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

JENOPTIK

Interim Financial Report of the Jenoptik Group (unaudited)

FOR THE MONTHS JANUARY TO SEPTEMBER 2010

AT A GLANCE – JENOPTIK GROUP.

Figures in million euros	Jan. – Sept. 2010	Jan. – Sept. 2009	Change in %	July – Sept. 2010	July – Sept. 2009	Change in %
Sales	**373.6**	**336.7**	**11.0**	**134.0**	**105.4**	**27.1**
Lasers & Optical Systems	137.3	110.4	24.4	44.4	36.3	22.3
Metrology	83.4	70.6	18.1	40.0	22.6	77.0
Defense & Civil Systems	152.7	152.5	0.1	49.5	47.3	4.7
Others*	0.2	3.2	−93.7	0.1	−0.8	++
EBITDA	**44.6**	**20.9**	**113.4**	**21.2**	**5.9**	**259.3**
Lasers & Optical Systems	18.5	1.6	1,056.3	6.1	0.9	546.2
Metrology	6.6	−2.8	++	5.7	−0.8	++
Defense & Civil Systems	12.5	13.0	−3.8	3.8	2.7	41.3
Others*	7.0	9.1	−23.1	5.6	3.1	82.0
EBIT before one-off effects	**22.5**	**2.1**	**971.4**	**12.0**	**−1.2**	**++**
Lasers & Optical Systems	10.7	−4.8	++	3.5	−1.8	++
Metrology	3.9	−5.8	++	4.9	−1.9	++
Defense & Civil Systems	7.7	7.9	−2.5	2.2	1.0	120.0
Others*	0.2	4.8	−95.8	1.4	1.5	−6.7
EBIT margin before one-off effects**	**6.0 %**	**0.6 %**		**9.0 %**	**−1.1 %**	
Lasers & Optical Systems	7.8 %	−2.9 %		7.9 %	−3.9 %	
Metrology	4.7 %	−6.7 %		12.3 %	−6.6 %	
Defense & Civil Systems	5.0 %	6.2 %		4.4 %	3.0 %	
One-off effects	**0.0**	**−8.4**		**0.0**	**−0.5**	
EBIT	**22.5**	**−6.3**	**++**	**12.0**	**−1.7**	**++**
Earnings before tax	**13.7**	**−15.1**	**++**	**9.3**	**−3.8**	**++**
Earnings after tax	**11.9**	**−14.9**	**++**	**8.4**	**−3.8**	**++**
Order intake	**458.2**	**330.4**	**38.7**	**158.0**	**112.3**	**40.7**
Lasers & Optical Systems	173.9	118.4	46.9	67.3	38.3	75.7
Metrology	104.4	59.4	75.8	33.5	19.3	73.6
Defense & Civil Systems	178.4	149.4	19.4	56.6	55.1	2.7
Others*	1.5	3.2	−53.1	0.6	−0.4	++

Figures in million euros	Sept. 30, 2010	Dec. 31, 2009	Sept. 30, 2009
Order backlog	**417.2**	**339.4**	**379.4**
Lasers & Optical Systems	93.3	59.9	67.5
Metrology	42.6	21.9	24.2
Defense & Civil Systems	282.8	260.2	288.0
Others*	−1.5	−2.6	−0.3
Employees (incl. trainees)	**3,068**	**3,268**	**3,310**
Lasers & Optical Systems	1,229	1,284	1,307
Metrology	628	769	779
Defense & Civil Systems	1,058	1,077	1,088
Others*	153	138	136

* Others includes holding, SSC, real-estate, consolidation.
** EBIT as % of sales
EBIT, EBITDA and EBIT margin cannot be compared with the figures published last year (see page 7).

SUMMARY OF THE MONTHS JANUARY TO SEPTEMBER 2010.

- The development of economic activity continues to show a positive picture. Germany is benefiting from strong domestic and foreign demand.
  See Development of the overall economy and of the individual Jenoptik sectors – Page 5.

- Sales at 373.6 million euros and order intake at 458.2 million euros represented a double digit percentage rise over the previous year's levels.
  See Earnings and order position – Page 7.

- As a result of improved cost structures, the good economic situation and the invoicing of a major order, the Group EBIT came in at 22.5 million euros compared with a loss for the same period in the previous year; the EBITDA totaled 44.6 million euros.
  See Development of results – Page 7.

- Net debt showed a further marked reduction and at the end of the 3rd quarter 2010 was at 126.8 million euros. The cash flow from operating activities totaled 22.0 million euros. The shareholders' equity ratio improved to 43.4 percent.
  See Financial and asset position – Page 9.

- The operating business performed better than had been anticipated at the beginning of 2010. The Lasers & Optical Systems segment benefited from strong demand in the semiconductor industry and for medical technology lasers. The Metrology segment won several major orders for traffic safety systems, with Industrial Metrology reporting a strong rise in demand from the automotive industry. The Defense & Civil Systems segment was reporting a stable development of business.
  See Segment reporting – Page 12.

- The Jenoptik Group reaffirms the increased forecasts announced in August 2010. Sales are expected to come in at approx. 500 million euros, with a Group EBIT of at least 25 million euros.
  See Forecast report – Page 18.

1. BUSINESS AND FRAMEWORK CONDITIONS.

1.1 Group structure and business activity.

As an integrated optoelectronics group Jenoptik's operational business is divided into the following five divisions

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

These five divisions are organized into the Lasers & Optical Systems, Metrology and Defense & Civil Systems segments and so correspond to the segment reporting.

Jenoptik is primarily a supplier of capital goods and 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 through system integrators. We do not focus on consumer markets.

The product portfolio extends from complex systems, industrial facilities and production lines, to modules and subsystems, through to components. The Jenoptik Group also successfully markets comprehensive total solutions and/or operator models comprising the integration of systems and facilities and corresponding networks, as well as project management, data processing and after-sales.

Our key markets primarily include security and defense technology, the metrology market, material processing, the civil aviation and aerospace industry, medical technology, the market for traffic safety technology as well as the semiconductor and photovoltaics industry.

1.2 Development of the capital market and of the Jenoptik share.

The recovery in the global economy has continued over the past months. The equities market has also been influenced by the high level of state debt, an increasingly weak dollar and also concerns about the continuing economic development.

After nine months the German headline index, the Dax, was up once again. Since the start of the year to September 30, 2010 it climbed to 6,229.02 points, a gain of 3.0 percent. By contrast, at 781.47 points at the end of the 3rd quarter 2010, the TecDax, the index of technology stocks, failed to get back to the level at the start of the year and reported a fall of 6.4 percent.

At the end of the 3rd quarter 2010 the Jenoptik share price showed a rise. Since the start of the year, the share has advanced 1.2 percent to 4.26 euros. By the editorial closing date for this report on November 5, 2010, the share price had risen by approx. 20 percent to 5,04 euros.

Significant fluctuations have characterized the development of the Jenoptik share price over the last nine months. The price initially climbed up to March and then showed an initial fall in response to the capital increase in March 2010. During the subsequent weeks up to the beginning of July, the share price declined in line with the market.

EARNINGS PER SHARE

	1.1. to 30.9. 2010	1.1. to 30.9. 2009
Net profit in TEUR	11,993	– 17,059
Weighted average number of outstanding shares	55,922,954	52,034,651
Earnings per share in euros	0.21	– 0.33
Dilution effect* in TEUR	–	–
Weighted average number of outstanding shares**	55,922,954	52,034,651
Earnings per share in euros**	0.21	– 0.33

Earnings per share are the net profit divided by the weighted average number of shares outstanding. The convertible bond was repaid in fiscal year 2009, therefore earnings per share cannot be diluted.

* After taking deferred taxes into account.
** Diluted.

Aided by the announcement of the increase in the annual sales and results forecast at the beginning of August 2010, the share price has since shown a significant recovery.

Jenoptik carried out a capital increase of 10 percent on March 10, 2010. Around 5.2 million shares were placed with institutional investors, the shareholders' subscription right was excluded. The placement price was 4.25 euros per share. The proceeds of approx. 22 million euros for the Group are to be used for, amongst other things, the expansion of the global presence, financing of major orders in the traffic solutions area as well as for smaller acquisitions.

On August 9, 2010, the Group raised its forecasts for the 2010 fiscal year. The Group EBIT 2010 is expected to climb to at least 25 million euros (without income from the sale of Jena-Optronik GmbH) and sales to approx. 500 million euros. During the publication of the results for the 1st half-year 2010, the management explained the figures during a conference call on August 12, 2010 and at an analysts' conference in Frankfurt/Main on August 13, 2010. A presentation of the Group was also given at a banking conference in Munich as well as during road shows in Frankfurt, London and Vienna. A number of investors took advantage of the opportunity to visit the Jenoptik production sites in Jena and Wedel.

