

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 1,150 as well as income from the release of allowances amounting to TEUR 868 (2007 TEUR 334). Net losses for financial liabilities include expenses from the valuation of a swap amounting to TEUR 199.



Forward exchange contracts hedge foreign currency risks of TEUR 29,436 with a time frame of until the end of the year 2009. Foreign currency risks of TEUR 17,493 with a time frame of until June 2012 are hedged.

Forward currency transactions are analyzed by currency sales and purchases as follows:

in TEUR	31.12.08	31.12.07
Forward exchange contracts		
USD/EUR sale	30,097	37,631
USD/EUR purchase	1,168	1,257
GBP/EUR sale	14,192	16,648
GBP/EUR purchase	240	540
CAD/EUR sale	1,232	471
JPY/EUR sale	0	531

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.

The table shows the net foreign currency risk position in USD:

in TUSD	31.12.08	31.12.07
Financial assets	16,935	15,138
Financial liabilities	2,863	2,039
Foreign currency risk from balance sheet items	14,072	13,099
Foreign currency risk from pending transactions	22,079	37,016
Transaction related foreign currency item	36,151	50,115
Item hedged economically by derivatives	34,363	43,708
Net position	1,788	6,407

A sensitivity analysis relative to the US Dollar led to the following result:

A change in the US Dollar rate at the year-end of 5 percent would have a positive or negative impact on the income statement of TEUR 64 and a change of 10 percent a positive or negative impact of TEUR 130 on the income statement.

### 35 Commitments and contingent liabilities

Compared to the prior year the volume of guarantees has decreased as expected and amounted to TEUR 132,136 (2007 TEUR 229,438) at December 31, 2008.

in TEUR	31.12.08	31.12.07
Liabilities for guarantees	132,136	229,438
of which M+Z Zander Group	520	54,317
of which guarantees and line for caverion GmbH	109,608	141,846
of which letter of comfort Hermes for caverion GmbH	15,000	20,000
of which other companies	7,008	13,275
	132,136	229,438

Guarantees of TEUR 520 (2007 TEUR 54,317) still in existence as at December 31, 2008 for the M+W Zander Group are expected to be returned in the next two to three years. The substantial decrease in commitments is due to the return of the special guarantee amounting to TEUR 46,750 for an AMD project in Dresden as well as due to an extensive reduction in other guarantees for the M+W Zander Group.

Furthermore, a guarantee facility exists for caverion GmbH as part of a financing commitment of TEUR 130,000 (2007 TEUR 150,000), which was backed up at December 31, 2008 using surety lines and operative guarantees for a maximum amount in total of TEUR 109,608 (2007 TEUR 141,846). The actual utilisation of these surety facilities amounted to TEUR 103,131 (2007 TEUR 116,965) at December 31, 2008 plus the separately disclosed letter of comfort of TEUR 15,000 (2007 TEUR 20,000). Overall, the high demand for guarantees is due to the good contract situation of caverion GmbH. It was possible to implement the planned reduction of the financing commitment of TEUR 150,000 to TEUR 130,000 due to the improved creditworthiness of caverion GmbH. The company has its own secured guarantee facilities with banks and credit securers which are not secured by Jenoptik. The liquidity facility available

as part of the financing commitment remained at TEUR 15,900 (2007 TEUR 15,900) and had not been taken up as at December 31, 2008.

The substantial decline in guarantees for other companies which amounted to TEUR 7,008 (2007 TEUR 13,275) at December 31, 2008 and which are partially secured by counter-guarantees by co-shareholders, is mainly explained by the return of securities. Thus, it was possible to fully return the guarantee in favor of DEWB AG, Jena amounting to TEUR 5,000. The loan commitment for OLPE Jena GmbH, Jena was reduced to TEUR 1,000 (2007 TEUR 1,200) as planned. The largest item comprised the warranty guarantees in connection with the Clinic 2000 Jena amounting to TEUR 5,500 (2007 TEUR 5,500), which are partially released from liability by the Free State of Thuringia. Potential claims from guarantees of only TEUR 527 (2007 TEUR 5,500) actually exist.

#### | 36 | Other financial commitments

Financial commitments from rental and leasing contracts are described in Note 16.

Payment obligations to participating interests amount to EUR 2.4 million and to a supplier EUR 1.0 million from a loan contract entered into.

