



ANNUAL REPORT 2011

Sharing Excellence

FOR OUR WORLD



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KEY FIGURES OF JENOPTIK

(in million euros)	2011	2010 ³⁾	Change in %	Oct. – Dec. 2011	Oct. – Dec. 2010	Change in %
Sales	543.3	478.8	13.5	159.4	132.6	20.2
Domestic	221.8	199.1	11.4	69.3	49.8	39.2
Foreign	321.5	279.7	14.9	90.1	82.8	8.8
EBITDA	76.8	60.1	27.8	23.7	18.8	26.1
EBIT	49.2	29.0	69.7	14.3	8.8	62.5
EBIT margin ¹⁾	9.1 %	6.1 %	–	9.0 %	6.6 %	–
Earnings before tax	34.9	15.0	132.7	8.9	3.7	141.7
Earnings after tax ²⁾	34.1	9.0	278.9	12.7	–0.6	–
Free cash flow (before income taxes)	44.0	31.6	39.2	19.9	21.4	–7.0
Investments in tangible and intangible assets	25.1	14.5	73.1	7.7	5.6	37.9
Order intake	647.9	534.6	21.2	134.2	123.7	8.6

(in million euros)	31.12.2011	31.12.2010	Change in %
Order backlog	448.5	355.4	26.2
Employees	3,117	2,951	5.6

1) EBIT in % of sales

2) Includes one-off effects from deferred taxes.

3) The previous years' figures are those of the continuing business divisions.

KEY FIGURES OF JENOPTIK

(in million euros)	2011	2010 ²⁾	Change in %	Oct. – Dec. 2011	Oct. – Dec. 2010	Change in %
Sales	543.3	478.8	13.5	159.4	132.6	20.2
of which Lasers & Optical Systems	217.1	188.9	14.9	57.9	51.6	12.2
Metrology	140.1	113.8	23.1	46.6	30.4	53.3
Defense & Civil Systems	183.3	173.9	5.4	52.8	48.5	8.9
Others ¹⁾	2.8	2.2	27.3	2.1	2.1	0.0
EBITDA	76.8	60.1	27.8	23.7	18.8	26.1
of which Lasers & Optical Systems	40.5	24.0	68.8	7.7	5.5	38.2
Metrology	15.4	12.1	27.3	6.8	5.5	23.6
Defense & Civil Systems	16.6	14.9	11.4	7.2	5.8	24.1
Others ¹⁾	4.3	9.1	– 52.7	2.1	2.0	5.0
EBIT	49.2	29.0	69.7	14.3	8.8	62.5
of which Lasers & Optical Systems	29.2	13.3	119.5	4.4	2.6	69.2
Metrology	12.0	8.6	39.5	5.8	4.7	23.4
Defense & Civil Systems	11.6	8.6	34.9	5.8	3.2	81.3
Others ¹⁾	– 3.6	– 1.5	–	– 1.8	– 1.7	–
EBIT margin (EBIT in % of sales)	9.1 %	6.1 %		9.0 %	6.6 %	
of which Lasers & Optical Systems	13.5 %	7.0 %		7.6 %	5.0 %	
Metrology	8.5 %	7.6 %		12.3 %	15.5 %	
Defense & Civil Systems	6.3 %	5.0 %		11.0 %	6.6 %	
R + D output	45.4	42.0	8.1	13.1	5.8	125.9
of which Lasers & Optical Systems	16.8	15.8	6.3	4.6	0.5	820.0
Metrology	13.9	10.0	39.0	4.0	0.8	400.0
Defense & Civil Systems	14.6	16.1	– 9.3	4.5	4.5	0.0
Others ¹⁾	0.1	0.1	–	0	0	–
Order intake	647.9	534.6	21.2	134.2	123.7	8.5
of which Lasers & Optical Systems	224.4	230.2	– 2.5	57.5	56.3	2.1
Metrology	166.7	137.0	21.7	34.2	32.6	4.9
Defense & Civil Systems	254.5	163.7	55.5	39.5	32.6	21.2
Others ¹⁾	2.3	3.7	– 37.8	3.1	2.2	40.9






(in million euros)	31.12.2011	31.12.2010	Change in %
Order backlog	448.5	355.4	26.2
of which Lasers & Optical Systems	101.3	98.8	2.5
Metrology	69.0	45.1	53.0
Defense & Civil Systems	279.9	212.6	31.7
Others ¹⁾	– 1.7	– 1.1	– 54.5
Employees	3,117	2,951	5.6
of which Lasers & Optical Systems	1,296	1,234	5.0
Metrology	719	632	13.8
Defense & Civil Systems	924	931	– 0.8
Others ¹⁾	178	154	15.6

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

2) The previous years' figures are those of the continuing business divisions.

EXECUTIVE BOARD

CORPORATE CENTER

LASERS & OPTICAL SYSTEMS SEGMENT		METROLOGY SEGMENT		DEFENSE & CIVIL SYSTEMS SEGMENT
LASERS & MATERIAL PROCESSING	OPTICAL SYSTEMS	INDUSTRIAL METROLOGY	TRAFFIC SOLUTIONS	DEFENSE & CIVIL SYSTEMS
<p>Leading provider of laser technology, specializing in diode lasers and innovative solid-state lasers, e.g. thin-disk and fiber lasers. Jenoptik covers the entire value-added chain (semiconductor material, laser sources, laser systems and machines, system and automation technology for entire production facilities).</p>		<p>Leading manufacturer of high-precision contact and non-contact metrology systems. Jenoptik has many years of expertise in the development of tactile, optical and pneumatic measuring techniques as well as in the realization of customer applications – in-process, post-process or in the metrology room.</p>		<p>One of the leading suppliers of components and systems for greater worldwide road traffic safety. The product portfolio includes speed measurement and red light monitoring systems as well as OEM products and systems for detection of other traffic violations. In the field of traffic service providing, every aspect of the accompanying process chain is covered.</p>
<p>Leading global provider of precision optical systems designed to meet the most stringent demands in terms of quality. Jenoptik is design, development and production partner for optical, micro-optical and optical coating components, opto-mechanical and opto-electronic assemblies, modules and systems, made from glass, crystals as well as plastic.</p>		<p>The focus areas are military and civil vehicle, rail and aircraft equipment, drive and stabilization technology and energy systems as well as laser distance and infrared sensor systems. Optoelectronic instruments and systems for the security industry as well as software, measurement and control technology complement the spectrum.</p>		
				
				

SHARED SERVICES

SELECTED INVESTMENT COMPANIES (as at February 2012)

100 %	ESW GmbH Germany, Wedel	100 %	JENOPTIK North America, Inc. USA, Delaware (Florida)
50 %	HILLOS GmbH Germany, Jena	100 %	JENOPTIK Optical Systems GmbH Germany, Jena
100 %	Hommel-Etamic GmbH Germany, Villingen-Schwenningen	100 %	JENOPTIK Optical Systems, Inc. USA, Jupiter (Florida)
100 %	HOMMEL-ETAMIC America Corp. USA, Rochester Hills (MI)	100 %	JENOPTIK Polymer Systems GmbH Germany, Triptis
100 %	Hommel-Etamic France SA France, Bayeux Cedex	100 %	JENOPTIK Robot GmbH Germany, Monheim
100 %	Hommel-Movomatic Suisse SA Switzerland, Peseux	100 %	JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd. China, Shanghai
100 %	JENOPTIK Automatisierungstechnik GmbH Germany, Jena	100 %	JENOPTIK SSC GmbH Germany, Jena
100 %	JENOPTIK Diode Lab GmbH Germany, Berlin	100 %	Lechmotoren GmbH Germany, Altenstadt
66.58 %	JENOPTIK Japan Co. Ltd. ¹⁾ Japan, Yokohama City (Kanagawa)	100 %	Multanova AG Switzerland, Uster
66.60 %	JENOPTIK Korea Corp. Ltd. ¹⁾ Korea, Pyeongtaek	100 %	PHOTONIC SENSE GmbH Germany, Eisenach
100 %	JENOPTIK Laser GmbH Germany, Jena	100 %	Traffipax Inc. USA, Linthicum

The above mentioned investment companies are not necessarily direct shareholdings of JENOPTIK AG.

1) not consolidated

“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
Chief Financial Officer

DR. MICHAEL MARTIN
Chairman
of the Executive Board

FOREWORD OF THE EXECUTIVE BOARD

Dear shareholders

2011 was an excellent year for Jenoptik for a number of reasons: We celebrated our 20th anniversary as a company at all of our sites around the world while enjoying our best year of business in recent times. We exceeded our expectations in terms of sales and group operating profit, and saw considerable growth for the second consecutive year, even as the euro crisis weighed increasingly upon the global economy in the second half of the year. An unabated high demand in our target markets ensured us a very good order intake through all four quarters of 2011. Our customers trust us all around the world!

The Group's order intake rose around 20 percent in 2011 to 650 million euros. This included several large orders especially in the Metrology and Defense & Civil Systems segments. Our sales rose to 543 million euros while the group operating profit surpassed 49 million euros for a rise of just under 70 percent. More than anything else, these figures reflect well on our employees. We would like to express our heartfelt appreciation to them for their commitment and great efforts!

How did our segments develop in 2011? Strong demand from the semiconductor industry and an increase in the systems business boosted sales and profit figures in our Lasers & Optical Systems segment. Our Metrology segment benefitted from high demand for industrial metrology in the automotive industry and for traffic safety in emerging economies. The Defense & Civil Systems segment set a new record for orders.

Jenoptik has continued to enjoy solid financial footing. Our equity went up while our net debt fell slightly, and our free cash flow rose nearly 9 million euros from the previous year to approximately 40 million euros despite our strong increase in investment in future organic growth. Our debenture loans of 90 million euros were of particular importance to us. The loans were placed in October 2011 and saw a wide distribution at good conditions. This speaks for our much improved income and balance sheet and has secured the basic financing of our operative business for years to come.

Building on our company's strategic reorientation, we have now entered a phase of profitable growth. Our comprehensive expertise in and around optoelectronics makes it possible for us to provide our customers and partners with excellent solutions – not only in Germany, but also in our growth markets abroad, and especially in North America and Asia. We have therefore worked to develop our company further in precisely these regions. Following the founding of Jenoptik Korea and Jenoptik Japan, we combined all of our activities on the Chinese market into Jenoptik Shanghai in late 2011. We are thus present exactly where things are beginning to happen and can adapt to our customers and their needs faster and more flexibly using our own distribution and service structures, ensuring a basis for our growth there.

We have also made important investments towards organic growth and efficient work in Germany. In autumn 2011, we opened an optimized production site for energy systems. At our site in Berlin, we are investing in innovation and capacity for our semiconductor laser production, which will more than double with facility's expansion from 2013. The cornerstone for the project was laid in late 2011. The Jenoptik Excellence Program entered its fourth year in 2012, as we continue to optimize our cost structures and processes. To improve this and group management, we require a uniform system for company planning, management, and expansion. We have thus begun programs to harmonize our enterprise resource planning processes and software tools (so-called ERP systems) as well as our operative business processes throughout the Group.

All is now in place for us to reach our growth and profitability goals of 9 to 10 percent. We have already shown that we are capable of this in 2011 – a first important step along the path to profitable growth. While this of course also depends on the overall economy, it remains difficult to make projections in this regard, especially in light of the unresolved euro debt crisis. We are, in any event, present in attractive growth sectors in our target markets.

We expect the positive economic trend to continue in 2012 both in general and in our own markets in particular. We therefore project, in addition to slight rises in sales and a considerable improvement in the interest result, a group operating profit of between 40 and 50 million euros. As you can see, we are cautiously optimistic about the current fiscal year. This is made possible by our newly structured operative business with profitable growth, now geared up for the long term. On my own behalf, I, Frank Einhellinger, would like to express my thanks for the trust placed in me throughout all the years I have dedicated to the Group. I wish my successor, Rüdiger Andreas Günther, great success.

We have our employees, customers, partners, and shareholders to thank that we, as the executive team, can provide you with good news in this annual report. We thank you for the trust you have placed in Jenoptik.

Sincerely yours,



Michael Mertin



Frank Einhellinger

Jena, March 2012

SUPERVISORY BOARD REPORT

Honoured Shareholders,

The Jenoptik Group has just completed its most successful fiscal year in recent times. This is not only a reflection of good economic circumstances but also of the thorough application of its strategy. Jenoptik's success is buoyed by its innovative products and solutions, its growing international presence, cost reductions, improved processes, and its improved financial situation at present. The Executive Board and the company's employees worked intensively on these five areas in 2011. We improved our position in the global market, especially in North America and Asia, through the expansion of our company structures and distribution abroad. Jenoptik's financial situation has also improved. In fiscal year 2011, the company was able to keep its net debt low despite the expansion of its business and a considerably higher level of investment. The group's financing was provided for in the mid to long-term through low interest debenture loans. All of these initiatives served to boost Jenoptik on its way to become a profitable global player trusted by customers around the world. The Supervisory Board has been strongly focused on supporting the Executive Board to this end.

During this past year, the Supervisory Board carefully fulfilled its legally and contractually stipulated tasks, regularly advising the Executive Board in its management of the Group, and continually supervising its activities. The Executive Board involved the Supervisory Board intensively and at an early date in all decisions of fundamental importance to the company. To this end, the Supervisory Board was regularly presented with timely and comprehensive information by the Executive Board, both orally and in written form, in particular on matters relevant to the company and Group involving corporate planning, business developments, matters involving risk and risk management, relevant compliance matters, and the company's general economic standing. The Group's strategic direction and the state of its strategy implementation were also repeatedly discussed and decided in coordination with the Supervisory Board. The business processes of importance to Jenoptik were outlined and discussed in full both in committee meetings and in plenary Supervisory Board meetings on the basis of comprehensive reports provided by the Executive Board. The Executive Board also provided the Supervisory Board with regular information on divergences in the company's business from its plans and goals, with detailed explanations of such cases. The reporting obligations stipulated in the German Stock Corporation Act (§ 90 AktG) and the German Corporate Governance Code were followed in full.

Whenever the Executive Board required the agreement of the Supervisory Board for particular measures, in accordance with the regulations of the Stock Corporation Act, articles of association, and bylaws, it presented these measures individually with the support of comprehensive information. The Supervisory Board, after careful examination and discussion, gave its approval, particularly for the issue of debenture loans for 90 million euros and the expansion of laser bar production in Berlin.

The Supervisory Board met for two regular sessions in each half of the year as well as one extraordinary session in the second half. In one instance, decisions were also made through the exchange of written correspondence. The members of the Supervisory Board were present at all meetings except for one case of a member missing a meeting due to illness. Average attendance thus came to 98 percent. Committee meetings were also attended by all members with two exceptions.

The collaboration between the Executive Board and Supervisory Board was characterized by a continually open and trusting atmosphere. The chairman of the Supervisory Board and the committee chairs also maintained regular contact with the Executive Board in the times between plenary and committee meetings. The chairman of the Supervisory Board discussed current business trends and risk management with the Executive Board. The Executive Board provided immediate written or oral information on important events that were of considerable relevance to the evaluation of the status, development, and management of Jenoptik. The chairman of the Supervisory Board informed the Supervisory Board of these matters immediately or at the next meeting at the latest. Between meetings, the members were kept regularly informed with monthly reports on the company's current business and financial matters. At a special strategy meeting in December 2011, the Supervisory Board and Executive Board met together with the other members of the Executive Management Board and the heads of the central Strategy & Business Development department to discuss in depth the Jenoptik Group's strategic positioning. The discussion touched in particular on an overview of markets, competition, and customers as well as on the development of an integrated group strategy and the roles to be played by the individual business units.

PARTICULAR SUBJECTS DISCUSSED BY THE SUPERVISORY BOARD

In all of its regular meetings, the Supervisory Board focused on the comprehensive reports submitted by the Executive Board on the course of business, and on the current sales and earnings, the state of the company, its finances and risk situation, in particular. Several meetings also returned to the topic of measures towards process and ERP harmonization within the Group, and towards a more focused real estate management as through the sale of real estate not needed for operations.

In February 2011, the Supervisory Board approved the corporate governance report including the diversity statement as well as the corporate governance statement in a written circulation procedure. This followed the accelerated schedule for the publication of the financial statements and consolidated financial statements and the documents that this necessitates.

The main points of discussion at the March 23, 2011 balance sheet meeting were the auditing of the JENOPTIK AG financial statements, the consolidated financial statements and the management reports for JENOPTIK AG and the Group for the past fiscal year. There, two representatives of the auditors reported on their results. Following an extensive discussion and upon the recommendation of the Audit

committee, the Supervisory Board approved the financial statements and the consolidated financial statements, the financial statements were thus adopted. Other important topics of discussion were the approval of the agenda for the Annual General Meeting of June 8, 2011 and of information on the current status of the Group real estate portfolio as well as the state of the process and ERP harmonization project. The Supervisory Board also adopted a resolution regarding the assessment of the 2010 target agreement of the Executive Board members and agreed on new goals for 2011.

At the June 7, 2011 meeting, the Executive Board reported to the Supervisory Board in full on the Group's business and financial position at the end of the first quarter and on the status of the Group real estate portfolio. The Supervisory Board focused intensively on different possible refinancing instruments and assigned to the Capital Market Committee its authority to implement certain financing measures. The Supervisory Board was also informed in depth on the development of strategy and business in the individual segments of the Group.

In an extraordinary meeting by telephone conference on July 28, 2011, the Supervisory Board approved, following intensive discussion, of the acquisition of a minority of an American company in the Metrology segment.

At its September 15, 2011 meeting, the Supervisory Board, together with the Executive Board, discussed selected strategic projects and approved of investment in the company's Lasers & Optical Systems segment in Berlin. These decisions followed the presentation of the half-year report and the report on current Group business and financial position for the month of July, as well as the second forecast for the fiscal year. Discussions once again focused on the current status of the process and ERP harmonization project and the Group real estate portfolio, in addition to the management buy-out of Innovavent GmbH. Upon the recommendation of the Personnel Committee, the Supervisory Board also extended the tenure of Dr. Michael Mertin as a member and chairman of the Executive Board for an additional five years, effective July 1, 2012. The Supervisory Board also approved of the placement of debenture loans.

At its last meeting of the reporting period on December 15, 2011, the Executive Board again informed the Supervisory Board on the Group's business and financial position as of the end of the third quarter. The Supervisory Board focused intensively on corporate planning for fiscal year 2012 and in the middle term. The Supervisory Board accepted the early resignation from the Executive Board of Frank Einhellinger as of March 31, 2012 and appointed Rüdiger Andreas Günther as new member of the Executive Board as of April 1, 2012. The meeting also discussed information of risk management, the successful placement of debenture loans, and the recommendation to amend the articles of association regarding the Supervisory Board remuneration. The Supervisory Board, furthermore, adopted a revised catalogue of business that requires its authorization, as stipulated in the Executive Board rules of proce-

ture, as well as the declaration of conformity in accordance with Section 161 of the Stock Corporation Act, following the examination of a corporate governance checklist. Upon the recommendation of the Audit Committee and in accordance with the decision of the Annual General Meeting of June 8, 2011, the Board nominated KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin as the auditor of the 2011 financial statements and consolidated financial statements.

WORK IN THE COMMITTEES

The Supervisory Board has formed a total of five committees, to intensify its work and to increase its efficiency. If legally permissible, they make decisions on behalf of the plenary board, and prepare the decisions of the Board. The committee chairs present the content and results of their committee meetings in detail to the subsequent plenary meetings of the Supervisory Board. With the exception of the Audit and Capital Market Committees, the committees were all led by the Supervisory Board chairman Rudolf Humer. An overview of the composition of the individual committees is provided on pages 182/183 of the annual report.

The Audit Committee, led by Heinrich Reimitz, met four times in fiscal year 2011. One meeting was continued a few days later by telephone conference. In addition to the committee members, at least one of which independent member has to be well versed in accounting or auditing in accordance with the legal provisions, the meetings were attended by the CFO, and the first of the year's meetings by two auditor representatives as well, who reported on the major results of their audit. The Committee focused its activity on intensive audits of the financial statements and consolidated financial statements, the management report and the group management report, and discussions of the detailed quarterly and half-year reports, each before their publication. The Committee concentrated in particular on the effectiveness and continued development of the risk management system, the internal monitoring system, and current topics and plans in the internal revision and compliance departments.

The primary topic of the first meeting in March 2011 was the intensive discussion of the financial statements and consolidated financial statements, as the result of which the Committee recommended that the Supervisory Board adopt the financial statements. The meeting also looked at the recommendation of the Audit Committee to the Supervisory Board to nominate KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the auditor for fiscal year 2011. To this end, the Committee obtained a declaration of independence from KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, which also listed the services provided by the auditors in the past fiscal year as well as the services expected to be provided additionally in 2011.

The Audit Committee's May meeting, which was continued as a telephone conference a few days later, included the quarterly figures and current group risk report, as well as strategic ideas concerning possible refinancing.

The August meeting discussed the half-year report, the completed compliance training, and the status of the Group real estate portfolio. The Committee returned to the group risk report and established focal points for the audit of the next financial report. As a means of preparing the nomination of the auditor at the November meeting, the Committee received information on the qualifications of the proposed auditing team in terms of the members' CVs.

The Audit Committee prepared in this, its final meeting of the year, the issuing of the audit mandate to the auditor including the remuneration agreement. The Committee had a personal look into the three leading members of the proposed team. In the end, the Committee recommended KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to the Supervisory Board plenary for the audit of the 2011 financial statements and consolidated financial statements. The meeting also focused on the current state of the risk management system, the presentation of new antitrust law guidelines and the results of the internal revision audit in the past fiscal year, and the auditing plan for the coming fiscal year.

The Personnel Committee met five times over the past fiscal year. The Committee discussed the calculation of the target agreements for the Executive Board members for 2010 and the new target agreements for 2011, as well as the reappointment of Dr. Mertin as the Executive Board chairman and human resources director for JENOPTIK AG as of July 1, 2012, with the connected changes to his contract. The Personnel Committee also prepared the decision to be made concerning the new appointment of a CFO and provided the Supervisory Board with recommendations for decisions on all relevant issues.

The Capital Market Committee led by Dr. Lothar Meyer, which focuses in particular on capital market topics and possible capital measures, had one telephone conference and made one written circulation procedure in the past fiscal year. The only matter for decision were the debenture loans that were successfully placed in October 2011.

The Nomination Committee and the Mediation Committee, formed in accordance with Sect. 27, para. 3 MitbestG, did not convene in the past fiscal year as there was no reason to do so.

CORPORATE GOVERNANCE

The Supervisory Board again continually focused on the fundamentals of good corporate governance in 2011, gathering information on the German Corporate Governance Code and new developments in corporate governance at the European level at its September 15, 2011 meeting. In December, the Board approved the updated declaration of conformity in accordance with the German Stock Corporation Act (§ 161 AktG) following a comprehensive evaluation of a corporate governance checklist. The declaration of conformity is posted to the company website for shareholders to access on a permanent basis.

Further information on corporate governance at JENOPTIK AG can be found in the corporate governance report and in the corporate governance statement from page 12 of the annual report.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

KMPG AG Wirtschaftsprüfungsgesellschaft, Berlin, audited and gave their unqualified approval of the consolidated financial statements and group management report for fiscal year 2011, submitted by the Executive Board in accordance with § 315a HGB and based on the International Financial Reporting Standards (IFRS). This also applied to the JENOPTIK AG financial statements and management report, prepared in accordance with HGB regulations. Following comprehensive evaluation and in accordance with the resolution of the Annual General Meeting of June 8, 2011, the Audit Committee recommended KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to the Supervisory Board, which was enacted at the Supervisory Board's December 15, 2011 meeting.

The auditor undertook the audit in accordance with the German principles of correct auditing established by the Institut der Wirtschaftsprüfer (IDW) and in accordance with the International Standards on Auditing (ISA). The audit reports were immediately sent out upon completion and intensively and comprehensively discussed along with the documents supplied by the Executive Board, both by the Audit Committee at its March 9, 2012 meeting and the plenary Board's March 22, 2012 meeting. Two auditor representatives reported on the major findings of their audits at the meetings, reported on services that were provided in addition to those concerning the audit of the financial statements, and were available for further questions and information. The Audit Committee chairman also provided the plenary Board with a comprehensive report on the Committee's examination of the financial statements and consolidated financial statements.

Following its own comprehensive examination, the Supervisory Board agreed to the auditors' results with no reservations and approved the financial statements and consolidated financial statements submitted by the Executive Board. The financial statements were thus adopted in accordance with § 172, para. 1 of the Stock Corporation Act (AktG). The Supervisory Board discussed in depth with the Executive Board the recommendation for the use of the net profit, and approved of it following its own examination and deliberation on the company's financial situation.

COMPOSITION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Upon his own request and with the approval of the Supervisory Board, Frank Einhellinger resigned his seat on the Executive Board this past fiscal year, to take effect on March 31, 2012. The Supervisory Board would like to express its appreciation to Frank Einhellinger for his efforts and great contributions to the company over the past 16 years, and on the Executive Board since 2007. He will continue in an advisory role through the end of his Executive Board contract in mid-2012 and afterwards, thus ensuring a smooth transition. At its December 15, 2011 meeting and upon the recommendation of the Personnel Committee, the Supervisory Board appointed Rüdiger Andreas Günther to the Executive Board, effective April 1, 2012. He will be able to share his experience as a financial expert toward providing excellent support for Jenoptik's growth and continued internationalization when it comes to finance and capital markets. The composition of the Supervisory Board remained unchanged in fiscal year 2011.

We would also like to thank the members of the Executive Board and all employees for their great personal efforts and commitment this past fiscal year, just as we would like to extend our appreciation to our shareholders for the trust they have placed in us.

Jena, March 2012

On behalf of the Supervisory Board



Rudolf Humer
Chairman

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement in accordance with 289a of the German Commercial Code (HGB) is an unaudited part of the group management report. In this statement, the Executive Board also reports in accordance with Point 3.10 of the German Corporate Governance Code in the version dated May 26, 2010, and in sections I. and II.1 on behalf of the Supervisory Board as well.

I. Declaration of conformity

The JENOPTIK AG Executive Board and Supervisory Board agree that a responsible, values-oriented, and sustainably successful corporate policy provides a major foundation for the long-term positive development of the Group as a whole. This includes, at its core, a sound corporate governance system throughout all group areas that boosts trust in the company on the part of investors, business partners, employees, and the general public. We view our compliance with both external and internal guidelines as a basis for responsible action and as a major aspect of our business.

The Jenoptik Group structures its policies to adhere to recognized standards, and supports the recommendations of the German Corporate Governance Code ("Code"). The Executive and Supervisory Boards issued their declaration of conformity, in adherence with 161 of the Stock Corporation Act on December 15, 2011. It is available on a permanent basis along with those of the past several years at www.jenoptik.com under Investors/Corporate Governance. With one exception, Jenoptik has fully adhered to the recommendations of the German Corporate Governance Code in the version dated May 26, 2010. In addition to the recommendations of the Corporate Governance Code, Jenoptik has also followed a majority of the other suggestions made in the code. If future changes should arise, the declaration of conformity will be updated during the year.

The Executive Board and Supervisory Board have also followed corporate governance developments in the European context throughout the past fiscal year and the EU Commission's cur-

rent proposals for changes, particularly in its "European corporate governance framework" Green Paper.

DECLARATION OF CONFORMITY BY THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF JENOPTIK AG IN FISCAL YEAR 2011

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

The JENOPTIK AG Executive Board and Supervisory Board support the recommendations of the "Government Commission on the German Corporate Governance Code" and state that pursuant to § 161 Paragraph 1 Sentence 1 of the German Stock Corporation Act:

- I. The recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated May 26, 2010 have been followed from September 15, 2011 and will be followed with the following exception regarding the contract with the Chairman of the Executive Board:

In accordance with Point 4.2.3. Paragraph 4 of the Code care shall be taken in concluding Executive Board contracts to ensure that payments made to an Executive Board member on premature termination of his contract without serious cause do not exceed the value of two years' compensation (severance pay cap) and compensate no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total compensation for the past full fiscal year and if appropriate also the expected total compensation for the current fiscal year.

II. In the period between the last declaration of conformity as of December 2010 and December 31, 2010 the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated May 26, 2010 were followed with the following exception:

A deductible for D & O insurance for members of the Supervisory Boards is waived (Point 3.8 Paragraph 3 of the German Corporate Governance Code).

The recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated May 26, 2010 were followed in full from January 1, 2011 until September 14, 2011.

Justification of the deviation regarding Point I.

There is a view that such rules on severance payments contradict the principle of concluding the contracts with members of the Executive Board regularly for the full term of their office which has been applied by Jenoptik in accordance with the German Stock Corporation Act (Aktiengesetz). A premature termination of a contract thus always requires a serious cause. In addition, the company would find a contractual severance pay cap difficult to enforce in the case of a termination of the contract by mutual agreement; it could also not be ensured that the specific circumstances for the premature termination would be sufficiently taken into account. The thinking behind the regulation of Point 4.2.3 Paragraph 4 of the Code will be taken into account by ensuring that the compensation will be reasonable in the event of a premature termination of the contract by mutual agreement. Therefore, the chairman of the Supervisory Board applied a grandfathering clause when extending the contract with the chairman of the Executive Board.

The compliance with the recommendation of Point 4.2.3 Paragraph 4 of the Code until September 14, 2011 was a result of

the short remaining term of the contracts with the Executive Board members up to June 30, 2012.

Justification of the deviation regarding Point II.

The Supervisory Board was of the opinion that the motivation and responsibility of the Supervisory Board members would not be improved through the introduction of a deductible. After discussing this topic once again the Supervisory Board decided in the meeting on June 8, 2010 that the Supervisory Board will have a deductible in accordance with Point 3.8 Paragraph 3 of the German Corporate Governance Code with effect from January 1, 2011.

December 15, 2011

JENOPTIK AG

On behalf of the Executive Board
 Dr. Ing. Michael Mertin, Executive Board chairman

On behalf of the Supervisory Board
 Rudolf Humer, Supervisory Board chairman

II. II. Details on management practices

1. CORPORATE GOVERNANCE REPORT

Shareholders and Annual General Meeting

JENOPTIK AG shareholders exercise their rights at least once each year at the Annual General Meeting. Shareholders can either participate directly in the Annual General Meeting or can do so by proxy, for which they can either authorize a person of their choice or a company-nominated proxy acting on their instructions. Postal voting will also be available in the future. The shareholders will be supported by the company to this end. Each share carries one vote. All documents and information on the Annual General Meeting are provided on our Internet page (www.jenoptik.com) under Investors/Annual General Meeting. The participation and voting results will subsequently be published on this page.

Risk management

Jenoptik has a group-wide risk management system that includes all companies, within Germany and internationally, in which Jenoptik controls more than 50 percent. Detailed information on risk management including the significant characteristics of the internal control and risk management system with regard to the accounting process are included in the risk report of the annual report beginning on page 94.

Transparency

It is of particular importance to Jenoptik that it continually provides comprehensive information to capital market participants and the general public, extending without delay up-to-date information of direct relevance to the company and significant in the evaluation of its development. Annual and interim reports provide comprehensive information on the Group's earnings, financial and asset position. Press releases cover important events and current developments. All ad-hoc releases and press releases and the interim and annual reports are available in German and English on the Internet site www.jenoptik.com under Investors. Comprehensive information is also presented on the website on Jenoptik shares and the Group as a whole. Shortly after the reports are published, conference calls

are held with journalists, analysts, and investors, and analyst conferences are held for each annual and half-year report as well as an annual balance sheet press conference. Further information on our investor relations activities can be found in the section on Jenoptik shares from page 34 of the annual report.

In accordance with Securities Trading Act, inside information is published immediately inasmuch as JENOPTIK AG is not, in individual cases, exempted from this obligation. The Capital Market working group evaluates, both regularly and for specific concerns, individual circumstances with regard to their ad-hoc relevance in order to ensure that potential inside information is treated in accordance with the law.

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

Jenoptik publishes major changes to the shareholder structure whenever it comes to the company's attention that someone has reached, surpassed, or fallen below the thresholds of 3, 5, 10, 15, 20, 25, 30, 50, or 75 percent of all JENOPTIK AG voting rights, whether due to purchases, sales, or other occurrences. JENOPTIK AG received several such reports over the past fiscal year. These are published at www.jenoptik.com under Investors/Share/Voting rights.

As at December 31, 2011 the Jenoptik Group has security-based incentive systems in form of virtual shares for the members of the Executive Board and individual members of the top management. The principles for the allocation and issue of the virtual shares are essentially identical for the Executive Board and individual members of the top management and are described in the remuneration report on pages 46 and under the point Employees on page 74.

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

In accordance with the German Securities Trading Act (§ 15a WpHG), Executive and Supervisory Board members and people close to them are required to disclose securities transactions (directors' dealings) that require reporting. In fiscal year 2011, several trades with JENOPTIK AG shares in 2010 were reported for one Supervisory Board member. Notifications in accordance with § 15a WpHG are published by us immediately and are accessible at www.jenoptik.com under Investors/Corporate Governance/Directors' Dealings.

As of December 31, 2011, the total of all Jenoptik shares held by the Executive Board members, whether directly or indirectly, including all derived financial instruments, came to 1,036, while Supervisory Board members held 3,728,979 in total, including 2,773,066 shares indirectly held by Gabriele Wahl-Multerer as the sole owner of ZOOM Immobilien GmbH, and 675,000 shares held directly and indirectly by Rudolf Humer. The number of JENOPTIK AG shares or derived instruments held by members of the Executive Board and Supervisory Board thus comes to 3,730,015 in total, more than one percent of the share capital.

Accounting and auditing

The consolidated financial statements and all consolidated interim financial statements are compiled in accordance with International Financial Reporting Standards (IFRS). The financial statements are compiled in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch, HGB). The consolidated financial statements and the financial statements including the management reports are examined by balance sheet auditors. The auditor for fiscal year 2011 was KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (KPMG), as selected on June 8, 2011 by the Annual General Meeting. Before they are published, the financial statements are also examined by the Audit Committee and the Supervisory Board, and discussed in depth with the Executive Board in the presence of auditor representatives. The auditors inform the Supervisory Board chairman of any grounds for bias or disqualifica-

tion as well as of all important events and findings that emerge during the audit. This includes occasions when the auditors should discover facts that point to inaccuracies in the declaration of conformity submitted by the Executive Board and Supervisory Board in accordance with German Stock Corporation Act (§ 161 AktG).

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

Executive and Supervisory Boards

In December 2010, the Supervisory Board defined its future composition in keeping with the size of the company, its business, and the international scope of the Jenoptik Group, with a particular focus on diversity. This means ensuring that at least two women as well as individuals who fulfill the standards of internationality are always included in the Board. The Supervisory Board will also make sure that its members do not have conflicts of interests involving a consultancy position or board membership with customers, suppliers, creditors, or other JENOPTIK AG business partners. In cases of major and non-temporary conflicts of interest, especially when it comes to responsibility in companies that are in direct competition with JENOPTIK AG or its Group companies, the Supervisory Board will normally refrain from such a nomination. Candidates will also not be nominated who have already turned 70 by the time of the election. The Supervisory Board will recommend the best possible candidates, from its point of view, to the Annual General Meeting, in terms of their expertise and personal integrity.

As of December 31, 2011, the composition of the Supervisory Board already corresponds with this vision for its make-up, which is to be maintained into the future. Two members of the Board are women, and at least four have considerable international experience. The broad mix of backgrounds ensures a diversity of expertise on the Board. Further information on the Executive Board and Supervisory Board and especially on their approaches to management and their members' other responsibilities can be found under section III of this report, in the Supervisory Board report from page 5 and in the Notes of pages 181 to 183 of the annual report.

Remuneration Report

The remuneration report describes the basics of the system of payment for the Executive Board. It is part of the corporate governance report and published as part of the group management report beginning from page 46 of this annual report. This includes information on compensatory agreements with Executive Board members should it come to a change of control in the company.

In accordance with the recommendations of the German Corporate Governance Code, information is to be published on the individual remuneration of members of the Executive Board and Supervisory Board, which can be found in the Notes on pages 181 and 184. We view this information as an integral part of the remuneration report and thus also of the corporate governance report.

2. OTHER CORPORATE MANAGEMENT PRACTICES

Holding

JENOPTIK AG views itself as a financial holding company fulfilling the role of a "strategic architect." Jenoptik's operative business is divided into segments, divisions, and business units. The work of JENOPTIK AG lies, in particular, in defining, implementing, and monitoring overarching processes as well as the development and implementation of corporate strategy. The strategic decisions of the Executive Board are prepared by the central Strategy and Business Development department, supported by the Executive Management Board, which includes the Executive

Board as well as the heads of the segments and the head of Human Resources, Supply Chain & Shared Services. The heads of the segments and divisions keep the Executive Board informed regularly, comprehensively, and rapidly on all events of relevance to the company, particularly within the framework of monthly meetings. Once a year, there are central management meetings in which numerous group managers from within Germany and around the world attended along with the Executive Board and Executive Management Board.

Jenoptik is a high-tech company for which innovation is indispensable to profitable growth. Its global research and development portfolio receives central guidance through road maps within the framework of a group-wide innovation management. This is further supported by a strategic intellectual property management program that serves to ensure the marketability of innovation via intellectual property rights and well-chosen cooperative agreements with research partners. Ideas for innovation are structured and gathered in a multi-stage process, prioritized by top management, and purposefully developed. An innovation conference (Innovation Days) is held once a year to provide a forum for exchange among those involved in innovation processes, with the best group-internal innovation receiving the Jenoptik Innovation Award.