1.3 Development of the overall economy and the individual Jenoptik sectors.

The International Monetary Fund (IMF) describes the global economy as experiencing a "two-speed upturn": whilst developing countries such as China and India continue to report high growth rates, the USA and Europe are showing a sluggish recovery from the economic crisis. The IMF raised its general growth forecast for 2010 further to 4.8 percent, but adjusted its forecast for the USA sharply downwards from 3.3 to 2.6 percent.

Following a 2.2 percent increase in the Gross Domestic Product (GDP) in Germany in the 2nd quarter 2010 compared with the 1st quarter 2010, the Deutsche Institut für Wirtschaftsforschung (DIW) [German Institute for Economic Research] now only expects to see a rise of 0.9 percent in the 3rd quarter. Nevertheless, analysts have raised their full year forecasts: the IMF predicts that German growth, at 3.3 percent, will be stronger than in all the other EU countries, with the EU Commission and the Federal German Government actually forecasting an increase in GDP of 3.4 percent instead of 1.2 and 1.4 percent respectively as had been announced in spring 2010. According to the DIW, the main reasons for the recovery are booming exports, a rise in consumer spending and low unemployment figures.

Following a period of weakness in June, the global semiconductor industry reported renewed growth in the 3rd quarter 2010. According to details from the Semiconductor Industry Association (SIA), the value of semiconductor products sold in August 2010 rose for the sixth time in succession – by 1.8 percent compared to the previous month, to 25.7 billion US dollars. This growth is apparently being driven by PCs and wireless products as well as the growing infrastructure in developing countries such as China and India.

Up to now, the photovoltaics sector in Germany has been benefiting from a special period of economic activity helped by government grants. However, the boom in demand would subside once again following the due reductions in subsidies from July 2010. There was a further increase in capacities in the photovoltaic equipment area during the

3rd quarter 2010 according to Solarbuzz PV Equipment Quarterly, particularly in China and Taiwan. This leads to an increase in worldwide spending on production equipment. Although spending on crystalline silicon modules fell slightly in the 3rd quarter 2010 compared with the 2nd quarter 2010, there was an increase in thin-film modules.

Demand in the German machine and plant construction industry remained strong. According to the Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA), the order intake in the 2nd and 3rd quarter 2010 was well above the levels for the respective quarter in the previous year. The sector is benefiting in particular from orders from Brazil, Russia and China, with orders from these countries increasing by 35 percent in the first eight months of 2010.

According to the Verband der Automobilindustrie (VDA), demand in the global automotive market continued to rise, particularly in the so-called BRIC countries of Brazil, Russia, India and China. The main beneficiaries of this were German premium manufacturers. According to the VDA, German car exports in the first nine months of 2010 reported an overall increase of nearly one third to more than 3.1 million units. By contrast, according to information from the ACEA (European Automobile Manufacturers' Association), vehicle sales in Europe in September 2010 fell for the sixth time in succession. As a result of the ending of the government programs aimed at stimulating the economy, the ACEA reports that the European market posted a 4.3 percent fall for the first three quarters of 2010 compared with the same period in the previous year, with Germany alone reporting a 27.5 percent drop during this period. However, the VDA sees a reversal in the trend in the German market since orders from Germany in September had increased by more than 10 percent compared with the previous month.

According to the VDMA Robotics + Automation, in the German automation industry order intake has shown a steady recovery since the beginning of 2010. In this context, the robotics sector is again benefiting from orders from the automotive industry.

The crisis in the aviation sector is over: in September 2010, the worldwide sector organization International Air Transport Association (IATA) adjusted its June profits forecast for the overall civil aviation industry from 2.5 billion US dollars to 8.9 billion US dollars for the year 2010 as a whole. Whilst aerospace continues to report stable growth according to Airbus, the military industry sector remains the biggest problem, particularly major projects such as the A400M military transporter. The global armaments market is characterized by increasing exports to emerging countries such as India, Saudi Arabia and Brazil. By contrast, defense budgets in Europe are being cut back.

2. EARNINGS, FINANCIAL AND ASSET POSITION.

Note: The details on the three segments in the result from operating activities (EBIT) and EBITDA cannot be compared with the details in the report on the first nine months 2009. In 2010, the Jenoptik Group changed over to showing the EBIT and EBITDA of the segments after the Group charge. The earnings figures published in this report for the year 2009 have been adjusted. All other details can be compared in full with the figures published a year ago.

2.1 Earnings and order situation.

Development of sales. Sales of the Jenoptik Group increased by approx. 11 percent, to a total of 373.6 million euros compared with 336.7 million euros in the same period in the previous year. The comparison of the individual quarters in the current fiscal year shows a steady rise in sales from 115.2 million euros in the 1st quarter to 124.4 million euros in the 2nd quarter and 134.0 million euros in the 3rd quarter 2010 just past.

Jenoptik generated nearly 70 percent of its sales abroad. There has been a marked increase in sales of optical systems in the USA. The business was amalgamated within one company at the beginning of the year.

There was also a marked overall increase in the first nine business months from the Lasers & Optical Systems segment as a result of higher sales with the semiconductor industry. In the Metrology segment, a major order for traffic safety systems of 12 million euros that was won in the 1st quarter was delivered in the 3rd quarter and led to a sharp increase in sales. Business with the automotive industry also posted a continuing rise. The Defense & Civil Systems segment reported sales at the same level as in the previous year.

Development of earnings. The EBITDA for the first nine months 2010 totaled 44.6 million euros. This represents a doubling of the figure compared with the same period in 2009 (prev. year 20.9 million euros). As at the end of the 3rd quarter 2010, Jenoptik posted a Group EBIT of 22.5 million euros. In the same period of the previous year, Jenoptik was forced to show an EBIT of minus 6.3 million euros which included one-off effects arising from the withdrawal from an area of business.

The Group EBIT for the 3rd quarter 2010 was up sharply on the figures for the 1st and 2nd quarter of the current year, to 12.0 million euros compared with 6.4 million euros in the 2nd and 4.0 million euros in the 1st quarter. As announced in June, the EBIT for the 3rd quarter includes a one-off income from the sale of the shares in caverion GmbH. By contrast, the sale of all shares in Jena-Optronik GmbH at the beginning of October 2010 is not yet reflected in the figures for the 3rd quarter 2010. The closing of the sale is expected to take place in the current 4th quarter.

The Lasers & Optical Systems segment reported a leap in results following a negative segment EBIT for the same period in the previous year. Both here and in the Metrology segment which returned to profit, it was not only the growth in sales but also improved cost structures which impacted on the result. In the Optical Systems division, for example, the restructuring of production was completed in summer this year without any disruption to the manufacturing process. In the Metrology segment, the Traffic Solutions division completely invoiced a major order in the 3rd quarter 2010 and the Industrial Metrology division achieved the turnaround. The Defense & Civil Systems segment posted an EBIT at almost the same level as in the previous year.

SALES (in million euros)

	1.1. to 30.9.2010	1.1. to 30.9.2009	Change in %
Total	373.6	336.7	11.0
Lasers & Optical Systems	137.3	110.4	24.4
Metrology	83.4	70.6	18.1
Defense & Civil Systems	152.7	152.5	0.1
Others	0.2	3.2	−93.7

EBIT (in million euros)

	1.1. to 30.9.2010	1.1. to 30.9.2009	Change in %
Total	22.5	2.1	971.4
Lasers & Optical Systems	10.7	−4.8	++
Metrology	3.9	−5.8	++
Defense & Civil Systems	7.7	7.9	−2.5
Others	0.2	4.8	−95.8

The financial result, at minus 8.8 million euros, remained at the level of the previous year (prev. year minus 8.8 million euros). An improved investment result compensated for higher interest expenses. The investment result includes the fiber laser development project which is being pursued as a joint venture in conjunction with Trumpf. Jenoptik's interest result showed an increase in interest expenses compared with the previous year due to the financing having been structured on a longer term basis. Interest income showed a slight fall. The figure for the previous year included a positive contribution from the repurchase of the convertible bond in the sum of approx.
1 million euros.

As a result of the improvement in the Group EBIT, earnings before tax came in at 13.7 million euros compared with minus 15.1 million euros for the same period in the previous year. It was consequently also higher by comparison with the same period for the year 2008 (13.4 million euros). Taxes in the sum of 1.7 million euros were incurred primarily abroad. The effective tax rate was approx. 13 percent due to the use of the tax loss carried forward. Deferred taxes totaled 0.0 million euros. Earnings after tax were 11.9 million euros (prev. year minus 14.8 million euros).

Order book situation. The Jenoptik Group order intake was up on the previous year by 38.7 percent or 127.8 million euros. The total order intake was 458.2 million euros as against 330.4 million euros in the first nine months of the previous year. The strong growth in order intakes is reflected all segments of the Group and is attributable not only to the recovery in economic activity but also to major orders, with some of the individual orders being the largest ever recorded in the respective divisions. The Metrology segment posted a high 75.8 percent rise in its order intake, which is also attributable to the major order of the Traffic Solutions division and the increasing demand from the automotive industry.