In addition to order commitments for tangible assets there are further order commitments amounting to TEUR 48,752 (2007 TEUR 48,499).

#### | 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 6, 2009 for approval by the Supervisory Board.

#### | 39 | Related party disclosures according to IAS 24

Related parties are defined in IAS 24 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.

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.

Remuneration of members of the Supervisory and Executive Boards amounts to TEUR 1,526 in total.

Remuneration of members of the Supervisory and Executive Boards comprises entirely short-term payments to employees.

Detailed disclosures on this are given in the Corporate Governance Report and 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 are exempt from the duty to publish annual financial statements in accordance with § 264 (3) or § 264b HGB:

- SAALEAUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Jena
- LEUTRA SAALE Gewerbegrundstücksgesellschaft mbH & Co. Vermietungs KG, Jena
- 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:

	2008	2007
Employees	3,292	3,215
Trainees	123	117
	3,415	3,332

In proportionally consolidated companies an average of 37 (2007 36) employees were employed.

#### Cost of materials and personnel expenses

in TEUR	2008	2007
Cost of materials		
Raw materials, consumables, supplies and purchased merchandise	206,370	207,377
Cost of purchased services	46,127	44,779
	252,497	252,156
Personnel expenses		
Wages and salaries	164,227	162,374
Social security and pension costs	30,470	29,930
	194,697	192,304

## German Corporate Governance Codex

The Executive and Supervisory Boards of JENOPTIK AG submitted the declaration of conformity with the recommendations of the Government Commission German Corporate Governance Code in accordance with § 161 AktG (German Public Companies Law) on June 6, 2008. The declaration has been made permanently available to shareholders via the Internet pages of JENOPTIK AG. Furthermore, the declaration is available for viewing at JENOPTIK AG.

## Executive Board

The following gentlemen were appointed members to the Executive Board during the fiscal year 2008:

	Additional appointments at:
Dr. Michael Martin	
Chairman of the Executive Board of JENOPTIK AG	CoOptics GmbH (SB chairman) (on an interim basis)
Frank Einhellinger	
Member of the Executive Board of JENOPTIK AG	None

Remuneration and benefits of the active members of the Executive Board of JENOPTIK AG in 2008 amounted to TEUR 1,255.8 in total (2007 TEUR 1,171.6).

Figures in TEUR	Remuneration for 2008			
	Fixed	Variable	Supplementary	Total
Dr. Michael Mertin (Chairman of the Executive Board)	460.0	290.5	42.5	793.0
Frank Einhellinger (Member of the Executive Board)	260.0	180.0	22.8	462.8
Total	720.0	470.5	65.3	1,255.8

After the change in Executive Board Dr. Michael Mertin and Mr. Frank Einhellinger received a fixed bonus for the year 2007. From 2008 the variable portion of remuneration is based on the personal performance of the board member, as set out in an agreement on targets concluded with the Chairman of the Supervisory Board, and on the success of the company. The basis of measurement for this are the Group earnings before tax, the development of the share price as well as strategic objectives. The target computation of the variable remuneration for 2008 is based on a preliminary agreement and is not yet final. In 2007 contracts for company pension schemes were concluded for both board members. The pension commitment is based on a benevolent fund reinsured by a life insurance. It is a defined contribution pension as part of a benevolent fund. In 2008 the expense for this benevolent fund amounted to TEUR 240 for Dr. Mertin and TEUR 66 for Mr. Einhellinger.

In addition to a company car, supplementary benefits include the adoption of the employer portion of a occupation disability 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, which enables them to give notice on their contracts and payment of their contracts for the remaining term of office and payment of their bonus at an average amount over the last two years within a certain period after control has been transferred.

The shares privately purchased by the members of the Executive Board amounted to 1,036 at the end of the fiscal year and are held by Mr. Frank Einhellinger. Dr. Michael Mertin does not hold any shares in JENOPTIK AG. Mr. Einhellinger purchased 1,000 shares in 2008.

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 3,868 as at December 31, 2008. The interest cost recorded for these provisions in 2008 amounted to TEUR 220.