There has been a central Project Office at JENOPTIK AG since 2008 as a means of guaranteeing uniform standards in project management and continued transparency with regard to progress on projects of strategic importance to the company as a whole. The office uses its intranet-based platform to regularly follow the state of projects, currently 75 in number, that support the strategic development of the Group. This furthers the implementation of the decisions made at the semi-annual strategy meetings that provide a basis in terms of market and competition for the subsequent planning the following year and in the medium term. The individual steps within the strategy and planning process are discussed at specific times with the heads of the segments and divisions, with results reviewed, and activities determined and presented to the Executive Board for adoption at autumn strategy and planning meetings.

Over the past several years, moreover, there has been a continual centralization of certain overarching functions such as the expansion of the operative legal advisement provided by the central legal department, the establishment of the strategic group procurement and central procurement controlling, and the group-wide harmonization of authorization structures. Important personnel-related topics such as recruiting, remuneration, the harmonization of target schemes and personnel controlling have also been centralized same as the uniform branding. Further information on managerial organization can be found in the management report from page 44.

Social commitment is of particular importance to Jenoptik, particularly in the regions in which the Group is active. Jenoptik therefore gives regular support to a number of benevolent projects, organizations, and initiatives, and seeks involvement in science, education, and culture, as well as in social and charitable works. Further information on this can be found on pages 70 and 78.

Code of conduct

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

Every employee has received a code of conduct. Compliance is monitored in an internal process, and violations are investigated and their causes eliminated in the interest of the company and all its employees. Any employee who wishes to lodge

a personal complaint or who wishes to make a note of circumstances indicative of violations of laws or of the code of conduct can turn to his or her supervisor, to the heads of the departments of Internal Revision, Human Resources, Supply Chain & Shared Services, or to the works council. The code of conduct can be viewed at jenoptik.com under Investor Relations/Corporate Governance. It is regularly evaluated in terms of its accordance with general compliance standards and updated. The last update took place in fiscal year 2010.

Compliance

In addition to these general guidelines used to ensure that all employees act in a legally compliant manner, Jenoptik has developed its own internal group guidelines with regard to all important business processes, which are continually being reexamined, expanded, and brought up-to-date. All group guidelines are published via the group-wide Jenoptik intranet. A process has also been developed to distribute all new or updated guidelines throughout the Group. This past year, compliance activities have focused on training in certain areas of compliance risk areas, including antitrust law, export controls, and commercial criminal law.

Special antitrust law guidelines have also been established with guidelines for conduct in compliance with competition law. There were also training units on the code of conduct and in particular on individual topics specific to business such as public procurement law. These training units are to be intensified in future and to be extended to a wider group of persons within Jenoptik internationally. The Compliance Board, established in 2010, met six times this past year. The board is made up of representatives of the financial, internal revision, investor relations, and legal departments. The board supervised a project, run with the assistance of an external advisor, on the further optimization of the Jenoptik compliance management system, which is to be completed in the first half of 2012. The board also discussed, together with those responsible for compliance across various company areas, a number of special compliance topics such as compliance risk in export control and foreign trade law.

III. Executive Board and Supervisory Board procedures

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

The members of the JENOPTIK AG Executive Board are named by the Supervisory Board. The Executive Board is currently composed of two members who share a common responsibility for the entire management of the Group and decide on primary matters of group corporate policy, its leadership, corporate strategy and annual and longer-term planning. The specific division of portfolios and tasks within the portfolios is set down in a schedule of responsibilities. Further information on this topic can be found in the management report from page 44. There are no Executive Board committees. The members of the Executive Board work together in a collegial manner and continually inform each other of important measures and events in their assigned areas. Executive Board meetings take place at least once a month. Measures of major importance and specific matters regulated by the Executive Board rules of procedure always require the approval of the entire Executive Board. The Executive Board rules of procedure contain further regulations on the internal procedures of the Executive Board and on reporting to and cooperation with the Supervisory Board.

The Executive Board continually informs the Supervisory Board in a timely and comprehensive manner, and in both written and spoken communication, on all matters relevant to the current development of the Group's business and finance. This includes its effects on employment, investment plans, corporate planning, the company's strategic positioning and state of strategy

implementation, as well as its risk situation and management, and compliance issues. The measures listed in the Executive Board rules of procedure, which due to their importance to the company require both an Executive Board decision and the approval of the Supervisory Board, were specified during the previous fiscal year. In particular decisions or measures that involve considerable changes to the company's financial, asset or earnings position require approval. The Executive Board members are obliged to report conflicts of interest to the Supervisory Board immediately.

The Supervisory Board of JENOPTIK AG consists of twelve members, with six members elected by the shareholders in the Annual General Meeting and six nominated by employees in accordance with the Codetermination Act. The Supervisory Board is so composed that it, as a whole, is endowed with the knowledge, ability, and experience necessary to carry out its tasks in an orderly manner. The Supervisory Board must also include a number of independent members that it deems sufficient. All members are elected for the same period of time, ending with the conclusion of the Annual General Meeting in 2012. The currently used system of direct voting for the employee representatives, in accordance with the Codetermination Act, is to be concluded by the end of March 2012. The shareholder representatives on the Supervisory Board will be newly elected by the Annual General Meeting on June 6, 2012 on an individual basis. The Nomination Committee recommends to the Supervisory Board suitable candidates to be recommended to the Annual General Meeting. The aims for the composition of the Supervisory Board established in December 2010 are to be taken into consideration in both elections, if possible. In its first meeting following the Annual General Meeting of June 6, 2012, the Supervisory Board is to elect a chairman and deputy from among the Board members in accordance with the relevant legislation (Sect. 27 para. 1–2 MitbestG).

The chairman of the Supervisory Board coordinates the work of the Supervisory Board, presides over its meetings, and represents the body externally. The chairman maintains regular con-

tact with the Executive Board, and its chairman in particular, who provides the Supervisory Board chairman with immediate information on important events. In the event of a tie within the Supervisory Board decisions are taken by a second vote in which the Supervisory Board chair receives a double vote. The Supervisory Board chairman also chairs the Personnel, Mediation, and Nomination Committees, but not the Audit Committee.

The Supervisory Board meets at least four times a year. Extraordinary meetings are called for major events that cannot be delayed. The Supervisory Board examines the financial and consolidated financial statements, the management reports, and gives official approval to the financial and consolidated financial statements, taking into account the results of the audit and the recommendations of the Audit Committee. Further details on the Supervisory Board's investigation into the accounts and audit as well as their preparation by the Audit Committee can be found in the chapter on accounting and auditing of the corporate governance report and in the Supervisory Board Report from page 5 of this annual report.

Using a questionnaire, the Board carries out a comprehensive formal investigation of its efficiency at least once every two years and discusses the results of the investigation at a meeting. The last formal self-evaluation took place in December 2010. In fiscal year 2011, the members were asked, without a formalized questionnaire, for suggestions and optimization ideas for the improvement of the work of the Supervisory Board and its committees. A vast majority of the suggestions, which are always welcome, were implemented immediately. A comprehensive efficiency examination is in planning for the coming fiscal year. All Supervisory Board members are independently responsible for the training measures necessary for their tasks. They are supported by JENOPTIK AG in ways such as the conveyance of training opportunities.

The Supervisory Board has adopted rules of procedure, which govern important aspects of its internal cooperation and collaboration with the Executive Board. The rules also mandate the creation of committees as a means of improving efficiency

when it comes to Supervisory Board work on complex topics. The Supervisory Board currently has five committees, which are made up of equal numbers of shareholder and employee representatives, except for the Nomination Committee, which is composed only of shareholder representatives. The candidates' expertise is taken into account in the formation of the committees. An overview of the composition of the committees can be found in the Notes on pages 182 / 183.

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

The Audit Committee meets at least four times each year. Its discussions revolve in particular around matters concerning accounting and auditing, the effectiveness and further development of the risk management system and the internal control system, internal revision, and compliance issues. In accordance with the Stock Corporation Act, the Committee must have at least one independent member who is well versed in accounting or auditing. The Audit Committee chairman also has particular knowledge and experience in the implementation of accounting principles and internal control procedures, and is not a former member of the JENOPTIK AG Executive Board.

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

The Nomination Committee meets only when necessary, as it is tasked with the recommendation to the Supervisory Board of candidates to be nominated for election by the Annual General Meeting, as does the Mediation Committee, which is charged with tasks in accordance with Sect. 31 of the Codetermination Act.

The Capital Market Committee grapples in particular with capital market topics affecting the company, and also only meets when necessary. The Capital Market Committee is occasionally granted the decision-making authority of the plenary with regard to the implementation of capital measures when this is necessary as a means of improving the efficiency of the Supervisory Board's work.

Further information on the Supervisory Board and its committees in fiscal year 2011 can be found in the Supervisory Board report published from page 5 of the annual report.

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

SHARING EXCELLENCE THAT IS WHAT JENOPTIK DOES.

20 years Jenoptik

Jenoptik is more than just optics, lasers, and traffic cameras, and more than machines that measure and security technology. Over the past two years, we have zeroed in on what is to be the core of our brand. And we are continuing our efforts to strengthen this brand.

We offer excellent solutions. In all areas of the Group we have comprehensive expertise in optoelectronics and deep experience with innovative technologies. We connect all this with the needs and knowledge of our customers, many university partners, and our colleagues within Jenoptik all over the world. The employees depicted on the next several pages offer a representative look at our Jenoptik staff.

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



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

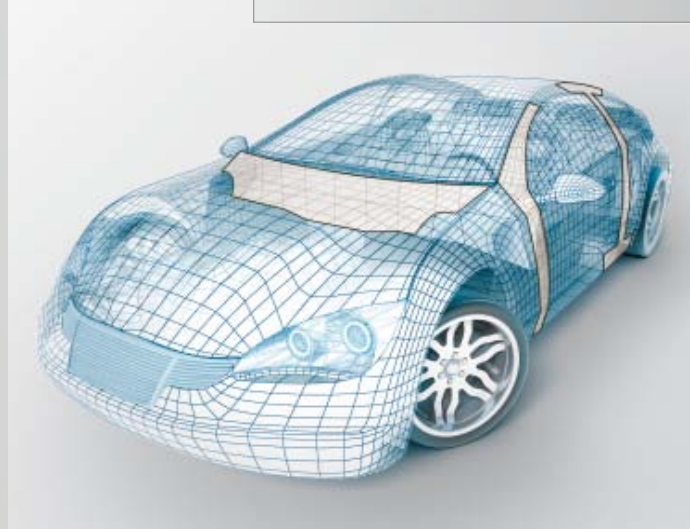
From individual components to complex systems, Jenoptik has full command of the value chain in laser material processing. Jenoptik laser sources and systems are particularly influential in the automotive industry and the medical technology and photovoltaic sectors. They are also used in metal processing, and semiconductor industry, security technology, mechanical engineering, and for entertainment applications.



>170

JENOPTIK-VOTAN® A SYSTEMS IN USE
AROUND THE WORLD

Unique technologies, such as the machine concept of the JENOPTIK-VOTAN® A, a system devised for the automotive industry, are compelling due to their quality, reliability, safety, and innovative qualities. The JENOPTIK-VOTAN® A serial system sets new standards, allows for high-quality integrated airbag solutions, and provides fully online production monitoring. The system has proved a success, as Jenoptik built and delivered over 170 of the machines now in use around the world, through 2011.



Effective and unique: Jenoptik laser processing systems create new applications for the automotive industry and beyond.

Sharing Excellence in Lasers & Material Processing.



HUA XIONG
Hua Xiong of the Lasers & Material Processing division



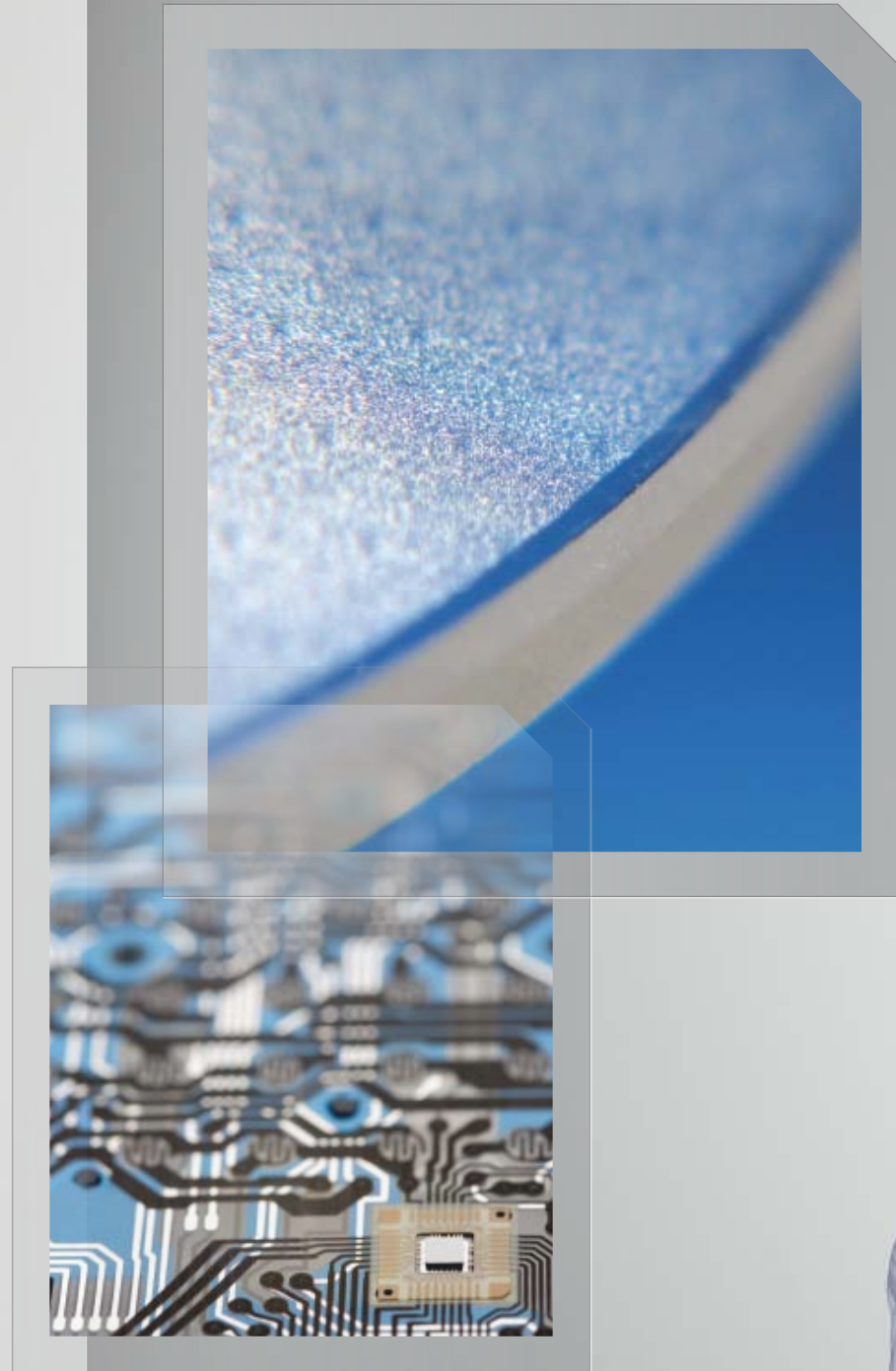
Jenoptik is the world's only manufacturer that combines high-precision optics, microoptics, and optoelectronics, all within its Optical Systems division. Jenoptik develops and produces integrated optical and microoptical systems and components for the highest of quality standards posed by international customers in the fields of semiconductor equipment, security and military technology, medical technology and biotechnology, laser materials processing, and beyond to areas such as digital image processing, lighting, and automotive applications.



CaF₂

MICROOPTICS AS NEVER BEFORE

Jenoptik has met the increasing demand for high-performance microoptics, especially for the semiconductor equipment industry, by expanding its production capacities for calcium fluoride (CaF₂) microoptics in the United States. The technology available there makes it possible to produce highly flexible refractive and diffractive microstructures using CaF₂. Compared with other materials, they offer excellent optical properties and are thus perfect for high-power lasers in the deep ultraviolet spectrum.



Jenoptik works on highly developed microoptical and optical systems for the latest generations of semiconductor manufacturing equipment to allow for ever smaller chip structures.

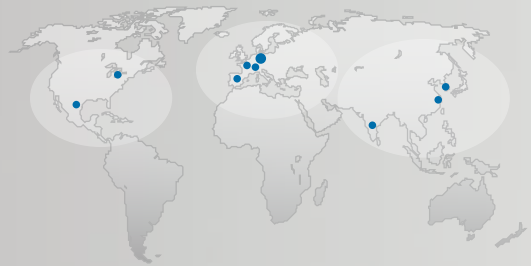
Sharing Excellence in Optical Systems.



UWE WIELSCH
of the Optical Systems division



Jenoptik is one of the leading manufacturers of high-precision contact and non-contact production metrology. The division's many years of experience and comprehensive services are relied upon by international companies, especially in the automotive industry, but also in the aerospace, metal processing, electronics, medical technology, and mechanical engineering sectors.



270_g

PURE PRECISION

Jenoptik's latest developments, such as the HOMMEL-ETAMIC W5, have been setting ever higher standards. The powerful and yet 270-gram roughness tester, unveiled in 2011, has been well received due to its precision and mobility. The HOMMEL-ETAMIC W5, with its ease of use and its numerous innovative features, makes production work much less arduous each and every day.



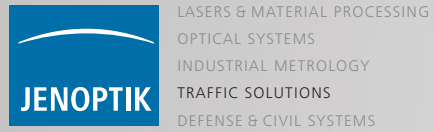
The lightest and most powerful of its kind:
HOMMEL-ETAMIC W5 with its technical advantages and great mobility
is a most compelling product.



Sharing Excellence in Industrial Metrology.



ISABEL ANGLETT
of the Industrial Metrology division



Jenoptik plays a part in keeping roads safe around the world. The company has been defining the future of the traffic safety and monitoring markets with its range of components, systems, and services involving mobile and stationary speed measurement.



20 MILLION EUROS

A MAJOR ORDER FROM SAUDI ARABIA IN 2011

Jenoptik's newly developed 3D tracking radar sensor, which simultaneously monitors multiple traffic lanes for speed and traffic light violations, has proven to be a trailblazer in the market. The sensor is also at the center of a 20-million-euro order from Saudi Arabia that began in 2011 – the largest single order in the history of Jenoptik Traffic Solutions.

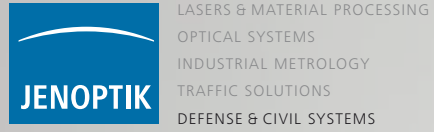
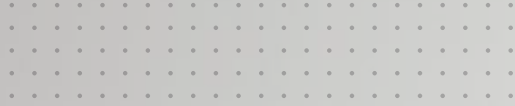


Jenoptik's current major project in Malaysia has continued the company's journey into up-and-coming global markets such as the Middle East and Southeast Asia.

Sharing Excellence in Traffic Solutions.



KRUPA MANHART
of the Traffic Solutions division



Jenoptik's Defense & Civil Systems division focuses on drive and stabilization technology as well as energy systems for military and civilian vehicle, rail, and aircraft equipment. Jenoptik is one of Germany's foremost suppliers of systems and components for the global markets in defense and security technology, aviation, industrial technology, and environmental technology.



150 kW

ELECTRICAL POWER

Demand remains strong for high-power energy systems, which Jenoptik produces for the defense and transportation sectors. The U.S. government has ordered for its PATRIOT missile defense system mobile electric power supplies, replacement part packages, special instruments, and testing equipment. The total order volume for the PATRIOT order comes to over 10 million dollars in 2011.



Providing reliable power with a maximal effect, Jenoptik mobile power supply units supply electrical energy to the PATRIOT system. Starter generators (see picture above) are the heart of modern high-power energy systems and serve as the basis for hybrid systems.

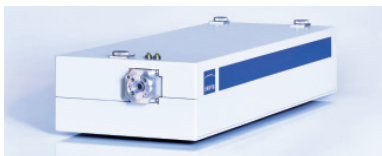
Sharing Excellence in Defense & Civil Systems.

KLAUS BADSTIEBER
of the Defense & Civil Systems division

2011 IN REVIEW

Jenoptik presents its latest products in the Lasers & Optical Systems segment at the leading laser and photonics trade fair, Photonics West in San Francisco. This includes the newly improved JenLas® disk IR70 infrared thin-disk laser, which meets the requirements of new photovoltaic techniques and micromaterials processing, as well as new LED display chips, featuring a much higher level of luminosity, brilliance, and contour sharpness, all while reducing energy use.

JANUARY



NEW INFRARED THIN-DISK LASER PRESENTED.

The Defense & Civil Systems segment receives an order for just under 40 million euros for equipment to be used in the new PUMA infantry fighting vehicle. Through 2020, Jenoptik will supply its developmental and project partner with starter generators and other electrical subsystems for the PUMA.

Jenoptik begins its anniversary year with the New Year's reception. Some 600 invitees from diverse backgrounds in politics, business, and science enjoy the program provided by Theaterhaus Jena, looking back on the company's 20-year history. Some 12,600 euros in donations received at the event will go to support the Jena theater's youth project.

FEBRUARY



ELECTRIC SYSTEMS FOR PUMA INFANTRY FIGHTING VEHICLE.

Jenoptik receives an order for cloud-height measurement systems, called ceilometers, from Met Office, the British weather service. The devices will be used for the first time in a major national network outside Germany. They can be used by weather services, in air traffic safety, and in climatic research.

Jenoptik successfully ended the fiscal year 2011 with the publication of the annual report. Improved structures as well as the economic recovery of the target sectors resulted in a substantial sales and earnings increase.

MARCH



CEILOMETERS FOR BRITISH WEATHER SERVICE.

JENOPTIK CELEBRATES 20TH CORPORATE ANNIVERSARY.



JULY

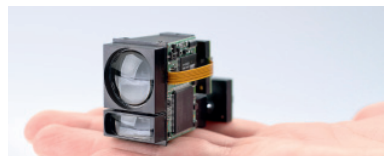
Jenoptik marks its 20th anniversary with employee celebrations at all of its sites in Germany and at sites around the world.

The Metrology segment receives an order from a major car manufacturer for roughness measurement systems to be delivered to three engine plants in North America. The order came to 6.5 million euros.

The Lasers & Optical Systems segment receives a further order for diode-laser stacks for medical technology applications.

The Defense & Civil Systems segment is tasked with supplying DC generators to the Cassidian company for the Eurofighter Typhoon's emergency power generators.

MOST COMPACT LASER RANGEFINDER PRESENTED.



AUGUST

Bombardier Transportation places an order with the Defense & Civil Systems segment for over 5 million euros in train power supply systems. The systems will chiefly be used to provide air conditioning in Israeli double-decker trains.

Over 17 new trainees and 7 Career Academy students begin their careers with the Jenoptik Group throughout Germany.

The Defense & Civil Systems segment presents DLEM SR, the world's smallest diode-laser rangefinder.

OPENING OF NEW PRODUCTION FACILITY IN ALTENSTADT.



SEPTEMBER

Jenoptik officially opens the expanded production environment at its Altenstadt site. The location produces high-efficiency energy systems for the rail and defense industries.

The Defense & Civil Systems segment receives an order from the United States government for the PATRIOT air missile defense system's mobile power supply. The contract came to around 10 million dollars.

Jenoptik receives an order amounting to 3 million euros from a German medical technology manufacturer for a diode-pumped green disk laser. Over 14,000 such Jenoptik medical lasers are currently in use around the world.

APRIL



ORDER FOR GREEN LASERS FOR MEDICAL APPLICATIONS.

Jenoptik receives its largest single traffic safety order to date, with over 20 million euros in equipment to be delivered to Saudi Arabia. In 2011 and 2012, Jenoptik is to ship over 100 stationary systems to monitor traffic light and speed violations in the Kingdom and will supervise the systems there.

The Metrology segment unveils its new W5 mobile roughness tester and its new measuring electronics platform for dimensional measurements in production environments.

MAY



MINI ROUGHNESS-MEASURING DEVICE W5 PRESENTED.

Some 350 shareholders attend the Annual General Meeting in Weimar, approving all agenda items by a vast majority.

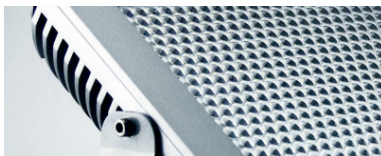
For the first time, Jenoptik presents a photo collection at the Annual General Meeting to celebrate the company's 20th anniversary. The collection depicts historical events and milestones from throughout the company's history. This not only includes the Group's products and sites, but also the history of the company logo, product brands, and the company's commitment to culture, education, and social concerns. The exhibition subsequently makes a tour to various Jenoptik locations throughout Germany.

JUNE



PHOTO EXHIBITION ON CORPORATE ANNIVERSARY INAUGURATED.

HIGH-BAY LED LIGHTING SERIES DEVELOPED.



OCTOBER

Jenoptik receives another major order for the PUMA infantry fighting vehicle. The company is to supply just under 400 GTdrive weapons stabilization systems in a contract valued at over 30 million euros. The Jenoptik share of the PUMA project thus comes to over 70 million euros in total.

Jenoptik presents its "Lucid power high bay" LED rack and hall lamps. The new series was developed in cooperation with the LEIDS company.

Jenoptik provides for the Group's financing in the medium to long term with the placement of debenture loans valued at over 90 million euros.

FOURTH NIGHT OF SCIENCE IN JENA.



NOVEMBER

The Lasers & Optical Systems segment begins work in a new growth sector with a contract for the supply of laser processing systems for the production of high-tech glass to three plants in the United States. In a process similar to the production of thin-film solar cells, the laser processing systems are used to produce energy-efficient "Smart Windows".

For Jena's 4th Long Night of Sciences, Jenoptik presents to around 3,400 visitors a wide range of products from all of its segments, involving lasers, optics, and sensors. The 1,500 euros in proceeds from the event is donated by Jenoptik to the local "Ein Dach für Alle" ("A roof for everyone") organization.

NEW REPRESENTATIVE OFFICE IN CHINA OPENED.



DECEMBER

Jenoptik combines all of its activities within the Chinese market into the fully owned subsidiary, JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd. The Metrology and Lasers & Optical Systems segments are present at the new Shanghai site.

Jenoptik lays the foundations for the expansion of its semiconductor laser production capacity at its Berlin site. More than twice as much production surface will be ready for use by 2013.

A third exhibition of the work of the contemporary American artist Frank Stella came to an end in Jena. The exhibition was initiated, amongst others, with Jenoptik support.

THE JENOPTIK SHARE

STOCK MARKET TRENDS

The best fiscal year for operations in recent years contrasted with a great sense of insecurity and turbulence on the global capital markets. The year began with rising prices that reflected the solid state of business for German companies. The Greek state debt crisis and, in particular, the natural and nuclear disaster in Japan in mid March served to strongly dampen optimism and to bring about downward price corrections. These losses were, however, recovered each time within just a few weeks. Through July 2011, positive news from German companies led to a clear rise in prices. Beginning in early August, however, increased market concerns over the federal debt of the United States and state debt of several euro countries led to another significant downward trend in share prices worldwide. The German stock markets were characterized by strong uncertainty and volatile financial markets through the end of the year, with no end to the euro crisis in sight. During the reporting period, the Dax index fell by 15.6 percent from 6,989.74 to 5,898.35 points while the TecDax fell by 20.3 percent from 860.05 to 685.06 points.

JENOPTIK SHARE TRENDS

In 2011, the Jenoptik share price was chiefly influenced by general market trends, and could only profit from the company's positive corporate development in the first half. The price began the year on an upswing through the end of March. Jenoptik was affected overproportionately by the crisis in Japan on all of the stock exchanges. The downward trend would soon end. Improved annual forecasts released on May 9, 2011 provided additional momentum and the share price reached its annual high of 6.58 euros on May 31, 2011. This positive trend continued through early August, a month in which JENOPTIK AG shares would fall considerably reaching the annual low of 4.30 euros on September 12, 2011. In the last quarter 2011, another rise in the annual forecasts on November 8, 2011 led the price back up to well over 5 euros. This could not, however, be maintained and the share closed the year on December 30, 2011 at 4.56 euros (all prices refer to the daily close of Xetra trading). In all, the share fell 15.9 percent in the course of the year, or 4.4 percentage points less than the TecDax index, on which it is listed.

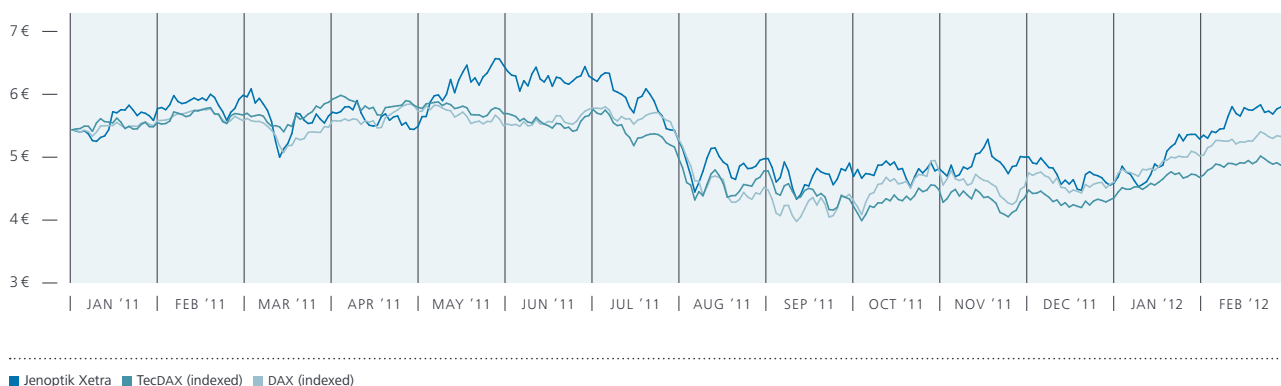
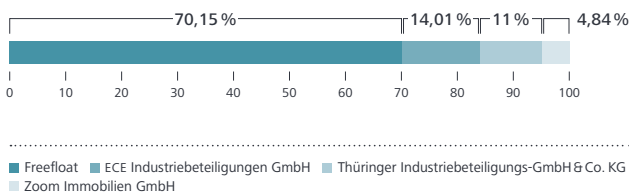
The share price has taken a strong upward turn so far in 2012, closing on February 29, 2012 at 5.71 euros. ^[1]

At 57,238,115 issued shares, the fall in the share price led to a reduction in the company's market capitalization to 261 million euros at the end of 2011 from 309 million euros at the end of 2010. Until February 29, 2012 the market capitalization rose to 327 million euros as a result of the increased share price. The average daily trading volume of Jenoptik shares fell from 174,627 in 2010 to 120,407 in 2011, whereby the 2010 figure was given a unique boost by the capital increase carried out in March 2010. Share turnover fell clearly in 2011 following the market downturn in August. Jenoptik continues to seek a considerable increase in the market trading of its share. As of December 30, 2011, JENOPTIK AG ranked 23rd among TecDax companies in terms of its free float and 32nd with regard to stock market turnover. ^[4]

INVESTOR RELATIONS

JENOPTIK AG Investor Relations aims at comprehensive, reliable, up-to-date, and transparent communications with all of the company's stakeholders, and especially with shareholders, investors, analysts, and press representatives, as well as with employees and others interested. We pursued this goal in 2011 with presentations at capital market conferences in Frankfurt/Main, Munich, London, and Paris and at road shows in important European financial centers including Copenhagen, Stockholm, Milan, Vienna, and Zurich. Jenoptik held an analyst conference in Frankfurt/Main to mark the reporting of its annual and half-year figures. There, management explained the figures of the past period and answered the questions of journalists and analysts. Jenoptik held conference calls to mark other reporting dates.

In October 2011, some 20 investors, analysts, and journalists attended the Jenoptik Capital Market Days at the company's headquarters in Jena. There, they spoke with the members of the Executive Board on the company's business, strategy, products, and outlook. We also gave the visitors a tour and look into the various production facilities in Jena. Jenoptik Investor

1 JENOPTIK SHARE PRICE DEVELOPMENT (Januar 3, 2011 through Februar 29, 2012)**2 SHAREHOLDER STRUCTURE** (as of February 29, 2012)**JENOPTIK SHARE INFORMATION**

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

Listed in the following indexes: TecDax ... CDax ... HDax ... Prime All Share ... Dax International Mid 100 ... Advanced Industrial Equipment Technology All Share ... MDICAP Market ... different Dax sector and subsector indexes

4 JENOPTIK SHARE KEY FIGURES (in EUR)

	2007	2008	2009	2010	2011
Closing share price (Xetra year-end)	6.25	5.00	3.79	5.40	4.56
Highest share price/Lowest share price (Xetra)	8.23/5.51	6.07/3.44	6.19/2.83	5.70/3.85	6.58/4.30
Non-par value bearer shares issued	52.03m	52.03m	52.03m	57.24m	57.24m
Market capitalization (Xetra year-end)	325.2m	260.2m	197.2m	309.1m	261.0m
Average daily trading volume ¹⁾	139,199	160,866	147,065	174,627	120,407
PER (based on highest share price)/ PER (based on lowest share price)	n. a.	26.39/14.96	n. a.	35.63/24.06 ²⁾	11.54/7.54
Operating cash flow per share	1.42	0.89	1.02	0.74 ²⁾	1.07
Group earnings per share	-0.16	0.23	-0.73	0.16 ²⁾	0.60

1) Source: Deutsche Börse

2) Adjusted for discontinued business division

Relations remains in contact with the analysts who follow the company all throughout the year. In fiscal year 2011, 13 analysts published regularly updated recommendations on the Jenoptik share, coverage was started by Baader Bank, Berenberg, Close Brothers Seydler, and HSBC. As of the press date of this report in late February 2012, 9 analysts rated Jenoptik shares as a "buy", four as hold. There were no "sell" recommendations.

The following topics, in addition to the discussion on the released financial figures, were focal points in the dialogue with the capital market during the reporting period:

- the continuing internationalization of the company and the ensuing risks and opportunities;
- the two positive corrections on the forecasts;
- the issuing of the debenture loans for 90 million euros and the repayment of a guaranteed loans;
- and the development of segments and sectors in 2012.

Current company reports, financial reports, an overview of analyst ratings, and other stock-related information can be found on the Jenoptik Internet site. This includes a newly revised share chart with additional functions such as links to ad-hoc reports and comparisons with the most important indices.

ANNUAL GENERAL MEETING

The JENOPTIK AG Annual General Meeting took place in Weimar on June 8, 2011, with over 300 shareholders representing roughly 53 percent of the voting capital. Their presence demonstrated their interest in the company and its development. A wide majority agreed with all of the items of the meeting's agenda. This included providing for postal voting for future general meetings and agreement with the system of remuneration for the Executive Board. The next Annual General Meeting is scheduled for June 6, 2012.

DIVIDEND ABILITY

Fiscal year 2011 was the best for Jenoptik in recent years. The clear increase in sales and earnings reflected both the strong development in important target segments and improved cost structures and processes. The company now has a solid and favorable long-term financing structure, with its equity ratio rising to 48.3 percent. Current business financing and the payment to the silent real estate investor could be paid from the operative cash flow.

Due to the good results achieved over the past years, Jenoptik has been able to achieve its target and reestablished its ability to pay dividends in fiscal year 2011.

SHAREHOLDER STRUCTURE

In July 2011, Thüringer Industriebeteiligungs-GmbH & Co. KG, Erfurt (TIB), Germany, purchased 11.0 percent of shares in JENOPTIK AG from the largest shareholder ECE Industriebeteiligungen GmbH (ECE) of Vienna, Austria. ECE remains the largest shareholder with 14.01 percent, and has announced that it wishes to remain a Jenoptik investor in the long term. Zoom Immobilien GmbH of Munich holds 4.84 percent, while over 70 percent are in free float, mostly held by institutional investors. As of February 29, 2012, Jenoptik holds none of its own shares. ⁽²⁾

ANALYST RECOMMENDATIONS (as of February 29, 2012)

(5)

9 x buy, overweight	4 x hold	0 x sell
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.....
buy, overweight = positive recommendation, hold = neutral recommendation,
sell = negative recommendation

JENOPTIK GROUP MANAGEMENT REPORT

FOR FISCAL YEAR 2011

69.7 % PLUS IN EBIT

did Jenoptik post in the last fiscal year. At slightly more than 49 million euros, the group operating result (EBIT) markedly surpassed previous year's figure of the continuing business divisions.

38	BUSINESS AND FRAMEWORK CONDITIONS
57	ECONOMIC SITUATION
72	DEVELOPMENT OF THE KEY PERFORMANCE INDICATORS
85	SEGMENT REPORTING
94	REPORT ON POST-BALANCE SHEET EVENTS
94	RISK REPORT
111	FORECAST REPORT

1 BUSINESS AND FRAMEWORK CONDITIONS

1.1 Group structure and business activity

BUSINESS ACTIVITY AND ORGANIZATION

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

Jenoptik is a supplier of capital goods and consequently primarily a partner for industrial companies. In the Metrology segment, Jenoptik's customers also include the public sector – directly or indirectly via system integrators. Our range of products comprises OEM or standard components, modules and subsystems through to complex systems and production facilities for numerous key sectors. The range also includes total solutions and full-service operator concepts. Research and development play a key role. We also carry out custom development for many of our customers and partners.