Order intake rose at a stronger rate in proportion to sales: in absolute terms, the increase was 84.6 million euros above the sales volume. This produced a book-to-bill rate, the ratio between sales and order intake, of 1.2. The Group order backlog rose accordingly to 417.2 million euros, representing an increase of 22.9 percent or 77.8 million euros compared with the order backlog at end December 2009 (339.4 million euros).

Detailed information on the development of the key indicators for the segments can be found in the segment reporting from Page 12 of this report.

2.2 Development of the key performance factors.

Cost of sales rose to 258.4 million euros (prev. year 247.6 million euros) as a result of the growth in sales, although this increase was at a markedly lower rate in proportion to sales. The measures taken in 2009 aimed at reducing costs and increasing efficiency had an impact on these results. The gross margin correspondingly rose sharply by 4.3 percentage point to 30.8 percent (prev. year 26.5 percent).

Costs of sales include development costs at 19.9 million euros which are incurred directly on behalf of clients (prev. year 19.7 million euros). Costs are allocated in accordance with the contract structure and therefore are dependent upon individual orders or projects. Consequently, both costs

ORDER INTAKE (in million euros)

	1.1. to 30.9.2010	1.1. to 30.9.2009	Change in %
Total	458.2	330.4	38.7
Lasers & Optical Systems	173.9	118.4	46.9
Metrology	104.4	59.4	75.8
Defense & Civil Systems	178.4	149.4	19.4
Others	1.5	3.2	−53.1

ORDER BACKLOG (in million euros)

	30.9.2010	31.12.2009	Change in %
Total	417.2	339.4	22.9
Lasers & Optical Systems	93.3	59.9	55.8
Metrology	42.6	21.9	94.5
Defense & Civil Systems	282.8	260.2	8.7
Others	−1.5	−2.6	42.3

of sales as well as R+D expenses and the corresponding quotas can fluctuate without this necessarily resulting in a change in the overall R+D costs.

The overall R+D costs of the Jenoptik Group totaled 41.3 million euros (prev. year 42.2 million euros) and therefore account for approx. 11 percent of sales. These include the development costs on behalf of customers, depreciation and the R+D expenses. The figure does not include the costs for the development of fiber lasers which are proportionally included in the investment result via the joint venture JT Optical Engine GmbH & Co. KG.

The R+D expenses of the Jenoptik Group totaled 21.6 million euros and so were 2.0 million euros below the figure for the same period in the previous year (prev. year 23.6 million euros). The reduction is also attributable to the abandonment of themes which held no prospects for the future in the previous year, e.g. the withdrawal from the mid-format camera business, as well as to focused R+D road mapping and allocation of resources to direct developments on behalf on customers.

Employees & management. The number of employees in the Jenoptik Group fell by 200 compared with the end of 2009, to 3,068 (31.12. 2009: 3,268). The figure remained constant as against June 30 this year, with the personnel measures having been completed during the course of the 1st half-year 2010.

All three segments, primarily however the Metrology segment, reported a reduction in the number of employees compared with the end of 2009.

The figures for employee numbers as at September 30, 2010 still included the 131 employees of Jena-Optronik GmbH. Following the completion of the sale of the company to the EADS subsidiary Astrium, which is expected to take place during the course of the current 4th quarter, these employees will no longer be included in the Jenoptik staff figures.

At the end of the 3rd quarter 2010, a total of 128 employees were undergoing training in the Jenoptik Group. In August this year, a total of 34 new trainees and students from the Career Academy began their careers at Jenoptik locations throughout Germany.

2.3 Financial and asset position.

Financing structure. Jenoptik's financing structure also remained sound in the 3rd quarter 2010.

Since the start of the year, the Group's non-current liabilities were reduced to 191.4 million euros (31.12.2009: 205.8 million euros). Current liabilities rose to 163.4 million euros (31.12.2009: 161.3 million euros). This consequently produced a further improvement in the debt-equity ratio, the ratio between borrowings (354.8 million euros) and shareholders' equity (271.5 million euros), to the new figure of 1.31 in the 3rd quarter 2010 (31.12.2009: 1.53). Following a significant reduction in net debt in the 2009 fiscal year (31.12.2009: 159.5 million euros) and a further decrease in the 1st half year 2010 (30.06.2010: 144.0 million euros), the net debt of the Jenoptik Group was further reduced sharply to 126.8 million euros as at the end of the 3rd quarter 2010. This is mainly attributable to the cash inflow in the upper single digit million euro range follow-

R+D COSTS (in million euros)

	1.1. to 30.9.2010	1.1. to 30.9.2009	Change in %
Total	41.3	42.2	−2.1
Lasers & Optical Systems	15.3	17.3	−11.6
Metrology	9.2	9.1	1.1
Defense & Civil Systems	16.9	16.0	5.6
Others	−0.1	−0.2	50.0

EMPLOYEES (incl. trainees)

	30.9.2010	31.12.2009	Change in %
Total	3,068	3,268	−6.1
Lasers & Optical Systems	1,229	1,284	−4.3
Metrology	628	769	−18.3
Defense & Civil Systems	1,058	1,077	−1.8
Others	153	138	10.9

ing the completion of the sale of the minority shareholding in caverion GmbH, plus the active approach to working capital and accounts receivable management.

Analysis of capital expenditure. At 9.6 million euros, investments in intangible and tangible assets were down slightly on the level for the previous year (prev. year 10.6 million euros). Tangible assets, in particular technical equipment and machines as well as factory and office equipment accounted for 7.9 million euros and consequently the lion’s share of investment. At 1.7 million euros, investments in intangible assets were lower than in the same period in the previous year (prev. year 3.1 million euros). This is mainly due to the reduction in R+D capitalization.

Investments were offset by regular depreciation in the sum of 19.2 million euros (prev. year: 21.4 million euros).

In the analysis of cash flows, the cash and cash equivalents for the first three quarters of 2010 can be compared with those of the previous year.

At 22.0 million euros, the cash flow from operating activities, was down on the figure for the same period in the previous year (prev. year 30.2 million euros). This reduction is due, amongst other things, to the payments made in the 1st half-year 2010 in association with the personnel measures implemented in 2009. The working capital also increased temporarily due to the major orders. This was offset by the positive earnings before tax.

The cash flow from investing activities, at minus 5.6 million euros, was up on the level for the previous year (prev. year minus 8.5 million euros). It included payments for investments in tangible assets in the sum of 7.8 million euros, with investments in intangible assets totaling 1.7 million euros. However, the cash flow from investing activities was influenced primarily by the payments in the 1st quarter 2010 in connection with the acquisition of the remaining shares in the laser diode business from the previous minority shareholder which is therefore now once again 100 percent owned by Jenoptik, as well as the payment received from the sale of the shares in caverion GmbH in the 3rd quarter 2010.

The free cash flow, as the difference arising from the cash flow from operating activities before taxes in the sum of 23.6 million euros, less the cash flow arising from operational investing activities in the sum of minus 7.9 million euros, totaled 15.8 million euros (prev. year 20.6 million euros). The Jenoptik Group generated the bulk of the free cash flow in the sum of 12.7 million euros during the 3rd quarter 2010 alone.

The cash flow from financing activities came in at minus 0.6 million euros (prev. year minus 21.4 million euros). It included the proceeds from the 10 percent capital increase in March 2010 in the sum of approx. 22 million euros which are included under receipts from allocations to equity. Repayments of bonds and loans, at 37.1 million euros, were lower than for the same period in the previous year since the convertible bond had been refinanced during previous year’s period (prev. year minus 70.9 million euros).

Balance sheet analysis. The balance sheet total of the Jenoptik Group increased by comparison with the year end 2009, to 626.3 million euros (31.12.2009: 607.1 million euros), primarily as a result of the increase in the share-

NET DEBT (in million euros)

	30.9.2010	31.12.2009	30.9.2009
Total	– 126.8	– 159.5	– 168.0
Securities	0.6	1.1	1.1
Cash and cash equivalents	27.1	11.2	12.4
Non-current financial liabilities	140.1	158.2	161.7
Current financial liabilities	14.4	13.6	19.8

holders' equity and higher current assets, in particular cash and cash equivalents.

Non-current assets reduced to 323.6 million euros (31.12. 2009: 336.9 million euros). This is mainly attributable to the reduction in tangible assets down to 144.1 million euros (31.12.2009: 152.1 million euros) as depreciation exceeded investments. By contrast, at 17.8 million euros there was virtually no change in financial assets, including shares in associated companies (31.12.2009: 19.2 million euros).

At 302.7 million euros, current assets were up on the figure for the year-end 2009 (31.12.2009: 270.2 million euros). This was the result both of the rise in inventories to 162.7 million euros (31.12.2009: 154.7 million euros) as well as the increase in accounts receivable and other assets at 112.3 million euros (31.12.2009: 103.2 million euros) although the rate of increase was lower in proportion to the growth in sales. Cash and cash equivalents, at 27.1 million euros, were also sharply up on the figure for the end of December 2009 (31.12.2009: 11.2 million euros) mainly as a result of the capital increase in March 2010 and sale of the shares in caverion GmbH in summer 2010.