## Supervisory Board

The following ladies and gentlemen were appointed members to the Supervisory Board during the fiscal year 2008:

	Additional appointments at:
Rudolf Humer Chairman of the Supervisory Board of ECE EUROPEAN CITY ESTATES AG, Hinterbrühl/Austria (Chairman since 05.06.2008)	-- ECE EUROPEAN CITY ESTATES AG, Austria (Ccb Chair) -- Baumax AG, Austria (Ccb member) Ühinenud Farmid AS, Estonia (Ccb Chair)
Prof. Dipl.-Ing. Jörg Menno Harms Director of Menno Harms GmbH – International Management Services, Stuttgart (Chairman until 05.06.2008)	-- Groz Beckert KG (SB dep. Chair) -- Heraeus Holding GmbH (SB member) -- Hewlett-Packard GmbH (SB Chair) -- Management Partner GmbH (Ccb member) (each as per 05.06.2008)
Wolfgang Kehr* Regional Manager Working Area Tariff Policy IG Metall-Bezirk Frankfurt/ Main (Dep. Chairman since 06.06.2007)	None
Michael Ebenau* Second representative of the administration of IG Metall Jena-Saalfeld, Jena	None
Markus Embert* Dipl.-Ing. for electrotechnology at ESW GmbH, Hamburg	None
Christian Humer Chairman of the Executive Board of ECE EUROPEAN CITY ESTATES AG, Hinterbrühl/Austria (since 05.06.2008)	-- Ühinenud Farmid AS, Estonia (Ccb member)
Thomas Klippstein* Product manager development for JENOPTIK Laser, Optik, Systeme GmbH, Jena	None
Anita Knop* Dipl.-Ing., Software developer at Jena-Optronik GmbH, Jena	None

Abbreviations: SB Supervisory Board Ccb. Comparable controlling body ig Internal group appointment dep. Deputy \*Employee representative

	Additional appointments at:
Prof. Dr. Dr. h.c. mult. Johann Löhn President of the Steinbeis-Hochschule, Stuttgart (until 24.04.2008)	-- M&A Consultants AG (SB Chair) -- Primion Technology AG (SB Chair) (each as per 24.04.2008)
Dr. Lothar Meyer Former Executive Board member of ERGO Versicherungsgruppe AG, Bergisch-Gladbach (since 22.01.2008)	-- Bayerische HypoVereinsbank AG (SB dep. Chair) -- ERGO Versicherungsgruppe AG (SB member) -- DKV Deutsche Krankenversicherung AG (SB member) -- Hamburg-Mannheimer Versicherungs-AG (SB member) -- Victoria Lebensversicherung AG (SB member)
Günther Reißmann* Chairman of the Group Works' Council of JENOPTIK AG, Jena	None
Heinrich Reimitz Chairman of the Executive Board of ECE EUROPEAN CITY ESTATES AG, Vienna/Austria (since 25.04.2008)	-- Ühinenud Farmid AS, Estonia (SB member)
Dr. Norbert Schraad Member of the Executive Board of Landesbank Hessen Thüringen Girozentrale Anstalt des öffentlichen Rechts, Bad Soden (until 05.06.2008)	-- authentos GmbH (SB member) -- Bundesdruckerei GmbH (SB member) -- Hannover Leasing GmbH & Co. KG (Ccb [ig] member) -- Helaba Dublin Landesbank Hessen-Thüringen International, Dublin (Ccb [ig] member) -- Helaba International Finance plc, Dublin (Ccb [ig] member) (each as per 05.06.2008)
Andreas Tünnermann, Prof. Dr. rer. nat. habil., Dipl.-Physiker 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	-- BioCentive GmbH (SB Chair) -- CoOptics GmbH (SB member)
Gabriele Wahl-Multerer Diplom-Kauffrau, entrepreneur, Munich	None
<p>Abbreviations: SB Supervisory Board Ccb. Comparable controlling body ig Internal group appointment dep. Deputy *Employee representative</p>	

Remuneration of the Supervisory Board is set out in § 19 of the newly drafted Articles of Association of JENOPTIK AG as resolved by the shareholders' meeting on June 6, 2007. This new 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 chair one and a half times this amount. The fixed remuneration is payable at the end of the fiscal year.

In the fiscal year 2008 an amount of TEUR 292 has been provided for as remuneration for the Supervisory Board.