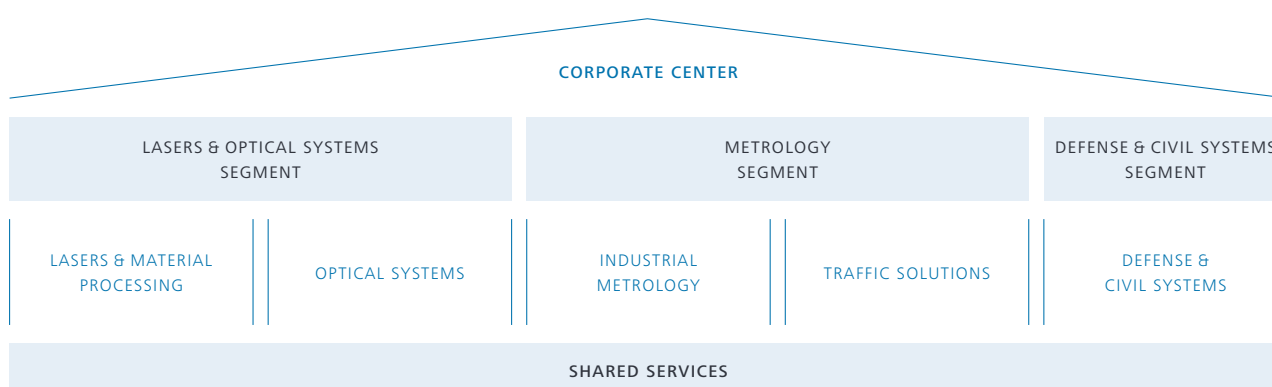
Information on the products and services offered by the segments can be found in the Segment reporting from page 85.

KEY LOCATIONS

The Jenoptik Group is represented in 70 countries worldwide, with a direct presence in 18 of these, e. g. through its own companies or investment holdings. In 2010 and 2011, Jenoptik significantly expanded its own international structures. The majority holding JENOPTIK (Shanghai) Precision Instruments and Equipment Co. Ltd. was formed in China in November 2011. JENOPTIK Japan Co. Ltd. had already been formed in 2010. In July 2011, JENOPTIK Defense Inc. was established for the defense business in the USA. The Laser Applications Center was opened in South Korea in March 2010.

Jenoptik's headquarters and main focus of production are located in Germany. The optoelectronic activities, which cover all aspects of lasers, optics, sensors and digital imaging, are based at the headquarters in Jena. Other major sites in Germany are in Hamburg (Defense & Civil Systems), Monheim near Düsseldorf (Traffic Solutions), Villingen-Schwenningen (Industrial Metrology), Triptis and Eisenach (Optics/Optoelectronics). Berlin (Lasers) as well as Altenstadt and Essen (Defense & Civil Systems). ^[7]

^[6] ORGANIZATIONAL STRUCTURE

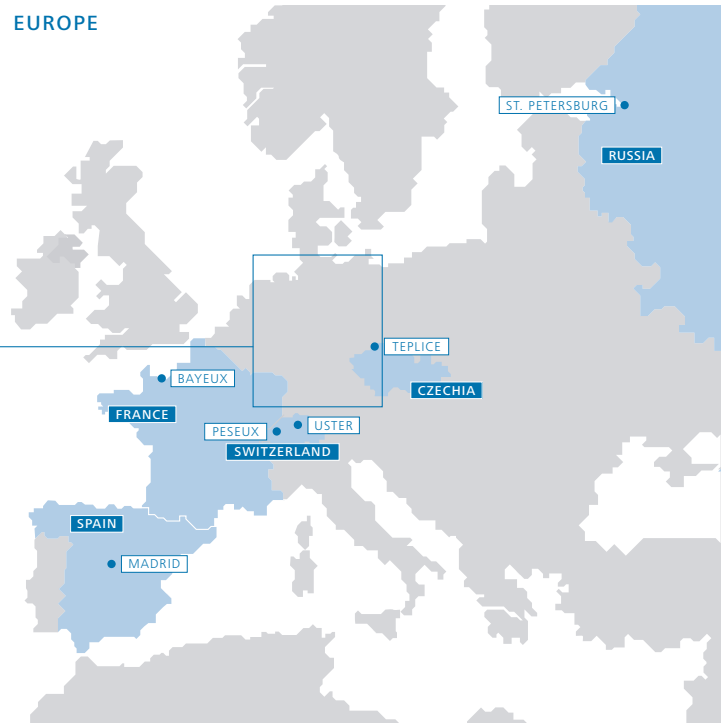


JENOPTIK: THE KEY LOCATIONS

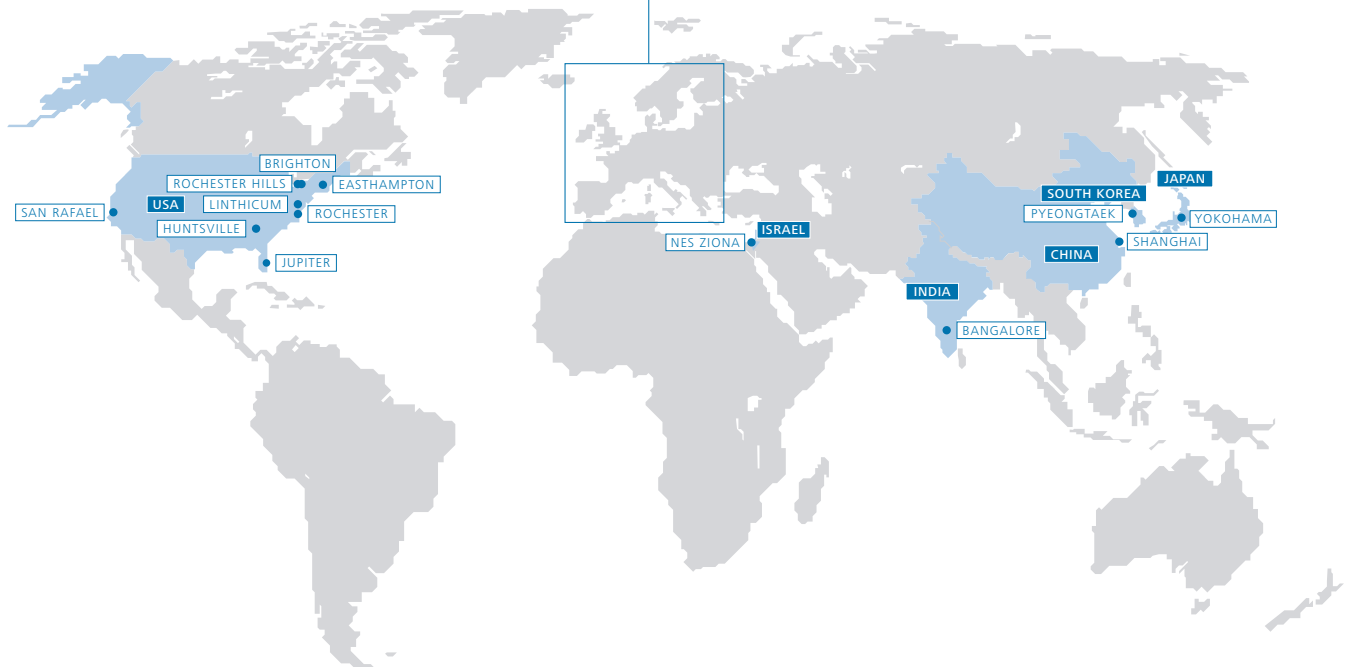
7 GERMANY



EUROPE



8 AMERICA AND ASIA



Outside Germany, Jenoptik has production and assembly sites in the USA, France and Switzerland. In addition to these and the abovementioned Asian sites, Jenoptik is represented in Russia, the Czech Republic and India. [7](#) [8](#)

For further details on the structure and business activity, such as key sales markets and competitive position, as well as economic and legal factors which influence our operating business, we refer to the Segment reporting from page 85 in this report.

Details on corporate objectives and strategy can be found in the Forecast report from page 111 of this report.

1.2 Information on takeover law

SUPPLEMENTARY DETAILS IN ACCORDANCE WITH THE TAKEOVER DIRECTIVE IMPLEMENTATION ACT

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

1. Composition of the subscribed capital

As of the balance sheet date on December 31, 2011, the subscribed capital totaled 148,819,000 euros (same as of 31.12.2010). It is divided into 57,238,115 (same as of 31.12.2010) no-par value bearer shares. Each share is therefore worth 2.60 euros of the nominal capital.

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

2. Restrictions affecting voting rights or the transfer of shares

There are no known restrictions affecting voting rights or the transfer of shares.

3. Direct or indirect participations in the share capital exceeding 10 percent of the voting rights

At the beginning of July 2011, Thüringer Industriebeteiligungs GmbH & Co. KG (direct participation), Thüringer Industriebeteiligungsgeschäftsführungs GmbH, Erfurt, bm-t beteiligungsmanagement thüringen GmbH, Erfurt, the Stiftung für Unternehmensbeteiligungen und -förderungen in der gewerblichen

Wirtschaft Thüringens (StUWT), Erfurt, the Thüringer Aufbau-bank Erfurt and the Free State of Thuringia, Erfurt, (all indirect participations) informed Jenoptik that they exceeded the thresholds of 3, 5 and 10 percent of the voting rights in JENOPTIK AG on June 30, 2011 and that on this date they were entitled to 11.00 percent of the voting rights (6,296,193 shares). Thüringer Industriebeteiligungen GmbH & Co. KG has acquired the voting rights from ECE Industriebeteiligungen GmbH. Following these notifications, the abovementioned companies informed on July 26 and 27, 2011 in accordance with § 27 a WpHG (Securities Trading Act) of the objectives being pursued with the acquisition of the voting rights as well as of the origin of the funds used to acquire these rights. The publication of these notifications can be viewed on our website under www.jenoptik.com under Investors/Share/Voting Rights Announcements.

ECE Industriebeteiligungen GmbH, Vienna, informed us on July 5, 2011 that its share of the voting rights in JENOPTIK AG had reduced below the thresholds of 25 percent, 20 percent and 15 percent on June 30, 2011. As of this date ECE Industriebeteiligungen GmbH held 14.01 percent of the voting rights (8,021,886 shares). Alpha Holding GmbH, Hinterbrühl, ECE European City Estates GmbH, Hinterbrühl, HPS Holding GmbH, Hinterbrühl and the Humer Private Foundation are indirect shareholders via ECE Industriebeteiligungen GmbH.

4. Holders of shares with special rights conferring powers of control

JENOPTIK AG has no shares with special rights.

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

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

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

The appointment and dismissal of Executive Board members is carried out exclusively in accordance with the statutory regula-

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

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

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

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

The Executive Board is authorized until May 30, 2015, with the consent of the Supervisory Board, to increase the nominal capital of the company by up to 35,000,000 euros through one or multiple issues of new, no-par value bearer shares against cash and/or non-cash contributions ("authorized capital 2010").

The new shares may be acquired by one or several credit institutions, under the obligation to offer them to shareholders (indirect subscription right). The Executive Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders

(a) for fractional amounts;

(b) in the event of capital increases against non-cash contributions, to include in particular in the context of corporate mergers or for the acquisition of companies, parts of companies or participations in companies;

(c) in the event of capital increases against cash contributions, to the extent that the portion of the nominal capital attributable to the new shares, taking into account resolutions by the Annual General Meeting and/or the utilization of other authorizations to exclude the subscription right or in direct application of § 186 Para 3 Clause 4 of the Stock Corporation Act since June 22, 2010 when this authorization has become effective, neither exceeds a total of ten percent of the nominal capital as of the date of registration for such authorized capital, nor exceeds a total of ten percent of the nominal capital in existence as of the date of issue of the new shares and the issue price of new shares is not materially lower than the stock exchange price;

(d) for the issue to employees of the company and in companies in which Jenoptik has a majority participation. Decisions on the details of the issue of new shares, in particular their conditions and the content of rights of the new shares, are taken by the Executive Board, with the consent of the Supervisory Board.

The nominal capital of the company is conditionally increased by up to 23,400,000 euros through the issue of up to

9,000,000 new no-par value bearer shares ("conditional capital 2009"). The conditional capital increase will only be executed to the extent that

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

Under a resolution passed by the Annual General Meeting on June 9, 2010, the Executive Board is authorized up to May 31, 2015 to purchase own no-par value bearer shares not exceeding a proportion of ten percent of the nominal capital for purposes other than trading in its own shares. The treasury shares purchased, together with shares that the company has already purchased and still owns (including shares to be attributed in accordance with § 71a et seq. of the Stock Corporation Act), may not account for more than 10 percent of the nominal capital of the company. The authorization may be exercised in whole or in part, on a one-off or repeat basis, for one or more authorized purposes by the company or by its group companies or by third parties for its or their account. At the decision of the Executive Board, acquisition is by purchase on the stock

exchange or by means of a public offering. Further details regarding the buyback of shares are described in the invitation to the Annual General Meeting 2010, accessible to the general public on our website under www.jenoptik.com, in the category Investors/Annual General Meeting.

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

There are clauses which apply to a joint venture agreement and various financing agreements with a total utilized volume of approx. 94.8 million euros (prev. year 91.4 million euros) in the event of a change of control in the shareholder structure of JENOPTIK AG as the result of a takeover bid.

The conditions for the acceptance of a change of control differ in the respective loan agreements. In any event, contracts with a total volume of 50.5 million euros, of which just 4.8 million euros was utilized as at December 31, 2011, provide the lender with a special right of termination should the threshold of 30 percent for the submission of a takeover bid under § 29 Para. 2, 35 Para 1, Para 2 WpÜG (Securities Acquisition and Takeover Act) be reached, in some cases however once a shareholding actually exceeds 25 percent.

For the debenture loans placed in 2011 with a total volume of 90 million euros, the lenders have the right to special termination of the loan in the amount corresponding to their share of the loan and to demand the immediate repayment of this capital sum plus the interest accumulated up to the repayment. A change of control applies if one or more persons acting in concert, with the exception of the existing main shareholders at the time of concluding the contract in October 2011, acquire directly or indirectly more than 30 percent of the outstanding nominal capital or 30 percent of the voting rights, at any time.

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

There is a agreement in place with a former joint venture partner that grants Jenoptik direct access to a comprehensive basis of patents, technological know-how and components that the partner possesses in the field of fiber laser development and manufacture and which contains the following special agreements: in the event of a change of control in a competitor of the joint venture partner within a specific period, Jenoptik's right of use is limited to the manufacture and distribution of the product portfolio manufactured with the help of the rights of use granted on the date on which the change of control takes effect. The right granted to Jenoptik to purchase components for a specific period expires at the end of a transitional period. The joint venture has been in liquidation since mid-2011 after successfully completing the joint developments and as the objectives of the joint venture have been achieved. However, the rules relating to the consequences of a change of control continue to apply because the rights of use granted also continue to exist.

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

Agreements which are covered by the conditions of a change of control and meet the criteria of material relevance have been concluded with both members of the Executive Board in the event that they terminate their contract of service as a result of a change of control through acquisition of at least 30 percent of voting rights by a third party. The compensation agreements contained within the contracts of service include payment of

the contracts for the normal remaining period of the contract and compensation for the bonus calculated as an average value. The compensation is limited to a maximum of three annual salaries. In addition, in the event of voluntary resignation due to a change of control, both members of the Executive Board will receive a contractually vested right to their benefits if they continue to pay their contributions until the regular end of each of their contracts of services (however for a maximum of three years). There are no similar agreements with employees of the company.

1.3 Management, supervision and control

SUPERVISORY BOARD

The **Supervisory Board** of JENOPTIK AG has 12 members, six of whom are employee representatives. Rudolf Humer, entrepreneur, Hinterbrühl (Austria) has been Chairman of the Supervisory Board since June 2008. In the December 2010 meeting Michael Ebenau was elected Deputy Chairman of the Supervisory Board as successor to Wolfgang Kehr, effective as of January 1, 2011. There were no further changes to the Supervisory Board of JENOPTIK AG in 2011. The election of the employee representatives on the Supervisory Board took place on March 20, 2012 and they will take up their roles on the Supervisory Board starting on June 6, 2012. The Annual General Meeting will elect the shareholder representatives on June 6, 2012. Information on the elected representatives can be found on the Internet under www.jenoptik.com under Management/Supervisory Board, from June 7, 2012. Further information on the Supervisory Board can be found in the Notes from page 182 (Members of the Supervisory Board and Other Mandates as well as Remuneration for the Supervisory Board).

EXECUTIVE BOARD, EMB AND MANAGEMENT

The **Executive Board** of JENOPTIK AG comprises two members: Dr. Michael Mertin, Chairman of the Executive Board of JENOPTIK AG and Frank Einhellinger, Chief Financial Officer of JENOPTIK AG. Dr. Michael Mertin joined Jenoptik from Carl Zeiss in 2006 as Chief Operating Officer and since July 2007 has

9 SELECTED CONTROL INDICATORS ALONG THE FIVE VALUE LEVERS

		Page
Growth	Return on Equity (ROE)	60
	Return on Capital Employed (ROCE)	
Customer orientation	Share of sales by the top five customers	59
Internationalization	Share of sales North America (NAFTA)	60
	Share of sales Asia	
Employees & management	Sickness rate	72
	Fluctuation rate	
Operational excellence	Sales and EBIT per employee	73
	Savings derived from the Jenoptik Excellence Program	62

been Chairman of the Executive Board of JENOPTIK AG. In September 2011, he was appointed Chairman of the Executive Board of JENOPTIK AG for a further five years. He is responsible for the entire operating business as well as for the areas of legal, strategy, business development & innovation management, communication & marketing, quality, processes, procurement & supply chain management, auditing, executive support, corporate governance, data protection, IT, Shared Service Center and for the area of HR as Employment Director.

Frank Einhellinger joined Jenoptik in July 1996, from Dr. Ing. h.c. Ferdinand Porsche AG and was appointed Chief Financial Officer of JENOPTIK AG on July 1, 2007. He is responsible for the areas of accounting & controlling, treasury, taxes, risk management & compliance, investor relations, environmental protection as well as the strategic real estate portfolio.

At its meeting on December 15, 2011, the Supervisory Board of JENOPTIK AG appointed Rüdiger Andreas Günther as ordinary member of the Executive Board for three years with effect from April 1, 2012. Rüdiger Andreas Günther will be taking over finance from Frank Einhellinger who is leaving JENOPTIK AG at the end of June 2012 at his own request and, with the approval of the Supervisory Board, resigned from his post with effect from March 31, 2012. In conjunction with his successor, Frank Einhellinger will ensure the smooth transition of the handover and continue to be available to advise the company. Information on Rüdiger Andreas Günther can be found on the Internet under www.jenoptik.com/ExecutiveBoard.

The **extended management** of the Jenoptik Group is the Executive Management Board (EMB, see page 188), the members of which, in addition to the Executive Board, include the Head of Human Resources, Supply Chain & Shared Services as well as other members of the top operational management. The management is responsible for the running of the operational business, including organizational structure and cross sectional functions, results and strategic orientation. The EMB takes the strategic and operational cross-sectional decisions for the whole Group.

CONTROL SYSTEM AND CONTROL INDICATORS

Four to five forecasts are produced during the course of a fiscal year. In monthly earnings meeting, we assess the development of business by the segments and operative units on the basis of sales, EBIT, order intake, working capital, free cash flow, capex volume as well as other liquidity and profitability figures comparing these with the planning and the forecasts during the year. Information on the planning process can be found in the forecast report on page 118. The assessment also includes qualitative factors such as customer relationships, projects, competitive situation and other indicators on a monthly basis right down to the business unit level. Strategy meetings are held between the Executive Board and the managements twice a year to assess strategy targets and the development of business. Strategic and operational cross-sectional decisions are taken by the EMB, which met a total of six times in 2011. The Executive Board meetings are held monthly. Group projects are monitored and assessed in the central project management tool on a monthly basis.

In the past, the overriding control indicators have been the EBIT and free cash flow (see Historical Summary page 146). An expanded central system of indicators for the Jenoptik Group and its organizational units is currently being formulated. Specific indicators are already collated on a monthly and quarterly basis. The Jenoptik system of indicators reflects the Group's strategic further development and is geared towards the five value levers. Information on the five value levers of the Group and the strategic further development are contained in the forecast report on page 111. ^[9]

Specific indicators that take account of the differing business models are also compiled. The system of indicators is being implemented in conjunction with the harmonization of the ERP systems. A corresponding project covering all locations and all areas of the Jenoptik Group was started in 2011.

1.4 Remuneration report

REMUNERATION FOR THE EXECUTIVE BOARD

The remuneration report below sets out the basic principles of the remuneration system for the members of the Executive Board and the Supervisory Board and gives details of the total remuneration for the individual members. This remuneration report is an integral part of the Group Management Report and simultaneously forms part of the Corporate Governance Report.

EXECUTIVE BOARD REMUNERATION SYSTEM

The criteria for defining the appropriateness of the remuneration for the Executive Board of Jenoptik are primarily the tasks of the members of the Executive Board, their personal performance, the economic situation, success and future prospects of the company. Standard practice within the comparative environment is another factor of the remuneration. The remuneration for the Jenoptik Executive Board comprises non-performance-related and performance-related elements. The non-performance-related components include the fixed remuneration, fringe benefits and pension benefits. One part of the performance-related bonuses is paid in cash and the other part in the form of virtual shares. The Long-Term Incentive component (LTI), based on virtual shares, incentivizes the long-term approach and promotes the sustainable development of the company.

Following preparation by the Personnel Committee, the Supervisory Board is responsible for the modalities of the remuneration system and composition of the remuneration for the individual Executive Board members. The Executive Board and Supervisory Board submitted the proposal on the remuneration system to the Annual General Meeting in June 2011, this proposal was approved by a clear majority. With the resolution dated September 15, 2011, the Supervisory Board approved the reappointment of Dr. Mertin as Chairman of the Executive Board and HR Director of JENOPTIK AG with effect from July 1, 2012 up to June 30, 2017. The contract of employment for

Dr. Mertin was also extended with effect from July 1, 2012. As part of this contract extension, a number of adjustments were made to the contract of employment. These are listed and explained below. The contract of the Chief Financial Officer Mr. Frank Einhellinger will end on June 30, 2012 at his own request. With the approval of the Supervisory Board Mr. Einhellinger has decided to relinquish his mandate on the Executive Board with effect from March 31, 2012 and not to extend his contract on the Executive Board. At its meeting on December 15, 2011, the Supervisory Board of JENOPTIK AG appointed Mr. Rüdiger Andreas Günther as ordinary member of the Executive Board with effect from April 1, 2012. The appointment is for three years. Mr. Günther will be taking over Finance from Mr. Einhellinger. The contractual provisions of the contract of employment with Mr. Günther fundamentally correspond to those of the new contract with Dr. Mertin, applicable from July 2012, unless specified otherwise below.

Fixed remuneration. The non-performance related basic salary is paid on a pro rata basis each month. The fixed salary for the members of the Executive Board was increased with effect from January 1, 2011. The fixed salary for Dr. Mertin increased by KEUR 20 to KEUR 510 and for Mr. Einhellinger by KEUR 13 to KEUR 333, payable respectively in 12 equal amounts at the month end. The annual fixed salary for Mr. Günther will be in the sum of KEUR 380.

Variable remuneration. The members of the Executive Board are entitled to a bonus which is granted partly in cash and partly in the form of virtual shares. These are based on personal target agreements to be concluded in the 1st quarter of each calendar year between JENOPTIK AG, represented by the Supervisory Board, and the respective Executive Board member. The target agreement must be oriented toward the company's sustainable development and includes targets for the Group as a whole as well as for the company's results. The bases for calculation for the fiscal year 2011 are the Group EBIT, operating free cash flow, Group net income for the year, share price-

related and strategic targets and operating targets for the corresponding year and of a long-term nature, plus an individual performance assessment. Each individual target is capped. There is also an overall cap on the total individual targets forming the basis for the calculation of the variable bonuses. There is no minimum bonus. The actual amount of the variable remuneration is dependent upon the attainment of the targets as per the target agreement. A fixed bonus on 100 percent target attainment was agreed with Mr. Günther for the period from the commencement of his activity on April 1, 2012 to December 31, 2012.

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

The other portion of the variable remuneration comprises a **long-term incentive component** in the form of virtual shares as a share-based element of the remuneration. If the criteria defined in the target agreement for the granting of the virtual shares are met, namely all the strategic and share price-related targets as well as individual operating targets, the allocation is made within the framework of confirmation that the targets have been reached. Payment is made on expiry of the fourth subsequent year following allocation based on the average closing price of the Jenoptik share in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange of the full fourth subsequent year. The subsequent year is the calendar year following the calendar year for which the target agreement was concluded. In the event of virtual shares being granted as part of the target agreement for the year 2011, this would mean that the virtual shares will be allocated within the framework of establishing the target attainment in the year 2012 and that payment of the cash value of the virtual shares – the level of which will be calculated on the basis of the average price of the share in the year 2015 – will be made at the beginning of the year 2016.

In conjunction with the extension of the employment contract for Dr. Mertin, the rules governing the variable remuneration with effect from January 1, 2012 were modified. It was decided in particular how to divide the bonuses between the individual target components. Financial targets will therefore account for 50 percent of the bonuses, short and medium-term operating targets 25 percent and medium and long-term strategic targets 25 percent. Two thirds of the bonuses will be paid out following adoption of the respective financial statements of JENOPTIK AG and the final auditing and approval of the consolidated financial statements by the Supervisory Board. For the remaining one third of the bonuses, virtual shares will be allocated on the basis of the average closing price of the share on XETRA trading on the Frankfurt Stock Exchange of the 4th quarter of the previous year. The division of the bonuses to be paid in cash or virtual shares based on individual targets will therefore no longer apply. As in the past, the payment of the virtual shares will be made on expiry of the fourth subsequent year based on the average closing price of the share on XETRA trading on the Frankfurt Stock Exchange of the full fourth year. The amount paid will be increased by dividend payments to shareholders of JENOPTIK AG during the first to fourth subsequent years. The contract also contains rules relating to potential consequences of specific circumstances, in particular conversion and capital measures, on the virtual shares granted. With effect from January 1, 2012, the bonus will be paid out on a pro rata basis in the year in which the contract of service of the chairman of the Executive Board is ended, based on the actual target attainment, without division into cash bonuses and virtual shares. Virtual shares granted to the chairman of the Executive Board on the date of termination of his contract of service and for which the fourth subsequent year has not yet expired will be calculated on the basis of the average price over the last twelve months prior to the date of terminating the service contract. The new contract of employment with Dr. Mertin, but not that with Mr. Günther, includes an agreement to review the total remuneration on an annual basis.

Contracts for **retirement benefits** were concluded for both members of the Executive Board in 2007. The pension commitment is based on a pension fund reinsured by a life insurance. This is a defined contribution scheme within the framework of a provident fund. The costs for the provident fund in 2011 totalled KEUR 240 for Dr. Mertin and KEUR 100 for Mr. Einhellinger. An annual pension contribution in the sum of KEUR 80 was agreed with Mr. Günther.

Fringe benefits exist in the form of a occupational indemnity insurance (for Dr. Mertin and Mr. Einhellinger) and an accident insurance. The sums insured for disability (previously KEUR 600) and accidental death (previously KEUR 300) were each increased to 1 million euros with effect from July 2012; the same sums insured were agreed with Mr. Günther. Both members of the Executive Board are also entitled to use a company car for private use. The resultant income tax charges will be met by the members of the Executive Board themselves.

In the event of a **change of control** of JENOPTIK AG, a change of control clause will come into force for both members of Executive Board with effect from the acquisition of a controlling interest in accordance with §§ 29, 35 Para. 1 clause 1 of the Securities Acquisition and Takeover Act (WpÜG), i.e. acquisition of at least 30 percent of the voting rights in JENOPTIK AG, granting them the right to give notice within a specific period after the change of control. In the event of the issue of notice of termination, the member of the Executive Board will be entitled to payment of a compensation based on the following formula: multiplier x annual remuneration / 12. The multiplier is 36. If there are less than 36 months between the date of notice of termination and the scheduled end of the Executive Board member's contract, the multiplier is reduced to the number of months remaining between the scheduled end of the contract and the date of notice of termination. The annual remuneration comprises the fixed annual salary, the variable components of the salary (including the LTI) and tax benefit in kind for the private use of the company car. In addition, if the pension contributions continue to be paid up to the scheduled end of their respective contract of service (however for a maximum period

of three years), both members of the Executive Board will be granted contractually vested entitlements to pension benefits.

If the contract of service with the chairman of the Executive Board Dr. Mertin is not extended beyond the scheduled end of its term on June 30, 2017, he will be entitled to bridging payments in the sum of 80 percent of one twelfth of the annual remuneration on a monthly basis for the period of twelve months after the scheduled end of the contract term. The annual remuneration is determined in accordance with the same rules that apply to the compensation payment in the event of a change of control. Earnings from self-employed and/or employed activity by the member of the Executive Board, in particular as a member of a management or supervisory body of another company, as well as any compensation for a non-competition clause, will be offset against the **bridging payment**. Bridging payments do not have to be made if the decision not to extend the contract of service is attributable to serious breach of duty by the member of the Executive Board, or if the contract of service is ended by issue of extraordinary notice of termination, or if the member of the Executive Board declines to extend the contract of service under the same or improved terms. Bridging benefits are also granted if the chairman of the Executive Board has given notice of termination of his contract in the event of a change of control. In this context, the total amount of the bridging benefits and the compensation in the event of a change of control, may not exceed the amount of the settlement to be calculated in accordance with the formula described above; if it does exceed this amount then the bridging benefits will be reduced accordingly.

Under Clause 4.2.3. Para 4 of the German Corporate Governance Code (Code), when concluding contracts for members of the Executive Board care should be taken to ensure that payments to a member of the Executive Board on premature termination of his/her activity for the Executive Board do not exceed the equivalent of two years' remuneration (settlement cap) without good reason and that payment does not extend beyond the residual term of the contract of employment. The total remuneration for the fiscal year just past and, if applica-

ble, the anticipated total remuneration for the current fiscal year, will be used as a basis for the calculation of the settlement cap. In the declaration of conformity dated December 15, 2011, Jenoptik explained an exception from these recommendations for the employment contract of the chairman of the Executive Board. In the opinion of the Supervisory Board, settlement rules such as these are contrary to the concept pursued by Jenoptik, in accordance with the Stock Corporation Act, of regularly concluding the contracts of employment for the members of the Executive Board for the full term of their office. The premature termination of the employment contract therefore always requires a serious cause. In addition, in the event of termination of contract by mutual agreement, a settlement cap contained in the contract of employment cannot be effectively asserted unilaterally by the company; nor could any guarantee be given that sufficient account will be taken of the specific circumstances for the premature termination. However, the notion of the rule under Clause 4.2.3 Para 4 of the Code will be taken into account in the event of termination of contract by mutual agreement through adherence to the principle of the reasonableness of a compensation. In the year just past, when extending the contract of employment with the chairman of the Executive Board, the Supervisory Board granted Dr. Mertin protection for his existing rights (grandfather clause). The adherence to the rule under Clause 4.2.3 Para 4 of the Code in the contract of employment for Mr. Einhellinger results from

the short remaining period of his contract of employment up to June 30, 2012. A settlement cap in conformity with the requirements of the Code was agreed with Mr. Günther for his new contract of employment.

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

INDIVIDUAL REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD.

The table below lists the components of the remuneration granted in the fiscal year just past to the members of the Executive Board Dr. Michael Mertin and Mr. Frank Einhellinger. The summary differentiates between five components, the fixed portion, the variable remuneration, the share-based Long-Term-Incentive component (LTI), the retirement benefits and fringe benefits. ^[10]

^[10] COMPONENTS OF THE REMUNERATION OF THE EXECUTIVE BOARD

in KEUR	Dr. Michael Mertin (Chairman of the Executive Board)		Frank Einhellinger (Member of the Executive Board)	
	2011	2010	2011	2010
Fixed remuneration	510.0	490.0	333.0	320.0
Variable remuneration	687.7	610.0	300.0	256.0
LTI	206.8 ¹⁾	228.0 ²⁾	81.7 ¹⁾	117.3 ²⁾
Total remuneration	1,404.5	1,328	714.7	693.3
Retirement benefits	240.0	240.0	99.9	66.0
Total fringe benefits	36.7	44.5	17.0	22.7
Total	276.7	284.5	116.9	88.7

1) Fair value as at the balance sheet date 31.12.2011 (recognized provisions)
 2) Fair value as at the balance sheet date 31.12.2010 (recognized provisions)

Following agreement with the Personnel Committee, subject however to the consent of the Supervisory Board, the variable portion of the remuneration for the fiscal year 2011 is KEUR 687.7 for Dr. Mertin and KEUR 300 for Mr. Einhellinger. In addition, for the fiscal year 2011 it is anticipated that 45,322 virtual shares will be allocated for Dr. Mertin and 17,900 virtual shares for Mr. Einhellinger. The specific figures will also be dependent upon the consent of the Supervisory Board. Further details on the share-based remuneration in the form of virtual shares are shown in the Note 30, which we also see as part of this remuneration report.

REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD

The remuneration system for the Supervisory Board comprises a fixed and a results-oriented component and is regulated under § 19 in the articles of association of JENOPTIK AG which were redrafted on June 8, 2011. These remuneration rules provide for a fixed annual salary of KEUR 15 as one component of the total remuneration. The chairman of the Supervisory Board receives double and his/her deputy one-and-a-half times this amount. In addition, each member of a committee is paid remuneration in the sum of KEUR 5. The committee chairman receives double this amount. The fixed remuneration is payable on expiry of the fiscal year.

Each member of the Supervisory Board also receives an annual results-oriented payment in the sum of KEUR 7.5 if Group earnings before tax exceed 10 percent of the Group shareholders' equity as at the end of the fiscal year. The annual results-oriented payment is increased to KEUR 15 if the Group earnings before tax exceed 15 percent of the Group shareholders' equity as at the end of the fiscal year. The chairman of the Supervisory Board receives double and his/her deputy one-and-a-half times this amount. The adopted consolidated financial statements for the corresponding year are definitive for the calculation of the earnings before tax and the shareholders' equity. The annual

results-oriented payment is payable after the Annual General Meeting which approves of the actions of the Supervisory Board for the past fiscal year, i. e. normally after the Annual General Meeting of the following fiscal year.

The Group earnings before tax for the year 2010 exceeded the above-mentioned level of 15 percent of the Group shareholders' equity as at the end of the fiscal year 2010, consequently, the members of the Supervisory Board received a results-oriented payment in the sum of KEUR 15 for the fiscal year 2010 after the Annual General Meeting in June 2011. The chairman of the Supervisory Board received double and his/her deputy one-and-a-half times this amount.

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

In addition, the members of the Supervisory Board are paid a meeting allowance of KEUR 0.6 for attending a meeting. Expenses incurred by a member of the Supervisory Board in connection with the performance of his/her official duties are reimbursed in return for supporting receipts in accordance with the corresponding, generally applicable regulations; however, if these expenses are directly connected with attendance at a meeting of the Supervisory Board or one of its committees, they will only be reimbursed insofar as they exceed the sum of KEUR 0.6. JENOPTIK AG also reimburses the members of the Supervisory Board for any sales tax applicable to the payment of their expenses.

In fiscal year 2011, KEUR 297.3 were recorded in provisions for the fixed remuneration to be paid to the Supervisory Board in January 2012 and KEUR 179.9 for the variable remuneration to be paid after the Annual General Meeting in June 2012. Jenoptik did not pay any other remuneration or benefits to the members of the Supervisory Board for services rendered personally by them (in particular consulting and intermediary services).

The chairman of the Supervisory Board, Mr. Rudolf Humer, issued a written declaration to the Executive Board waiving all claims for remuneration to which he was entitled for his activities as chairman of the Supervisory Board and member of a committee with effect from April 1, 2011. This also applies to any meeting allowances and any results-oriented remuneration.

The details of the remuneration for the Supervisory Board can be found in the Notes on page 184 of the annual report.

1.5 Development of the economy

DEVELOPMENT OF THE ECONOMY AS A WHOLE

In 2011 the **global economy** did not grow as strongly as had been anticipated at the start of the year. According to the latest report from the OECD, the economic recovery actually came to a halt in the 2nd quarter 2011, primarily in the USA and the euro zone. The escalating euro crisis had a negative impact on the development, particularly in the 2nd half-year 2011. Prior to the end of the 4th quarter 2011, the OECD had forecast an annual growth of 1.9 percent in the gross domestic product (GDP) of the OECD countries. According to the International Monetary Fund (IMF), the global economy expanded in 2011 by 3.8 percent compared with 2010. As at the year-end, the geopolitical risks for raw material supplies had increased, particularly in the Mediterranean region. In its index of raw material prices excluding energy for the year 2011 as a whole, the Hamburgische Weltwirtschaftsinstitut (Hamburg Global Economic Institute) ascertained a rise of 12.4 percent (in euros) over the previous year. ^[11]

In the **USA**, according to the US Department of Trade, there was an improvement in the signs indicating an economic upturn as at the end of 2011. Industrial production increased for two quarters in succession, household consumer spending rose again and the unemployment rate fell below 9 percent. Nevertheless, the US Fed reduced its forecast for the year and

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

	2009 ¹⁾	2010	2011	2012 ²⁾	2013 ²⁾
World	-0.7	5.2	3.8	3.3	3.9
USA	-3.5	3.0	1.8	1.8	2.2
Euro zone	-4.3	1.9	1.6	-0.5	0.8
Germany	-5.1	3.6	3.0	0.3	1.5

Source: International Monetary Fund, World Economic Outlook (Update). January 2012 | 1) Report dated September 2011 | 2) Forecast

now only expects to GDP to grow by 1.6 to 1.7 percent for 2011. In addition to the European debt crisis, the economic recovery is also being held back by the high US sovereign debt in excess of 15 trillion US dollars.

The economic dynamic in the **euro zone** fell further during the course of 2011. As expected, GDP in the final quarter of 2011 was down by 0.1 percent over the previous quarter according to the European Commission. For 2011 the IMF anticipated an overall rise in GDP of 1.6 percent compared with 2010. The Mediterranean countries in particular reported almost zero economic growth; according to the OECD, GDP in Greece actually fell by 6.1 percent. The reasons for the tough development problems according to the European Central Bank (ECB) are economic stagnation, debt problems and the vulnerable financial sector.