The working capital is defined as the total accounts receivable from operating business activities and inventories, less trade accounts payable, liabilities from PoC (Percentage of Completion) and on-account payments received. In the first nine months of 2010 the working capital, at 180.7 million euros, rose temporarily against the figure for the year-end 2009 as a result of the major orders (31.12.2009: 166.4 million euros). By contrast, the working capital quota, the ratio between working capital and sales, remained virtually unchanged at 36.1 percent (31.12.2009: 35.1 percent).

At the beginning of March this year, the Jenoptik Group carried out a 10 percent capital increase which raised approx. 22 million euros for the company. This is to be used to finance growth in the core business and the continuing process of internationalization. These funds, together with the profit reported for the first three quarters 2010, produced an increase in the shareholders' equity to 271.5 million euros (31.12.2009: 240.0 million euros). Despite the increase in the balance sheet total, there was consequently also an improvement in the shareholders' equity quota, the ratio between shareholders' equity and balance sheet total, from 39.5 percent at the end of 2009 to the new figure of 43.4 percent.

As at September 30, 2010, non-current liabilities totaled 191.4 million euros (31.12.2009: 205.8 million euros). The reduction is attributable to a decrease in non-current financial liabilities which fell because installments which are due within just 12 months were reclassified as current financial liabilities. There was virtually no change in the other items included in non-current liabilities such as e.g. pension liabilities, other non-current provisions as well as other non-current liabilities.

At 163.4 million euros, current liabilities showed virtually no change (31.12.2009: 161.3 million euros). Short-term credits were repaid as a result of the improvement in the cash flow situation. This compensated for repayment installments for non-current liabilities being reclassified as current liabilities and also helped to reduce net debt.

Purchases and sales of companies In the 2nd quarter 2010, the Jenoptik Group sold its 15.1 percent minority shareholding in caverion GmbH to the Finnish listed construction and technology group YIT. The sale is in line with Jenoptik's consistent approach to the implementation of the Group strategy and continuing focus on the core business. The transaction was successfully completed in the 3rd quarter 2010 and Jenoptik received a net cash inflow in the upper single figure million euro range. In addition, existing accounts receivables and liabilities were eliminated. As anticipated, a smaller non-operating income was generated. With the conclusion of the sale in the 3rd quarter 2010, Jenoptik was released from all guarantees issued to or for caverion directly or through corresponding countersecurity of the YIT Group and from any other financial liabilities.

The sale of the space business was announced on October 3, 2010 but has not yet been completed. Information on this can be found in the Post Balance Sheet Report on Page 16.

For details of assets and liabilities not included in the balance sheet, we refer to the information on Page 73 in the 2009 Annual Report, the details on guarantees in the Risk Report from Page 85 as well as the corresponding updates on Page 17 of this report.

3. SEGMENT REPORTING.

Note. The details on the three segments regarding the results from operating activities (EBIT) and EBITDA cannot be compared with the details in the report on the first nine months 2009. In 2010, the Jenoptik Group changed over to showing the EBIT and EBITDA of the segments after the Group charge. The earnings figures published in this report for the year 2009 have been adjusted. All other details can be compared in full with the figures published a year ago.

3.1 Lasers & Optical Systems segment.

In conjunction with the continuing high level of demand from the semiconductor industry as well as a good performance by the Lasers business unit, the Lasers & Optical Systems segment reported marked increases in its key indicators.

The segment posted sales of 137.3 million euros (prev. year 110.4 million euros), representing an increase of 24.4 percent or 26.9 million euros. The leap in sales was mainly due to the Optical Systems division, which benefited from the continuing positive climate in the semiconductor sector. The Lasers & Material Processing division also reported an increase in sales, due mainly to a good performance by the Lasers business unit.

The result from operating activities (segment EBIT) totaled 10.7 million euros (prev. year minus 4.8 million euros) and was therefore up by 15.5 million euros in absolute terms compared with the same period in the previous year. The leap in sales is attributable to the Optical Systems division. This is due not only to the high level of demand from the semiconductor industry but also to improved cost structures as well as a reorganization of production in the Optics business unit. As a result of new machinery for infrared optics and the amalgamation of activities into one company, the US American optics locations reported increases in sales and EBIT.

The order book situation of the Lasers & Optical Systems segment remained positive. At 173.9 million euros, the order intake exceeded the level for the previous year by 46.9 percent or 55.5 million euros (prev. year 118.4 million euros). In the 1st half-year 2010, the Lasers & Material Processing division was awarded an important major order for medical technology lasers. There was also a rise in the order intake for diode lasers. By contrast, the Laser Processing Systems business unit reported a continuing low order intake during the 3rd quarter just past. The Optical Systems division reported a sustained high level of demand from the semiconductor industry.

As a result of the marked increase in the order intake in relation to sales, the segment posted a book-to-bill rate of 1.3. The order backlog rose to 93.3 million euros (31.12.2009: 2009: 59.9 million euros), representing an increase of 55.8 percent.

As at end September 2010 the number of employees in the Lasers & Optical Systems segment was 1,229 (31.12.2009: 1,284). The 55 decrease was the result of the personnel measures introduced in 2009 and now completed, with the majority of these having been implemented in the 1st half-year 2010.

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

	30.9.2010	30.9.2009	Change in %
Sales	137.3	110.4	24.4
EBIT	10.7	−4.8	++
Order intake	173.9	118.4	46.9
Order backlog	93.3	59.9*	55.8
Employees	1,229	1,284*	−4.3

* Figures as at December 31, 2009.

- Key figures substantially increased.
- Positive development due to continuing strong demand from the semiconductor industry.
- Medical lasers on growth path: Largest individual order received from the USA and start of series production of JenLas D2.mini laser.

Orders & customers. In the 1st half-year 2010, the medical lasers area of Jenoptik was awarded a major order from the USA totaling nearly 12 million euros, the largest individual order in its history. Series production of medical lasers is carried out at the Jena site and Jenoptik now manufactures more than 2,000 units per annum. The Digital Imaging business unit of the Optical Systems division was granted preferred supplier status for Leica Camera AG in July 2010. This was as a result of the successful collaboration on the Leica M9 rangefinder camera. Other projects are due to follow.

International presence. The new Laser Application Center in South Korea was opened in spring 2010. Having won a major order for medical technology lasers from the USA, Jenoptik has established itself as one of the leading providers in this market in North America. The optics joint venture between Jenoptik and Dagesh in Israel was awarded two important certifications by the “Standards Institution of Israel” in summer this year, confirming compliance with the quality standards in accordance with ISO 9001:2008 and the requirements for the manufacture of medical devices in accordance with ISO 13485:2003.

New products. In June this year, the new compact medical laser JenLas D2.mini went into series production and already made a contribution to sales in the 3rd quarter. The miniaturized design provides for new applications in the areas of medical technology and entertainment. In September this year, new lasers and laser processing systems, specially aimed at the crystalline photovoltaics industry, were premiered at PVSEC, Europe’s most important photovoltaics trade fair held in the Spanish city of Valencia. New micro-optic elements designed to meet specific client requirements were showcased by Jenoptik at Semicon West in San Francisco in July. The process properties of the micro-optic elements made of calcium fluoride (CaF_2) have been enhanced and adapted for a wide range of applications on the semiconductor market. The high laser stability and transparency of CaF_2 make this material the number one choice when it comes to using Excimer lasers for microlithography. The new ProgRes® *SpeedXT* ^{core} microscopy camera was presented in April this year. It offers a 2-3-fold increase in live image speed whilst maintaining maximum image resolution.

Structures and processes. The companies in the Lasers & Optical Systems segment have been streamlined and adapted to the divisional structures. Since May this year, the companies, JENOPTIK Laser GmbH and JENOPTIK Optical Systems GmbH, have been operating in line with the divisional structure. In the USA, all optical companies were amalgamated within JENOPTIK Optical Systems Inc. with effect from January 1, 2010. The restructuring in the Optics business unit was completed at the Jena site in summer this year, with order processing and the entire manufacturing process being optimized.

3.2 Metrology segment.

The Metrology segment achieved the turn-around at the end of the 3rd quarter 2010. The recovery in demand from the automotive industry since the 2nd quarter 2010 continued at a faster pace than had originally been anticipated. The Traffic Solutions division won a number of important orders.

METROLOGY SEGMENT AT A GLANCE (in million euros)

	30.9.2010	30.9.2009	Change in %
Sales	83.4	70.6	− 18.1
EBIT	3.9	− 5.8	++
Order intake	104.4	59.4	75.8
Order backlog	42.6	21.9*	94.5
Employees	628	769*	− 18.1

* Figures as at December 31, 2009.

- Sales rose by 18 percent.
- Order intake nearly doubled compared with the level in the previous year.
- Traffic Solutions invoiced major order in the 3rd quarter.