The remuneration of the Supervisory Board was paid in retrospect (in 2008 for the fiscal year 2007) and for Supervisory Board members who left in the fiscal year 2008 for the period in 2008 up until they each left. Remuneration paid to the Supervisory Board comprises the following for the fiscal year 2008:

in EUR	Total remuneration paid	of which		
		Fixed remuneration	Meeting remuneration	Value added tax
Rudolf Humer (Chairman since 05.06.2008)	2,400.00	0.00	2,400.00	0.00
Prof. Dipl.-Ing. Jörg Menno Harms (Chairman until 05.06.2008)	33,676.30	30,106.30	3,570.00	5,376.89
Wolfgang Kehr (Dep. Chairman)	22,530.22	17,730.22	4,800.00	0.00
Dr. Daniel von Borries (Payment for 2007 outstanding at 31.12.2007)	23,818.85	23,818.85	0.00	3,803.01
Birgit Diezel* (until 20.04.2006)	1,937.78	1,937.78	0.00	0.00
Michael Ebenau	16,824.65	11,424.65	5,400.00	0.00
Markus Embert	16,445.97	13,445.97	3,000.00	0.00
Christian Humer (since 05.06.2008)	2,400.00	0.00	2,400.00	0.00
Thomas Klippstein	28,988.01	20,420.01	8,568.00	4,628.34
Anita Knop	17,165.33	13,595.33	3,570.00	2,740.68
Prof. Dr. Johann Lohn (until 24.04.2008)	17,428.70	16,000.70	1,428.00	2,782.73
Dr. Lothar Meyer (since 22.01.2008)	3,570.00	0.00	3,570.00	570.00
Günther Reißmann	19,103.51	14,303.51	4,800.00	0.00
Heinrich Reimitz (since 25.04.2008)	3,600.00	0.00	3,600.00	0.00
Dr. Norbert Schraad (until 05.06.2008)	22,535.00	20,393.00	2,142.00	3,598.02
Ralf Tänzer (Dep. Chairman until 06.06.2007, payment outstanding for 2007)	4,628.62	4,628.62	0.00	739.03
Prof. Dr. rer. nat. habil. Dipl.-Physiker Andreas Tünnermann	13,368.49	8,568.49	4,800.00	0.00
Gabriele Wahl-Multerer	19,570.70	16,000.70	3,570.00	3,124.73

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\* Member until 20.04.2006; payment outstanding for 2006

At the end of the fiscal year total shares held by all Supervisory Board members amounted to 3,355,553 JENOPTIK AG shares or financial instruments related to these.



### 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 6, 2009



Dr. Michael Mertin  
Chairman of the Executive Board



Frank Einhellinger  
Member of the Executive Board

## Auditor's 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, 2008. 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 [Handels-gesetzbuch „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, 2009

KPMG AG  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

DR. KRONNER  
AUDITOR

NEUMANN  
AUDITOR

## Additional information

## Executive Management Board (as at January 2009)

### 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

### Markus Olbert

Head of HR and Director of the Shared Service Center  
JENOPTIK AG

### Dr. Dirk Michael Rothweiler

Head of Optical Systems division.

### Christian Sommermeyer

Head of Industrial Metrology division

### Dr. Stefan Stenzel

Head of Strategy and Innovation Management  
of JENOPTIK AG

## Scientific Advisory Council (as at January 2009)

### Dr. Michael Martin

JENOPTIK AG, Jena, Chairman.

### Prof. Dr. Bernd Wilhelm

JENOPTIK AG, Jena, Vice chairman

### Prof. Dr. Hartmut Bartelt

IPHT Institut für Photonische Technologien e.V., Jena.

### Prof. Dr. Karlheinz Brandenburg

Technische Universität Ilmenau,  
Fakultät Elektrotechnik/Institut für Medientechnik.

### Prof. Dr. Gerhard Fettweis

Technische Universität Dresden,  
Fakultät für Elektrotechnik,  
Mannesmann Mobilfunk Stiftungslehrstuhl.

### Prof. Dr. Wolfgang Karthe

IOF Fraunhofer Institut für angewandte Optik  
und Feinmechanik, Jena.

### Prof. Dr. Johann Löhn

Steinbeis-Hochschule Berlin.