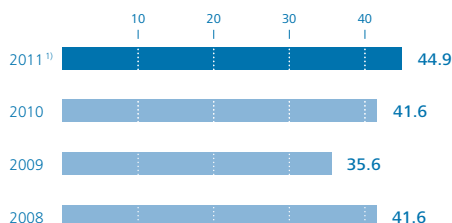
The **German economy** posted a strong, export-led performance in 2011. After GDP growth of 3.6 percent in 2010, the figure in 2011, at 3.0 percent, was stronger than had been anticipated at the start of the year according to the Federal German Department of Statistics (Destatis). The BGA, the export industry association, put the value of German exports in 2011 above one trillion euros for the very first time. Investment in plants and equipment rose by 8.3 percent compared with the previous year according to Destatis, with the unemployment rate falling to 7.1 percent.

Economic activity in **China** slowed further during the course of the year, primarily due to falling investment in plants. According to the National Office of Statistics in Peking, the 9.2 percent rise in GDP in 2011 was the lowest since 2008. The slowdown was attributed equally to falling demand from Europe and America and the country's national monetary policy which had a detrimental impact on corporate investment and consumer spending as a result of loans becoming more costly. However, industrial production is expected to have increased once again as at the year-end. In 2011, China also posted a marked increase of more than 20 percent in exports to nearly 1.9 trillion US dollars.

Economic growth in 2011 was also below expectations in the other three countries of the **BRIC group**. According to the IMF, in 2011 GDP rose by 2.9 percent in Brazil, by 7.4 percent in India and by 4.1 percent in Russia.

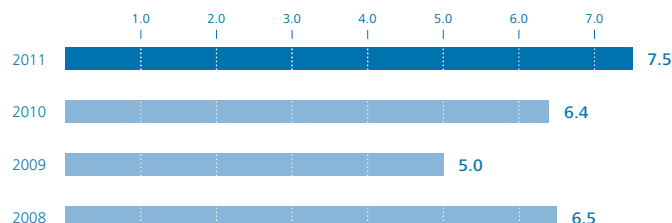
Japan's economy recovered faster than had been anticipated following the collapse in the 1st quarter 2011, thanks mainly to the reconstruction program for the north-east of the country. According to the IMF, GDP in 2011 was therefore down by just 0.9 percent. In addition to the consequences of the earthquake in March 2011, the export industry was hit particularly hard by the strong Yen. Many Japanese automotive and electronics manufacturers were also affected by the floods in Thailand with the resultant supply shortages and production downtimes.

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



Source: Sector association Spectaris, September 2011 | 1) Forecast: plus 8 percent on 2010

13 LASERS: GLOBAL SALES (in billion US dollars)



Quelle: Laser Focus World, Januar 2012

DEVELOPMENT OF THE INDIVIDUAL JENOPTIK SECTORS

According to the industry association Spectaris, in 2011 the **photonics** sector finally overcame the economic crisis of 2008/2009. Based on provisional calculations, German photonics companies generated sales of 23.8 billion euros, up by 8 percent compared with 2010. The semiconductor and LED industries, life sciences as well as laser and solar technology remained the growth markets. The Spectaris Global Market Index for Optical Technologies showed a varying trend: in the 2nd quarter 2011, the index rose to 216.1 points, its second highest level since 2005. In the 3rd quarter, however, it fell back below the important 200 level for the first time since mid-2010 due to six of the 15 international companies included in the index reporting sharp falls in sales. ^[12]

The recovery in the global **laser** market was quicker than had been anticipated following the strong decline in 2009. According to the market report from Strategies Unlimited, published in the trade magazine "Laser Focus World" (LFW), 2011 was a new record year: global laser sales passed the 7 billion mark for the very first time, reaching 7.46 billion US dollars. This 14 percent increase over 2010 was mainly attributable to capital expenditure by the automotive industry, in China as well as in smartphones and tablet computers. Sales in the industrial lasers sector increased by approx. one fifth compared with 2010, to nearly 2 billion US dollars. This figure includes the market for laser tools used in the photovoltaics industry which reported record sales of 340 million US dollars in 2011. According to the LFW, global sales of medical lasers reached 498 million US dollars in 2011, approx. 10 percent up on the figure for the previous year. Sales of military lasers totaled around 188 million US dollars, the same as in 2010. Sales in the entertainment and displays area reached 30.4 million US dollars in 2011. ^[13]

Sales in the **semiconductor** sector in 2011 fell short of the level anticipated at the beginning of the year. According to the Sector Industry Association (SIA), although global sales increased to a new record of 299.5 billion US dollars, they were markedly below the forecast figure of 319 billion US dollars. The rise in 2011 was a minimal 0.4 percent compared with the increase in

sales of more than 30 percent in 2010. Following the strong first half-year, uncertainties surrounding the global economy which held back private consumer spending and corporate investment began to emerge around the middle of the year according to the IT market researcher Gartner. In addition to high warehouse inventory levels and sluggish PC sales, Gartner also attributes the problems to the natural disasters in Japan and Thailand as these in part had a detrimental impact on the worldwide supply chain for chip manufacture. During the course of 2011, the sector association SEMI repeatedly adjusted its forecasts for the **semiconductor equipment industry**. Global sales in 2011 were below expectations at 41.8 billion US dollars. However, the small rise in sales of 4.7 percent was said to be an adjustment following the strong growth of 150 percent in 2010. According to details from SEMI, sales in the segment for wafer processing equipment rose by nearly one tenth to approx. 32 billion US dollars in 2011, while sales in the assembly & packaging segment fell by 12.5 percent to 3.4 billion US dollars compared with the previous year. ^[14]

In 2011, the **photovoltaics** sector, particularly in Europe, was characterized by overproduction, warehouse surpluses and collapsing market prices. These were the result of the weak demand in a few of the key markets at the start of the year and the strong pressure on prices from Asia. According to the market researcher IMS Research, new solar power installations in 2011 totaled up to 26.5 Gigawatts. The latest "PV Equipment Quarterly" report from Solarbuzz shows that in 2011 **photovoltaic equipment providers**, mainly Asian manufacturers, posted a marked growth in sales. In the USA, major equipment providers in particular succeeded in increasing their sales by up to 60 percent compared with the previous year, whereas growth in Europe showed a differentiated picture. However, according to Solarbuzz the record sales were not attributable to a corresponding market demand but instead the result of ambitious expansion plans by the equipment providers.

Medical technology manufacturers in Germany continued their success in 2011. According to the sector association Spectaris, in the very positive first half-year the companies increased sales

by nearly ten percent, whilst in the second half of the year sales eased slightly. Based on provisional calculations from Spectaris, annual sales increased by 6 percent to 21.1 billion euros, primarily due to a high level of demand from abroad. Sales in the export region of Asia grew by 13 percent over 2010 and by 8 percent in North America. Spectaris has been reporting on the quarterly developments since 2011 in its new “Global Market Index of Medical Technology” which analyzes the sales of 13 international and listed companies in the sector.

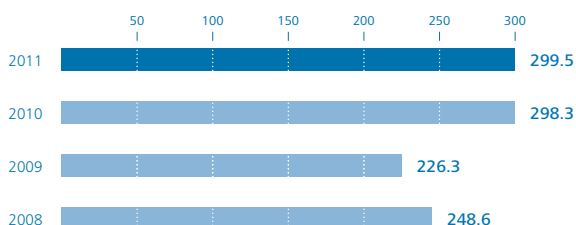
In 2011, the German [automation industry](#) reported stronger growth than had originally been anticipated by the sector association VDMA Robotics and Automation. German manufacturers generated record sales of 10.3 billion euros in 2011, a rise of 37 percent compared with 2010. All individual sectors ended the year with record figures, including robotics, which posted sales of 2.7 billion euros, a rise of nearly 38 percent over 2010. Sales in the industrial imaging area increased by one fifth to 1.5 billion euros. There is a growing trend towards automation worldwide and in virtually every sector. The association sees the automotive industry as the main driving force.

According to the VDMA, the German [machine and plant construction industry](#) increased production in 2011 by 12 percent, well above the general trend in the economy. With sales of 187 billion euros in 2011, the sector is considered the backbone of the German economy. Figures from the VDMA show

that approx. 13 percent of exports went to China. The German machine tool industry posted an even bigger rise: the sector association VDW (Verein Deutscher Werkzeugmaschinenfabriken) ascertained that this industry increased production by one third in 2011. The key export countries once again were China and the USA, where the automotive industry in particular, with increased investment in equipment, provided for a rise of approx. 70 percent in exports for the German machine tool industry. ^[15]

2011 was also a year of records for the [automotive industry](#). Sales in the USA in particular showed a marked increase of approx. 10 percent over 2010 to 12.8 million vehicles. According to the sector association VDA, German premium vehicle manufacturers sold more than one million cars to the USA for the very first time in 2011. In China, the world’s largest automotive market, sales rose by just 2.5 percent in 2011 according to details from the CAAM, the Association of Chinese Automobile Manufacturers. This was primarily due to the halt in development aid for car purchasing. In 2011, the German automotive industry enjoyed the best year in its history according to the VDA: a record nearly 6 million vehicles were produced, with exports up by 7 percent compared with 2010 to 4.5 million vehicles and sales generated by the sector rising by 13 percent over the previous year to 358 billion euros. [Automotive suppliers](#) benefited from these record figures. Following the strong 25 percent upturn in 2010, suppliers with global operations

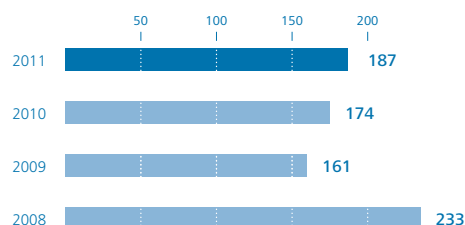
^[14] SEMICONDUCTORS: GLOBAL SALES (in billion US dollars)



Source: Semiconductor Industry Association (SIA)

MACHINE AND PLANT CONSTRUCTION:
SALES OF THE GERMAN INDUSTRY (in billion euros)

^[15]



Source: Verband Deutscher Maschinen- und Anlagenbau (VDMA)

continued to expand in 2011, reporting a 10 percent increase compared with the previous year according to figures from the Center of Automotive Management (CAM). German suppliers in particular reported record sales in 2011. In the study entitled "Global Top Automotive Suppliers 2011" from the management consultants Berylls Strategy Advisors, with 22 companies in the Top 100 suppliers with the highest volume of sales, German suppliers took the number 2 spot overall behind Japan and ahead of the USA.

The market for [traffic monitoring systems](#) posted another very positive development in 2011. May 2011 saw the start of the "Decade of road traffic safety" announced by the United Nations (UN) with the aim of achieving a marked reduction worldwide in the number of accidents and road traffic deaths by 2020. According to the UN, this could help save costs of up to 5 trillion US dollars. The traffic solutions market abroad was characterized by large orders in the emerging countries, while business in the German domestic market remained constant. However, according to the Federal German Department of Statistics, the number of road traffic deaths in Germany increased again for the first time in 20 years. Estimates put the figure at almost 4,000 deaths, a rise of approx. 9 percent over 2010.

The sector association for the international [aviation industry](#) sharply adjusted its profit forecasts a number of times in 2011 and now expects to see the sector posting annual profits of 6.9 billion US dollars, less than half the figure achieved in 2010.

By contrast, aircraft manufacturers reported record sales in the previous year as a result of huge aircraft orders from airlines to replace their aging fleets, tougher environmental requirements, higher aircraft fuel prices and rising passenger numbers. The manufacturer Airbus reported the highest order intake in its history in 2011 with orders for 1,419 aircraft, while Boeing received net orders for 805 aircraft. With aircraft deliveries of 477, Boeing also lagged behind the EADS subsidiary Airbus, which delivered 534 aircraft in 2011.

The international market for [security and defense technology](#), in which long-term planning and projects are a characteristic feature, by and large reported stable development in 2011. Despite the drive for savings in Europe and the USA, the major armaments groups increased their sales and profits up to and including the 3rd quarter 2011. In autumn 2011, the German Defense Ministry announced cutbacks in major military projects. Global spending on armaments in 2010 increased by its smallest level for ten years of just 1.3 percent to 1,630 billion US dollars according to the Stockholm International Peace Research Institute (SIPRI). The biggest increases in expenditure were in South America and Africa. As in the previous year, the USA accounted for nearly 43 percent of global spending on arms, ahead of China with just 7 percent. According to the report from the Federal German Government on arms exports, in 2010 Germany took a global market share of 11 percent, putting it in third place behind the USA and Russia.

1.6 General statement on the framework conditions

As at the editorial closing date for this report, Jenoptik is very well placed both in terms of the company and the markets.

Our three segments have an attractive range of products and services and a presence in the key high-tech markets which continued their positive development in 2011 as well as at the start of the current fiscal year. In 2011, we continued to expand and strengthen the international presence in our key regions. We successfully continued our strategy of opening up existing structures abroad to all the Group's segments. We pressed vigorously ahead with internal improvements.

Despite economic development being characterized by high levels of sovereign debt in the industrialized nations, political turmoil, e.g. in the Middle East and North Africa, and the natural disaster in Japan, the markets relevant for Jenoptik have so far reported stable to very good development. Supply shortages as a result of the natural disaster in Japan only arose in individual cases, which we were able to offset by taking quick countermeasures. We were also unaffected by the floods in Thailand and production cutbacks by local subcontractors as

our manufacturing is primarily carried out in Europe and North America. Some of our sectors have performed better than we had expected at the beginning of 2011. These mainly include the automotive and automotive supplier industry but also the semiconductor industry. The reductions in the defense budgets which had been approved in 2010 and 2011, primarily in the industrialized nations, have so far had no significant impact on projects in which we are involved.

Our objective of achieving profitable growth is generally benefiting from the framework conditions in which our company operates. In attractive growth markets we are one of the major suppliers with a local presence for customers worldwide.

2 ECONOMIC SITUATION

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

In the fiscal year 2011 we posted a better performance than had been originally expected. Following the sale of Jena-Optronik GmbH in December 2010, our aim was to at least compensate for the sales which had been "sold off" and to achieve organic sales growth of 6 percent. We have exceeded this objective and during the course of the year it became clear that we were able to achieve a markedly higher increase in sales due mainly to the high demand from the semiconductor and automotive industries. This prompted us to adjust the sales forecast in November 2011, giving us anticipated total sales of approx. 525 million euros for the full year 2011. Sales which had initially been expected for the 1st quarter 2012 were billed in December 2011, so we again clearly exceeded this sales forecast with sales of 543.3 million euros as at the end of the fiscal year and consequently achieved organic growth of 13.5 percent over 2010.

Group earnings from operating activities (Group EBIT) showed a similar performance during the course of 2011. Our target was to increase earnings at a markedly higher rate in proportion to the growth in sales. In March 2011, we had initially anticipated a Group EBIT in excess of 35 million euros. As a result of higher contributions to earnings from the Lasers & Optical Systems and Metrology segments, we were actually able to increase the earnings forecast in May 2011 to 40 million euros. Since we had achieved a very good sales performance in the 2nd half-year 2011 and fixed costs had increased at a lower rate than sales, we again increased the earnings forecast to the new figure of approx. 44 million euros in November 2011. Ultimately, as a result of the marked increase in the sales volume at the year-end, we posted a Group EBIT of 49.2 million euros in 2011.

We either met or actually exceeded our forecasts for the other key indicators for the full year which we had announced in March 2011. The good result led to an improvement in the free cash flow which, in turn, had a positive impact on net debt

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

Parameter	Status as at end 2010 ¹⁾	Forecast 2011 during the course of the year	Status as at end 2011	Explanation on Page
Group sales	478.8	March 2011: minimum 510 November 2011: approx. 525	543.3	57
Lasers & Optical Systems	188.9	> 195	217.1	83
Metrology	113.8	> 120	140.1	86
Defense & Civil Systems	173.9	> 180	183.3	89
Group EBIT	29.0	March 2011: more than 35 May 2011: 40 November 2011: approx. 44	49.2	57
Group order intake	534.6	slightly increasing	647.9	61
Net debt	79.3	stable	77.1	63
Free cash flow	31.6	roughly stable	44.0	65
Shareholders' equity ratio	44.9 %	slightly increasing	48.3 %	67
Balance sheet total	628.9	slightly increasing	644.0	66
Employees	2,951	approx. 3,050	3,117 ²⁾	70
R + D expenses	28.1	n. a.	32.0	75
Capex ³⁾	14.5	approx. 30	25.1	63
Net interest result	-12.0	-12	-11.9	59

1) On a comparable basis, i. e. excluding Jena-Optronik GmbH and the result of its deconsolidation.

2) Of which 63 employees due to the initial consolidation of the Chinese company

3) Excluding investment in financial assets

which we succeeded in reducing slightly to 77.1 million euros, contrary to our original expectations. We were spot on with some of our forecasts on the development of employees and total capital expenditure.

The quality of forecasts is measured by their reliability. In our opinion, it has become more difficult for companies to provide reliable predictions as a result of the uncertainty surrounding the general economic situation.

When we announced our preliminary figures for 2011, we also gave initial statements on the current fiscal year. The fiscal year 2012 has got off to a very good start. For example, in February 2012 we received the largest order in the history of Jenoptik's Traffic Solutions worth more than 40 million euros.

Nevertheless, the extent to which we will be able to exceed the high level for the various key indicators achieved in fiscal year 2011, the best year in Jenoptik's more recent history, will depend on numerous factors including the development of the semiconductor industry.

On the financing side, we have secured our position for the planned organic growth. We were successful in the issue of debenture loans for approx. 90 million euros which we placed on a very broad basis and at very good terms. This enabled us to not only repay loans which had been secured through guarantees from the Free State of Thuringia and the Federal Government but additional loans as well. Favorable interest rates will further reduce our financing costs in 2012.

The duration of the debenture loans is set for the medium term of 5 resp. 7 years. Thanks to our positive cash flow, we have been able to finance our organic growth and capital expenditure from our own resources. The shareholders' equity ratio, our balance sheet total and other financial and balance sheet indicators correspond to our size and business models.

Further information on the planned development of business in 2012 can be found in the forecast report from page 111.

2.2 Earnings situation

Important note. The figures for the previous year were adjusted for the sale of Jena-Optronik GmbH. The indicators in the annual report 2010 under “continuing business divisions” are now shown as the key indicators for the Group as a whole, enabling us to ensure direct comparison between the figures. This mainly relates to the items in the consolidated statement of comprehensive income. In the 2010 annual report the figures for Jena-Optronik GmbH had already been excluded from the balance sheet as well as from all other figures relating to the qualifying date for the previous year as at December 31, 2010 since the sale had taken place on December 2, 2010.

In the tables in the Management Report which categorize the key indicators by segment, the Corporate Center, Shared Service Center, real estate as well as effects of consolidation are included under “Other”.

DEVELOPMENT OF SALES AND EARNINGS

Sales. The Jenoptik Group posted sales of 543.3 million euros (prev. year 478.8 million euros) in 2011. This corresponds to sales growth of 13.5 percent and was achieved through pure organic growth, without any acquisitions. All three segments made a significant contribution toward the increase in sales in 2011, with the Metrology segment reporting the biggest rise of 23.1 percent. Information on the development of sales by the segments can be found in the segment reporting from page

85. The sales of 2.8 million euros from the non-operating areas, Other, are primarily attributable to rental sales with third parties and the consolidation effects. ^[17] ^[18]

Jenoptik generated 59.2 percent of its sales abroad at 321.5 million euros (prev. year 279.7 million euros or 58.4 percent), further increasing its export share. The European Union remained the key target region, accounting for 22.6 percent of Group sales (prev. year 23.1 percent), followed by the NAFTA region with 13.5 percent (prev. year 13.5 percent) and the South East Asia/Pacific region with 10.9 percent (prev. year 8.0 percent). With a 55.1 percent increase in sales in the growth region of Asia, the Group therefore achieved a marked level of growth, proportionately higher by comparison with the remaining regions. In the NAFTA region sales rose by 13.3 percent (calculated in euros) and by 20.4 percent on a dollar basis. ^[19]

The order of sales by target market showed a shift as against the previous year. As a result of the high level of demand from the automotive industry, sales with the automotive/machine construction sector were out in front, accounting for nearly 30 percent (prev. year security & defense technology with approx. 25 percent). In 2011 the top 5 customers accounted for 16.5 percent of group sales (prev. year 16.0 percent). ^[20]

Group operating result reached a record level of 49.2 million euros in the company’s more recent history (prev. year 29.0 million euros). Jenoptik therefore reported an EBIT margin of

^[17] SALES (in million euros)

	2011	2010	Change in %
Group	543.3	478.8	13.5
Domestic	221.8	199.1	11.4
Foreign	321.5	279.7	14.9

SALES BY SEGMENT (in million euros)

	2011	2010	Change in %
Group	543.3	478.8	13.5
Lasers & Optical Systems	217.1	188.9	14.9
Metrology	140.1	113.8	23.1
Defense & Civil Systems	183.3	173.9	5.4
Other	2.8	2.2	27.3

^[18]

9.1 percent, thus exceeding the 9-percent mark for the full fiscal year 2011. The 69.7 percent growth in the EBIT came from all three operating segments, led mainly by the Lasers & Optical Systems and Metrology segments. More efficient cost structures in all the Group's operating areas, together with the increased sales and resultant economies of scale, contributed toward the leap in earnings. All three segments increased their EBIT at a higher rate in proportion to the development of sales. Information on the segment EBIT is contained in the segment reporting from page 85. ^[21]

As at December 31, 2011 the ROCE of the Jenoptik Group (Return on Capital Employed) totaled 15.6 percent (prev. year 9.3 percent). This indicator represents the ratio between the operating result and tied operating capital. Jenoptik shows this indicator inclusive of goodwill and before taxes. For internal

controlling purposes, the indicator is also calculated excluding goodwill to improve comparability. For the calculation of ROCE the operating EBIT in the sum of 49.2 million euros is divided by the average tied operating capital in the sum of 314.8 million euros. The total tied operating capital is calculated on the basis of the non-finance related capital in the non-current assets (209.6 million euros) (such as intangible assets including goodwill, tangible assets and investment properties) plus the capital tied up in the current assets (276.4 million euros) (such as inventories, accounts receivable and other current receivables). Non-interest-bearing borrowings (170.5 million euros) (such as provisions – excluding pensions and taxes –, trade accounts payable and other non-interest-bearing liabilities) are deducted from this amount. The calculation of the average figure takes into account four quarter-end balances and the opening balance at the start of the year which corresponds to the

^[19] SALES BY REGION

(in million euros and % of total sales)

	2011		2010	
Group	543.3	100.0 %	478.8	100.0 %
Germany	221.8	40.8 %	199.1	41.6 %
EU	122.8	22.6 %	110.7	23.1 %
Rest of Europe	43.1	7.9 %	32.1	6.7 %
NAFTA	73.1	13.5 %	64.5	13.5 %
South East Asia/Pacific	59.4	10.9 %	38.3	8.0 %
Other	23.1	4.3 %	34.1	7.1 %

^[20] SALES BY TARGET MARKET

Markets (in million euros and % of total sales)

	2011		2010	
Automotive/machine construction	159.8	29.4 %	107.5	22.5 %
Aviation and traffic	106.4	19.6 %	103.7	21.7 %
Security and defense technology	104.9	19.3 %	121.9	25.5 %
Semiconductor industry/photovoltaics	78.7	14.5 %	65.7	13.7 %
Medical technology	31.7	5.8 %	32.8	6.8 %
Others/consolidation/real estate	61.8	11.4 %	47.2	9.8 %
Total	543.3	100.0 %	478.8	100.0 %

closing balance of the previous year. Consequently, the ROCE in 2011 was 7 to 8 percent higher than the average total costs of capital for the Jenoptik Group (WACC) which, according to an external study, showed an average figure of between 7.6 and 8.03 percent in 2011.

Group earnings before interest, taxes, depreciation & amortization (Group EBITDA) came in at 76.8 million euros (prev. year 60.1 million euros). ^[22]

The **financial result** totaled minus 14.2 million euros (prev. year minus 14.0 million euros). The small change was attributable to the investment result. Interest income at 1.8 million euros was almost the same as the previous year (prev. year 1.7 million euros) despite the reduction in income from guarantees. Interest expenses at 13.7 million euros (prev. year 13.7 million euros) did not change. This figure includes one-off early redemption charges for the repayment of loans and the costs for the restructuring of the group financing (see page 120). The lower interest rate paid on the debenture loans in the fourth quarter 2011 only led to a marked reduction in the interest burden after the other loans had been repaid. Interest expenses will therefore only fall sharply from January 2012. At minus 2.3 million euros, the investment result came in below the level in the previous year (prev. year 2.0 million euros). In 2010, a distribution payment from caverion GmbH which had been sold in the same year had a positive impact on the investment result. The

investment result in 2011 was characterized among other things by depreciation on loan claims against affiliated companies and investments.

Earnings before tax. As a result of the improvement in the Group EBIT, Jenoptik posted earnings before tax (Group EBT) of 34.9 million euros, equating to an increase of 132.7 percent over the comparable figure in the previous year of 15.0 million euros.

Income taxes totaled 4.4 million euros (prev. year 1.3 million euros). 94.5 percent of these were incurred on the domestic side and 5.5 percent abroad. In Germany Jenoptik is benefiting from the existing tax losses carried forward of JENOPTIK AG in the sum of approx. 400 million euros which are reducing taxes within the framework minimum taxation. The non-cash deferred tax income was 3.5 million euros (prev. year expense of 4.7 million euros). The effective tax quota of the Jenoptik Group therefore totaled 2.5 percent. For detailed information on taxes see Note 10 from page 153.

Earnings after tax came to 34.1 million euros (prev. year 9.0 million euros). With outside parties having a KEUR 25 share of the earnings, the net profit also totaled 34.1 million euros (prev. year 9.2 million euros). Earnings per share thus totaled 0.60 euros (prev. year 0.16 euros).

^[21] **EBIT** (in million euros)

	2011	2010	Change in %
Group	49.2	29.0	69.7
Lasers & Optical Systems	29.2	13.3	119.5
Metrology	12.0	8.6	39.5
Defense & Civil Systems	11.6	8.6	34.9
Other	-3.6	-1.5	-

EBITDA (in million euros)

	2011	2010	Change in %
Group	76.8	60.1	27.8
Lasers & Optical Systems	40.5	24.0	68.8
Metrology	15.4	12.1	27.3
Defense & Civil Systems	16.6	14.9	11.4
Other	4.3	9.1	-52.7

^[22]

EXPLANATION OF KEY ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

The items in the statement of comprehensive income essentially developed to reflect the expansion of business, albeit in part at a lower rate in proportion to the increase in sales. ⁽²³⁾

Cost of sales rose by 9.3 percent to 359.3 million euros (prev. year 328.6 million euros) and thus at a lower rate than sales. This was attributable in particular to the cost-cutting measures introduced as part of the Jenoptik Excellence Program, which entered its third year in 2011. Cost of sales also include costs arising from developments directly on behalf of customers in the total sum of 14.2 million euros (prev. year 14.4 million euros).

The gross profit on sales rose in line with this development to 184.0 million euros (prev. year 150.2 million euros); the **gross margin** increased to 33.9 percent (prev. year 31.4 percent).

Research and development expenses increased by 13.9 percent to 32.0 million euros (prev. year 28.1 million euros). More detailed information on research and development within the Jenoptik Group can be seen from page 77 of this report.

As planned, **selling expenses** rose at a slightly higher rate than to sales. Jenoptik is pursuing the strategy of establishing its own presence in key regions of the world and therefore investing primarily in its own sales structures. Selling expenses in 2011 totaled 61.9 million euros (prev. year 53.7 million euros), representing a rise of 15.3 percent.

General administrative expenses rose just slightly to 38.9 million euros (prev. year 36.5 million euros). This is also partially attributable to the expansion of the Group's own presence abroad, where Jenoptik is developing new infrastructures or expanding the existing ones which are then available to all the Group's areas.

Other operating income came in at 21.3 million euros (prev. year 22.5 million euros), remaining at virtually the same level as in the previous year. The key item was currency gains at 8.4 million euros. At 23.4 million euros **other operating expenses** were also virtually unchanged over the previous year (prev. year 25.4 million euros) and were characterized by currency losses and impairments of assets. More detailed information on the composition of these items can be found in the Notes on page 152.

⁽²³⁾ KEY ITEMS IN THE STATEMENT OF INCOME (in million euros)

	2011	2010	Change in %
Cost of sales	359.3	328.6	9.3
R + D expenses	32.0	28.1	13.9
Selling expenses	61.9	53.7	15.3
Administrative expenses	38.9	36.5	6.6
Other operating income	21.3	22.5	-5.3
Other operating expenses	23.4	25.3	-7.5

The complete statement of comprehensive income is contained in the consolidated financial statements on page 124 of this report.

ORDER BOOK SITUATION

In 2011, Jenoptik achieved a record **order intake** for recent years in the sum of 647.9 million euros (prev. year 534.6 million euros). The overall growth of 21.2 percent was primarily due to the Defense & Civil Systems and Metrology segments, which were awarded a number of major orders. Detailed information on the order intake of the segments can be found in the segment report from page 85. ^[24]

Order backlog. As a result of the high order intake, Jenoptik posted a book-to-bill ratio of 1.19 (prev. year 1.12), leading to an increase in the order backlog to 448.5 million euros (31.12.2010: 355.4 million euros). Approx. 55 percent of this backlog will result in sales in the current fiscal year 2012 (prev. year 65 percent); approx. 45 percent of this order backlog will impact on sales beyond the year 2012. ^[25]

2.3 Financial and asset situation

FINANCING ANALYSIS

The financial management of JENOPTIK AG plans and controls the demand and provision of liquid resources on a centralized basis. In 2011, the focus was on the successful issue of debenture loans and the associated replacement of all guarantee loans. Other tasks resulted from the further reduction of net debt. The Group's capital restructuring secures the operational business and creates potential for further organic growth.

Jenoptik has strengthened its financing by sharply reducing net debt and continuing to gradually expand the shareholders' equity basis over recent years. In the fiscal year 2011, the last step in the financial restructuring was the replacement of existing loans, secured through public guarantees, as well as additional loans, through the successful placement of debenture loans in the sum of 90 million euros. The new loans run for periods of 5 to 7 years and are repayable on maturity, in other words no redemption payments are made during the term.

^[24] **ORDER INTAKE** (in million euros)

	2011	2010	Change in %	2011 Book-to-bill-Ratio
Group	647.9	534.6	21.2	1.19
Lasers & Optical Systems	224.4	230.2	-2.5	1.03
Metrology	166.7	137.0	21.7	1.19
Defense & Civil Systems	254.5	163.7	55.5	1.39
Other	2.3	3.7	-37.8	n. a.

^[25] **ORDER BACKLOG** (in million euros)

	2011	2010	Change in %
Group	448.5	355.4	26.2
Lasers & Optical Systems	101.3	98.8	2.5
Metrology	69.0	45.1	53.0
Defense & Civil Systems	279.9	212.6	31.7
Other	-1.7	-1.1	-54.5

Another advantage these offer are financial covenants that in case of breach cannot lead to premature termination, only to an increase in the interest rate. In addition to the cash on hand, the Group can access liquidity from available credit lines and as yet unused loans in the sum of 98.2 million euros.

In the fiscal year 2011, **financial liabilities** reduced by 12 percent to 127.2 million euros (31.12.2010: 145.3 million euros). A large proportion of this reduction is attributable to the repayment of current financial liabilities. Jenoptik's portion of non-current financial liabilities as at end 2011 was therefore nearly 97 percent.

In 2011, Jenoptik's **non-current financial liabilities** remained almost constant overall and as at the year-end totaled 123.1 million euros (31.12.2010: 125.9 million euros). While there was virtually no change in the total non-current financial liabilities, the Group nevertheless carried out a comprehensive debt restructuring in the fiscal year 2011. Debenture loans in the sum of 90 million euro were used to replace existing loans, some of which had still been secured by public guarantees and entailed higher interest payments compared with the new financing. In addition to the financial liabilities to banks in the sum of 121.1 million euros (31.12.2010: 123.2 million euros), as in previous years liabilities from non-current finance leasing

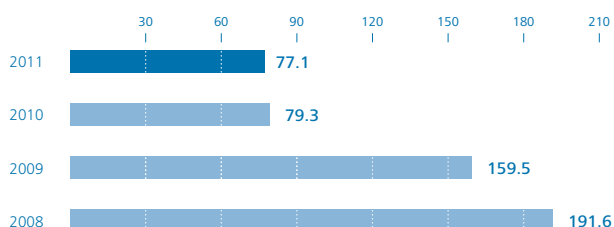
were of minimal importance and as at the year-end totaled 2.0 million euros (31.12.2010: 2.7 million euros).

The vast majority of the **current financial liabilities** as at the end of the fiscal year 2010 were repaid in 2011. As at the year-end 2011 they now totaled just 4.1 million euros (31.12.2010: 19.5 million euros).

The **debt to equity ratio**, defined as the ratio between borrowings (333.2 million euros) and shareholders' equity (310.8 million euros) fell further to 1.07 in the period covered by the report (31.12.2010: 1.23). The increase in shareholders' equity as a result of the positive net income for the year in the sum of 34.1 million euros, as well as the reduction in borrowings of 13.1 million euros contributed to this success. With a financing structure that has achieved virtual parity between shareholders' equity and borrowings, Jenoptik has a very sound financial footing. This will enable the Group to benefit on the one side from low borrowing costs and on the other from having sufficient flexibility e.g. for acquisitions.

The company's current solvency, expressed by the **net cash position**, remained virtually constant in 2011, totaling 46.0 million euros as at the year-end (31.12.2010: 46.6 million euros) and is defined as the total cash and cash equivalents and secu-

26 NET DEBT DEVELOPMENT (in million euros)



27 NET AND GROSS DEBT (in million euros)

	2011	2010
Non-current financial liabilities	123.1	125.9
Current financial liabilities	4.1	19.5
Gross debt	127.2	145.4
minus securities	1.3	0.8
minus cash and cash equivalents	48.8	65.3
Net debt	77.1	79.3

rities in the sum of 50.1 million euros (31.12.2010: 66.1 million euros) less the current financial liabilities in the sum of 4.1 million euros (31.12.2010: 19.5 million euros). The available cash and cash equivalents and proceeds from the debenture loans were mainly used to repay current liabilities.

Following the massive reduction in **net debt** in the fiscal years 2009 and 2010, Jenoptik succeeded in further reducing this level slightly in the period covered by the report. This success was based on the generation of high positive operating cash flows. As a result of the payment to one silent real estate investor and increased working capital requirements due to the expansion of the operating business, net debt in 2011 had initially increased slightly during the course of the year starting from the basis of 79.3 million euros on December 31, 2010. Following a very successful last quarter in financial terms, net debt finally reduced to 77.1 million euros as at December 31, 2011. The net debt is calculated by deducting cash and cash equivalents and securities from the total non-current and current financial liabilities. [26] [27]

In 2011 **gross debt**, as the Group's total financial liabilities, reduced sharply from 145.4 million (31.12.2010) to 127.2 million euros (31.12.2011).

ANALYSIS OF CAPITAL EXPENDITURE

Jenoptik invested 25.1 million euros in intangible and tangible assets, significantly more than in 2010 (prev. year 14.5 million euros). This increase is attributable entirely to the rise in capital expenditure on tangible assets in the sum of 23.0 million euros which also accounted for the majority of the capital expenditure. All the projects realized are the result of continuous and consistent investment management on a group-wide basis. As in the previous years, there was only minimal capitalization of development expenses. While capital expenditure rose in 2011 straight-line depreciation reduced to 23.3 million euros (prev. year 24.1 million euros) and impairments to 4.4 million euros (prev. year 7.0 million euros). [28] [29]

Investments in intangible assets remained constant in 2011 at 2.1 million euros (prev. year 2.0 million euros). The largest share, at 1.2 million euros, was invested in patents, trademarks and software (prev. year 0.9 million euros) and just 0.5 million euros in capitalized development expenses (prev. year 0.5 million euros).

Straight-line **amortization on intangible assets** totaled 4.9 million euros (prev. year 4.8 million euros) and as in the previous year primarily included amortization on patents, trademarks and software, capitalized development payments and regular

[28] CAPEX, DISINVESTMENTS AND DEPRECIATION (Intangible assets and tangible assets, in million euros)

	2011	2010	Change in %
Capital expenditure	25.1	14.5	73.1
Intangible assets	2.1	2.0	5.0
Tangible assets	23.0	12.5	84.0
Disinvestments	3.7	1.7	117.6
Intangible assets	0.2	-0.3	-166.7
Tangible assets	3.5	2.0	75.0
Net capital expenditure (investment less desinvestment)	21.4	13.7	56.2
Depreciation/amortization/impairment	27.7	31.1	-11.0
Intangible assets	5.0	7.7	-35.1
Tangible assets	22.7	23.4	-3.0

customers which will be deducted within the framework of the initial consolidation of goodwill and subject to straight-line amortization. Value adjustments to intangible assets following the impairment test, at 0.1 million euros, were insignificant.

Increased **capital expenditure on tangible assets and investment properties** was aimed mainly at the expansion of the production areas and capacities. On the one side, this involved the expansion of the production facilities in the Defense & Civil Systems segment in Altenstadt and on the other the expansion of the diode laser manufacturing facility for the Lasers & Optical Systems segment in Berlin which is currently under construction. At 23.0 million euros, total investment was markedly up on the figure for the previous year (prev. year 12.6 million euros). The biggest increase is attributable to payments made on-account and assets under construction (2011: 9.8 million euros; prev. year 3.0 million euros), followed by investment in technical equipment and machinery (2011: 6.5 million euros; prev. year 5.6 million euros) and other equipment, factory and office equipment (2011: 5.4 million euros; prev. year 4.2 million euros).