The Metrology segment posted an 18.1 percent increase in sales to 83.4 million euros (prev. year 70.6 million euros). The growth came solely from the Traffic Solutions division and is also attributable to the large order awarded in spring this year which is included in full in the sales for the 3rd quarter. By contrast, in the first nine months of 2010 the Industrial Metrology division reported a slight fall in sales compared with 2009 as the sharp recovery in demand which has now been evident since spring this year has not yet been fully reflected in the sales figures because of the order processing times.

The results from operating activities (EBIT) of the Metrology segment returned to positive territory, totaling 3.9 million euros (prev. year minus 5.8 million euros). On a quarter-by-quarter basis, the breakeven in the 2nd quarter was followed by a very good 3rd quarter at 4.9 million euros. The segment's results reflected the optimized cost structures resulting from the Jenoptik Excellence Program, restructuring and optimization of processes, amongst others on the manufacturing side, as well as from the personnel measures that were implemented in 2009, particularly in the Industrial Metrology division. The Traffic Solutions division posted a marked increase in its EBIT thanks to the accounting of a major order. The Industrial Metrology division reached the breakeven point in the 3rd quarter.

The order intake of the Metrology segment was 104.4 million euros (prev. year 59.4 million euros) and therefore 75.8 percent higher than for the same period in the previous year. This performance is attributable to both divisions. The Traffic Solutions division won important orders from abroad. The Industrial Metrology division saw a continuation of the pickup in demand from the automotive industry which has led to rising sales since the 3rd quarter. Investment is being focused primarily abroad where the Jenoptik division has a direct presence at key locations for the automotive industry. As a result of the high level of demand and still low sales in the Industrial Metrology division, the segment posted a book-to-bill rate of 1.3. The segment's order backlog increased accordingly to 42.6 million euros (31.12.2009: 21.9 million euros).

The number of employees of the Metrology segment totaled 628 as at September 30, 2010 compared with 769 at the end of 2009. The net reduction in employees was 141 and is primarily attributable to the personnel measures introduced in the 2nd half-year 2009. As in the Lasers & Optical Systems segment, the vast majority of these measures were implemented in the 1st half-year of the current year. They impacted almost exclusively on the Industrial Metrology division which restructured locations abroad and amalgamated parts of production at the German site in Villingen-Schwenningen.

Orders & customers. Key orders were won by the Traffic Solutions division in particular, the majority of these orders coming from abroad. The new TraffiSection traffic monitoring system is being installed in the course of the year in Switzerland, Austria and in an Arabic country. Jenoptik was also awarded the largest individual order outside Europe in the history of Traffic Solutions totaling 12 million euros. The installation of the systems commenced on schedule.

International presence. The Industrial Metrology division has combined its locations in China under one roof. This includes project planning, production, sales as well as the application and training center for the Chinese and international clients. In addition to India, China is the most important future market for the automotive industry. The new site in Shanghai opened in May this year and is available to help all divisions. The Traffic Solutions division is benefiting from its broad international presence.

New products. The Industrial Metrology division showcased its entire product range at "Control 2010" in Stuttgart, the division's key headline trade fair. At IMTS in Chicago, the division premiered its new DF 500 in-process measurement system for the high precision measurement of diameters on pin bearings in grinding machines. After the measurement process, the measurements are checked and immediately adjusted if the specified parameters are not met in the manufacturing process.

The Traffic Solutions division launched its new 3D tracking radar which attracted significant worldwide interest. The first systems are currently being installed in Switzerland. The innovative sensor system can simultaneously identify up to 32 vehicles and assign them to traffic lanes, the system also requires no installations in the road.

Structures and processes. In the Industrial Metrology division, the amalgamation of production in Germany has been completed. In February 2010, the Traffic Solutions division completed the changeover to the group-wide, standardized umbrella trademark.

3.3 Defense & Civil Systems segment.

The Defense & Civil Systems segment continued its stable course of development, with its business orientated towards the long-term. The sale of the aerospace business, which forms part of this division, has not yet impacted on the segment's figures for the 3rd quarter. The sales process is expected to be concluded in the current 4th quarter, so the deconsolidation will have little impact on sales and results in the full year 2010.

As at the end of the 3rd quarter, the segment's sales at 152.7 million euros were at the same level as in the previous year (prev. year 152.5 million euros). The delivery of a major order in the sensor systems area had a significant impact on the figure in the previous year.

The segment's result of operating activities (EBIT), at 7.7 million euros, fell just short of the high level in the previous year (prev. year 7.9 million euros). In the previous year the figure included a major order which made a significant contribution to the results. Nevertheless, the resultant difference this produced in the 1st quarter 2010 was almost completely compensated in the 2nd and 3rd quarter.

Jenoptik's Defense & Civil Systems segment also increased its order intake by 19.4 percent to 178.4 million euros (prev. year 149.4 million euros). Major, long-term orders are a characteristic feature of the business. In addition to the new tranche of radomes of the Eurofighter in the sum of 20 million euros in the 2nd quarter, the segment was awarded a contract by the US government to supply power generators for the Patriot missile defense system in the sum of more than 23 million US dollars at the end of the 3rd quarter. The system is used to protect the national infrastructure within the Middle East. This order, which will make a contribution to sales from 2011, has further significantly increased the segment's order intake and will deliver contributions to sales over the longer term.

In line with the high order intake, the segment's book-to-bill rate was 1.2. At 282.8 million euros, the order backlog was up by comparison with the year-end 2009 (31.12. 2009: 260.2 million euros).

The number of employees in the Defense & Civil Systems segment did not fall to the same extent as in the other two segments due to the long-term stability of business development. The total was 1,058 compared with 1,077 as at the year-end 2009, representing a reduction of 19.

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

	30.9.2010	30.9.2009	Change in %
Sales	152.7	152.5	0.1
EBIT	7.7	7.9	−2.5
Order intake	178.4	149.4	19.4
Order backlog	282.8	260.2*	8.7
Employees	1,058	1,077*	−1.8

* Figures as at December 31, 2009.

- Sales at the same level as in the previous year, EBIT fell just short of the previous year's level.
- Order intake increased by nearly 20 percent as a result of several major orders.
- Sale of space business not yet included in quarterly figures.

Orders & customers. In addition to the abovementioned major orders, orders were also received to supply power for tracking systems for use in military applications, for Airbus components as well as for auxiliary power units and air processing units for trolley buses. The segment has a presence in the aviation sector through numerous subsystems which generate orders and sales on a continual basis, such as for example the rescue hoists on the NH90 helicopter or various systems for the A380, which is now increasingly being ordered.

International presence. The business of the Defense & Civil Systems segment is becoming more globally orientated. An important major order for power generators for the Patriot missile defense system was received from the US American market.

New products. In 2010, the Sensor Systems business unit launched several new products on the market, including the VarioTHERM® InSb which is specially designed for industry and research and covers a temperature range from minus 40 to plus 2,000 degrees Celsius. In addition, in June, Dräger and Jenoptik gave a joint presentation of the first thermal imaging cameras that were jointly developed for use by the fire fighters and rescue teams. The product range of laser rangefinder equipment was rounded off with the launch of the new LDM302 series in the autumn this year. It is fitted with new sensors which have been enhanced for taking readings on poorly reflective targets, both for close and long distance ranges.

4. POST BALANCE SHEET REPORT.

In October 2010, as part of the consolidation in the European aerospace market, Jenoptik sold all shares in the subsidiary Jena-Optronik GmbH, which conducts the Group's aerospace business, to EADS Astrium. The completion of the sale is subject, amongst other things, to the condition precedent of the approval by the competent anti-trust authorities. All 131 employees of Jena-Optronik GmbH will be taken over by EADS Astrium.

In 2009, the aerospace business contributed approx. 30 million euros to the sales of the Jenoptik Group. The contributions to sales and results will remain an integral part of the Jenoptik consolidated financial statements up to the end of the 3rd quarter 2010. The sale of Jena-Optronik GmbH to EADS-Astrium is expected to be completed in the 4th quarter 2010 and will therefore only mean a minimal loss of contributions to Group sales and earnings in the full fiscal year 2010.

5. RISK REPORT.

Within the framework of the risk report we refer to the details on Pages 85 to 97 of the 2009 Annual Report published at the end of March 2010. Up to the closing editorial date for this quarterly report there have been no significant changes in the risks described in the Annual Report during the course of the first three quarters 2010, with the exception of those specified below.

The economic environment has improved during the course of 2010. As a consequence, the general risk to the economy and the individual sectors diminished. However, it is impossible to fully eliminate any doubts about whether the recovery in the economic environment represents a sustainable trend. There is continuing uncertainty and differences of opinions regarding the developments in the international currency and financial markets.

In terms of the sector risks, during the period covered by the report the recovery in demand from the semiconductor industry has continued, as has the pickup in demand from the automotive industry since spring 2010. This has diminished the risk arising from the development of these sectors.