### Prof. Dr. rer. nat. habil. Jürgen Petzold

Technische Universität Ilmenau,  
Fakultät für Elektrotechnik und Informationstechnik,  
Institut für Elektrische Energiewandlungen  
und Automatisierung.

### Prof. Dr. rer. nat. Jürgen Popp

IPHT Institut für Photonische Technologien e.V., Jena.

### Prof. Dr. Roland Sauerbrey

Forschungszentrum Rossendorf, Dresden.

### Prof. Dr. Michael Schenk

IFF Fraunhofer Institut für Fabrikbetrieb  
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## Financial glossary A–Z

### | A |

**Accruals** -- Balance sheet liabilities that include future payments and reductions in value as expenses for the accounting period. The exact amount and/or time of payment for these items are not yet determined by the balance sheet date, but their occurrence is quite certain.

**Accruals and deferrals** -- Payments made or received during the accounting period, but which 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, includ-

ing 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.

### I G I

**Goodwill** -- The purchase price of a newly acquired company minus its shareholders' equity (assets minus liabilities).

### I H I

**Hedging** -- Through hedging, extant securities can be protected against negative price trends though the purchase or sale of derivatives (futures, options, swaps).

### I I 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.

### I J I

**Joint venture** -- Economic cooperation between companies, usually limited in time and scope which is run by the partner companies together.

### I L I

**Loan discount** -- The difference between the amount of a loan to be repaid and the amount received when the loan was granted.

### I M I

**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.

### I O I

**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.

(Kaufoption/Call) oder an ihn zu verkaufen (Verkaufsoption/Put).

### I P I

**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.

### I R I

**Rating** -- Ratings are used to assess the credit worthiness of a company. They evaluate to what extent the company is able to meet its financial commitments of paying interests and making repayments. Specific features of the company and the industry as well as country-specific risks are included in the evaluation. The rating provides for transparency and thus increases the comparability for investors and creditors regarding the financial position.

**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.

### I S I

**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.

### I V I

**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.

### I W I

**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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50 Selected investment companies (as at February 2009)

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100 %	Coastal Optical Systems, Inc. USA, West Palm Beach (FL)	100 %	JENOPTIK Laser, Optik, Systeme GmbH Germany, Jena
75 %	Electroop S.A. Spain, Madrid	75 %	JENOPTIK Laserdiode GmbH Germany, Jena
100 %	EPIGAP Optoelektronik GmbH Germany, Berlin	100 %	JENOPTIK Polymer Systems GmbH Germany, Triptis
100 %	ESW GmbH Germany, Wedel	50 %	JT Optical Engine GmbH + Co. KG Germany, Jena
50 %	HILLOS GmbH Germany, Jena	100 %	LECHMOTOREN GmbH Germany, Altenstadt
100 %	HOMMEL-ETAMIC America Corp. USA, Rochester Hills (MI)	100 %	Liebmann Optical Company Inc. USA, Easthampton, (MA)
100 %	Hommel-Etamic France SA France, Bayeux Cedex	100 %	MEMS Optical, Inc. USA, Delaware
100 %	Hommel-Etamic GmbH Germany, Villingen-Schwenningen	100 %	Multanova AG Switzerland, Uster
100 %	Hommel-Movomatic Suisse SA Switzerland, Peseux	100 %	PHOTONIC SENSE GmbH Germany, Eisenach
100 %	Innovavent GmbH Germany, Göttingen	100 %	ROBOT Visual Sytems GmbH Germany, Monheim am Rhein
100 %	Jena-Optronik GmbH Germany, Jena	100 %	SINAR AG Switzerland, Feuerthalen
100 %	JENOPTIK Automatisierungstechnik GmbH Germany, Jena	100 %	Traffipax Inc. USA, Linthicum (MD)
100 %	JENOPTIK Diode Lab GmbH Germany, Berlin		

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The above mentioned investment companies are not necessarily direct shareholdings of JENOPTIK AG.



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#### Dates 2009

- March 27, 2009  
Publication of the Annual Report  
2008
- May 13, 2009  
Publication of the Interim Report  
1<sup>st</sup> quarter 2009
- June 3, 2009  
General Meeting of JENOPTIK AG 2009
- August 13, 2009  
Publication of the  
Semi Annual Report 2009
- November 12, 2009  
Publication of the Interim Report  
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