Straight-line **depreciation on tangible assets and investment properties** totaled 18.4 million euros (prev. year 19.5 million euros) and therefore exceeded the capital expenditure on tangible assets. Impairments increased over the previous year to 4.3 million euros (prev. year 3.9 million euros).

ANALYSIS OF CASH FLOWS

The operating profit before changes in working capital increased sharply to 80.3 million euros. This was due mainly to the good operative earnings situation. As in previous years, Jenoptik was also able to meet all expenditure for investment and capital costs out of current cash flows in 2011.

As a result of the expansion of business, the Group's working capital requirements increased by 24.3 million euros, among other things for the major order in Saudi Arabia. Despite this increase in tied capital, the operating results achieved by the segments produced a marked rise in **cash flow from operating activities** in the sum of 65.6 million euros (prev. year 41.6 million euros). One of the contributory factors to the rise was the liquidation of a cash flow reserve which had been made in 2010 for the exit by a silent real estate investor and paid out in 2011. ⁽³⁰⁾

Cash flow from investing activities reflects the increased capital expenditure by the Group for the expansion of production. This was invested among other things in the Altenstadt site where energy systems are manufactured in the Defense & Civil Systems segment as well as in the expansion of the manufacturing facilities for basic bar material for high-power diode lasers of the Lasers & Optical Systems segment in Berlin. In addition, the

⁽²⁹⁾ CAPEX BY SEGMENT (Intangible assets and tangible assets, in million euros)

	2011	2010	Change in %
Group	25.1	14.5	73.1
Lasers & Optical Systems	12.9	6.3	104.8
Metrology	2.2	2.3	-4.3
Defense & Civil Systems	8.5	4.2	102.4
Other	1.5	1.7	-11.8

acquisition of a minority stake in an US-American company in the Metrology segment increased the capital expenditure on financial assets. The negative cash flow totaled minus 29.3 million euros compared with a cash inflow from investing activities in the previous year in the sum of 31.1 million euros resulting from the proceeds of the sale of Jena-Optronik GmbH. ^[30]

The **free cash flow** gives an insight into the company's long term financial strength and is calculated on the basis of the cash flow operating activities before interest and taxes in the sum of 67.3 million euros, less the expenditure for operating investing activities in the sum of 23.3 million euros. In the period covered by the report, the free cash flow totaled 44.0 million euros, a sharp rise over the previous year (prev. year 31.6 million euros).

The **cash flow from financing activities** was influenced by the reorganization of the Group's financial borrowings resulting from the successful issue of the debenture loans in the sum of 90 million euros and the associated repayment of existing loans. Early redemption charges for the abovementioned loans and the payment to the silent real estate investor were shown as cash outflow. The cash flow from financing activities came in at minus 53.7 million euros compared with a figure of minus 19.0 million euros in the previous year which had been charac-

terized to a significant extent by proceeds raised from the increase in capital in March 2010 as well as by a reduction in loans. ^[30]

ANALYSIS OF THE ASSET STRUCTURE

The balance sheet items as at December 31, 2010 and December 31, 2011 can be compared with each other. The impact of the initial consolidation of JENOPTIK (Shanghai) Precision Instruments and Equipment Co. Ltd., China, Shanghai as at November 17, 2011 is minimal and therefore does not affect the comparability of the figures.

The Group's financing structure was reorganized in the previous fiscal year as a result of the debenture loans issued in autumn 2011. The balance sheet total increased by approx. 15.1 million euros thanks to the good development of business.

The accounting and valuation methods applied for purchases of companies, intangible and tangible assets including investment properties (real estate which is primarily leased to third parties) as well as financial instruments, in particular securities held for sale, are shown in the Notes to the annual report from page 134.

^[30] CASH FLOW (in million euros)

	2011	2010 ¹⁾
Cash flow from operating activities before changes in working capital	80.3	56.3
Cash flow from operating activities	65.6	41.6
Cash flow from investing activities	-29.3	31.1
Cash flow from financing activities	-53.7	-19.0

1) Continuing business divisions

The **balance sheet total** of the Jenoptik Group increased in the 2011 fiscal year just past to 644.0 million euros (31.12.2010: 628.9 million euros) as a result of the expansion of business. The 15.1 million euro rise is primarily attributable to higher inventories, trade accounts receivable, other assets, changes in consolidated companies as well as to an increase in shareholders' equity.

Non-current assets, at 312.9 million euros, remained at the same level as in the previous year (31.12.2010: 310.7 million euros). Financial assets increased in 2011 to 22.8 million euros (31.12.2010: 16.8 million euros). This is due to the acquisition of a minority stake in an US-American company in the Metrol-ogy segment. By contrast, intangible assets fell to 68.9 million euros as a result of amortization (31.12.2010: 72.4 million euros). At 55.9 million euros, business and company goodwill was the largest item included in intangible assets (31.12.2010: 56.2 million euros). ^[31]

Tangible assets were only down slightly at 138.2 million euros (31.12.2010: 139.4 million euros). The main reductions were in buildings, including buildings on third party land as well as technical equipment and machinery, while on-account payments received and assets under construction increased due to the expansion of business.

Sales of real estate not required for operating purposes led to a small reduction in investment properties down to 20.6 million euros (31.12.2010: 22.1 million euros).

Current assets rose by 12.9 million euros to 331.1 million euros (31.12.2010: 318.2 million euros). This is mainly due to the growth in inventories to 169.1 million euros (31.12.2010: 148.8 million euros) as well as to trade accounts receivable and other assets to 111.9 million euros (31.12.2010: 103.3 million euros) resulting from the positive development of business. By contrast, cash and cash equivalents reduced to 48.8 million euros (31.12.2010: 65.3 million euros), primarily as the result of loans being repaid.

The **working capital** is defined as the total derived from trade accounts receivable and inventories, less trade accounts payable, liabilities arising from PoC (percentage of completion) and on-account payments received. As at the end of the fiscal year 2011, the working capital totaled 190.4 million euros and was therefore up on the figure for the end of 2010 (31.12.2010: 164.6 million euros) as a result of the continuing pickup in business. The working capital quota, the ratio between working capital and sales, was 35.0 percent (31.12.2010: 34.4 percent).

^[31] COMPOSITION OF THE NON-CURRENT ASSETS (in million euros)

	2011		2010		Change in %
Intangible assets	68.9	22.0 %	72.4	23.3 %	-4.8
Tangible assets incl. investment properties	158.8	50.8 %	161.5	52.0 %	-1.7
Financial assets	22.8	7.3 %	16.8	5.4 %	35.7
Other non-current assets	7.0	2.2 %	9.1	2.9 %	-23.1
Deferred tax assets	55.4	17.7 %	50.9	16.4 %	8.8
Total	312.9	100.0 %	310.7	100.0 %	0.7

As a result of the profit generated in the fiscal year 2011, the **shareholders' equity** including minority holdings increased by 28.3 million euros to 310.8 million euros (31.12.2010: 282.5 million euros). Since the balance sheet total as at December 31, 2011 increased at a lower rate in proportion to the shareholders' equity, there was an improvement in the **shareholders' equity quota**, the ratio between shareholders' equity and balance sheet total, from 44.9 percent as at the end of 2010 to the new figure of 48.3 percent. ^[33]

Non-current liabilities were only slightly lower in 2011 by 3.4 million euros to 161.9 million euros (31.12.2010: 165.3 million euros). While other non-current liabilities showed a slight increase, other non-current provisions and non-current financial liabilities showed small falls.

In October 2011, Jenoptik had successfully placed debenture loans on the market in the sum of 90 million euros and with a term of 5 resp. 7 years. The proceeds from the transaction were used for the premature repayment of guarantee loans as well as other loans maturing over the next twelve months, resulting in a restructuring of the total financing over the long term.

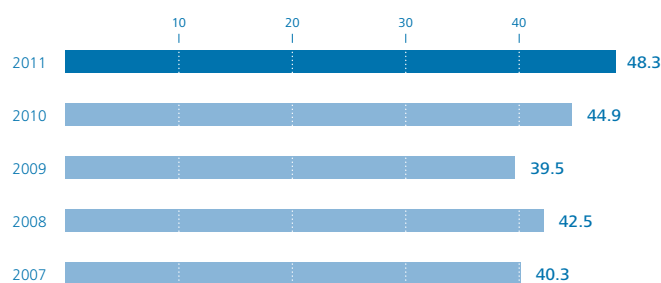
Current liabilities fell by 9.7 million euros to 171.3 million euros (31.12.2010: 181.0 million euros). Since the proceeds from the issue of the debenture loans were also used to repay loans that would have become due in the fiscal year 2012, the reduction in current financial liabilities contributed toward the fall in current liabilities. Other current provisions also fell in particular due to the payment to a silent real estate investor. By contrast, other current liabilities rose to 110.7 million euros (31.12.2010: 97.3 million euros) as a result of the increased volume of business. This item includes in particular the liabilities from the operating business activities (liabilities arising from on-account payments received as well as trade accounts payable). ^[34] ^[35]

Clauses which take effect in the event of a change of control in the shareholder structure of JENOPTIK AG as the result of a takeover bid apply to a joint venture agreement as well as for various financing agreements with a utilized volume of approx. 94.8 million euros (prev. year 91.4 million euros). Further information can be found in the Management Report under Remuneration System from page 46 as well as under Information on takeover law from page 40.

^[32] CASH AND CASH EQUIVALENTS (in million euros)

	2011	2010
Cash/credit bank balances	48.8	65.3
Current securities	1.3	0.8

SHAREHOLDERS' EQUITY RATIO (in percent) ^[33]



EXPLANATION OF PURCHASES AND SALES OF COMPANIES

In fiscal year 2011 Jenoptik acquired the remaining shares (15 percent) in Hommel Telstar Shanghai Co., Ltd. and renamed the company JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd. thus bundling all activities of the Jenoptik Group on the Chinese market. The company has been included in consolidation since November 17, 2011.

In addition, a minority shareholding was acquired in an US-American company in the Metrology segment. As part of the continued strategic focus, InnovaVent GmbH, Göttingen, was deconsolidated with effect from August 1, 2011 through a management buyout. Kahlert Technology GmbH acquired all the shares in the company. At the Göttingen site, the company has nine employees who will continue to be employed. The sale had no material impact on the earnings, financial and asset situation of the Jenoptik Group.

ASSETS AND LIABILITIES NOT INCLUDED IN THE BALANCE SHEET

A main asset not included in the balance sheet is the value of the Jenoptik brand. In October 2011, the firm of semion brand broker gmbh recalculated a brand value of 85 million euros (prev. year 85 million euros). According to the agency, the Jenoptik brand is therefore one of the 50 leading German brands, occupying the Number 39 spot in the rankings (prev. year 39). In order to strengthen the brand image, a brand positioning was drawn up in 2010 and 2011, on the basis of which Jenoptik will begin a global, standardized communication of its brand in terms of image.

Jenoptik predominantly manufactures capital goods and is both a supplier to and partner for industrial companies. Our technology-intensive products and systems are often created in close collaboration with the client. This requires mutual confidence on both sides as well as knowledge of the client's needs. We therefore see long-term collaboration with many of our key customers as an important intangible asset. The good relationships with our customers are reflected, for example, in the orders we have received in the sum of approx. 200 million euros which extend beyond the year 2012 (prev. year 123.6 million euros).

34 FINANCIAL LIABILITIES BY DUE DATE (in million euros)

	Up to 1 year		1 – 5 years		Over 5 years		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Liabilities to banks	3.4	18.5	68.2	83.7	52.9	39.5	124.5	141.7
Liabilities from finance lease	0.7	1.0	1.4	1.7	0.6	1.0	2.7	3.7
Total	4.1	19.5	69.6	85.4	53.5	40.5	127.2	145.4

We also consider our employees' know-how and experience gained over many years, as well as their highly committed approach and loyalty to the company, as part of the intangible assets. This is borne out in our view by the low fluctuation rate of 3.6 percent (prev. year 2.5 percent).

The success of our product and technology developments is crucial to our technology-intensive business. As such, we believe that our years of expertise in research and development, as well as process and project know-how, are another important intangible asset. We are helped in this context by our numerous partnerships, contacts with suppliers and business partners worldwide, as well as with universities, institutes of applied science and research institutions. We also benefit from the reputation of our main location Jena which is highly renowned among both scientists and clients as an "Optical Valley". We are conscious of this reputation and promote the scientific, cultural and social aspects of the location. Our sponsorship activities at the Jena site are focused on the develop-

ment of and training for young people and on making the location more attractive. In 2011, these activities totaled approx. KEUR 200 (prev. year KEUR 200).

Further information on the subjects of employees as well as research and development can be found in the annual report from page 72. Information on contingent liabilities not shown in the balance sheet can be found in the Notes on page 144.

Once again, in the fiscal year 2011, total intangible assets not shown in the balance sheet were not subject to any valuation.

Relevance of off-balance sheet financing instruments to the financial and asset situation. Jenoptik does not utilize any off-balance sheet financing instruments such as e.g. sales of accounts receivable or asset-backed securities. Regarding operating leases we refer to Note 16 from page 160.

35 COMPONENTS OF INTEREST-BEARING LIABILITIES (in million euros)

	2011	2010
Current	4.1	19.5
Loan liabilities	3.4	18.5
Finance lease liabilities	0.7	1.0
Non-current	123.1	125.9
Loan liabilities	121.1	123.2
Finance lease liabilities	2.0	2.7

3 DEVELOPMENT OF THE KEY PERFORMANCE INDICATORS

3.1 General statement on the development of the key performance indicators

The main developments in employees during the fiscal year just past are in line with our strategic orientation and objective of pressing ahead with our international presence. We have accordingly continued to develop the organization, established new locations abroad and expanded existing ones and continued to amalgamate structures. The number of employees grew at a lower rate in proportion to sales, in line with our objectives. The focus of the expansion in employee numbers is on abroad. We have intensified our work on further education and HR marketing, the key factor in this context being the objective of attracting skilled workers to the company, a commitment that we will be continuing in 2012. Since we are a Group which is driven by innovation, we pursue development projects in clear structures together with partners. In 2011, we succeeded in firmly establishing ideas management within the Group.

As at the closing editorial date for this report, development with the key measures in the areas of employees, research & development, procurement, organizational development as well as quality and environmental management is in line with our strategic orientation and our core objectives for future development and will be continued on a consistent basis in 2012.

3.2 Employees

EMPLOYEE NUMBERS AND STRUCTURE

The number of Jenoptik employees as at the year-end 2011 increased to 3,117 (31.12.2010: 2,951) and therefore by 5.6 percent. This increase is mainly attributable to the Lasers & Optical Systems segment with an additional 62 employees and Metrology with an additional 87 employees. The number of Jenoptik employees abroad also rose by 81, 63 of whom were in conjunction with the initial consolidation of JENOPTIK Shanghai Precision Instruments and Equipment Co. Ltd. as at November 17, 2011. As at December 31, 2011, a total of 397 personnel and therefore 12.7 percent of the workforce were employed abroad (31.12.2010: 316). ^[36] ^[37]

In 2011 volatile order situations were also cushioned through the use of temporary workers. Temporary workers were mainly employed by the Lasers & Optical Systems and Defense & Civil Systems segments. As at the qualifying date of December 31, 2011, the number of temporary workers was 143 (31.12.2010: 90). Short-term working in 2011 was carried out in a small area in the Lasers & Optical Systems segment and the Shared Service Center and for a limited period only.

^[36] EMPLOYEES AS AT DECEMBER 31 BY SEGMENT
(incl. trainees)

	Total		Change in %
	2011	2010	
Group	3,117	2,951	5.6
Lasers & Optical Systems	1,296	1,234	5.0
Metrology	719	632	13.8
Defense & Civil Systems	924	931	-0.8
Other	178	154	15.6

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

	Total		Change in %
	2011	2010	
Domestic	2,720	2,635	3.2
Abroad	397	316	25.6
Europe (excl. Germany)	104	103	1.0
NAFTA	230	213	8.0
South East Asia/Pacific ¹⁾	63	0	++

1) Through initial consolidation of JENOPTIK (Shanghai) PIE

Personnel expenses in 2011 totaled 183.8 million euros (wages, salaries, social security contributions, pension costs) and so were 3.5 percent up on the level for the previous year (prev. year 177.5 million euros). In 2010, the figure for personnel expenses included costs for personnel-related measures in the sum of 2.2 million euros. The breakdown of personnel expenses into wages and salaries as well as social security and pension costs is given in Note 27 from page 27 and on page 180.

The personnel intensity, the ratio between personnel expenses and sales, fell from 37.1 percent in the previous year to the new figure of 33.8 percent as a result of a 13.5 percent increase in sales and inspite of the slight rise in personnel expenses. Information on the distribution of the added value is shown on page 84 of this report. ^[38]

Sales per employee increased to 187,733 euros per employee (prev. year 171,000 euros per employee). Despite increased employee numbers, this indicator rose as a result of the marked increase in sales. ^[39]

The **employee structure** shows an essentially balanced picture in terms of age distribution. At one location in the Defense & Civil Systems segment, appropriate measures were taken to ensure this remains the case in the future. In Germany, 72 employees took advantage of partial retirement models (prev. year 84 employees). In 2011, approx. 25 percent of these were

still active (prev. year approx. 60 percent). As at the end of December 2011 the proportion of women in the Group (without Asia) was 26.6 percent and therefore slightly down on the figure for the previous year (31.12.2010: 27.1 percent). ^[40]

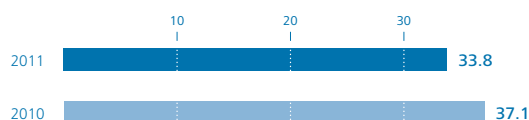
In fiscal year 2011, the absenteeism rate in Germany was 4.00 percent (prev. year 3.77 percent) as at December 31, 2011. The fluctuation rate in Germany was 3.6 percent (prev. year 2.5 percent).

Personnel controlling. The implementation of a personnel controlling system in 2010 enables measures to be defined on the basis of key indicators and implemented in conjunction with the segments. A detailed personnel planning improved the control of recruitment measures and the associated personnel processes. In addition, August 2011 saw the introduction of a central SAP landscape for harmonization of the personnel processes within the Group. In future an integrated and standardized HR management system shall be available to all users in the same form.

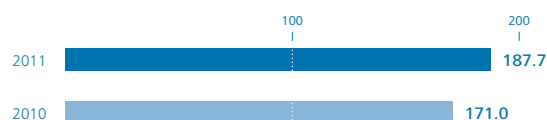
REMUNERATION OF EMPLOYEES

At the Jena site, the remuneration for approx. 800 employees and trainees is based on a collective wage agreement. A new form of the collective wage agreement took effect on April 1, 2011, providing for a two stage increase in the employees' wages and salaries: these were increased by 3 percent as at

^[38] **PERSONNEL INTENSITY** (as an percentage of sales)



SALES PER EMPLOYEE (in KEUR)



July 1, 2011, with an additional increase of 0.95 percent being applied as at March 1, 2012. In addition, the Career Academy students and trainees for the corresponding training year were treated the same for remuneration purposes. The collective wage agreement can be terminated giving three months' notice, with the first option date being as at September 30, 2012.

The collective wage agreement also provides for an employee profit-sharing scheme, comprising a group component and a component of the division. The group component stipulates a proportional distribution from the group earnings before tax (EBT) for each employee. The component of the division stipulates the proportional distribution founded on a base amount in the sum of one half of the individual monthly salary. In this context, this basis is dependent upon the level of attainment of the budgeted division earnings before interest and taxes in percentage terms compared with the earnings before interest and taxes actually achieved at the year-end. For the distribution of the component of the division, the parties can agree a rule which deviates from the payment group related distribution, providing this does not change the overall amount of the distribution payments for the employees concerned. The distribution is capped and will not be made below a minimum EBIT.

An increase of 2.7 percent based on the gross salary was awarded for employees of the Group covered by the general collective wage agreement of the metal and electronics industry and will be applied as at April 1, 2011. The relevant collective wage agreements were terminated by the IG Metalltrade union as at March 31, 2012. Negotiations on this will take place in spring 2012. At the Monheim site, an increase of 2.0 percent based on the gross basic salary was awarded as at July 1, 2011.

The basic salaries for the employees (including trainees) of JENOPTIK Polymer Systems GmbH at the Triptis, Berlin and Mühlhausen sites were increased by 3.0 percent as at Janu-

ary 1, 2012. This excludes the employees of the Management Group 1 who are covered by individual rules in this respect.

Furthermore, since 2001 Jenoptik has been offering an employee-financed model for retirement provision. The model is based on a three-pillar concept with relief fund, metal industry retirement scheme as well as private pension contracts with Allianz Lebensversicherung AG. Pension commitments are not issued by Jenoptik in general. The existing pension obligations of ESW GmbH were taken over by Jenoptik, and combined and secured within a Contractual Trust Arrangement (CTA). Further details can be found in the Notes from page 166.

MANAGEMENT REMUNERATION

The remuneration system for the Jenoptik Management is based on fixed remuneration and a variable salary component which are geared towards the earnings and free cash flow of the respective business unit and, in part, of the Group as a whole as well. Individual strategic and personal targets are also agreed. The target agreements for employees of JENOPTIK AG (Holding) contain a breakdown into personal and group-related targets. The group-related targets are geared towards the earnings of the Group. With individual members of the top management a Long-Term Incentive component (LTI) was agreed as part of the variable remuneration in 2011. This is based on virtual shares and provides an incentive for long-term commitment and promotes the company's sustainable development.

The principles for the allocation and payment of the virtual shares essentially follow the principles which apply for the Executive Board and are explained in the remuneration report on page 46 of this annual report. This applies in particular to the period of for years between allocation and the payment. As the respective contracts of service are usually not concluded for a fixed term, contrary to those of the Executive Board, there are specific stipulations regarding the payment of the virtual shares in the case the service will be terminated.

EDUCATION AND FURTHER TRAINING

Training is a key element in the Group and is designed to secure the supply of skilled personnel. The aim is to attract young people by providing high quality training geared to requirements and to gain their long-term loyalty to the company. In this context, Jenoptik's training is oriented toward market standards as well as technology trends and new market impulses.

Trainees and students of the career academies. At the beginning of the training year in August 2011, 38 trainees and career academy students began their training at the Group's German locations. In spring and summer 2011, 39 trainees and two students of the career academy successfully completed their training. A total of 124 young people were undergoing training throughout the Group as at December 31, 2011. Of these, 119 were receiving training at the German locations, five at locations in France and Switzerland. Over the long term, the training for young people is to be extended also to locations outside Germany. Training is provided primarily in the commercial and technical professions such as electronics engineers, mechatronics technicians and precision optics technicians. The Group also provides training for employees in the commercial professions. In Thuringia, the next generation of leaders receive their training in the optical, precision mechanic, electronic and commercial professions in conjunction with the Jena-based Training Center, where ten trainees and five students of the

career academy started their training in 2011. Since it is becoming increasingly difficult to recruit trainees as a result of the demographic trend in Germany, new measures were introduced in 2011, e. g. practical internships for students, in order to encourage larger numbers of applicants.

Academic trainees. In addition to providing training for skilled workers, the HR work also focuses on graduate support and their subsequent recruitment. The Jenoptik Group awards both practical internships as well as opportunities for theses in the areas of technology, natural sciences and commerce. In 2011, a total of 13 theses were successfully completed. Jenoptik also offers internship activities which have a technical link to the respective course. In 2009, Jenoptik awarded its first doctorate scholarship on the subject of lasers & material processing at the Institute of Applied Sciences in Jena. Other measures are described in the section entitled HR marketing and career advice from page 76 of this report.

Personnel development. In 2011, Jenoptik invested a total of 1.3 million euros (prev. year 1.2 million euros) in employee education and further training, with 1,471 employees benefiting from this, approx. 13 percent more than in 2010 (prev. year 1,303). The personnel development demand is determined once a year as part of a training needs analysis, with the training offers then being adapted to the identified demand. In addition to project management, the focus of the further training activities in 2011 was on training courses in the areas of methodology and personal skills. In 2011, Jenoptik laid the foundations to better support in future the business units regarding personnel development issues and to serve the needs on a centralized basis on the program level. The aim from 2012 is to have centralized further training offerings set out clearly in a corresponding program manual.

40 AGE STRUCTURE OF THE EMPLOYEES (in percent)

	2011	2010
Over the age of 55	20.5	19.1
30 to 55	63.7	65.5
Below the age of 30	15.8	15.4

Jenoptik Junior Leadership Program (J²LP) and leadership development. The J²LP is an important building block in personnel development, its purpose being to provide targeted development and the promotion of potential leaders from among the Group's own ranks. In 2011, 17 4th and 5th generation participants successfully completed the program. At the same time, two further generations, involving a total of 19 participants, successfully started the program. In conjunction with the J²LP, a management program was designed in 2011 and will be implemented in 2012. Leaders will receive training in corresponding theme-related areas in order to ensure their integration in terms of content and culture and to press ahead with the same management instruments in the company.

ATTRACTING QUALIFIED EMPLOYEES

Recruitment. In 2011 the recruitment activities were intensified and supported with the corresponding processes. The increase in the development of the international business called for the implementation of international recruitment concepts and measures, with the areas of focus in this respect on the USA and China. In addition, framework conditions were drawn up and introduced on a group-wide basis for secondments and in Asia for the local contract structure. In 2012, recruitment in the national and international environment will remain a key theme in which the international development and expansion of sales, service and project structures will be the main characteristic features.

In 2011, the subject of "Onboarding", the integration of new employees into the company, was further developed and underpinned in individual areas with corresponding measures. In this context new employees are to be introduced and integrated into the Jenoptik organization on a structured basis. In 2011, numerous new employees were recruited, fulfilling the specific requirements within the framework of the business and market environment. The areas of focus abroad were on the USA and China as well as on France and Switzerland.

HR marketing and career advice. HR marketing is an essential element of the strategic HR work. It is the foundation for continual development of the employer brand on the international labor market and creates the conditions required to secure the long-term recruitment of qualified employees. These include academics from the natural and engineering sciences and economics, as well as well-trained specialists and skilled workers. In 2011, the Group was again included on the trendence Graduate Barometer and placed 106th for engineering sciences. The Jenoptik target groups are students and graduates, specialists and skilled workers as well as executives.

In order to reach future **graduates** in good time and to make professions in technology and the natural sciences attractive to students, Jenoptik maintains a number of cooperation arrangements with schools. As part of these arrangements, the students are offered the opportunity to take guided tours of the business and attend workshop platforms. In Thuringia, some of these measures are also carried out in collaboration with the Jenaer Bildungszentrum gGmbH Schott, Zeiss, Jenoptik Training Center in which Jenoptik has been a stakeholder since 2009. Jenoptik also offers trial apprenticeship and a career information camp. In addition, Jenoptik attended relevant career information markets and organized interactive platforms at the schools themselves. Since 1991, Jenoptik has been a regional sponsor of the Thuringia regional competition "Jugend forscht" (research by young people) and from 2012 will also be sponsoring the new regional competition created in Thuringia entitled "Schüler experimentieren" (experimenting by students). This is Jenoptik's contribution to support the development of talent among students and young people in the areas of natural sciences/technology.

In order to meet the specific needs of the graduates, Jenoptik offers a wide range of measures. In addition to attending supra-regional and internationally oriented university trade fairs, these also include the media presence in trade magazines and career and university magazines. Jenoptik organizes regular events such as guided tours of the plants, workshops and pre-

sentations. Jenoptik also provides both content as well as financial support for recipients of scholarships from the Stiftung Deutscher Wirtschaft and the AIESEC. This initiative encourages willing and, in particular, capable students. Jenoptik has also been a participant in the "Deutschland stipendium" scholarship program and provides support for talented students from the Technical University Ilmenau throughout their entire studies. The "Light Alliance" highlights the attraction of taking up a career particularly in the photonics industry. Jenoptik is a member of this initiative of the industry association Spectaris together with other industrial companies. The attractive opportunities of taking up a career in the photonics industry are demonstrated to graduates and young professionals in a various ways.

The (young) professionals are an increasingly important target group on the labor market, which is becoming increasingly more problematical from the demographic viewpoint. Jenoptik has positioned in this area as an attractive employer that offers social and cultural facilities, such as the workskindergarten, flexible working hours and other cultural and financial themes. A network aimed at providing better support in the future for attracting the target groups and consequently avoiding the problems posed by the demographic trend was established in 2011 through various platforms and service providers. Jenoptik is also represented at corresponding corporate contact fairs and events for this target group, where it presents itself as a potential employer.

3.3 Research and development

As a technology group, research and development (R+D) is a key element of Jenoptik's corporate activities. Innovations and all activities involving R+D are crucial to the company's future competitiveness. The core aspect is to develop marketable products with key unique selling points. What this means for the positioning in the B2B business is strengthening the competitiveness of the industrial client with the help of innovative products and technologies and in this way enhancing his own earnings strength.

DEVELOPMENT COSTS

The R+D output of the Jenoptik Group, including developments on behalf of customers, totaled 45.4 million euros in 2011 (prev. year 42.0 million euros), an increase of 8.1 percent. As a result of the stronger rise in sales, the R+D quota of the development services was 8.0 percent (prev. year 9.0 percent). The R+D output includes capitalized development costs in the sum of 0.5 million euros (prev. year 0.6 million euros), development costs in the sum of 14.2 million euros (prev. year 14.4 million euros) directly on behalf of customers, as well as the R+D expenses. In this context, depreciation on capitalized development costs in the sum of 1.3 million euros (prev. year 1.1 million euros) is deducted from the R+D expenses since it represents an innovation output of the previous periods but not the current period. ^[41] ^[42]

^[41] R + D OUTPUT BY SEGMENT (in million euros)

	2011	2010	Change in %
Group	45.4	42.0	8.1
Lasers & Optical Systems	16.8	15.8	6.3
Metrology	13.9	10.0	39.0
Defense & Civil Systems	14.6	16.1	-9.3
Other	0.1	0.1	-

R + D OUTPUT (in million euros)

	2011	2010	Change in %
R + D expenses	32.0	28.1	13.9
Capitalized development services	0.5	0.6	-16.7
Less depreciation on capitalized development costs	-1.3	-1.1	-18.2
Developments on behalf of customers	14.2	14.4	-1.4
R + D output	45.4	42.0	8.1

The R+D output is divided almost equally between the segments. As a result of its business model, the Defense & Civil Systems segment has the largest portion of the development costs directly on behalf of customers. The segment is a long-term partner for large systems companies and develops platform technologies in conjunction with the clients.

R+D expenses totaled 32.0 million euros in 2011, representing a 13.9 percent increase over the previous year (prev. year 28.1 million euros). These primarily comprised personnel expenses, third party and material services as well as depreciation. Real investments are comparatively low, as these are essentially limited to the laboratories and workplace equipment.

As at the year-end 2011, Jenoptik employed a total of 405 personnel in research and development (prev. year 396) and therefore almost the same number as in the previous year.

CREATION OF INNOVATIONS AT JENOPTIK

Jenoptik acquires innovations and know-how both from its own resources as well as in close collaboration with partners and scientific institutions and, to a lesser extent, through buying these in.

The **innovation process** in the Jenoptik Group is multi-stage and adheres to the stipulated requirements of the central innovation management. Development projects are assessed on the basis of corresponding milestones and involve both products as well as process innovations. The best ideas are nominated each year for the Jenoptik Innovation Award, which is presented in the autumn of the corresponding year during the Jenoptik Innovation Days. The 2011 Jenoptik Innovation Award was won by the internal test sensor IPS 100 HiRes from the Metrology segment. It received particular praise for its collaborative character within the Group. Teams from various segments and nations worked together on the innovation. Specific innovations from the year 2011 can be found in the segment reporting from page 85.

In the innovation process, Jenoptik works together both with university as well as non-university institutions and lead customers. The objectives of research cooperation arrangements range from market-oriented development, to development within alliances, to reducing development timeframes through access to specialist know-how. The Group's key **R+D partners** within the field of scientific institutions, include, among others,

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

Ideas management processes had been introduced in all three of the Group's segments in 2010. Backed by various incentive systems, employees are able to submit ideas for innovations. In 2011, more than 100 new qualified ideas were added to the innovation pipeline.

Patents. In 2011, a total of 46 patents were registered in the Jenoptik Group (prev. year 68). However, the reduction in the number of patent registrations should not be interpreted as a lessening of the inventiveness on the part of the R+D departments. The reason for this is a change in the registration strategy with a more strongly strategically-oriented process for evaluating the invention applications which have been submitted.

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

The **government subsidies** provided by the states, Federal Government or EU for research projects totaled 2.5 million euros in 2011 (prev. year 2.5 million euros). As in the previous year, R+D combined projects accounted for the majority of the public subsidies.

The so-called **Scientific Advisory Board** is a committee of high quality scientists which is available to Jenoptik for monitoring and evaluating long-term technology trends. The Advisory Board comprises representatives from scientific institutions. More detailed information on the members of the Scientific Advisory Board can be found on page 189.

Jenoptik is a strong supporter for an environment that encourages innovation and promotes the image of photonic technologies. In addition to the commitments listed on page 76 in conjunction with the HR marketing and recruiting, Jenoptik plays an active role in numerous sector and technology-oriented associations. ^[43]

3.4 Organization and Production

In 2011, Jenoptik continued to standardize and combine its processes, embedding these within the organizational structure. Following the activities in the USA in the previous year, the focus of the further development in 2011 was on Asia. In conjunction with the expansion of JENOPTIK (Shanghai) Precision Instruments and Equipment Co. Ltd., Jenoptik established a Shared Service Center Asia for all the Group's operational areas, this Center being based in China and having responsibility for the entire Asiatic region. The primary aim is to develop and expand the sourcing and supply chain structures. The key project in connection with the harmonization of processes is the group-wide ERP project which began in 2011 and will continue up to 2013. Basic business processes are to be mapped in an SAP system and adapted to cover all the Jenoptik areas but leaving the operational areas with flexibility to meet individual requirements. A comprehensive analysis of the process landscape was essentially carried out in 2011.

Business and production processes were further optimized within the framework of the Jenoptik Excellence Program. The projects are coordinated in a central project office. Responsibility for the organizational and production cycle lies with the operational units, so it is not possible to give any statements on

^[43] JENOPTIK MEMBERSHIP OF COMMITTEES AND ASSOCIATIONS (selection)

- Bundesverband der Deutschen Luft- und Raumfahrtindustrie e. V. (BDLI)
- Deutscher Industrieverband für optische, medizinische und mechanische Technologien e. V. (SPECTARIS)
- Deutsches Institut für Normung e. V.
- European Optical Society
- Europäische Technologieplattform Photonics 21
- International Society for Optical Engineering (SPIE)
- Max-Planck-Gesellschaft zur Förderung der Wissenschaften e. V.
- Optonet e. V./CoOptics
- Semiconductor Equipment and Materials International
- Solar Valley Mitteldeutschland e. V.
- Stifterverband für Deutsche Wissenschaft
- Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA)
- Verein Deutscher Ingenieure (VDI)
- Wirtschaftsrat Deutschland e. V.
- Zentralverband Elektrotechnik- und Elektronikindustrie (ZVEI)

group-wide production methods and processes with sufficient relevance for the Group management report. Information on changes to the organizational and production processes in the operational areas can be found in the segment reporting from page 85.

3.5 Quality, environmental management and sustainability

QUALITY MANAGEMENT

In the fiscal year just past, there were no significant changes in Jenoptik’s quality management. The high standard and comprehensive certification of the various group companies was maintained and continued. All certifications are renewed on an annual basis in review audits and this was carried out successfully in all areas in 2011. Nearly all the companies in the Jenoptik segments are certificated in accordance with the ISO 9001 quality management standard. In the Lasers & Optical Systems segment JENOPTIK Optical Systems GmbH and JENOPTIK Polymer Systems GmbH are certificated in accordance with ISO 14001, the environmental management guideline. In addition, JENOPTIK Polymer Systems GmbH is certificated in accordance with the standards of ISO 13485 for medical technology as well as ISO/TS 16949, the quality management standard for the

automotive industry. In 2011, the foreign subsidiary JENOPTIK Optical Systems Inc. successfully renewed its certification at the Massachusetts site in accordance with ISO 9001. ^[44]

In the Metrology segment, JENOPTIK Robot GmbH successfully passed the auditing and certification for data protection and security. The company also has a greater involvement in the area of environmental management within the framework of the “Eco Profit” project. The aim is to identify and take advantage of opportunities to save resources and thereby make production more efficient. The Hommel-Etamic GmbH in the Metrology segment was one of the very first providers to obtain approval through the German Accreditation Agency DAkkS.

In the Defense & Civil Systems segment, ESW GmbH is certificated in accordance with EN 9100, a special quality management system for the aerospace and defense industry. The Wedel, Essen and Jena sites comply with ISO 14001, the environmental management guideline. At the Wedel site, ESW GmbH also holds licenses as a manufacturer of the EASA (European Aviation Safety Agency) and as a maintenance company in accordance with the respective regulations of the European, US American, Canadian and Chinese aviation authorities. Lechmotoren GmbH is certificated in accordance with the International Railway Standard (IRIS). ^[44]

^[44] CERTIFICATION WITHIN THE GROUP (selection)

ISO 9001	Certification of Quality Management Processes
EN 9100	Certification of Quality Management Processes specially for the aerospace and defense industry
ISO 13485	Certification of management systems across the board for the design and manufacture of medical products
ISO 14001	Certification of the environmental management system
ISO/TS 16949	Certification for the automotive industry
EASA 1702/2003	Certification as manufacturer for civil aviation
EASA 2042/2003	Certification as repair company for civil aviation
IRIS	International Railway Industry Standard

ENVIRONMENTAL MANAGEMENT AND SUSTAINABILITY

Jenoptik sees entrepreneurial activity not purely as the pursuit and realization of commercial objectives but something that also brings with it an obligation to the environment and society. Corporate Social Responsibility (CSR) encompasses the sustainable orientation of the business activity, with attention being paid to the economic, ecological and social framework conditions and consequences of economic activities. Jenoptik faces up to this responsibility in a wide variety of ways. In order to communicate the various activities and successes of the Group from the viewpoint of the sustainable orientation of the business activities, as well as to seek further potential for improvement on a targeted basis, we are currently working on our own independent report. It is expected to be published in the middle of the current year, the objective will be to provide an initial insight into the Jenoptik Group's sustainability performance on the economic, ecological and social levels.