As a result of the sale of the minority shareholding in caverion GmbH to the Finnish YIT Group, the capital increase in March 2010 and the further reduction in net debt, the liquidity risks for the Jenoptik Group have decreased. As at the end of September 2010, the Group had free liquidity for its financing requirements at its disposal in the form of lines of credit lines and loans not yet utilized in the sum of 98.2 million euros (31.12.2009: 69.0 million euros).

In addition, with the sale of the minority shareholding in caverion GmbH and the successful conclusion of the transaction, there has been a marked reduction in the risks to the Jenoptik Group arising from guarantees and sureties. With the completion of the sale, the financing agreement existing between Jenoptik and caverion was terminated and Jenoptik released from all existing guarantee obligations, either directly or through corresponding counter indemnity of the YIT Group. Approx. 90 percent of the Group guarantee and cash facilities issued in favor of third parties therefore cease to exist.

As described in the 2009 Annual Report, there are three real estate funds in the real estate area. For each fund, the respective silent shareholder has an exit option, the earliest date on which this can be exercised being 2011 and some even later.

In the 3rd quarter 2010, one silent shareholder in the first fund notified its intention, to withdraw from the real estate company with effect from March 31, 2011. If the real estate company is unable to refinance the claims of the silent investor, Jenoptik would be indirectly obligated to refinance this amount. The risk to Jenoptik therefore is of a potential net cash outflow at the end of the 1st quarter 2011. Its amount is still being discussed and has not yet been finally determined. However, as a result of planned sales of real estate not required for operational purposes, or by attracting new investors, the risk of deterioration in the balance sheet can be further limited and the amount that would need to be refinanced reduced.

6. FORECAST REPORT.

6.1 Outlook for the economy as a whole and for the Jenoptik sectors.

According to the latest economic forecast by the IMF, the global economy is expected to grow by 4.2 percent in 2011 compared with 4.8 percent in 2010 as the result of a slowdown in growth, including in the emerging countries such as China and India.

The upturn in Germany is also expected to slow down during the second half-year 2010 and 2011: the IMF predicts growth of 2 percent for 2011. This is 0.4 percent more than had been forecast in July 2010. The German Federal Government is a little more skeptical and anticipates growth of 1.9 percent for 2011 compared with the forecast 3.4 percent for 2010.

According to information from the analysts at Gartner, the semiconductor sector should grow by 32 percent to 300 billion US dollars in 2010. The sector association, the SIA, also anticipates global annual sales of 290.5 billion US dollars. However, according to Gartner there are difficult times ahead for the PC business since so-called tablet computers will increasingly be in competition with conventional PCs. Gartner now consequently predicts that sales will increase only by approx. 5 percent in 2011.

Expenditure on semiconductor equipment in 2010, according to the SEMI World Fab Forecast, is expected to rise by 133 percent, to 34 billion US dollars compared with the previous year. This would still represent 11 percent less compared with the pre-crisis level in 2007. According to details from the SEMI, it will take until 2011 before expenditure on semiconductor equipment, at 39 billion US dollars, exceeds the 2007 level.

The sector association Spectaris is keeping to its forecast for the photonics sector of a 15 percent rise in sales to 21.2 billion euros in 2010. According to Solarbuzz PV Equipment Quarterly, the capacities for photovoltaic modules will also increase in the 4th quarter 2010. Whilst sales of crystalline silicon modules are expected to remain at a high level after the 4th quarter 2010, they are not expected to rise further. By contrast, the increase in sales of thin-film modules should continue up to the 1st half-year 2011, after which, according to Solarbuzz, sales of photovoltaic equipment will fall again.

The VDMA doubled its forecast for production in the German machine and plant construction sector from 3 to 6 percent for the full year 2010. However, the predicted 160 billion euros would still be only at the same level as 2006. The VDMA expects production to rise by 8 percent to 175 billion euros in 2011. However, the pace of economic development will slow down in 2011 according to the VDMA, as many companies will have completed the stocking up of their inventories and the state programs designed to stimulate the economy will have ended.

The VDA remains cautiously optimistic about the automotive sector as the extremely high growth in global sales during the first months of 2010 cannot be extrapolated for the full year. The market is however continuing to grow at a “slower pace”. As at the year-end, the VDA expects to see a return to rising numbers of new vehicle registrations on the German market. From the global viewpoint China and India remain the key automotive markets, posting double figure growth rates.

According to details by the VDMA, sales by manufacturers of industrial imaging, assembly and handling technology as well as robotics are expected to grow by 14 percent to 7.1 billion euros in 2010. VDMA Robotik + Automation also predicts that sales will rise by approx. 10 percent for 2011.

Whilst the aviation association IATA was still predicting an annual loss of 2.8 billion US dollars at the beginning of 2010, it now anticipates profits of 8.9 billion US dollars across the sector for 2010, with the figure expected to fall back to 5.3 billion US dollars in 2011 due to increased capacities and difficult economic conditions.

In the Defense sector, cost-cutting measures are being taken right across Europe. In Germany, the defense budget will shrink by 8.3 billion euros up to 2014; France is reducing its defense budget by 5 billion euros up to 2014 and Great Britain by about 5.5 billion euros. To offset this, manufacturers are focusing increasingly on exports.

6.2 Long-term forecasts and targets.

Jenoptik sees the conditions offering good long-term prospects for the sale of its products and services – regardless of the economic development over the next two years. The technology group operates with its comprehensive portfolio of technologies, products and services in attractive sectors. Our core expertise in optoelectronics is a cross-sectional technology that facilitates new applications in numerous sectors.

Jenoptik operates with its innovative technologies and products in the following long-term growth areas:

Resource efficiency

- Diode lasers, with an efficiency level of up to 70 percent, are amongst the most efficient, artificial light sources in the world.
- A range of laser applications provide for new, efficient and durable production methods in various sectors, e.g. in the automotive, photovoltaics and packaging industries.
- Thermographic cameras and modules provide help in optimizing the thermal properties of buildings.
- LEDs with new concepts for beam guidance and color control permanently reduce the energy and maintenance costs for lighting systems.
- High precision metrology for enhanced combustion engines reduces fuel consumption and harmful emissions.
- Electric energy and drive systems for vehicles and trains provide for optimized energy management.

Infrastructure

- The increasing worldwide demand for mobility requires comprehensive concepts and systems for safety on the roads. Traffic measurement technology from Jenoptik prevents accidents and consequently avoids economic and environmental consequential costs.

Security

- Observation sensors and systems ensure safe and secure boundaries and industrial processes.
- Mobile power generators supply military defense systems for protection of national infrastructures.

Health

- Lasers provide for new and gentle medical and aesthetic processes, e.g. in the areas of ophthalmology, dermatology and surgery.
- Fast, efficient and low-cost optical analysis procedures provide for simplified home and fast diagnoses such as blood sugar measurements.
- Metrology ensures the quality of medical equipment.

Digital world

- Optical systems are used in the manufacture of new chip generations and for new semiconductor production processes.
- Digital microscopy cameras are used in industry, medicine and science.
- Leading camera manufacturers use digital imaging modules from Jenoptik.

Our forecasts on future development in the segments are based on the assumption that development in our key markets remains positive. It is not possible at this point in time to forecast with certainty how long and to what extent the recovery of recent months will continue in the future.

In the Lasers & Optical Systems segment, the duration and extent of the current recovery in the semiconductor industry and the development of its associated industries will have a significant influence on the course of business, particularly in the Optical Systems division. In the Lasers & Material Processing division, the expansion of the Laser Processing Systems business unit will continue.

In this area, Jenoptik has expanded its product range by adding laser systems for processing crystalline solar cells. The laser product range will be expanded by the addition of attractively priced products for mass applications. The intention is to massively drive forward the process of internationalization in this division, primarily in Asia and North America.

In the Metrology segment, we are seeing a stronger than anticipated pickup in demand from the automotive industry, with the Industrial Metrology division being well placed to take advantage of this thanks to its improved cost structures and international presence. In the Traffic Solutions division, large projects are increasingly becoming a characteristic feature of the business. The division also benefits from the trend to major projects and service providing in the emerging countries.

The Defense & Civil Systems segment operates in what is essentially a stable market environment. It is benefiting in general from the trend towards increased investment in security-related themes, but in the medium term will have to compensate for cutbacks in defense budgets, particularly in Europe. The sale of Jena-Optronik to EADS Astrium will propably be completed in the 4th quarter 2010 and therefore there will be only a minimal loss of contributions to sales and results in the full fiscal year 2010. However, from 2011 the full contribution to sales and earnings (sales in 2009 of approx. 30 million euros) will no longer be included in segment and Group figures.

6.3 Future development of the business situation.

The information is provided subject to the economic situation developing in line with the economic and sector forecasts given under 6.1 and not experiencing any significant deterioration. All statements relating to the future development of the business situation have been made on the basis of current information.