Environmental measures. Jenoptik meets the stringent statutory requirements for nature conservation and environmental protection for new buildings as well as the expansion and modernization of its production facilities. State-of-the-art methods for safeguarding resources and protecting the environment are applied when fitting out the production facilities. There are plans to upgrade the heating plant at the Villingen-Schwenningen site (Metrology segment) during the course of the current year. In this context, the aim is to replace the existing oil-fired

system through a heat supply with the help of renewable materials (wood pellets). In the Defense & Civil Systems segment, the production hall was officially opened in Altenstadt in 2011. This is equipped with an environmentally-friendly paint plant in which surplus paint particles are no longer bound by the water, polluting it in the process. Instead, a regulated airflow removes the harmful particles which are then treated in a downstream filter plant. ^[45]

In 2011, a cost-benefit analysis was carried out for all buildings in Germany based on the energy certificates issued over recent years. Using the data from this analysis, measures aimed at increasing the energy efficiency were embedded in the budgets for 2012 to 2015. In this context, Jenoptik is not only putting store in long-term measures but a whole range of smaller activities as well. To this end, for all construction activities in 2012 increased attention will be paid to the opportunities for even greater energy efficiency and consequently to achieving greater protection for resources in the buildings on a sustainable basis.

Jenoptik also focuses on the sustainable structure of the working and locational environment. As such, themes which Jenoptik continually promotes through a wide range of activities include, among others, the promotion of the work-life balance, education and further training for employees and junior leader development. More detailed information on these can be found in the chapter entitled Employees & Management on page 75.

^[45] ENERGY CONSUMPTION BY THE JENOPTIK LOCATIONS IN GERMANY

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

In 2011, the calculation of a CO₂ balance for environmental management was continued for the German locations. This provides comparison values, allowing for an assessment of the energy consumption levels as a ratio of sales and consequently in relation to the development of the energy efficiency in production. The proviso must be added that to-date the report only covers the consumption levels by the German locations but does not give any regional distribution of sales by production site. Nevertheless, we can see a very positive trend from the figures which have been collected: despite a 13 percent increase in sales, CO₂ emissions by the German locations were maintained at stable levels. The consumption of various media (electricity, district heating, gas, heating oil, wood pellets) by all the Jenoptik locations in Germany was included for the purpose of calculation, giving CO₂ emissions for the year 2011 of 19,337 tons (prev. year 19,278 tons). Based on the Group's global sales, domestic CO₂ emissions reduced from 40.3 tons in 2010 to 35.6 tons in 2011 per million euros of sales.

Resource efficiency. Many of Jenoptik's products contribute toward the efficient use of resources and the need to satisfy mobility and safety requirements. As a high-tech provider, Jenoptik works on products and processes that develop new applications and replace conventional processes, our range of services therefore supports sustainable processes. As a B2B provider, we typically work wherever our clients' production processes and products can be structured more efficiently. A few examples:

- **Energy efficiency.** Jenoptik is one of the leading manufacturers of diode lasers, one of the most efficient available light sources with an efficiency level of up to 70 percent.
- **Light as a tool.** As a laser machinery/processing systems provider for a wide range applications, the Group gives its customers a durable alternative to conventional methods and one which saves resources. Laser materials processing is also a key technology in the manufacture of solar modules and so-called smart windows with variable adjustable light permeability.

- **Savings in CO₂ and hybridization.** The high precision systems and equipment from Industrial Metrology support the automotive industry in the development and production of combustion engines with an extremely low manufacture tolerance, thus making a contribution toward reducing road traffic CO₂ emission levels. In line with the increasing use of hybrid drives, ever-more complex gears with a large number of new components are also being used. The development and coordination of these gears requires greater use of metrology.
- **Traffic safety.** Traffic monitoring systems from Jenoptik help to monitor compliance with the applicable regulations. In this way they are contributing toward increased road safety, reducing the likelihood of accidents and injuries and lowering harmful and noise emission levels.

As a company which focuses intensively on research, Jenoptik's success is founded to a very significant extent on the successful development of new technologies and products that offer clients new solution options and improved processes. In addition to the company's own development departments, a key role in this context is played by the research cooperation arrangements with universities and research institutions as well as joint ventures with other companies which are aimed at fundamental research. More detailed information on this can be found in the chapter entitled Research and Development on page 77.

Last but not least, highly advanced products require a high standard of quality from the suppliers and their production factors. To ensure that this is the case, the Jenoptik Group is guided by the Global Compact of the United Nations in the assessment and choice of suppliers. This Compact stipulates compliance with fundamental principles on human rights, work standards, environmental protection and combating corruption. More detailed information on strategic sourcing can be found in the chapter entitled Procurement on page 83.

In addition to its entrepreneurial activities, the company is also involved in the promotion of science and education as well as art and culture. Examples of these include on the one side the support for the initiative “Jugend forscht” and cooperation arrangements with universities and research institutions, and on the other side the staging of exhibitions by renowned artists such as Frank Stella as well as providing sponsorship for numerous local cultural projects. More detailed information on this can be found in the section entitled Assets and liabilities not included in the balance sheet on page 70.

3.6 Procurement

The sourcing project made a significant contribution toward reducing costs in 2011 – as it has done in previous years. In addition to timely regular procurements, the project focused on the bundling of materials procurements in connection with new projects as well as on further strengthening strategic sourcing throughout the Group. In 2011, material group and supplier strategies were therefore created e. g. within the framework of the supplier management for Jenoptik’s key product groups. The use of this instrument is expected to generate additional savings in 2012. Sourcing plays a key general role within the Group initiatives which are aimed at increasing operational excellence and future profitability.

Strategic sourcing. Globalization, price fluctuations on the raw materials markets, advances in technology and the trend toward the procurement of increasingly more complex modules and systems are continually placing new strategic demands on sourcing. In order to cope with these demands, a comprehensive project to realign Jenoptik’s sourcing started in 2009. The group-wide sourcing activities are structured according to segments and regions with a breakdown into material groups, making them better geared toward the requirements of the international procurement markets. This also promotes synergies within the Group. Sourcing for the Asia region was established as one of the first steps in this context. This is jointly responsible, together with the Group’s strategic sourcing, for both the procurements to meet local demand as well as for all group-wide sourcing activities in Asia. The first sourcing activities, with a promising outlook, were implemented during the course of the 2nd half-year 2011.

Another step in the realignment of the sourcing was the start of the reorganization by product group in the Lasers & Optical Systems segment at the Jena site and its integration with the

Group strategic sourcing. This standardizes and speeds up regular procurements, and optimizes the supplier management through a targeted materials group and supplier strategy.

Operational sourcing. In addition to the overarching strategic measures, operational measures were also continued in 2011. These included the standardization of the materials groups on a group-wide basis, applying the international standard eCL@ss, allowing for the targeted creation of material group strategies. The procurement risks arising for Jenoptik from the earthquake disaster were minimized through systematic, group-wide crisis management for materials from Japan, thus avoiding any supply bottlenecks.

Reflecting the growth in sales, **costs of purchased services** increased to 230.5 million euros (prev. year 207.6 million euros), representing 41.0 percent of the company performance (prev. year 41.6 percent). Raw materials and supplies accounted

for 180.1 million euros (prev. year 154.0 million euros) and therefore 32.0 percent (prev. year 30.8 percent). The remaining 50.4 million euros correspond to the value of the purchased services and prepayments which showed no significant change over the previous year (prev. year 53.6 million euros). After deduction for depreciation in the sum of 27.7 million euros (prev. year 31.1 million euros), the net added value of the Jenoptik Group totaled 231.0 million euros (prev. year 204.7 million euros), a marked increase in net terms of 26.2 million euros or 12.8 percent.

On the distribution side of the added value, personnel expenses accounted for 79.6 percent. The personnel expenses quota of the added value therefore fell sharply as the company performance improved markedly and personnel expenses remained virtually constant. Detailed information on personnel expenses are contained on page 73 and page 180 of this report. ^[46] ^[47]

^[46] CREATION OF THE ADDED VALUE

	2011		2010	
	in million euros	in %	in million euros	in %
Company performance (sales, earnings, investment result)	562.6	100.0	499.4	100.0
./.. Prepayments (materials)	230.5	41.0	207.6	41.6
./.. Prepayments (others)	73.4	13.0	56.0	11.2
./.. Depreciation	27.7	4.9	31.1	6.2
Net added value	231.0	41.1	204.7	41.0

^[47] DISTRIBUTION OF THE ADDED VALUE

	2011		2010	
	in million euros	in %	in million euros	in %
Employees (personnel expenses)	183.8	79.6	177.5	86.7
Public sector (taxes)	0.9	0.4	6.0	2.9
Creditors (interest)	12.2	5.3	12.2	6.0
Companies, shareholders	34.1	14.8	9.0	4.4
Net added value	231.0	100.0	204.7	100.0

4 SEGMENT REPORTING

4.1 General statement on the development of the segments

Our segment reporting is carried out in accordance with IFRS 8 “Business Segments” and reflects the organizational and management structure as well as the internal reporting structure. The financial information on the segments and subordinate levels is evaluated by the Executive Board and used as a basis for decision-making. The accounting principles for the segments are the same as those described for the Group as a whole in the Accounting principles in the Notes from page 129.

In 2011 the segments reported a very good development and were in some areas able to present record values for some key indicators. In addition to a favorable environment the positive development was based on internal improvements which provided support for the strategic orientation of the operative business. We saw higher margins due to the increased share of the system business, successful entries into new markets on the basis of existing technology know how and successful conclusions of major projects which demonstrate the trust our customers have in the performance of our company. The positive development has continued in the first weeks of the current fiscal year.

4.2 Lasers & Optical Systems segment

BUSINESS ACTIVITY AND ENVIRONMENT

Products and services. All activities relating to lasers and optics are combined within the segment. Jenoptik has control over the entire value added chain of Lasers & Material Processing – from component to complex system. In the laser area, Jenoptik specializes in high quality semiconductor materials, reliable diode lasers as well as innovative, solid-state lasers such as thin-disk and fiber lasers, and is an acknowledged global leader in quality for high-power diode lasers. These laser beam sources are used, for example, in materials processing (automotive and machine construction), medical technology and the show & entertainment area. The Laser Processing Systems business unit offers laser systems and machines which are integrated into production plants as part of the process optimization and automation, for processing plastics, metal, semiconductor materials and solar cells (thin-film and wafer technology). In the area of Optical Systems, Jenoptik is one of the few manufacturers in the world to produce precision optics and systems designed to meet the most stringent quality requirements. In addition to the range of optomechanic and optoelectronic systems, modules and assemblies, Jenoptik is a development and production partner for optic and micro-optic components – made of optical glass, infrared materials and plastics. It possesses superb expertise in the development and manufacture of micro-optics for beam shaping used in the semiconductor industry and for laser materials processing. The portfolio also includes systems and components for the areas of defense & security, life sciences, lighting, system solutions and modules for digital imaging and analysis, as well as cameras used for digital microscopy.

Areas of business and market position. The segment is one of the world’s major providers of lasers and laser systems as well as optics, micro-optics and optoelectronic systems. It competes with numerous small companies which specialize in one or a few of the abovementioned products. Since the companies have differing service offerings and in some cases also include customer and supplier relationships, it is not possible to give specific positions in terms of market share. Jenoptik is a leader

in the laser market for high-power diode and thin-disk lasers; Jenoptik has a prominent position in the market for optical systems, for example in the area of micro-optics. The segment's regional areas of focus are in Europe and North America, with the Asia business currently being significantly expanded. Our core markets in this segment are semiconductor manufacture, medical technology, defense and security technology, photovoltaics as well as the automotive and machine construction market.

Information on the segment's markets can be found in the market report on page 52 and on future development, in the forecast report on page 114 of this report. Information on the segment's strategy can also be found in the forecast report on page 118.

DEVELOPMENT OF SALES, EARNINGS AND ORDERS

Sales of the Lasers & Optical Systems segment increased by 14.9 percent to 217.1 million euros (prev. year 188.9 million euros). Optical Systems accounted for the largest share of the growth as a result of higher sales with the semiconductor industry. Lasers & Material Processing posted a rise in sales of semiconductor lasers, lasers for medical technology as well as laser processing systems, primarily for the automotive industry and the processing of thin films in the photovoltaics industry or related areas. Systems for new areas of application, such as 3D metal processing, also made their first contributions to sales.

Overall, the segment generated nearly 70 percent of its sales abroad, the majority of this in the European Union and the NAFTA region.

The **segment EBIT** reached a record 29.2 million euros (prev. year 13.3 million euros). Both operating units contributed to the 119.5 percent leap in earnings, with the largest share of the growth in earnings again coming from Optical Systems. This was mainly attributable to the expansion of the systems business which now accounts for a significantly higher share of the business. The measures aimed at improvements and cost reductions, introduced in 2009 and continually pursued since then, also had an impact. The segment EBIT margin improved to 13.5 percent (prev. year 7.0 percent) as a result of the higher increase in earnings proportional to sales.

At 224.4 million euros, the **order intake** was down slightly on the high level for the previous year (prev. year 230.2 million euros) but still just ahead of sales, giving a book-to-bill ratio of 1.0 (prev. year 1.2). As expected, there was a slight slowdown in the strong demand from the semiconductor industry, particularly in the 2nd half-year 2011. In Lasers & Material Processing, there was stronger demand for lasers used in medical technology and high-power diode lasers. In April 2011, Jenoptik won an order from a leading German manufacturer worth 3 million euros for diode-pumped green disk lasers used in medical applications. A major order for approx. 2.7 million US dollars

48 KEY INDICATORS FOR THE LASERS & OPTICAL SYSTEMS SEGMENT (in million euros)

	2011	2010	Change in %
Sales	217.1	188.9	14.9
EBIT	29.2	13.3	119.5
Order intake	224.4	230.2	-2.5
Order backlog	101.3	98.8	2.5
Employees	1,296	1,234	5.0

for diode lasers also came from the area of medical technology in 2011. This was based on a new diode laser module that was developed for industrial, military and medical applications and offers significant handling advantages primarily as the result of its extremely lightweight design. The order intakes for laser processing systems used for processing materials and plastics in the automotive industry showed a very positive development in 2011. The segment reported an **order backlog** of 101.3 million euros, slightly up on the level for the previous year (31.12.2010: 98.8 million euros).

OTHER INDICATORS AND NON-FINANCIAL PERFORMANCE INDICATORS

Employees. The Lasers & Optical Systems segment employed a total of 1,296 personnel as at December 31, 2011, 62 more than in the previous year (31.12.2010: 1,234). In 2011, ten trainees were taken on at locations throughout Germany, so as at the year-end the segment had 46 young people under an apprenticeship contract.

The further training was focused on the continuation of the project management training as well as on presentation, time management, foreign languages and technical training. A large part of this also covered management and junior management development. A total of 15 employees from the segment participated in the junior leadership program J²LP. In addition, parts of the segment are integrated within the Jenoptik specialist career pilot program (see page 109).

Research & development. The R+D output of the segment totaled 16.8 million euros and therefore rose slightly over the previous year's period (prev. year 15.8 million euros). Developments on behalf of customers which can be apportioned to the cost of sales totaled 3.2 million euros (prev. year 3.7 million euros). R+D expenses in 2011 totaled 14.1 million euros (prev. year 12.6 million euros). Key development projects are often pursued together with the customers. In the fiscal year just past, these included, among others, the large scan optics for

the direct lighting of PCBs or the innovative assembly tools for sensor modules. In the Optoelectronics business unit, the new range of compact imaging modules saw the introduction in 2011 of a modular system for customer-specific imaging solutions with flexible configuration. In Lasers & Material Processing, the first one kilowatt fiber laser JenLas®fiber cw 1000 was launched at the beginning of 2012. Further development was also carried out on, among others, the diode-pumped, green thin-disk laser JenLas®D2.mini, which has been available since 2011 not only in a 3 Watt but also 5 and 8 Watt output version, making it suitable for a broader range of applications. New laser beam sources with optimized, independently adjustable laser parameters for solar cell processing were also launched. On the laser processing systems side, Jenoptik delivered the first units for three dimensional metal processing. Further development was carried out on the laser processing systems for thin-film solar cell structuring for the manufacture of energy efficient, so-called smart windows and delivered to the first clients.

SELECTED TRADE FAIRS 2011

January	Photonics West, San Francisco (USA)
February	SNEC PV Power Expo, Shanghai (CN)
May	LASER World of PHOTONICS, Munich (D)
June	Blechexpo, Stuttgart (D)
September	European Trade Fair for Photovoltaics (PVSEC), Hamburg (D)
November	Vision, Stuttgart (D)

Capital expenditure by the segment in tangible assets and intangible assets totaled 12.9 million euros (prev. year 6.3 million euros) and was therefore 104.8 percent higher than in 2010. This was offset by depreciation in the sum of 11.3 million euros (prev. year 10.7 million euros). Investments in tangible assets accounted for the majority of the capital expenditure at 94.6 percent. The reason for the rise in capital expenditure is the commencement of construction for the expansion of the manufacturing facility for optoelectronic semiconductor components (so-called laser bars) at the Berlin site. As a result of the high level of demand, primarily from abroad, the production capacities are to be more than doubled by 2013. A total of approx. 10 million euros will be invested in the expansion and spread over the years 2011 to 2013. Continual development is carried out on new applications for the direct use of high-power diode lasers, to an increasing extent including in mass markets. They are also needed as an excitation source for modern laser technologies such as the thin-disk and fiber laser.

The **free cash flow** (before income tax) totaled 28.7 million euros (prev. year 24.9 million euros) as a result of the improvement in earnings and despite investments being more than doubled, and therefore was slightly above the high level of the previous year.

Production & Organization. In order to increase the offering of total optoelectronic system solutions on the market, the Digital Imaging and Optoelectronic Systems business units were amalgamated. The areas of development, manufacturing and sales were combined. By amalgamating the areas of expertise in the development, manufacture and integration of polymer-optic components and systems with digital imaging, the Optoelectronic Systems business unit now offers total, customer-specific system solutions up to the equipment level. Within the segment, business development was also established for Lasers & Material Processing. In addition, teams for various areas of the segment were established and expanded in 2011 in Asia, for example in South Korea and China.

4.3 Metrology segment

BUSINESS ACTIVITY AND ENVIRONMENT

Products and services. In the Metrology segment, Jenoptik has expertise in various technologies for the measurement of shapes, dimensions, surfaces, speeds and distances. In the field of industrial metrology, Jenoptik is one of the leading manufacturers for high-precision, contact and non-contact production metrology. The service program covers total solutions for a wide range of measurement tasks such as the pneumatic, tactile or optical testing of roughness, contours and shapes as well as for the measurement of dimensions during every phase of the production process and in the measurement room. To this end, the segment offers comprehensive advice, training and service, including long-term maintenance agreements. For more traffic safety, Jenoptik develops, produces and sells components and systems which are making the world's roads safer. The product portfolio based on the tried and tested Robot technology includes comprehensive systems covering all aspects of road traffic, such as speed and red light monitoring systems as well as OEM products (Original Equipment Manufacturer) and systems for identifying other traffic violations. In the services area, Jenoptik covers the entire supporting process chain – from system development, assembly and installation of the monitoring infrastructure, to taking photographs of traffic violations and their automatic further processing, through to the dispatch of the fine notices and collection of the fines as the system operator.

Areas of business and market position. The various activities within the segment make Jenoptik one of the leading companies in the area of two-dimensional metrology for rotation-symmetric parts and the market leader for optical metrology. In the traffic solutions business, Jenoptik is a leading provider in photographic monitoring and has supplied more than 20,000 units worldwide. The Metrology segment is the most highly internationalized within the Jenoptik Group. The segment's regional areas of focus are determined by the customers. As such, in the area of industrial metrology, in addition to Europe and North America these are the centers of the global automotive and

automotive supplier industry. The market for traffic solutions is increasingly being characterized by major projects and consequently these form the focal points of the international presence over an orderrelated defined period. In the German market, traffic safety systems are subject to licensing by the Physikalisch Technische Bundesanstalt (PTB), Braunschweig. Deliveries to other countries are subject to the control of the respective national institutes; the German PTB license is also recognized in various countries.

Information on the segment's markets can be found in the market report on page 54 and the forecast report on page 115 of this report contains info on future development. Information on the strategy of the segment can also be found on the forecast report on Page 118.

DEVELOPMENT OF SALES, EARNINGS AND ORDERS

In 2011, the Metrology segment increased sales to 140.1 million euros (prev. year 113.8 million euros). The 23.1 percent growth in sales comes from industrial metrology. The demand from the automotive industry, the key customer sector for industrial metrology, recovered more quickly in 2011 than had been anticipated. The segment generated nearly 70 percent of its sales abroad (prev. year 66.4 percent), with the key region being South East Asia, where the segment almost doubled its sales, accounting for nearly 20 percent of total sales. The sales

figure for the segment includes the first contributions from the major project in Saudi Arabia for traffic solutions.

The segment EBIT increased at a rate higher than sales, totaling 12.0 million euros, a rise of 39.5 percent (prev. year 8.6 million euros). Here again, the driving force was Industrial Metrology which achieved a leap in earnings as a result of strong sales growth and more efficient structures.

The order intake of the segment increased by 21.7 percent to 166.7 million euros (prev. year 137.0 million euros). This figure includes the large order for traffic solutions from Saudi Arabia worth more than 20 million euros. The scope of delivery includes several hundred stationary systems for recording red light and speed violations. Approx. 100 systems for mobile and stationary speed measurement have been in use in Saudi Arabia since 2010, together with a comprehensive software solution from Jenoptik. The product deliveries are supported by services provided locally by Jenoptik. Orders for Industrial Metrology worth several million US dollars for three North American engine plants are also included in the figure. The segment is supplying fully automated roughness measurement systems. The order also included the integration of the systems into the production lines, as well as comprehensive service. Delivery of the systems began in 2011 and will be completed at the end of 2013.

50 KEY INDICATORS FOR THE METROLOGY SEGMENT (in million euros)

	2011	2010	Change in %
Sales	140.1	113.8	23.1
EBIT	12.0	8.6	39.5
Order intake	166.7	137.0	21.7
Order backlog	69.0	45.1	53.0
Employees	719	632	13.8

The segment's order intake exceeded sales and so the book-to-bill ratio, at 1.2, was at the same level as the previous year (prev. year 1.2). The **order backlog** increased accordingly by 53 percent to 69.0 million euros (December 31, 2010: 45.1 million euros).

OTHER INDICATORS AND NON-FINANCIAL PERFORMANCE INDICATORS

Employees. The reorganization of individual areas of the Metrology segment was successfully implemented in 2011, the aim of this being to strengthen the sales and service structures.

Among other things, new areas and job profiles, such as the business development at locations such as Germany and Brazil, were created and successfully filled. The Metrology segment is continuing to press ahead with its international expansion and strengthening its presence in both existing as well as new markets.

The number of employees in the segment rose by 13.8 percent or 87 in net terms, to 719 (31.12.2010: 632). New employees were recruited primarily abroad. In Germany, the number of employees increased from 454 to 486. This expansion ensured that the segment was able to successfully process the increased order intakes on time. The number of trainees in the segment as at December 31, 2011 was 18. The key professions are electronic engineers, mechatronic engineers, machining engineers and industrial managers. An increase in the number of trainees is planned for 2012 in order to further develop own skilled workers.

Research & development. The R+D output of the segment was 13.9 million euros (prev. year 10.0 million euros). This figure includes developments on behalf of customers which are included under cost of sales in the sum of 4.3 million euros (prev. year 1.5 million euros). The segment's R+D expenses totaled 9.6 million euros (prev. year 8.5 million euros).

In the area of industrial metrology, the segment focused mainly on flexible measurement technologies and also launched new generations of measurement equipment on the market in 2011. These included e.g. the new enhanced, handheld Hommel-Etamic W5 roughness tester with improved features, weighing just 270 grams.

The Jenoptik Innovation Award was won by the IPS 100 HiRes optical internal sensor from Industrial Metrology. It carries out high-speed inspection of cylinder bores in engine blocks. With a 360-degree panoramic view, the system identifies faults on the coating surface of the bores. In addition to the Metrology segment, the development involved participation by a US American team and a Thuringian team from the Lasers & Optical Systems segment.

2011 saw the completion of the key project for the Traffic Solutions division for services covering all aspects of the equipment business. Using a modular structure, the new back office software TraffiDesk®pro can individually customize both the surface as well as the sequence, interfaces and the number of applications to suit the customer's requirements. The software was launched in 2011 and is already proving successful in Mexico and Saudi Arabia.

SELECTED TRADE FAIRS 2011

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March	TRAFFEX 2011. Birmingham (GB)
May	China West Machine Tool Exhibition, Chongqing (CN)
May	Control, Stuttgart (D)
September	In-house Traffic Solutions Trade Fair, Monheim (D)
October	Quality Expo, Chicago (USA)

In 2011, the **capital expenditure** of the segment in tangible assets and intangible assets totaled 2.2 million euros (prev. year 2.3 million euros). This was offset by depreciation in the sum of 3.4 million euros (prev. year 3.5 million euros).

The **free cash flow** of the segment totaled 4.9 million euros (prev. year 2.5 million euros).

Production & Organization. In 2011, the Metrology segment further improved its structures. The framework for this is created by the continuing process of internationalization, with the segment's own presence in the key sales markets, the rapid expansion of business in industrial metrology and varying capacity utilization levels as a result of the major orders for traffic solutions. The optimization was therefore aimed at creating an efficient order throughput and making production more flexible. The Industrial Metrology area is now gearing its organization toward the project and standard business. Competence centers were established in Germany, France, Switzerland, the USA and China. Application Centers give Industrial Metrology a presence in India, the Czech Republic, Spain and South Korea. Work on the standardization of the product portfolio was continued in Traffic Solutions. Production was reorganized in order to ensure an increased throughput which is required in conjunction with the major projects from Saudi-Arabia and Malaysia.

4.4 Defense & Civil Systems segment

BUSINESS ACTIVITY AND ENVIRONMENT

Products and services. The Defense & Civil Systems segment focuses on the areas of military and civil vehicle, rail and aircraft equipment, drive and stabilization technology and energy systems. The range of services also includes optoelectronic instruments and systems for the security industry, as well as software, testing and control technology. The area of focus in the laser and infrared sensor systems business is on the development, manufacture and sale of laser rangefinder equipment and infrared camera systems for a wide spectrum of applications.

Areas of business and market position. In this segment, Jenoptik is an equipment provider for major systems companies, its business being primarily of a long-term nature and based on platforms. Many of the components and subsystems are specially developed to order for the clients. In the defense & security technology as well as the aviation and rail equipment sectors, Jenoptik primarily operates in the German market, with end user products also being supplied abroad by the systems companies. The business is subject to stringent security, certification and export requirements which Jenoptik strictly adheres to. In addition to export verifications, these essentially include the Security Review Act of the German Ministry of Trade and Commerce.

Information on the segment's markets can be found in the market report on page 55 and the forecast report on page 116 of this report contains info on the future development. Information on the strategy of the segment can also be found in the forecast report on page 118.

DEVELOPMENT OF SALES, EARNINGS AND ORDERS

Sales. In 2011, the Defense & Civil Systems segment achieved sales in the sum of 183.3 million euros (prev. year 173.9 million euros). The small increase in sales is essentially attributable to higher sales in the aviation and energy systems areas. The segment's export sales, at approx. 40 percent, are markedly lower

than that of the other two segments, as it primarily supplies German systems companies. In line with the planned objectives and strategic orientation, sales in 2011 reported a further slight shift in favor of the civil share of the business which is slightly over 50 percent. However, the sales mix is dependent upon call orders from the customers within the framework of long-term projects.

The **segment EBIT** totaled 11.6 million euros (prev. year 8.6 million euros). At 34.9 percent, the segment EBIT increased at a markedly higher rate than that of sales, in particular as the result of a change in the sales mix, cost cutting measures and to a partial extent also as the result of positive one-off effects. Contributions to the growth in earnings came from the Altenstadt site with higher output energy systems as well as Hillos GmbH, the result of which is included at 50 percent. In the joint venture company, Jenoptik manufactures laser testing equipment for use in the construction industry at the Jena site.

The **order intake** of the segment reached a record level in 2011, totaling 254.5 million euros (prev. year 163.7 million euros), a rise of 55.5 percent. This figure includes a number of major orders which will not be repeated on an annual basis. In line with the high order intake, the segment reported a **book-to-bill ratio** of 1.4 (prev. year 0.9); the **order backlog** increased by 31.7 percent to 279.9 million euros (prev. year 212.6 million euros).

The order intake includes, among other things, the components and systems for the new PUMA infantry fighting vehicle for the German Army, for which concrete orders totaling more than 70 million euros were awarded in 2011. Jenoptik supplies starters/generators, other electrical subsystems as well as the digital, electric, turret weapon stabilization system GTdrive. The figure of 70 million euros does not include after-sales and maintenance services throughout the entire deployment period of the PUMA infantry fighting vehicle which are ordered and billed separately and additional to the series deliveries. As in 2010, further orders were also received from the US government in 2011 for the supply of generators for the Patriot air defense missile system. The order volume exceeded 10 million euros; consequently, the segment has total orders for this system in excess of 20 million euros. The first international order for the cloud height measurement equipment was awarded to the Sensor Systems business unit by the UK Meteorological office.

OTHER INDICATORS AND NON-FINANCIAL PERFORMANCE INDICATORS

Employees. As at the end of 2011, the Defense & Civil Systems segment employed a total of 924 personnel (31.12.2010: 931). This represented a slight reduction of 0.8 percent. In 2011, the segment also took on an additional 17 young trainees, giving a total of 57 in trainee positions as at the end of the year. The

52 KEY INDICATORS FOR THE DEFENSE & CIVIL SYSTEMS SEGMENT (in million euros)

	2011	2010	Change in %
Sales	183.3	173.9	5.4
EBIT	11.6	8.6	34.9
Order intake	254.5	163.7	55.5
Order backlog	279.9	212.6	31.7
Employees	924	931	-0.8

segment also introduced a new organizational structure (see section entitled Organization and Production page 79). This is based on areas of business that reflect the segment's individual product areas. The HR area provided support for this reorganization in the form of various measures. The segment is also involved in the Group project Career Path and helped in the formulation of the concept. As part of the pilot project, a technical career in the development area will be introduced and implemented at the various locations within the segment in 2012.

Research & development. In 2011 the R+D output of the segment totaled 14.6 million euros (prev. year 16.1 million euros). Developments directly on behalf of customers are included in cost of sales and totaled 6.7 million euros (prev. year 9.3 million euros). This is normally a higher proportion than in the other two segments as a result of the joint developments with systems companies. The segment's R+D expenses totaled 8.2 million euros (prev. year 7.0 million euros).

The Sensor Systems business area showcased the new DLEM SR in the autumn at the DSEi trade fair in London. This product measures distances of more than 1,500 meters down to the precise meter and weighs less than 40 grams. It maintains consistent, high measurement precision even in the event of significant temperature fluctuations between minus 40 and plus 75 degrees Celsius. A special measurement process with low energy laser pulses provides for precise measurement results even under limited visual conditions, for example in fog, rain or snow. It can also measure highly reflective targets with the same high degree of precision.

Capital expenditure. The segment invested 8.5 million euros in tangible assets and intangible assets (prev. year 4.2 million euros). This represented a 102.4 percent increase in the investment volume over 2010, primarily as a result of the optimization

of the production facilities at the Altenstadt site. The figure is offset by depreciation in the sum of 5.0 million euros (prev. year 6.3 million euros).

The capacities at the Altenstadt site were expanded and modernized on the basis of the current and anticipated growth in energy system sales. The segment invested a total of around 8 million euros in 2010 and 2011 which was one of the main reasons for the increase in capital expenditure. The optimized production facility was increased by 3,000 square meters, almost doubling the size of production area. Equipment and processes now reflect state-of-the-art production methods.

Production and organization. Preparations were made on the production side at the Wedel site in 2011 for the start-up of the volume production for the components of the PUMA infantry fighting vehicle. The modern, improved production facilities at the Altenstadt site were commissioned into operation at the end of 2011 (see section entitled Capital expenditure). In addition, the whole segment was restructured in 2011. Instead of six areas of business the operational business is now subdivided into four: energy systems, sensor systems, land vehicle systems and aviation systems. A standard product creation process throughout the segment was introduced for development projects, this process defines standardized methods and specifications for all development projects.

SELECTED TRADE FAIRS IN 2011

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February	International Armoured Vehicles, London (GB)
April	Aircraft Interiors, Hamburg (D)
September	DSEi, London (GB)
October	Inter Airport, Munich (D)
October	Association of the United States Army (AUSA), Washington DC (USA)

5 REPORT ON POST-BALANCE SHEET EVENTS

In its meeting on March 22, 2012 the Supervisory Board also agreed to the proposal of the Executive Board to propose a dividend of 0.15 euros for each no-par value eligible share to the Annual General Meeting. This means that from the net income of 18,828,633.29 euros an amount of 8,585,717.25 euros is to be distributed and an amount of 10,242,916.04 euros to be carried forward.

There were no other events of significant importance occurring after the balance sheet date of December 31, 2011.

6 RISK REPORT

6.1 Risk management system

For Jenoptik, the basic principles of responsible corporate management include permanently and responsibly weighing up the opportunities and risks which arise from entrepreneurial activities. This enables opportunities to be identified and exploited at an early stage and the associated risks to be simultaneously analyzed, evaluated and controlled.

Opportunity and risk management at Jenoptik are closely interlinked and associated with the strategy of the Jenoptik Group as well as the strategies and objectives of the individual market segments. The opportunity and risk management enables the Executive Board to formulate a strategy and define objectives which create an optimum balance between growth and return targets on the one side and the risks related thereto on the other and ensure that resources are used effectively and efficiently. This enables the value of the Jenoptik Group to be systematically and permanently increased for its stakeholders. The consistent application of risk policy basic principles and instructions in the form of group and framework guidelines also means that a large proportion of the risks can be avoided or their consequences at least alleviated. Statements on the opportunities can be found on page 116 in the Forecast Report.

ORGANIZATION AND INSTRUMENTS OF THE RISK MANAGEMENT SYSTEM

Risk management at Jenoptik encompasses all risk-related activities and measures designed to achieve the corporate objectives. The aim is to provide for a conscious and therefore controlled approach to opportunities and risks within the Group. The management is implemented through the operational units, in collaboration in particular with the central areas of Finance, Internal Auditing and Legal Affairs and forms an integral part of the group-wide planning and control systems. Based on detailed market and competitor analyses, specific potential and the associated risks are discussed regularly for the business units. All domestic and foreign companies in which JENOPTIK AG owns more than 50 percent are subject to the group-wide risk management system.

The Executive Board has defined group-wide guidelines with the help of a [risk manual](#), ensuring effective and systematic risk management.

The risk management system is based on the following three levels:

- Fields of duty and responsibilities (organization structure)
- Early warning and control (process-oriented organization)
- Monitoring and ongoing further development.

In line with the organizational structure of the Jenoptik Group, the duties of and responsibilities for the risk management are subject to clear separation between JENOPTIK AG as the group holding company and the operational units. The [risk units](#) are specifically JENOPTIK AG and the operational business units.

In the first place, the respective risk unit is responsible for the proper implementation of the risk management, while the next superior risk unit should monitor the implementation and ensure reporting in accordance with the guideline. The task of JENOPTIK AG, within the framework of the investment controlling, is to set up a reporting system which allows the early identification of developments that could jeopardize the ongoing existence of the company.

The areas which entail significant risks for the Group are determined as part of a [risk inventory](#) which must be conducted

each year. Since there are various operating business areas within the Jenoptik Group, a general [risk matrix](#) (point Individual risks page 99) and checklists are used as an aid to present potential risks by following an orderly system. On the forecast dates and as part of a [risk analysis](#), the risk officers of the respective risk units then analyze all the identified risks in terms of their probability of occurrence and impact on results. If these exceed a value threshold of 1 million euros or 0.5 million euros depending on the risk unit the results of the risk identification and analysis are included in the [risk report](#) which is sent several times a year to the Group [Risk Officer](#). In the risk report, the individual reports are summarized into a group risk report for the Executive Board, taking into account the potential aggregation of risks. Specifically named personnel responsible are given deadlines to implement the highlighted measures. If a risk with a specific minimum impact on the results and probability of occurrence first arises in between the reporting dates, or if a risk already known changes to the same extent, then the Group's risk officers and the Executive Board must be informed immediately and an [ad-hoc risk report](#) produced.

The process depicted for determining risk areas, identifying risks and the subsequent analysis, evaluation and limiting through planning, control and monitoring systems, is continually reviewed and updated. On the basis of the recommendations from the risk management project conducted with the auditors KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf,

54 RISK MANAGEMENT SYSTEM

Management/monitoring/ control of risks

- Risk manual
- Risk committee
- Internal auditing
- Internal control system



Analysis/evaluation of risks

- Risk report
- Group-wide committees (Executive Board meetings, strategy and earnings meetings, conference calls)

Determination/identification of risks

- Risk matrix (support for determining risk areas)
- Risk inventory (determination of risk profiles)

the risk management process was further improved in 2011. In this context, the above-mentioned system for recording risks was redesigned, the recording and evaluation standardized and the objectivity of the method optimized using a scoring model. The collation of the risk matrix starts on the risk unit level and is aggregated upwards to the group level. At the top level, the aggregated risks are presented in one single figure so they can be objectively compared with the risk figures for the previous period. The rating assessment that was previously carried out on a centralized basis will continue to be used to back up the statements on the risk figures as a plausibility check.

Monthly Executive Board meetings, meetings of the Executive Management Board as an expanded management body of the Group as well as strategy and earnings meetings are group-wide committees, the purpose of which is to identify, analyze and deal with opportunities and risks. In this context, Executive Board and management level hold joint discussions with the Heads of Finance as well as Strategy and Business Development, Innovation Management and Internal Auditing on relevant risks and their consequences for the company. A group-wide system of innovation and investment controlling, with a standardized structure, also ensures that through the critical evaluation of new development projects and the associated risks only those ideas with the most promising economic prospects are systematically pursued any further.

The abovementioned reporting instruments form the basis of the functioning risk early warning system. This is also evaluated by the auditors within the framework of the auditing of the financial statements in order to ensure that the system is appropriate for promptly recording, analyzing and communicating all risks that might potentially jeopardize the company's existence.

MONITORING AND FURTHER DEVELOPMENT OF THE RISK MANAGEMENT SYSTEM

The Executive Board of JENOPTIK AG is responsible for putting in place an effective opportunity and risk management system. It also has an obligation to take appropriate measures for the early identification of any developments that might jeopardize the company's ongoing existence. In addition, the [Group Risk Committee](#) regularly reviews the efficiency and effectiveness of the monitoring system. This committee comprises the Executive Board, Group Risk Officer and the Heads of Legal Affairs, Internal Auditing as well as the Commercial Director and meets at least once a year. The Group Risk Officer maintains a constant exchange of information with the risk officers of the operational units and acts as a centralized body for risk monitoring and control in the company. The Supervisory Board monitors the effectivity of the opportunity and risk management system, with this task having been delegated to the Audit Committee. In the year just past, the Audit Committee regularly discussed the subject of risk management at its meetings (see Report of the Supervisory Board on page 8).

Jenoptik therefore has in place a system of controls comprising both internal processes as well as external rules. The aim of targeted controls on various process levels is to identify potential gaps in the monitoring and to counter these by taking corresponding measures. The methods are subject to regular review, ensuring and improving the effectiveness of the risk identification and analysis.

The tasks of the control system in the Group are carried out by the [Internal Control System \(ICS\)](#) and Internal Auditing. The ICS is an important integral part of the risk management system and covers the totality of all measures, basic principles and processes designed to achieve the corporate and control objectives. It complies with laws and guidelines and is mainly intended to ensure the security and efficiency of the business processing as well as the reliability of the financial reporting.

The Group guideline “Transactions with particular characteristics” is also aimed at risk prevention or reduction. If a proposed contract or the intention to enter into an obligation meets one of the defined criteria that identify the event as deviating from the norm (e.g. a particularly high contract value, deviating financing terms, know-how transfer rules or strategic aspects), a special control process is initiated. All the Group’s technical departments involved are included in these processes, with the approval being issued, if necessary, by the Executive Board.

Since this guideline was introduced in 2009, this process has clearly led to an increase in the risk transparency and prevention and has become a crucial element of both the ICS as well as of the Compliance System.

Internal Auditing is permanently integrated into the internal control and risk management system through process-independent audits. It is led by the Audit Officer and as a staff unit reports directly to the Chairman of the Executive Board. Internal Auditing conducts audits in the form of so-called Jenaudits. In general, entire companies are analyzed or a theme specified in the audit plan is subject to a detailed audit. The functionality of the Internal Control System is reviewed by interdisciplinary teams who are supported by employees from various areas of the Group. One of the key integral parts of the audit in this context is the adherence to and proper implementation of the applicable guidelines. The aim in this respect is not only to identify errors or process weaknesses but also to highlight potential process improvements, with the idea of a “Best Practice approach” in mind. Any shortfalls identified or recommendations for improvement are prioritized and categorized and a report is sent directly to the persons responsible for the audited units as well as to the Executive Board. If needed, Internal Auditing is assisted by external auditors. In addition, current special themes can be dealt with promptly in so-called ad-hoc or special Jenaudits. Breaches or errors must be rectified immediately. The audited unit then submits an implementation

report detailing which of the specified recommendations have been implemented by a specified date. This is followed by so-called follow-up audits in which the implementation of the recommendations is examined and the results notified to the respective management level and the Jenoptik Executive Board. Internal Auditing reports to the Audit Committee of the Supervisory Board at least once a year on its key findings since its preceding report, as well as on its audit plan for the following year. Four Jenaudits and four follow-up audits as well as one special Jenaudit were conducted in 2011.

In 2011, various group-wide guidelines were redrafted, revised and published on the Jenoptik Group’s Intranet in order to reduce potential **compliance risks** arising from the failure to meet the applicable legal requirements and to ensure adherence to the regulatory standards recognized by the company. Another focus of the compliance activities in 2011 were trainings provided in various compliance risk areas such as anti-trust law, export controls and white collar crime. A Compliance Board had already been set up at the end of 2010. Further information on the subject of compliance can be found in the corporate governance statement from page 12.

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

The accounting-related Internal Control System is part of the Jenoptik Group’s entire Internal Control System (ICS). It shall ensure compliance with statutory regulations, accounting regulations and internal guidelines for standardized accounting policies for accounting and reporting in accordance with the IFRS which are binding on all companies included in the consolidated financial statements. As such, the ICS shall help to guarantee a process for preparing the consolidated financial statements in accordance with applicable regulations. With the help of the implemented controls, as well as process-independent

monitoring activities, Jenoptik aims to ensure that the consolidated financial statements conform to the rules. New regulations and changes to existing rules are analyzed promptly and, if necessary, implemented in the guidelines and accounting processes by the Finance department. The guidelines are available via the group-wide Intranet. This provides verification that all new or updated guidelines are distributed throughout the Group. All employees involved in the accounting process receive regular training.

Binding standards in terms of content and deadlines reduce the risk of non-standard accounting practices being pursued in the individual group companies. Access restrictions protect the financial systems from misuse; centralized control and regular backup of the IT systems reduce the risk of data losses.

Finance is responsible for the production of the consolidated financial statements from the technical aspect. Clear responsibilities and function separation, preserving the dual-control principle, are characteristic features of the financial reporting process in the Jenoptik Group. Other monitoring tasks are performed by specific group functions such as e. g. the central Tax department. The Supervisory Board is also incorporated into the Internal Control System through the Audit Committee. The Supervisory Board deals, among other things, with the monitoring of the accounting process and auditing of the financial statements, as well as the effectiveness of the risk management and the Internal Control System.

In order to further simplify the financial reporting processes, the consolidation tool "SAP Business Objects Financial Consolidation" was introduced in 2011. The IFRS data of the companies is directly recorded by these companies in the new consolidation tool used to prepare the Jenoptik consolidated financial statements. As in the past, the transferred financial statement data and individual financial statements of the consolidated companies are verified by system controls. Information relevant for the group accounting is called up in masks (templates), ensuring that inter-group transactions are eliminated. All consolidation processes required for the production of the consoli-

dated financial statements are documented. Through these processes, systems and controls, Jenoptik ensures, with sufficient certainty, a reliable accounting process that conforms both to the requirements of IFRS and the statutory requirements. Independent auditors of the financial statements audit the financial statements of those companies which are subject to compulsory auditing, in accordance with IFRS and HGB or the data relevant for the group accounting. KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, audits the Jenoptik 2011 consolidated financial statements and financial statements of JENOPTIK AG. The Audit Committee has made sure that the auditors of the financial statements have the necessary independence and technical quality and verified the services additionally provided or to be provided by the auditors of the financial statements.

RISK MANAGEMENT WITH REGARD TO FINANCIAL INSTRUMENTS

Jenoptik operates a central financial management system. The Treasury department coordinates the group financial requirements, the securing of the liquidity and monitoring of the currency, interest and liquidity risks based on guidelines that apply throughout the Group. The key task in this respect is to permanently secure the liquidity required in each case. In addition, the aim of combining key tasks within one central Treasury department is to ensure that this work is carried out efficiently and cost effectively.

The aim of the financial risk management, through operational and finance-oriented activities, is to limit financial management risks arising from changes in market prices, exchange rates and interest rates. In this context, derivative financial instruments are used exclusively for the purpose of hedging the underlying business transactions and are only concluded with banks with good credit ratings.

Currency-related risks arise from the Group's international activities. The Treasury department identifies these risks and controls them by taking appropriate measures. As a basic principle, all group companies must hedge foreign currency positions on the

date they are created. A foreign currency guideline regulates the permitted hedging instruments and permissible deviations.

The purpose of the liquidity planning is to identify liquidity risks at an early stage and to systematically minimize them on a group-wide basis. In order to improve the liquidity forecasting, a monthly rolling liquidity forecast was added to the liquidity planning, providing important financial information during the course of the year in the event of special deviations and after the balance sheet qualifying date.

As a result of fluctuations in market interest rates, the Jenoptik Group is essentially exposed to risks of changes in interest rates in medium and long-term interest-bearing financial assets and liabilities. All Group assets and liabilities which are sensitive to changes in interest rates are recorded and analyzed in the interest risk management system. The guideline "Interest risk policy" summarizes details on how risks of changes in interest rates are to be handled.

More detailed explanations on the financial risk can be found from page 104 in the Risk Report and from page 130 and 140 in the Group Notes.

6.2 Individual risks

The development of the Jenoptik risk profile is influenced by the general economic situation as well as the internal situation within the company. The main corporate risks identified using the risk management system are listed below. Other risks which have not yet been identified or are currently deemed insignificant could also have a detrimental effect on the Group's business development.

The individual risks are recorded in the abovementioned risk matrix in the following five areas:

- General outside risks
- Performance-related risks
- Financial risks
- Balance sheet risks
- Risks from corporate governance and legal disputes

GENERAL OUTSIDE RISKS

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

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

Technological changes or advances, the development of a so-called "second source" by a key customers or massive penetration of the Jenoptik's markets by competitors could lead to a weakening of the market position for individual Jenoptik business areas. At the same time, there is the opportunity for Jenoptik to improve its own market position. In order to be in a position to exploit this opportunity, Jenoptik makes purposeful use of group resources, for example through the development

of regional structures in major growth markets all over the world, and introducing processes with standardized structures in the areas of innovation management and strategy development. Jenoptik is also seeking to develop new markets with innovations. Jenoptik is countering the trend among key customers toward “second sourcing” through customer loyalty programs and strengthening its presence as a system integrator, delivering a higher share of added value and conversely also sees opportunities for new customer relationships as a “first or second source”. Further information on the market position of the segments can be found in the Segment Reporting from page 85.

The probability of a change in Jenoptik’s market position in one of its markets is relatively high due to the large number of markets. However, the likelihood of the market position changing significantly and in the same direction in the majority of the target markets is relatively small. The impact of a shift in market shares can be significant for the individual Jenoptik unit affected. However, as a result of the diversification, the impact on the group level is likely to be balanced.

Export controls. Jenoptik is exposed to these risks as a supplier of defense technology goods and high technology and as a result of trade restrictions. The Group counters these risks by conducting comprehensive checks. An export control guideline regulates the group-wide coordination and monitoring of compliance. The employees also receive regular training. All existing purchasing, sales and financial activities are recorded and permanently monitored in the SAP module SAP Global Trade Services, systematically reducing the probability of this risk arising so this risk is deemed minimal. However, in the event of a mistake, the impact will be very much dependent upon the individual case.

Environmental risks/natural disasters. Natural disasters, such as that in Japan in 2011, can lead to supply constraints, the shortage of components or loss of anticipated orders. In the medium term, the energy discussion triggered by this event

among other things may lead to increased prices for supplies and rising energy costs. The probability of natural disasters for the Jenoptik Group with production facilities primarily in Central Europe and in the East of the USA is rather unlikely, even though these can never be ruled out at the various locations. The consequence would depend extensively upon the location affected as well as the type and extent of the disaster.

The risk management system established specially for Japanese suppliers following the disaster in Japan was successfully transferred to routine processing as a result of the stability of supplies at the end of 2011.

Political developments. Jenoptik maintains business relationships in more than 70 countries and generates approx. 60 percent of its sales abroad. The development of the global economy and the European economy in particular therefore has a key influence on the Group’s growth.

The risk associated with the political situation in the North African region and the Middle East mainly entails the delay in or loss of orders. It has also become more difficult to obtain export licenses. However, the most promising projects in this region of the world are in countries which are seen as comparatively stable.

The ongoing sovereign debt crisis in Europe and North America, the uncertainty surrounding the financial policy situation in the euro region and the associated cutbacks in government budgets as well as economic concerns, may have an impact on the further development of the economy as a whole.

The probability and impact of a failure of the euro zone are changing day-to-day. Although Jenoptik exports to a relatively large number of countries, network effects between the world’s regions will make it almost impossible for a crisis to be contained within just one region. For this reason it is impossible to give a rational estimate of the consequences.

PERFORMANCE-RELATED RISKS

Success of key development projects. Jenoptik operates in markets which are subject to rapid technological change. The risk of developing products which are not taken up by the market is offset by significant opportunities arising from products which have a technological edge and unique selling points. Alternative technologies from competitors could pose a risk of substitution for Jenoptik's products. In addition to a change in the market position, this could lead to lost sales and impairment of capitalized development costs. In the consolidated financial statements as at December 31, 2011 a total amount of 4.1 million euros, which is distributed to several topics, was capitalized as development costs (prev. 4.9 million euros). This amount currently represents the maximum risk for impairment. That is why Jenoptik conducts a detailed review of which costs need to be capitalized. However, in technology companies the possibility of individual product developments failing to achieve market success can never be entirely ruled out. The consequence of this are losses in the single figure million euro range as the result of individual key R + D topics being discontinued. It is not possible to quantify the impact of a discontinuation of R + D projects on the future planning of earnings and cash flows of the Group.

While the instruments of our risk management system shown in Chapter 6.1 reduce the risk of mistakes in the assessment of new developments, it can neither be totally eliminated nor exactly quantified as a result of the stringent technological requirements and the fact that the company operates in constantly changing markets. A group-wide targeted innovation management and continual market analyses further limit the risk of bad investment and technology decisions. Linking strategy processes with multistage innovation processes and R + D roadmapping ensures that the risks of discontinuation are minimized. In addition to the earnings and market potential, the crucial factors for development projects are the technological feasibility plus a risk assessment. In order to avoid undesirable trends and to simultaneously fully exploit the opportunities offered by new products, developments are also carried out where possible in close coordination with the customer (see also chapter entitled "Research & Development page 77).

Cyclical nature of key individual markets. As a result of its broadly-based positioning, Jenoptik remains essentially independent of any one individual sector. Approx. 70 percent of Jenoptik's total sales in 2011 were attributable to the three largest target markets of machine construction/automotive (29.4 percent), aviation/transport (19.6 percent) as well as security and defense technology (19.3 percent), all of which are largely independent of each other. Approx. 14.5 percent of total Group sales in 2011 were generated by Jenoptik with companies in the cyclical semiconductor and photovoltaics industry. By being present in various markets, Jenoptik is better able to compensate for sector risks and cyclical fluctuations in the individual markets. In addition, products and services are primarily oriented towards industry and clients in the public sector where there is normally a time lag before economic fluctuations are felt.

Despite an increasingly problematic environment, the global economy grew in 2011. The continuing sovereign debt crisis, increasing economic concerns as well as the development of the financial situation in the euro zone, could have an impact on the further development of the economy as a whole in 2012 as described above. Expectations regarding the development of the economy as a whole as well as of individual sectors for 2012 entail significant uncertainty. The risk of an economic slowdown in 2012 has increased, particularly for the industrialized countries. This could also impact on the development of sales and earnings of the Jenoptik Group.

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

- Security and defense technology: tends to be less cyclical, long-term orders, debate on the subject of debt increase the risk of budget cutbacks as well as delays in projects and consequently sales
- Traffic: increasing proportion of larger projects increases sales volatility, at this point in time it is not possible to estimate the potential consequences of the debt crisis
- Automotive/machine construction: increasing requirements for precision, dynamic approach to investment by the auto-

motive industry in 2011, growing markets in emerging countries, hybridization of drives

- Medical technology: sustainable growth, rather low volatility
- Semiconductor industry: highly cyclical sector, 2012 slow-down compared with the high in 2010/1st half-year 2011
- Photovoltaics: continuing cautious approach to investment and extreme pressure on prices.

The risk of all the Group's targeted markets simultaneously collapsing as a result of events outside the control of Jenoptik, for example a dramatic collapse in the global economy, wars, natural disasters or pandemics, is considered to be rather low. A turndown in an individual sector based on its normal cyclical behavior is more likely. It will not endanger the Group as a whole but can lead to reductions in sales and earnings in the corresponding areas which in turn could also have a potentially substantial impact on the financial, asset and earnings situation of the whole Group. Over the past years, however, Jenoptik has added significant flexibility to its creation of added value and its production, among other things with the help of the Jenoptik Excellence Program, achieved sustainable reductions in its fixed costs, made conscious use of group resources, expanded its international activities and introduced standardized, structured processes in the areas of innovation management and strategy development within the Group. This will enable limited falls in individual markets to be cushioned.

Dependency upon individual customers. Jenoptik has a broad customer base overall and is not dependent upon any one customer for its survival. In 2011, the TOP 3 customers, which are in different sectors and which are independent of each other, accounted for approx. 15 percent of group sales. Approx. 22 percent of the order intake came from the TOP 3 customers. On a group basis, default risks are therefore not concentrated on individual key customers. However, specific customers are very important for individual business areas and under certain circumstances it would not be possible to fully compensate for a default. Jenoptik reduces this risk by launching new, innovative products on the market and attracting new customers. Jenoptik counters potential customer credit-rating

risks through consistent receivables management and key account management. Since many customer orders are based on long-term supply agreements, some of which are based on special developments, the risk of a business relationship being terminated is further reduced. In addition, the customer is often also being dependent upon Jenoptik.

Risks arising from long-term orders. Long-term orders with terms of up to five years or more exist primarily in the Defense & Civil Systems segment and to a lesser extent in the Service Providing business of Traffic Solutions. These orders offer the Group a stable costing basis, secure the future capacity utilization and provide reliability for forecasting. These are, however, offset by risks for example arising from the high order volumes in most cases, the associated increased relevance of potential costing errors, pre-investments and interim financing, changes in market prices, pricing reviews of the federal authorities for certain public orders, changes in technologies and, potentially, inflation and currency risks. Jenoptik reduces these risks with the help of price escalator clauses, on-account payments, currency hedging (see Financial risks) and rolling forecasts. Although the probability of the risks tends to be rather low, hedging instruments cannot totally rule out the possibility of these arising, particularly for framework agreements that do not stipulate any binding call orders by the customer at the end of the term but, conversely, necessitate fixed costings and require resources to be held aside. In view of the high volume for each individual order, the impact of the risk can therefore be significant. In conjunction with anticipated budget cutbacks by public sector clients, Jenoptik will in future be faced with the risk of orders being delayed, subsequently reduced or extended over a longer timeframe.

Dependency upon individual suppliers and procurement of raw materials. Thanks to its product mix, the Jenoptik Group is not generally dependent upon individual suppliers but is dependent on the sourcing of special components in individual areas, such as for example electronic components, crystal optics or quartz glass. The loss of a key supplier could lead to increased sourcing prices, lost sales, loss of reputation, contractual penalties,

claims for damages or a loss of follow-up orders and, in the extreme case, to a shutdown in production which would have a detrimental impact on the results of individual group companies. In order to reduce the dependency upon individual suppliers, in addition to active interface management for third-party developments, proven measures include the in-sourcing of strategic key components as well as the development of "second sources". The risk of the failure of one individual supplier is therefore moderate, in view of Jenoptik's diversification the consequences in the individual case are manageable and therefore seen as rather minimal from the Group viewpoint. Warehousing risks are minimized and the capital tie-up reduced through continual improvement in the procurement, throughput and distribution processes. Due to purchasing processes being increasingly centralized on a group-wide basis, Jenoptik will also benefit from economies of scale to a greater extent in future.

Economic activity is expected to slow down in 2012. This could result in an easing regarding delivery times and increases in prices. As in the previous year, price increases are expected in particular in connection with the rise in prices for raw materials and energy. In 2012, an additional risk may arise from procurements in the non-euro zone due to changes in the exchange rates.

The further development of the procurement process is explained in the Annual Report on page 83.

IT risks. Fundamental information technology risks arise both from the operation of computer-aided business processes as well as from the use of systems for the general exchange of information, controlling and financial accounting as well as other IT applications within the Group if the functioning of these systems is no longer guaranteed. In order for IT-aided business processes to be handled as reliably as possible, Jenoptik's Group IT continually reviews the Group's information technologies, updating the systems as required. The conversion to a central IT infrastructure, reflecting state-of-the-art technology in terms of security, availability and scalability, was contin-

ued in 2011. In 2012 and 2013, the small local Data Centers will be further centralized. In this context, top priority will be given to data security. An archiving system for e-mails which complies with the statutory requirements, ERP systems and technical drawings, a centralized and duplicated Computer Center as well as hierarchical data backup strategies and data storage were fully commissioned into operation. The risk of data loss has therefore been reduced to a minimum. An increasing number of applications and data volumes are being gradually migrated to this central architecture in order to guarantee the required security. Redundant and backup systems are in place for all critical applications. In 2010, the Group introduced a redundant corporate network and central Computer Center into which the critical applications of the local companies will be consolidated over the coming years on a step-by-step basis. There is, however, currently still a minimal risk that in the event of a total failure the central Computer Center could shut down which could make disaster recovery (i. e. recovery of normal operation) more difficult. The local Computer Centers for the respective locations will also continue to be modernized and centralized. By using state-of-the-art and ultra-secure technologies, Jenoptik is systematically and continually safeguarding itself against harm caused by viruses and hackers. For example, stringent security provisions such as encryption, token authentication and network separation ensure the security of military classified data. In addition, a Group Security Manager ensures that data secrecy is preserved at all times. In cooperation with the Jenoptik Group's Data Protection Officers, he/she ensures that personal data are processed in accordance with the rules of the Federal German Data Protection Act. The employees' awareness of the need for information security has been raised through training and information events.

Confidential information on future strategies, technologies or product developments is also at risk of reaching the public domain in error, reducing future sales as a result and seriously jeopardizing our market position. The Group therefore has safety mechanisms in place, for example the encryption of e-mails and data files, network separations as well as military

security standards and guidelines for the internal processing of sensitive data.

Even though the risk tends to be rather low, the possibility of hacking into internal data networks, the theft of key know-how or the loss of large data volumes cannot be entirely ruled out. The consequences in this case would not be minimal. On the other side, in the short-term Jenoptik is not dependent upon IT-aided platforms, consequently any potential damage would remain limited.

Product liability. In order to avoid product liability cases, the Group employs stringent quality assurance measures and operates in accordance with the pertinent national and international rules and laws. A business and product liability insurance is intended to provide extensive cover for damage to property and personal injury arising and by having worldwide coverage concept encompasses virtually all the group companies. In addition, the Jenoptik Group's foreign subsidiaries have local insurance cover. This consequently also takes account of the special requirements in individual countries. The maximum extent of the damage for an individual product liability case can be very high. But over the last five year there was no product liability case.

ERP systems. In 2011 a group-wide program for the harmonization of business processes and ERP systems has been initiated. As a result of the five year duration significant costs will initially be incurred and resources tied up. The positive effects, for example process improvements, increased efficiency and transparency, will not come to fruition until later. A detailed business case, monitoring of costs and adherence to milestones are used to counter the risk that the project will not be successfully implemented.

Patent infringements. Third-party property rights pose risks for Jenoptik through potential legal disputes resulting from infringement of patent or non-scheduled costs for the acquisition of licenses. These risks are offset by opportunities for income from potential licenses resulting from own property

rights being awarded to third parties. Particularly in the USA, in view of that country's legal situation, claims for patent infringements, in some cases involving high claims for damages, can never be ruled out. This was demonstrated by the largest individual action for Jenoptik arising from a infringement of patent (Plaintiff: Asyst Inc.) in which a ruling was finally issued in favor of Jenoptik in the USA in 2010.

In order to further reduce the risks of potential legal disputes, the Group set up a central IP coordination that works closely together with the individual, operating units. A group-wide patent strategy is currently being reformulated and further developed in close cooperation with the strategy and innovation management.

FINANCIAL RISKS

Acquisition risks and opportunities. The Group's further growth is to be achieved both organically, primarily as a result of intensive research and development, as well as through acquisitions, cooperation arrangements and a continued process of internationalization. Jenoptik places stringent requirements on the group-wide return on capital in respect of every acquisition and investment decision. Jenoptik counters the risk of paying too much for corporate acquisitions or investments by carrying out a detailed due diligence, which in the past more frequently led to a decision to decline a purchase than to proceed with one. In a staged verification process, specialists of the acquiring group company as well as the Strategy & Business Development, Innovation Management, Finance and Legal Affairs and in part by the Internal Auditing departments make an assessment. The consent of the Executive Board of JENOPTIK AG is required for an acquisition in each case, with larger acquisitions also requiring the consent of the Supervisory Board. Once the acquisition has been made, a process review is conducted by the so-called Investment Committee.

In 2011 a minority holding was acquired and the shares in a smaller majority holding increased. Therefore, the maximum risk is essentially limited to the respective purchase price. The risk described above relates in particular to possible future

acquisitions the size and risk potential of which cannot be assessed at present.

Since 2007, disinvestments from fringe activities, normally by way of a sale, have also been carried out in conjunction with the Group's realignment. Potential as well as identified risks remaining with Jenoptik were assessed and corresponding provisions set up.

Granting of guarantees. Guarantees provided for non-consolidated shareholdings and third companies, were further reduced from 8.3 million euros as at end 2010 to 7.5 million euros as at the end of 2011. 60 percent of these guarantees are also secured through counter guarantees with other renowned companies. Taking into account historic empirical values, the risk arising from guarantees can be fundamentally categorized as low. The level of utilization over the last five years was on average approx. 0.05 percent per annum. In addition, there is an obligation on the part of the primary debtor to reimburse Jenoptik for any guarantee take-up. Due to the experience gained in the past and the counter guarantees Jenoptik views both the probability and the impact of the risk as rather low. Further details can be found in the Notes on page 153.

Risks from sales of companies and follow-up themes. The sale of M + W Zander in 2005/2006 has given rise to both opportunities as well as risks for the years ahead. These are attributable to individual themes and projects remaining with Jenoptik, guarantees during the course of the sale (in particular taxes), a deferred purchase price payment and interest claims. There are today no further agreements in place for the provision of guarantees and subsequent liability arising from previous guarantees. The greatest risk is the court of arbitration proceedings being pursued against M + W Zander (see Legal disputes page 108).

In addition, Jenoptik has issued the standard guarantees for sales of large holdings in companies such as Jena-Optronik GmbH or the minority stake in caverion GmbH, among other

things relating to the accuracy of the filed tax returns or the existence of the necessary approvals, patents and licenses for the operation of the business. In principle, these guarantees could enable the purchaser to file claims in the future. Individual specific allowances for receivables and/or provisions will fundamentally be set up for these risks. Changes in the assessment, the onset of risks or expiry of warranty periods could have both a positive or negative impact on the results. In 2011 the positive developments were predominant.

Liquidity supply. The Group's financial flexibility and continuous solvency is secured on the basis of a multi-year financial plan and monthly, rolling cash flow planning. Group net debt was reduced sharply in 2010 so the risk of a shortfall in liquidity in the 2011 fiscal year had already been significantly lowered. In 2011, Jenoptik held net debt at a low level of 77.1 million euros. In October 2011, JENOPTIK AG successfully placed debenture loans on the market (see Management Report page 64 and Notes page 171) in the sum of 90 million euros and with a term of 5 resp. 7 years, enabling Jenoptik to totally reorganize its entire financing and secure the maturity of its financing structure in the medium to long-term range. The proceeds from the transaction were used to fully replace existing loans in the sum of approx. 84.7 million euros. This meant the return of all the federal and state guarantees in the sum of originally 44 million euros granted in 2009. A significant portion of the loans that were replaced was equipped with so-called financial covenants. This enabled the corresponding bank to cancel the loan in the event of a breach of the financial covenants. Consequently, if these financial covenants were breached, there is now no further risk of the banks being able to immediately and prematurely cancel the underlying loans. The debenture loans issued in 2011 also contain financial covenants, although these only provide for an increase of 0.75 percentage points in the interest rate in the event of a breach. The risk that banks may cancel prematurely the underlying loans on the basis of contractually stipulated financial covenants does not exist any more. None of the other Jenoptik loans entail financial covenants.

As a result of a positive cash flow and free liquidity framework in the form of credit facilities and loans not yet drawn up in the sum of 98.2 million euros as at December 31, 2011, from the current viewpoint the Group's supply of liquidity has been secured for the years ahead. Our cash pooling is also improving the supply of liquidity for the individual companies and, as such, limiting their liquidity risk. The credit lines are spread between several banks and virtually none have been used. In addition, repayments for the existing loans (mainly debenture loans with a term until 2016/18 and mortgages with a term up to 2016) will be low up to 2016. The quantitative effects of the liquidity risk are explained in the Notes on page 175.

Jenoptik counters the risk of default of receivables and loans through comprehensive credit-rating checks, a consistent approach to the management of receivables and agreements on on-account payments which are concluded for larger projects. In these cases, credit risks then normally only arise in respect of a balance of the receivable, reducing any impact on the balance sheet. The quantitative effects of the credit risk are explained in the Notes on page 174.

The counterparty risk arising from a potential default of banks within the framework of the investment of Jenoptik's cash balances is reduced by limiting the investment amount for individual banks.

Change in currency exchange rates (dollar-euro parity). The euro is Jenoptik's balance sheet and group currency in which a large proportion of the sales are billed. In the 2011 fiscal year, approx. 10 percent of group sales were processed in US dollars, with only a minimal portion in other national currencies. Since the currency parities continually change and there has been an increase in the exchange rate volatilities, there is a high risk (as well as the opportunity) of changing parities. However, in view of the level of sales in US dollars, it is only the euro-dollar parity which is relevant for Jenoptik in terms of its consequences. These are significantly reduced through currency management, which is centrally administered by the Treasury department.

Jenoptik hedges virtually all orders in foreign currencies via exchange rate hedging instruments, primarily forward exchange contracts and currency options, thereby reducing the impact of exchange rate fluctuations on earnings and cash flow. Derivative financial instruments are used exclusively to hedge the underlying operational business as well as financial transactions required for operational purposes. In this context, all payment flows in foreign currencies are recorded as a risk item. The anticipated development of the currency, the risk potential as well as a shock scenario are then analyzed for the purpose of hedging the foreign currency transactions and determining the annual currency hedging strategy in order to calculate the maximum permitted loss risk.

As at December 31, 2011, the amount of outstanding forward exchange contracts hedged was 53.3 million euros (prev. year 42.9 million euros). Future US dollar cash flows, as yet not determined, for contracts which have not yet been concluded, can only be secured to a limited extent in the form of cash flow hedges. These entail an additional currency risk if the underlying transaction is subsequently not concluded. It is also not possible to hedge against the risk of competitors with added value in other currency zones being able to suddenly offer products at lower prices following currency fluctuations. Furthermore, a change in the US dollar exchange rate can also lead to a change in the raw material prices within Germany.

Since Jenoptik's income tends to exceed expenditure in US dollars, the Group benefits from a strong US dollar. As at the year-end, the US dollar exchange rate was 1.2932 EUR/USD, above the level in the previous year (31.12.2010: 1.3362 EUR/USD) but had been markedly weaker during the course of 2011. Up to February 2012, the US dollar was showing a continued upward trend (10.02.2012: 1.3244 EUR/USD). In the event of a stronger US dollar, future order intakes could lead to increasing euro margins unless the positive exchange rate effects have to be passed on in full in the form of price reductions. Conversely, a weakening US dollar could have a negative impact on Jenoptik's margins. The quantitative effects of the currency risk are set out in the Notes on page 176.

Interest rates fluctuation risk. Both short-term as well as long-term loans with short-term fixed interest rates entail an interest rate fluctuation risk if rising interest rates affect the rates charged on these loans and lead to increased interest expenses. The volatility and consequently the probability of changes in interest rates is currently not high. The impact of the potential change in interest rates is dependent upon the term in question and the volume of the interest-bearing item. The interest risk in the short-term is clearly below 1 million euros in 2012, in the long-term at almost 1 million euros as soon as the fixed-interest period will have expired. Based on strategic interest rate management, interest hedging instruments such as interest caps and interest swaps are used to a partial extent in order to reduce the interest fluctuation risks and consequently the impact on the income statement and cash flows. However, despite some interest rate hedging and fixed interest rates, rising interest rates would produce a slight rise in Jenoptik's interest expenses. Long-term loans with fixed interest rates entail the risk of prepayment penalties if these loans are prematurely terminated. This situation can arise in particular if mortgaged real estate is sold or the low-interest bearing cash in hand is used to reduce the gross debt and future interest burden. The quantitative effects of the interest risk are set out in the Notes from page 175.

Put & call options. In addition to the refinancing of the purchase price, risks arising from put & call options exist mainly if the specified purchase price exceeds the market value of the asset to be acquired. With the exception of the following real estate funds, there are currently no put options in place against Jenoptik for the acquisition of parts of companies from operating minority companies that could reduce cash or financing sources if exercised.

Jenoptik currently has three real estate funds which were set up in 1998 and 2001. Each fund offers an exit opportunity (put option) for the corresponding silent shareholder with the earliest exercise date being 2011; in some cases however these cannot be exercised until later.

In the third quarter 2010, the silent shareholder in the first fund announced his intention to exit from the real estate funds as at March 31, 2011. Jenoptik has an indirect obligation to refinance the credit balance of the silent shareholder resulting from his exit and made a provisional payment and in the second quarter 2011. The final amount of the credit balance is now the subject of legal proceedings in the framework of which the parties have been negotiating for settlement since February 2012. The maximum sum claimed by the other party in the proceedings is 10.6 million euros plus interest for the year. However, the risk of deteriorating balance sheet ratios can be limited by planned sales of real estate not required for operating purposes and any amount that may be required to be refinanced can be reduced. It is however unlikely that this will take place on the same date. A smaller property had already been sold in 2011.

In view of the fact that the silent shareholder in the second fund had not given notice of termination by June 30, 2011, the earliest exit date has now been postponed to December 31, 2012. Since February 2012 the parties have been negotiating an earlier termination date and the amount of the credit balance to be paid. The silent shareholder in the third fund cannot exit until the end of 2014 at the earliest. The impact on Jenoptik's liquidity arising from the put options described above has not yet been clearly established and will in total be in the low double figure million euro range. The expected settlement amounts were shown in the balance sheet as liabilities.

BALANCE SHEET RISKS

Impairments to investment holdings and goodwill. All assets in the balance sheet are subject to an impairment test if this is indicated. There is a risk of impairments affecting earnings in the event of permanent impairment to minority shareholdings which are shown in financial assets as well as for capitalized goodwill of consolidated companies. Further information can be found in the Notes on pages 134 (accounting methods) and from page 136 (intangible assets). The factors that influence corporate valuations are manifold and encompass many of the effects described in this risk report. Impairments can be rela-

tively high in the individual case and consequently have a high, one-off impact on the results and reduce the shareholders' equity. As a fundamental rule, however, they do not affect liquidity. The total goodwill in the consolidated financial statements is in the sum of 55.9 million euros, equating to 8.7 percent of the balance sheet total or 18.0 percent of the Group shareholders' equity.

Impairments to real estate. Jenoptik's real estate assets are also subject to an impairment test. Here the risk of unscheduled depreciation impacting on the EBIT arises from the fluctuations in the rental market as well as other effects relevant for evaluation purposes, such as interest rate levels, market trends, vacancy rates and maintenance costs. Some of the real estate assets are leased to non-group companies, in part on a long-term basis. The probability of impairments to real estate held as so-called investment properties is higher than for real estate used by the Group itself, since these are subject to a risk of immediate depreciation even in the event of temporary impairment and, in general, cannot be categorized into value groups. The need for impairment arises in particular if there are no follow-up rentals, the properties cannot be leased at the same high rates or capital expenditure is made without being able to be passed on to the tenants in the short-term. As with impairments to investment holdings and goodwill, the risk is essentially limited to earnings and shareholders' equity and as a general rule does not affect liquidity. The total amount of all investment properties as at December 31, 2011 was approx. 20.6 million euros and therefore 3.2 percent of the balance sheet total. The fluctuation of the interest rate by one percentage point (discount interest rate of 7.0 percent at present) would change the measurement of the investment properties by approx. 9 percent or approx. 1.9 million euros. The measurement of other real estate is 78.2 million euros which corresponds to 12.1 percent of the balance sheet total, these are essentially used by the company itself. Due to the growing operative business the need for space is rather rising, vacancies are very low.

Further information can be found in Note 37 on page 178.

Capitalized development costs and stocks. Payments for customer developments are capitalized if they are made in connection with new developments and are to be amortized through anticipated volume deliveries or on an order-specific basis. In this context, any compulsory capitalization is subject to detailed examination. Residual balance payment clauses are normally agreed in order to secure the financing in the event of order cancellations, discontinued projects and reduced income. The probability and consequences of impairments on R & D activities tend to be minimal due to the current low level of capitalization at 4.1 million euros.