The Jenoptik Group expects the positive development of business over recent months to continue in the 4th quarter 2010 and beyond. The drivers of an improvement in the future business development are the continuing high demand from in the semiconductor industry, a continuing, increasing demand from the automotive industry, the areas of medical technology, traffic solutions as well as the stable business of the Defense & Civil Systems segment. Jenoptik will also benefit from the measures taken in 2009 to permanently reduce costs in all areas.

The forecasts for the current fiscal year raised in August 2010 are now confirmed: sales of the Jenoptik Group in 2010 are expected to total approx. 500 million euros (original forecast 475 to 500 million euros). The Lasers & Optical Systems segment is anticipated to report growth in sales as a result of the continuing high level of demand from the semiconductor industry and for medical technology lasers. We expect a continuation of the stable development at the level of the previous years in the Defense & Civil Systems segment. Sales in the Metrology segment are anticipated to rise compared with 2009.

Jenoptik predicts a Group EBIT of at least 25 million euros (original forecast between 15 and 25 million euros). These forecast earnings do not include any proceeds from the sale of Jena-Optronik GmbH. The transaction is expected to be completed during the course of the 4th quarter. The improvement in the EBIT will also be reflected in net income. In 2009, we countered the increasing pressure on prices resulting from the economic crisis by introducing cost saving measures which are taking full effect throughout the year 2010 and therefore produce higher savings than in 2009. In total, negative one-off effects are not expected in 2010. Jenoptik expects sales to increase organically and results to improve in 2011. This is based on the current assessment of the economic development, a clear focus on the on-going process of internationalization, the key account management, permanent process optimization and the expansion of the system business.

Thanks to the cash inflow following the anticipated completion of the sale of Jena-Optronik GmbH, the sale of caverion GmbH in August as well as through active management of working capital and accounts receivable the net debt of the Jenoptik Group is expected to reduce sharply to below 100 million euros. The capital inflow shall be used to expand the international presence, particularly in North America and Asia, and to increase the Group's profitability through selected major projects and targeted smaller acquisitions. In addition, the intention is to also round off the product portfolio and the value-added chain and to make early capital repayments on financial liabilities.

In the course of the continuing focus on the core business, the Jenoptik Group plans to sell real estate which is not required for operational purposes and which is held in separate real estate companies. Silent investors hold shares in the real estate companies. The addition to cash flow resulting from the sale of real estate not required for operational purposes is to be used to meet the possible claims of these silent investors.

On the financing side, the Group has a liquidity framework at its disposal in the form of lines of credit and loans not yet taken up totaling 98.2 million euros, including the funds raised from the capital increase placed in March. These funds are to be invested, amongst other things, in the on-going process of internationalization. The Group will continue to focus on positive cash flows which will essentially be achieved through an active approach to working capital management and which are once again forecast to be clearly in the double figure million euro range. In 2010 these funds are expected to fully compensate for, amongst other things, the cash outflow resulting from the personnel measures.

Consolidated statement of comprehensive income

Consolidated statement of income

in TEUR	1.1. – 30.9.2010	1.1. – 30.9.2009
Sales	373,566	336,747
Cost of sales	258,381	247,571
Gross profit	115,185	89,176
Research and development expenses	21,598	23,570
Selling expenses	41,290	38,768
General administrative expenses	27,496	26,909
Other operating income	17,701	14,655
Other operating expenses	19,971	20,892
of which expenses for reorganization and restructuring	0	8,392
EBIT	22,531	−6,308
of which EBIT before reorganization and restructuring	22,531	2,084
Result from investments in associated and jointly controlled companies	−867	−1,265
Result from other investments	382	−782
Interest income	1,329	2,258
Interest expenses	9,680	9,040
Financial result	−8,836	−8,829
Earnings before tax	13,695	−15,137
Income taxes	1,689	−7
Deferred taxes	59	−278
Earnings after tax	11,947	−14,852
Minority interests’ share of profit/loss	−46	2,207
Net profit	11,993	−17,059
Earnings per share in euros	0.21	−0.33
Earnings per share (diluted) in euros	0.21	−0.33

Consolidated statement of recognized income and expense

in TEUR	1.1. – 30.9.2010	1.1. – 30.9.2009
Earnings after tax	11,947	−14,852
Difference arising on foreign currency translation	961	1,078
Financial assets available for sale	587	353
Cash flow hedge	−1,333	−1,537
Deferred taxes	381	437
Total income and expense recognized in shareholders’ equity	596	−1,825
Total result	12,543	−16,677
of which attributable to:		
Minority interests	−46	2,207
Shareholders	12,589	−18,884

Consolidated balance sheet.

Assets in TEUR	Sept. 30, 2010	Dec. 31, 2009	Change
Non-current assets	323,580	336,874	– 13,294
Intangible assets	73,878	77,949	– 4,071
Tangible assets	144,124	152,143	– 8,019
Investment properties	23,550	24,450	– 900
Shares in associated companies	901	261	640
Financial assets	16,889	18,938	– 2,049
Other non-current assets	11,801	11,037	764
Deferred tax assets	52,437	52,096	341
Current assets	302,692	270,216	32,476
Inventories	162,687	154,665	8,022
Current accounts receivable and other assets	112,263	103,240	9,023
Securities held as current investments	649	1,110	– 461
Cash and cash equivalents	27,093	11,201	15,892
Total assets	626,272	607,090	19,182

Shareholders' equity and liabilities in TEUR	Sept. 30, 2010	Dec. 31, 2009	Change
Shareholders' equity	271,497	239,989	31,508
Subscribed capital	148,819	135,290	13,529
Capital reserve	194,286	186,137	8,149
Other reserves	– 72,019	– 81,895	9,876
Minority interests	411	457	– 46
Non-current liabilities	191,401	205,760	– 14,359
Pension provisions	6,416	6,417	– 1
Other non-current provisions	19,735	18,544	1,191
Non-current financial liabilities	140,090	158,218	– 18,128
Other non-current liabilities	22,877	20,116	2,761
Deferred tax liabilities	2,283	2,465	– 182
Current liabilities	163,374	161,341	2,033
Tax provisions	2,051	2,587	– 536
Other current provisions	40,577	40,592	– 15
Current financial liabilities	14,437	13,532	905
Other current liabilities	106,309	104,630	1,679
Total shareholders' equity and liabilities	626,272	607,090	19,182

Consolidated statement of movements in shareholders' equity.

in TEUR	Subscribed capital	Capital reserve
Balance as at 1.1.2009	135,290	186,137
Valuation of financial instruments		
Currency differences		
Earnings after tax		
Dividend payments		
Balance as at 30.9.2009	135,290	186,137
Balance as at 1.1.2010	135,290	186,137
Valuation of financial instruments		
Currency differences		
Earnings after tax		
Capital increase	13,529	8,149
Other changes		
Balance as at 30.9.2010	148,819	194,286

Cumulated profit	Financial assets available for sale	Cash flow hedge	Cumulative currency differences	Minority interests	Total
−53,776	−1,888	6,552	−1,395	21,917	292,837
	357	−1,100		−4	−747
162			−1,240		−1,078
−17,059				2,207	−14,852
				−460	−460
−70,673	−1,531	5,452	−2,635	23,660	275,700
−82,527	−1,790	4,409	−1,987	457	239,989
	587	−952			−365
−480			1,441		961
11,993				−46	11,947
					21,678
−2,713					−2,713
−73,727	−1,203	3,457	−546	411	271,497

Consolidated statement of cash flows.

in TEUR	1.1. to 30.9.2010	1.1. to 30.9.2009
Earnings before tax	13,695	– 15,137
Interest	8,351	6,782
Depreciation / write up	19,230	21,422
Impairment	4,704	6,763
Profit on disposal of fixed assets	– 32	– 362
Other non-cash expenses / income	– 3,883	602
Operating profit / loss before working capital changes	42,065	20,070
Increase / decrease in provisions	– 4,694	– 7,226
Increase / decrease in working capital	– 13,293	21,472
Increase / decrease in other assets and liablities	– 442	– 3,757
Cash flow from / used in operating activities before income taxes	23,636	30,559
Income taxes paid	– 1,622	– 330
Cash flow from / used in operating activities	22,014	30,229
Receipts from disposal of intangible assets	72	214
Payments for investments in intangible assets	– 1,720	– 3,065
Receipts from disposal of tangible assets	1,611	510
Payments for investments in tangible assets	– 7,828	– 7,570
Receipts from disposal of financial assets	7,303	2,727
Payments for investments in financial assets	– 2,381	– 2,631
Payments for acquisition of consolidated companies	– 4,000	47
Interest received	1,329	1,313
Cash flow from / used in investing activities	– 5,614	– 8,455
Receipts from allocations to equity	21,678	0
Payments to minority shareholders	0	– 460
Receipts from issue of bonds and loans	20,788	56,551
Repayments of bonds and loans	– 37,077	– 70,899
Repayments for finance leases	– 967	– 554
Change in group financing	397	– 1,643
Interest paid	– 5,444	– 4,353
Cash flow from / used in financing activities	– 625	– 21,358
Change in cash and cash equivalents	15,775	416
Foreign currency translation changes in cash and cash equivalents	117	– 516
Cash and cash equivalents at the beginning of the period	11,201	12,523
Cash and cash equivalents at the end of the period	27,093	12,423

Key figures by business divisions and other areas.

January 1 – September 30, 2010 (previous year's figures in brackets)

in TEUR	Lasers & Optical Systems	Metrology	Defense & Civil Systems	Other, Consolidation	Group
Sales	137,287 (110,363)	83,397 (70,583)	152,663 (152,532)	219 (3,269)	373,566 (336,747)
of which Germany	41,876 (33,831)	25,428 (27,536)	87,283 (79,701)	681 (3,477)	155,268 (144,545)
European Union	39,436 (32,575)	11,920 (14,847)	37,126 (45,919)	0 (0)	88,482 (93,341)
Other Europe	2,448 (4,057)	3,148 (4,140)	6,095 (12,348)	0 (0)	11,691 (20,545)
NAFTA	30,519 (26,693)	11,962 (11,624)	11,419 (5,886)	– 462 (– 208)	53,438 (43,995)
South East/Pacific	13,529 (9,133)	12,231 (7,389)	8,723 (7,975)	0 (0)	34,483 (24,497)
Others	9,479 (4,074)	18,708 (5,047)	2,017 (703)	0 (0)	30,204 (9,824)
EBIT EBIT of prev. year before one-off effects EBIT of prev. year after one-off effects	10,695 (– 4,851) (– 13,243)	3,937 (– 5,762) (– 5,762)	7,679 (7,865) (7,865)	220 (4,832) (4,832)	22,531 (2,084) (– 6,308)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	18,545 (1,622)	6,597 (– 2,861)	12,532 (12,981)	6,971 (9,114)	44,645 (20,856)
Earnings from investments in associated and jointly controlled companies	– 867 (– 1,265)	0 (0)	0 (0)	0 (0)	– 867 (– 1,265)
Result from other investments	– 1,188 (– 928)	– 216 (107)	179 (247)	1.607 (– 208)	382 (– 782)
Research and development expenses	8,710 (10,707)	6,335 (6,357)	6,595 (6,772)	– 42 (– 266)	21,598 (23,570)
Research and development costs	15,266 (17,284)	9,208 (9,148)	16,863 (15,992)	– 43 (– 266)	41,294 (42,158)
Free cash flow (before income taxes)	17,186 (3,660)	– 12,218 (2,031)	13,884 (17,032)	– 3,081 (– 2,075)	15,771 (20,648)
Working capital*	43,217 (44,394)	45,869 (31,612)	95,536 (96,301)	– 3,933 (– 5,867)	180,689 (166,440)
Order intake	173,928 (118,402)	104,422 (59,391)	178,388 (149,410)	1,493 (3,192)	458,231 (330,395)
Tangible assets, investments properties and intangible assets*	88,910 (92,590)	15,392 (17,040)	36,902 (38,066)	100,348 (106,846)	241,552 (254,542)
Investments excluding company acquisitions	3,741 (3,713)	1,125 (1,960)	3,642 (3,362)	1,105 (1,600)	9,613 (10,635)
Depreciation, amortization and impairments	7,850 (14,865)	2,660 (2,901)	4,853 (5,116)	6,751 (4,282)	22,114 (27,164)
Employees on annual average (without trainees)	1,180 (1,299)	623 (767)	1,010 (1,032)	150 (133)	2,963 (3,231)

* Previous year's figures as at December 31, 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS 2010.

Accounting in accordance with the International Financial Reporting Standards (IFRS).

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the interpretation of these standards by the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated financial statements of JENOPTIK AG have been prepared in accordance with § 315a HGB (German Commercial Code) 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.

Accounting and valuation methods.

In the condensed consolidated interim report ("interim report") as at September 30, 2010, prepared on the basis of the International Accounting Standard (IAS) 34 "Interim Reporting", the same accounting methods were used as in the consolidated financial statements for the fiscal year 2009. These were prepared in accordance with the International Financial Reporting Standards (IFRS) which have to be applied for reasons of comparison within the European Union. These methods are published individually and described in detail in the Notes to the Annual Report 2009. The Annual Report can be called up on the Internet at www.jenoptik.com, on the Investors page under the heading Reports & Presentations.

The interim report was prepared in the group currency of the Euro and the figures are stated in TEUR unless specified otherwise.

In the opinion of the management, the consolidated interim report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the development of the business of the company in the periods under report.

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" Jenoptik shows a component of an entity as discontinued operations as soon as the operations and cash flows of this component of an entity can clearly be distinguished, operationally and for financial reporting purposes, and if it represents a separate major line of business.

Companies included in consolidation.

The consolidated financial statements include 17 (prev. year 18) domestic and 8 (prev. year 10) foreign companies fully consolidated. 2 (prev. year 2) joint venture companies are included in the consolidation at equity or proportionally and 1 (prev. year 1) domestic associated company is shown at equity.

In October 2010 Jenoptik sold all shares in Jena-Optronik GmbH to EADS Astrium. Jena-Optronik has run the space business within the Jenoptik Group and contributed approx. 30 million euros to Group sales in fiscal year 2009.

The closing of the sale is inter alia subject to the condition precedent, among other things, of the approval by the competent anti-trust authorities. For this reason it is not yet presented as discontinued operations in the interim report.

On August 30, 2010 Jenoptik sold all shares in caverion GmbH with the contract dated June 23, 2010 and after meeting the closing conditions. The shares were shown at the amortized amount of acquisition or production cost. The selling price includes a cash component, which Jenoptik already received and which is shown in the item Receipts from disposal of financial assets in the statement of cash flows.

Itemization of key items in the financial statements.

TANGIBLE ASSETS in TEUR	30.9.2010	31.12.2009
Land and buildings	86,717	89,753
Technical equipment and machines	34,915	38,303
Other equipment, factory and office equipment	19,101	21,119
On-account payments and assets under construction	3,391	2,968
	144,124	152,143

INVENTORIES in TEUR	30.9.2010	31.12.2009
Raw materials and supplies	59,503	56,809
Work in progress	91,105	81,822
Finished goods and merchandise	12,079	16,034
	162,687	154,665

ACCOUNTS RECEIVABLE AND OTHER ASSETS in TEUR	30.9.2010	31.12.2009
Trade accounts receivable	82,822	70,873
Receivables from construction contracts	10,959	9,925
Receivables from non-consolidated affiliated companies	3,868	4,195
Receivables from participating interests	1,423	1,869
Other assets	13,191	16,378
	112,263	103,240

NON-CURRENT FINANCIAL LIABILITIES in TEUR	30.9.2010	31.12.2009
Non-current bank liabilities	137,242	154,396
Non-current liabilities from finance leases	2,848	3,822
	140,090	158,218

CURRENT FINANCIAL LIABILITIES in TEUR	30.9.2010	31.12.2009
Bank liabilities	13,376	12,478
Liabilities from finance leases	1,061	1,054
	14,437	13,532

OTHER CURRENT LIABILITIES in TEUR	30.9.2010	31.12.2009
Liabilities from on-account payments received	24,428	23,848
Trade account payable	40,143	38,541
Liabilities from construction contracts	11,208	6,634
Liabilities to affiliated companies	2,006	2,136
Liabilities to participating interests	1,377	3,271
Other current liabilities	27,147	30,200
	106,309	104,630

Related party disclosures.

All business transactions with non-consolidated subsidiaries, joint ventures and associated companies are undertaken under normal market conditions. In the period under report no major transactions were made with related parties.

As explained in the Corporate Governance Report 2009, the members of the Executive Board receive a share-based payment in accordance with IFRS 2 in form of a so-called long-term incentive component (LTI). It amounts to 51,000 virtual shares with a four-year term.

JENOPTIK AG has made a provision for the variable remuneration resulting from the LTI in accordance with the development of the share price. The remuneration has to be paid in cash retrospectively.

German Corporate Governance Code.

The current declarations under § 161 AktG (German Stock Corporation Act) by the Executive Board and Supervisory Board relating to the German Corporate Governance Code have been made available to the shareholders at all times via the JENOPTIK AG Internet site. The declaration can also be viewed at JENOPTIK AG.

Legal disputes.

JENOPTIK AG and the one or the other of its group companies are involved in several legal or arbitration proceedings. If these could have a substantial effect on the Group's economic situation, these are described in the consolidated financial statements of Jenoptik for the year 2009.

Post balance sheet events.

Regarding events of special importance occurring after the period covered by the interim report we refer to the Post Balance Sheet Report on Page 16.

Responsibility statement by management.

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim 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, November 8, 2010

Dr. Michael Mertin
Chairman of the
Executive Board

Frank Einhellinger
Executive Board Member

DATES 2010/2011

NOVEMBER 11, 2010
Publication of the Interim Report
3th quarter 2010

MARCH 24, 2011
Publication of the
Annual Report 2010

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