Repayment of investment grant and subsidies. This risk arises from the potential repayments resulting from changes in regulations, discontinued projects, the failure to achieve sales quotas or expenditure not being recognized as qualifying for grant purposes. Jenoptik reduces this risk through group-wide, targeted innovation management and R & D road mapping. However, the repayments cannot be ruled out. In 2011 income from subsidies was approx. 2.5 million euros, investment grant newly deducted from acquisition costs amounted to 0.5 million euros. If a repayment is likely, Jenoptik takes account of this through allowances or provisions. The consequences therefore tend to be minimal. Even in case of an unfavourable scenario the risk of loss should be limited to a low single-digit million euro amount or less.

Capitalized deferred taxes. As at December 31, 2011, JENOPTIK AG has a tax losses carried forward of approx. 400 million euros (see also Notes page 153 Income taxes). The possibility of a change in the company's economic situation, or a change in the options for utilizing losses carried forward as the result of changes in the law, for example limiting the options for carrying forward losses or tax reductions, cannot be completely ruled out and would impact on the Group's earnings situation. A purchase of shares exceeding 25 or 50 percent by a buyer or a group of buyers can result in a partial or total loss of the allowable tax losses carried forward. Thanks to Jenoptik's good economic situation and a continued expectation of positive earnings, the risk of a change in the eco-

economic situation is deemed to be moderate to low. It is not possible to estimate the probability of changes in laws or a change in the shareholder structure since this is outside Jenoptik's control. In view of the amount capitalized, the impact on earnings and shareholders' equity can be high. In the short-term, however, it is not cash-effective.

The Group only has a minimal exposure to **risks to prices of securities** as a result of its own minimal securities portfolio with a mixed overall structure.

RISKS FROM CORPORATE GOVERNANCE AND LEGAL DISPUTES

Personnel risks. For Jenoptik qualified and motivated employees are crucial to success within a globally dynamic market environment. Therefore, the hiring of employees and gaining their long-term loyalty are essential tasks of the strategic HR work. The main personnel risks therefore arise from a shortage of qualified personnel in key countries as well as an insufficient performance-oriented approach on the part of the employees. For this reason strategic HR intensified its activities in the area of recruitment, in order to be able to support and evaluate recruitment processes more intensively. Measures have also been prepared in the area of personnel development to position Jenoptik as an attractive long-term employer. This includes a concept for a specialist career, which was developed in 2011 and will be implemented in 2012 in two areas in form of a pilot project as well as the implementation and evaluation of measures within the framework of a qualification matrix.

In view of the demographic trend and a possible shortage of junior staff there are personnel risks arising in the mid to long-term. Jenoptik counters this risk through target group specific marketing and group-wide programs aimed at positioning the Group as an attractive employer and to promote the relevant professional fields.

In order to avoid personnel risks the central HR controlling has been established in the Group. Key indicators which are being

collated on a regular basis and structured and detailed HR planning which was introduced in 2011 for the first time should help to identify personnel risks quickly in order to be able to implement the corresponding measures. A detailed mid-term HR planning is scheduled for 2012 in order to ensure sustainable HR planning and thus a further reduction of personnel risks. In 2011 the fluctuation rate was 3.6 percent (prev. year 2.5 percent). Further information on the subject of personnel can be found in the Annual Report from page 72.

Takeover risk. A takeover risk arises if the price to be paid for a take over is markedly lower the Group's market value, or if the buyer is able to acquire a larger shareholding at no premium. More than 70 percent of Jenoptik's shares are held in free float. At the beginning of July 2011, the firm of Thüringer Industriebeteiligungs GmbH & Co. KG acquired 11.0 percent of the shares in JENOPTIK AG from ECE Industriebeteiligungen GmbH, which remains the largest individual shareholder. It now has a 14.01 percent shareholding of and, according to its own statements, is investing for the medium to long-term. By pursuing an active approach to investor relations management, Jenoptik is targeting a broad strata of investors, seeking to attract long-term investors and aiming to provide transparent information for the whole capital market.

Environmental risks. Jenoptik has a low exposure to environmental risks based on the use of materials and substances which are harmful to health and the environment, these being used e.g. for existing production processes in the manufacture of optics and semiconductors. The Group pays general attention to conformity with the so-called RoHS Directive and compliance with the European Chemicals Ordinance REACH. Environmental management systems which have been introduced provide for additional safety and security at the Jena, Triptis and Wedel sites. Regular environmental audits are also carried out in accordance with ISO 14001. An environmental liability and environmental damage insurance concluded for the Group includes environmental risks and provides cover from storage, to production through to disposal.

Compliance risk. A Compliance Board was established at the end of 2010 to reduce potential compliance risks arising from the adherence to the applicable laws, company guidelines and regulatory standards recognized by the company. To ensure that all employees of the company act in a legally compliant manner, Jenoptik has developed its own group-wide guidelines with regard to all important company processes, which are continually being reexamined, expanded, and brought up-to-date. They are published via the group-wide Jenoptik intranet. Although it is impossible to entirely rule out serious breaches by individual employees which would have a significant impact on the earnings, finance and asset situation, we view these as being unlikely.

Legal disputes. Risks arising from legal disputes exist in respect of a claim for compensation filed before a court of arbitration, as a customer of M + W Zander has been claiming since December 2008 that a settlement concluded with M + W Zander in 2006 is invalid. M + W Zander rejects this and has filed counterclaims. In the event of the judgment going against us there is the risk of M + W Zander or its buyer filing claims against Jenoptik. However, we see the risk of a negative ruling as low. If M + W Zander is successful in its counterclaims, there is the opportunity for Jenoptik to file a claim for payment.

There is an additional legal dispute in connection with the exercising of the put option by a silent shareholder of a real estate fund (see Risks arising from put options page 107), here negotiations for settlement have been conducted since February 2012. In this context, Jenoptik has an indirect obligation to refinance any credit balance for the silent shareholder resulting from his exit and made a provisional payment in the 2nd quarter 2011.

Over and above those dealt with in this risk report, other risks arising from legal disputes that could have a significant impact on the Group's asset and earnings situation, are not known or are very unlikely.

SUMMARY | GENERAL STATEMENT ON THE RISK SITUATION

The risk management system, together with the planning, control and monitoring systems deployed enables the Executive Board to assess the Group's overall risk. The Executive Board considers the opportunity and risk profile of the Jenoptik Group as appropriate for the company and the current framework conditions. The Jenoptik Group's overall risk has reduced further in 2011 thanks to the good earnings situation. As at December 31, 2011, or up to the editorial closing date of this report, there were no identifiable risks that could jeopardize the continued existence of the company or, in correlation with other risks, could lead to a permanent, negative impact on Jenoptik's asset, finance and earnings situation.

As a result of our broadly-based market presence, we see ourselves as generally being exposed to a lower risk from the economic development compared with companies which operate in one or just a few markets. The redemption of loans using the proceeds from the placement of the debenture loans have further reduced the financial risks. With the exception of the risks and opportunities arising from a disproportionately high real estate portfolio, which is intended to be further reduced slightly, Jenoptik generally operates within a risk profile which is typical for our company and inextricably linked with entrepreneurial activities. The Executive Board sees the Group as being well-placed in strategic and financial terms to exploit opportunities arising for the Group's continued development. The Group does not currently anticipate any negative deviations in the development as set out in the forecast report.

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

7 FORECAST REPORT

7.1 General statement on the future development

Jenoptik is consistently pursuing the strategic agenda which has been in place since 2007. Following the Group restructuring and the consolidation, our main focus of attention now is on profitable organic growth. Economies of scale, cost disciplines and higher margins from the expanding systems business should increase the profits from the growth in sales. We see it as more important to achieve our profitability objectives than our sales target. Our operational business has got off to a good start in 2012; we have already won important major orders. In 2012 we expect a slight growth in sales of 2 to 6 percent compared with the fiscal year just past.

More than half of our forecast sales for 2012 are included in the order backlog as at the end of January. As at the editorial deadline for this report, we do not see any major new risks to the development of our key sectors. We expect a reduction in the demand from the semiconductor industry which was at a very high level in 2011. The development of the economy remains the greatest risk factor, with the course of the euro and the sovereign debt crisis being crucial in this respect. However, as scenario considerations have shown, Jenoptik will be well placed to cushion the impact of even major economic fluctuations.

SCENARIO CONSIDERATION

As a result of the uncertainties surrounding economic development in 2011 and 2012, currently attributable primarily to the sovereign debt crisis in the industrialized nations, Jenoptik has made a scenario planning. In this context, three scenarios were examined, simulating a crisis (fall in sales of 10 percent compared with 2011), a moderate crash (fall in sales of 20 percent) and a major crash (total shutdown). While no definitive statements can be given for the 3rd scenario, scenarios 1 and 2 show that with a marked reduction in profitability the company maintains a stable financial situation and in both cases shows a small positive free cash flow and virtually constant net debt.

7.2 Future development of the Jenoptik Group

STRATEGIC ORIENTATION

Strategic orientation of the Group. The Aspiration Statement from the year 2008 forms the strategic starting basis for the Jenoptik Group. The Group has continued to pursue the strategic orientation initiated in that same year and will continue to do so over the medium term.

"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."

The Jenoptik Group is an integrated optoelectronics group. The further strategic development is focused on organic growth, concentrating on strong growth business areas. Cost and quality benefits (in some areas with typically small-scale market structures) are to be achieved through economies of scale, process improvements and shared services. The continuing process of internationalization will be focused on Asia and North America. The Group will continue to pursue its strategic portfolio management. Acquisitions will only be made if these complement the technology portfolio or existing activities on the market side. One of the vital prerequisites for an acquisition is that it can quickly be integrated and meets the requirements in terms of ROI. Jenoptik will also continue to closely examine its own businesses and close down or dispose of individual units that do not meet the Group requirements. These disinvestments mainly affect smaller business units below the segment level.

The strategic orientation as a global, integrated optoelectronics group provides advantages over our competitors, most of which only operate in one market or just have a local or regional presence.

Optoelectronics group. Optoelectronics is a cross-sectional technology that is aimed at a large number of markets. It is an innovation driver for new applications and replaces existing

processes. Optoelectronic technologies also target various markets that service mega trends of the future. They therefore offer numerous opportunities that Jenoptik exploits as a globally operating group in the following ways:

- Its know-how is available on a group-wide basis.
- Innovations help to shape the respective markets.
- Jenoptik covers entire value-added chains and
- is able to effectively target heterogeneous markets.

In most cases, there are no significant dependencies upon individual markets and therefore market cycles. This means stability, particularly in crisis situations.

Integrated group. As integrated parts of the company, the Jenoptik segments take advantage of synergies created through a common infrastructure and cross-sectional functions such as e. g. in sourcing. This creates cost benefits. Harmonized processes lead to greater efficiency and improved results. The common umbrella brand strengthens awareness and creates greater confidence. Major customers can be targeted as equals. The size of the company enables it to employ highly professional experts for core functions. The segments are today already linked in many ways. The Lasers & Optical Systems segment in particular provides technologies and know-how for the other two segments.

Global group. Joint locations also enable to quickly achieve critical mass in dynamic growth regions throughout the world. This applies first of all to the necessary infrastructure, the results of which are rapid market entry, above-average growth and reduced dependency upon regional cycles. Cost benefits are achieved and currency risks minimized through global sourcing and production.

STRATEGIC ORIENTATION OF THE OPERATIVE BUSINESS

The business activity, implementation of market strategies and portfolio management take place in detail on the segment and operating business units. As part of the rolling strategy process, specific roadmaps that adhere to a clear positioning as well as

defined areas of focus on the market and technology side were defined in accordance with the group strategy. In addition, the areas have detailed plans on which measures are to be taken in order to achieve the strategic objectives. The 'Others' segment covers the holding company, the Shared Service Center as well as the real estate companies. Their task is to provide the strategic management and further development, to create synergies as well as to deliver optimum support for the operational areas.

Lasers & Optical Systems segment. Laser and optical technologies operate in close, mutual interaction. In this context Jenoptik is aiming at achieving a position as a leader among the global providers of lasers & material processing. Jenoptik is one of the few providers on the market to offer the entire value-added chain of lasers & material processing in-house, enabling it to optimize critical interfaces of module and system integration. Jenoptik concentrates on the strong growth markets of material processing, medicine/life sciences/aesthetics, photovoltaics, the semiconductor and electronics industry, show and entertainment as well as defense. The areas of focus are on diode lasers and innovative solid state lasers which are integrated into laser material processing systems. Cost-optimized production, together with energy efficient solutions, help achieve an appropriate price-quality ratio for the customer. Over the medium term, the focus will be on internationalization and consequently the expansion of the global service network. From the technology aspect, Jenoptik is concentrating on new applications for diode lasers, the fiber laser product range, as well as laser processing systems for plastic and metal processing.

In the area of Optical Systems Jenoptik is positioning itself as a leading independent provider of optical OEM systems. A comprehensive range of expertise in optics, micro optics and optoelectronics can be combined, offering an individual range of services, in particular for key customers. The semiconductor equipment industry as well as applications for health care & life sciences and for the defense and security area remain key to the development of business. Growth is to be created through further internationalization, focusing on the systems business

and key customers. Sales in the above mentioned markets are expected to achieve above-average growth - primarily through synergies, both on the customer and technology sides.

Metrology segment. The segment's metrology applications are more application and end user-oriented than those in the Lasers & Optical Systems segment. In this context, Industrial Metrology sees itself as a leading provider of geometric production metrology and possesses expertise gained over many years both in the standard as well as solutions and project-related business. To this end, it is able to access the entire portfolio of measurement technologies (tactile, optical, pneumatic). The focus is on the automotive market. Jenoptik is supporting trends aimed at reducing fuel consumption and CO₂ emissions as well as hybridization through the development of measurement systems for engines and gears. The aim is to maintain and expand its position as a global market leader in the area of optical 2D measurement technologies for engines and gears.

In the area of Traffic Solutions the trend is toward large projects and the resultant major fluctuations in capacity utilization which Jenoptik faces through flexible production and by standardizing its product portfolio. Its own presence in the international markets, cooperation arrangements as well as new technologies, measurement concepts and service offerings (traffic service providing) are to secure future growth.

Defense & Civil Systems segment. Long-term orders are a characteristic feature of the segment and over and above the pure supply entail development in the lead period and downstream maintenance. It has positioned itself as a partner for system companies and customers who require individual solutions that meet the stringent requirements of the defense and aviation markets. Cutbacks in the defense budgets of the industrialized nations, primarily in the European Union, pose a long-term challenge. This is why the segment is endeavoring to internationalize its business, in particular in North America, wherever possible and concentrating on the strong growth business areas of energy and sensor systems as well as on increasing the business share of civil systems.

FUTURE FRAMEWORK CONDITIONS

Future development of the economy as a whole. The prospects for the **global economy** have deteriorated, primarily as a result of the euro crisis. The International Monetary Fund (IMF) reduced its forecast for global economic growth in 2012 from 4.0 to 3.3 percent. Although the global economy will slow down, it will not collapse. The World Bank also reduced its forecast for 2012 – from 3.6 to 2.5 percent. It anticipates markedly weaker growth in the emerging countries. This and the euro crisis could reinforce each other and lead to an even sharper downturn in 2012. The global economy will only begin to expand again in 2013; the World Bank forecasts a rise in gross domestic product (GDP) of 3.1 percent compared with 2012, with the IMF anticipating growth of 3.9 percent in 2013.

Despite positive figures at the start of 2012, national economists only expect the **US economy** to achieve a marked level of growth in the second half of the year. According to the US Department of Trade, risks are likely to be posed by the continuing weakness of the real estate market and the high risks to balance sheets in the banking sector. High debt levels are also putting a brake on the US economy. In its latest economic outlook (No. 90), the OECD anticipates an overall increase in GDP of 2.0 percent in 2012 and 2.5 percent in 2013.

The crisis management is turning into the crucial economic factor for the **euro zone**. In addition to Greece and Portugal, Italy, Spain and Ireland are also threatened by recession. The IMF forecasts a reduction of 0.5 percent in economic output for 2012 – in autumn 2011 it had still anticipated an increase of 1.1 percent. The course of the euro crisis therefore remains the greatest risk factor for the economy within and outside the euro zone.

The Federal German Government has reduced its annual forecast for the **German economy** following the weak 4th quarter 2011. It now expects a period of weak economic activity but expressly no recession. Economic researchers anticipate on average an annual increase in GDP of 0.5 percent but point out that their forecasts will only hold water providing the European

debt crisis is quickly resolved. For 2013, the institutes expect a stronger growth than in 2012, e.g. the DIW with 2.2 percent. Exports are crucial to the German economy. Due to declining exports to the European countries German exports will rise only by 4 percent compared with 2011 according to the Deutsche Industrie- und Handelskammertag (DIHK).

The [Asian economies](#) are not protected from the economic slowdown. However, according to the IMF, they remain the driving force behind the global economy, China and India in particular. Economists anticipate a further slowdown in the dynamic of the Chinese economy. In the 1st quarter 2012, in particular, the increase in GDP could fall below the 8 percent threshold as a result of falling exports and investment in plants and equipment. However, from the middle of the year, growth rates should stabilize again. Chinese economists forecast a rise of 8.5 percent in GDP for 2012 compared with 2011. The IMF expects India to post a 7.0 percent increase in its GDP. According to the IMF, the moderate economic upturn in Japan will continue, with GDP in 2012 rising by 1.7 percent. In 2013, however, at 1.6 percent Japan will be the only industrialized country to show a slightly lower increase in GDP compared with the previous year.

FUTURE DEVELOPMENT OF THE JENOPTIK SECTORS

As a key technology, [photonics](#) has a significant impact on the development of other sectors and has become one of the key drivers of economic activity and employment creation. 20 to 30 percent of the European economy and 10 percent of the European labor force are dependent upon photonics. The positive development of the sector in Europe to date does however entail risks which the EU sector study sees in the competition from Asia, the shortage of skilled labor, a shortfall in production volume in Europe and regulatory restrictions, e.g. the RoHS directive (Restriction of Hazardous Substances). According to Spectaris, the shortage of so-called 'rare earths' and the subsequent price increases in materials are also posing risks to the further development of the sector in general.

In the annual market report in the January edition of the trade magazine Laser Focus World (LFW), the analysts of Strategies Unlimited only give cautious forecasts for the [laser market](#). Following a strong 1st quarter 2012, the sector is expected to post only low, single-figure growth rates. Global laser sales in 2012 overall will only increase by 1.2 percent to 7.57 billion US dollars. According to the report, the growth areas are instruments and sensors, communication, military lasers, materials processing and microlithography. For the individual sectors, LFW forecasts the following sales in 2012: industrial lasers, at more than 2 billion US dollars, will post an increase of approx. 5 percent over 2011; medical lasers and military lasers will grow by nearly 4 percent to 518 million US dollars and 195 million US dollars respectively and lasers in entertainment and displays will reach 33 million US dollars (9 percent more). By 2015, according to LFW, the global laser market will succeed in increasing sales to 9 billion US dollars.

For the [semiconductor industry](#), the sector's Semiconductor Industry Association (SIA) anticipates an increase of 3.5 percent in global sales in 2012, followed by 5.8 percent in 2013. The IT market research company Gartner published a similar forecast, anticipating an increase of 2.2 percent in 2012, with a slowdown of growth in PCs. By contrast, smartphones and tablet computers will underpin semiconductor sales. According to Gartner, the continuing uncertainty in the euro zone and the disruption to the supply chain caused by the flooding in Thailand will have a significant impact on the market and consequently also on the supplier industry.

According to details from the sector association Semiconductor Equipment Manufacturing Industry (SEMI), the global [semiconductor equipment industry](#), a key market for the Lasers & Optical Systems segment, will not achieve any further growth in 2012. The association anticipates a reduction in sales of nearly 11 percent to 37.3 billion US dollars before the market is once again expected to recover in 2013 with an increase of 7.4 percent. On a regional basis, the sector experts predict market growth in Asia, primarily South Korea, in 2012.

The **photovoltaic companies** will have to readjust and instead of striving for growth will need to return to profitability. The outcome of the SolarWorld lawsuit against Chinese imports is also crucial to their development. Sector experts anticipate rising prices for solar products in the event of a global "trade war".

For **photovoltaic suppliers**, the analysts of IMS Research forecast a sharp reduction of 55 percent in global sales in 2012 to 5.7 billion US dollars compared with 12.8 billion US dollars in 2011. It is expected that orders will be postponed or canceled due to massive overcapacities, combined with falling demand for new equipment. Solarbuzz also forecasts a 45 percent reduction in sales compared with the previous year. Manufacturers of systems for crystalline, silicon modules could be the hardest hit by more significant falls in sales in 2012.

The growth in the automotive industry will also further strengthen the **automation industry** in 2012. The Verband VDMA Robotik+Automation expects German manufacturers to increase sales in 2012 by 7 percent to approx. 11 billion euros. The dynamic in the order intakes will slow over the coming months for cyclical reasons.

Due to critical framework conditions, the Verband Deutscher **Maschinen- und Anlagenbau** (VDMA) revised its production forecast for 2012. Instead of a 4 percent growth the association no longer expects stagnation at a high level. However, any falling order intakes over the coming months are not seen by the VDMA as a sign of crisis given the very high figures for the previous year. In the German machine tool industry, the sector association VDW predicts that growth in 2012 will slow at a high level, achieving 5 percent, although this is likely to be due to the normal cycle of economic activity. Recessionary influences caused by the European financial crisis could be offset if the growth dynamic in the emerging countries is maintained.

The Verband der **Automobilindustrie** (VDA) remains cautiously optimistic for 2012 and anticipates a slight increase in global demand. Year on year sales in the USA and China, in particular, could rise by 5 to 10 percent respectively. New environmental requirements will have a particular impact on the US automotive market. By 2025, the target is to halve the average consumption of so-called light vehicles to 4.3 liters per 100 kilometers. The markets in South America, India and Russia remain on a growth path: according to a study, the market share of the BRIC states will increase to over 40 percent by 2025 and therefore almost double compared with 2008. In Western Europe, by contrast, demand is forecast to fall.

After achieving record sales in 2011, German **automotive suppliers** are also optimistic about 2012. They will benefit from growing demand as they are well positioned from the technology and environmental aspects. Consequently, according to the "Global Top Automotive Suppliers 2011" study from Berylls Strategy Advisors, they will be able to increase their market share with US American manufacturers and further expand their existing good position in the Chinese market. German suppliers are well placed or could achieve rapid expansion, particularly in those areas of innovation with the strongest growth rates. It is also expected that by 2020 German companies will lead the global Top 100 suppliers with the largest sales volumes and therefore also overtake Japan. However, the process of concentration in the supplier sector has rapidly accelerated since 2008: according to the study, the number of global automotive suppliers will reduce from 5,600 in 2000 to approx 2,500 in 2020.

In Jenoptik's view products and services for **traffic monitoring** will continue to play a central role in reducing the number of traffic accidents as well as the socio-economic effects of the main health problem in the world. In addition to the growing trend towards major projects, Jenoptik regards in particular the Arabian regions, Eastern Europe and South East Asia as growth markets.

The sector association IATA reduced its annual forecast for the international [aviation industry](#): instead of the profit of 4.9 billion US dollars which had still been calculated in autumn 2011, forecasts were now reduced to 3.5 billion US dollars. For 2012, the aircraft manufacturer Airbus predicts a sharp fall in its order intake compared with the record level achieved in 2011. However, the number of aircraft deliveries, at 570, will be slightly higher than in 2011. Boeing also expects increasing production rates over the next two years. According to Airbus, the trend in aircraft construction is toward large, fuel-efficient aircraft.

[Security and defense technology](#) is facing budget cuts in large military projects and troop equipment. The sector is endeavoring to compensate for falling sales in the USA and Europe through exports to Asia and South America. As a result of the restructuring of the German Army, the defense budget in Germany will increase slightly to a total of 31.9 billion euros in 2012. The savings that had originally been planned have been reduced. By 2015, the budget is now expected to only be reduced slightly to 30.4 billion euros. This is a very low total compared with the reductions planned by the US. Over the next ten years the US defense budget is to be reduced by approx. 8 percent and therefore by a total of 487 billion US dollars. Further cutbacks totaling 500 billion US dollars are threatened for the beginning of 2013 if automatic budget reductions come into effect, in other words if there are no planned budget increases. It is, however, expected that the US will continue to invest in major defense projects such as aircraft, drones and ships.

OPPORTUNITIES ARISING FROM THE STRATEGIC ORIENTATION AND FUTURE FRAMEWORK CONDITIONS

[Opportunities arising from the strategic orientation.](#) Jenoptik is involved in new technology topics and trends through its network and as a supplier of modules, equipment and systems to increasingly major global players. Jenoptik is expanding its market knowledge through its strategy of developing its own local structures with customers, leading in turn to the possibility of new orders. By cross-linking activities within Jenoptik, it is creating synergies that can create advantages in terms of costs and quality over what are often smaller competitors. Jenoptik's financial stability as a group also provides its customers with security, an important selection criterion particularly when awarding orders during periods of weaker economic activity and when these involve projects that extend over longer periods.

[Opportunities arising from the future framework conditions.](#)

Jenoptik is not dependent upon one or a small number of markets and is therefore well placed to cushion economic fluctuations. Over the medium and long-term opportunities for Jenoptik are created in particular through the innovative core expertise in optoelectronics, an area in which the potential applications have not been exploited in full by any means and which is also an enabler for new and efficient products and production processes in various areas or is capable of replacing conventional processes. As such, the broadly-based know-how in the cross sectional technology of optoelectronics opens up opportunities to develop new markets. Jenoptik is benefiting overall from the general trend toward more efficient solutions in all sectors. This trend is being supported by the existing product portfolio, creating potential growth opportunities in all the Jenoptik segments.

[Opportunities specific to the company and the individual segments.](#) We explain these opportunities on page 72 of the management report. We see these primarily in our highly trained employees and the targeted promotion of innovation. Opportunities for the individual segments are described in the section entitled "Strategic orientation of the operating business" in the forecast report.

MEDIUM AND LONG-TERM DEVELOPMENT

Targets of the Jenoptik Group. The Jenoptik Group reaffirms its medium and long-term targets. Jenoptik has set itself the target of achieving an average annual organic growth of approx. 10 percent, the EBIT margin is to come to between 9 and 10 percent. In order to succeed in this, the Jenoptik Group is looking to achieve proportionately higher growth abroad. Jenoptik aims at generating 40 percent of total sales in North America and Asia and thus achieve above average growth in these regions.

Further development of Jenoptik. The five value levers defined in 2007 are decisive for Jenoptik's further development. Sustainable, profitable growth is to be achieved internally through efficiency measures as well as through rising sales, increasingly as a result of economies of scale, with overheads and fixed costs expected to develop at a markedly lower rate in proportion to sales. All the core measures for further development are aimed at achieving this objective. The value levers and the corresponding measures are set out individually below:

Organic growth. The strategic portfolio management will be continued and optimized on the level of the individual market and competition segments. Capital expenditure will secure organic growth. The focus will therefore remain on positive cash flows from the operating activities and free cash flows. The environment for potential acquisitions will continue to be closely monitored. Purchase decisions will only be made if they provide a strategic and operational fit and therefore offer sustainable growth in value, and not purely based on size.

Market and customer orientation. The Group will invest heavily in the expansion of its own sales structures, particularly abroad. Where possible, customers will be included during the early stages of development. The ties between the individual segments will be further expanded. This enables the Group to offer its entire range of services quickly and smoothly to customers as well as to combine it on an individual basis. The systems

business is expected to increase its share. From 2012, a clear and unmistakable group-wide brand profile will be communicated in a uniform way.

Internationalization. Jenoptik sees special growth potential in North America and Asia, therefore expansion of the internationalization will focus on these markets. This will be carried out through the Group's own majority holdings in cooperation with local partners. Own distribution channels will be given preference over dealer structures. Cross-sectional functions covering various types of business and in-house creation of added value will be expanded.

Employees & management. Attracting employees and maintaining their loyalty remain the central focal points of the strategic HR work. The aim is for Jenoptik to preserve its position as an attractive employer. The ability to attract the necessary employees against the background of an increasingly difficult demographic environment requires structured HR planning in order to provide for the profile identification, searching and recruitment on a timely basis. Long-term loyalty can only be created through corresponding personnel development measures and framework conditions and must be structured to meet the needs of the target groups.

Operational excellence. The Jenoptik Excellence Program will be further continued; it is now going into its fourth year. The focus of the measures has been and continues to be on the topics of lean operation and administration, procurement and supply chain management as well as shared services. The aim is to expand synergies, primarily in the Shared Service Center through the incorporation of additional activities. The medium term focus will be on harmonizing the process landscape and the ERP systems. This will be done within the framework of the Business Process Management program that is being rolled out internationally and covers all the key management, core and support processes.

7.3 Development of the business situation in 2012 and 2013

PLANNING ASSUMPTIONS

Group. The forecast for the future business figures is based on the group planning in autumn 2011. This planning was carried out in accordance with the rules of the IFRS (see Notes page 129) and was conducted on the basis of the so-called “bottom up – top down process”. The starting point are the market-oriented strategic plannings of the segments and operative business units which have been coordinated and integrated.

All the companies consolidated as at October 31, 2011 were included in the planning. It also includes the Chinese company JENOPTIK (Shanghai) Precision Instruments and Equipment Co. Ltd. which was established in 2011 and consolidated as at November 17, 2011. Potential acquisitions were not included in the planning.

The process and ERP harmonization throughout the Group will be continued in 2012. This will lead to the creation of one-off costs in the sum of approx. 4.0 million euros, which were included in the planning. Significant savings in the mid single-figure million euro range are expected from the Jenoptik Excellence Program also in 2012 and were additionally taken into account. These savings were mainly attributable to the procurement project and a general improvement in process efficiency which are now having an ongoing effect in many areas and are consequently included in the current planning.

In the **Lasers & Optical Systems segment**, the Jenoptik Group anticipates a fall in demand in the semiconductor equipment market in 2012, in line with the development in the sector. This will impact on the segment's sales and EBIT. The aim is to partially offset the reduction in sales within the segment through sales growth in the Optoelectronic Systems business unit as well as Lasers & Material Processing. The new products described above are expected to contribute toward achieving this aim. The capital expenditure to expand the production

facility for bar material for diode lasers at the Berlin site will not make any contribution during 2012, since the start of the expanded production will only take place at the beginning of 2013. Jenoptik will continue to invest in the expansion of the semiconductor equipment business, primarily through a continuation of the high level of R+D activities as well as intensive customer contacts aimed at the joint preparations for future production processes. The Key Account Management will be expanded in this area as well as in new sectors such as the flat panel industry – primarily in Asia and North America.

The **Metrology segment** generated a high order backlog in 2011 which should enable the segment to achieve sales growth in 2012. Although we expect the high level of demand in the automotive supplier area to return to normal levels, we currently do not see any signs of a significant fall in demand. Additional impetuses are expected to come from the growth in the automotive market in the BRIC states. The intention is to intensify development of the markets in South America, particularly in Brazil. In Traffic Solutions, the major order awarded by Saudi Arabia in 2011 and which already characterized the 2011 year-end will in particular lead to high sales in the first half of the year 2012. We were able to acquire another major international project with the order from Malaysia at the beginning of February worth more than 40 million euros. We expect to bill for the initial tranches of this order already in 2012. We will also be expanding the Traffic Service Providing which is enjoying increasing demand in established markets for the equipment business, including Germany among others. Own structures, which are focused on the expansion of sales in Asia as well as the acquisition of a minority holding in an US-American company in the Metrology segment are expected to lead to sales growth from these regions.

The **Defense & Civil Systems segment** anticipates stable development, with the focus on internationalization. The activities commenced in 2011 will be continued. As a result of establishing its own structures, the segment expects to see an expansion of business abroad, mainly in North America. The cuts in defense budgets, particularly in the USA and the European

countries, are not expected to have any major impact in the short and medium-term. In parallel with this, the segment has been seeking to expand its civil offerings for a number of years.

FORECAST FOR THE SALES AND EARNINGS SITUATION IN 2012 AND 2013

Important note. Actual results may materially differ from following forecasts on the expected development. This could happen, if one of the uncertainties described in this report will occur or the underlying assumptions prove incorrect.

Sales forecast – Group. In 2012, the Jenoptik Group expects to achieve a slight growth in sales of 2 to 6 percent over 2011. This forecast does not take into account possible acquisitions. This means that the other two segments are anticipated to more than compensate for the expected decline in sales of the Lasers & Optical Systems segment. Jenoptik expects a continued organic sales growth in fiscal year 2013.

Forecast for the income statement items – Group. The gross margin is expected to remain almost constant in 2012 and 2013, it may slightly rise in 2013 provided that market development will be good. For the items in the income statement, the Jenoptik Group plans to increase the selling costs at a higher rate in proportion to the growth in sales, primarily as a result of the development and expansion of its own structures in North America and Asia which was started in 2011 and will be continued in 2012. In 2012 and 2013, R + D as well as general administrative expenses should remain approximately constant as a proportion of future sales.

Earnings forecast – Group. The Group EBIT is once again expected to exceed the 40 million euro mark in 2012. Depending upon the progress of the cycle in the semiconductor industry, the Group EBIT is anticipated to come in at between 40 and 50 million euros. Following the debt restructuring and reorganization of the group financing in 2011, the Jenoptik Group now expects a marked improvement in the net interest result due to lower interest expenses. The improved interest result should have a positive effect on earnings before tax. For the 2013 fiscal year,

Jenoptik forecasts a rise in the Group EBIT, mainly due to the anticipated increasing contributions to the EBIT from the Lasers & Optical Systems segment.

Forecast for the order situation – Group. As a result of the increasing importance of large orders, it is difficult to provide a forecast for the order intake. Overall, we do not expect the order intake in 2012 to repeat the high level achieved in the past year. The main reasons for this are the high order intakes last year in the Defense & Civil Systems segment that were also attributable in particular to orders with delivery and billing extending over several years. Just over 50 percent of the order backlog shown as at end December 2011 will convert into sales in 2012.

Forecast for development of employee numbers & HR activities – Group. Jenoptik plans to increase the headcount at a rate which should fundamentally be lower than the expansion of business. The aim is to continually increase the sales per employee in the medium term. In 2012 and 2013, the number of employees is expected to rise to approx. 3,300. The focus of the HR activities derives from the strategic targets (see page 111): In 2012 the qualification matrix will be better used and evaluated, and the key topics coming from the organization will be included in a central HR development project on the group level. In addition, development offers and programs designed to meet the needs of specific target groups will be implemented. In 2011, a leadership program was designed which should help to better link the junior leadership program with the organization; it will be implemented in 2012. It will ensure that managers and junior managers will learn the same contents to be able to use the same management tools in their entrepreneurial environment and therefore operate in the same cultural leadership environment. HR marketing is another area of priority. Here digital media will play a more important part to better address the relevant target groups directly. These media will be used more intensively in particular for young professionals and professionals. The expansion of SAP harmonization, which was started in 2011, will be continued through the implementation of HR management processes in 2012. For the

first time, this will allow a system based succession planning and therefore a targeted HR development und recruiting.

The **Lasers & Optical Systems segment** expects to see a reduction in sales and earnings in 2012. In view of a very significant contribution to sales and earnings in 2011, the slowdown in demand from the semiconductor supplier industry will be reflected in the segment's indicators, particularly in the 2012 fiscal year. The aim is to partially compensate for the slowdown through the optics business with other sectors as well as growth in Lasers & Material Processing. Consequently, sales are only expected to show a slight fall in the single figure percentage range. By contrast, there will be a sharper fall in the segment EBIT due to the subsequent change in sales mix and remaining fixed costs. By contrast to earlier downward cycles in the semiconductor industry, however, the segment is expected to continue generating sustainable, positive earnings contributions. In 2013, this segment is expected to increase its contributions to sales and earnings. In addition to a subsequent sharper rise in demand from the semiconductor supplier industry, we anticipate a further increase in the contribution to sales and earnings with other sectors.

In the current fiscal year, Jenoptik expects a further leap in sales and earnings in the **Metrology segment**. This is attributable to a high order backlog at the end of 2011 as well as to our anticipation of a positive development by the sector. We assume that the segment sales may rise by between 25 and 30 percent and the increase in the segment EBIT will be substantially higher than the rise in sales. In fiscal year 2013, we expect to see a consolidation of the contribution to sales and EBIT by this segment at a high level. This will also be dependent upon the timing of the project settlements and the level of the earnings achieved in 2012.

In the **Defense & Civil Systems segment**, we forecast a slight rise in sales in the mid-single-figure percentage range in 2012 and 2013, mainly as a result of the expansion of business in the areas of civil aviation, energy systems and sensor systems. This increase in sales should also be reflected in the segment EBIT. The strong growth posted by the Altenstadt site in Germany over recent years is expected to continue in 2012 and 2013. The impetus for this will come from the increase in production efficiency in which Jenoptik has invested heavily over the last two years and which is now bearing full fruit. The share of civil products in 2012 is expected to increase further.

FORECAST FOR ASSET AND FINANCIAL SITUATION OF THE GROUP

The **balance sheet total** is expected to remain constant in 2012 or only record a minimal rise. This is due to a planned demand for investment above the level of depreciation as well as to a smaller rise in working capital within the framework of the expansion of sales.

The **shareholders' equity** is anticipated to increase slightly in line with the anticipated net income for the periods. This will be offset by a possible reduction in shareholders' equity in the amount of any possible dividends paid. In the next two years, the shareholders' equity ratio should therefore remain generally constant or continue to rise slightly with the balance sheet total increasing slightly.

Forecast for the financing. The operational financing of the Jenoptik Group has been secured with the debenture loans with a term of 5 resp. 7 years, which were issued in October 2011, and a mortgage loan for real estate over a period of several years. As such, only a few current loans will have maturity dates in the years 2012 and 2013. Short term overdraft facilities were not used as at December 31, 2011. In addition, as at December 31, 2011, Jenoptik had unused credit facilities in the sum of 98.2 million euros. Cash in hand and bank credit balances totaled 48.8 million euros.

Forecast for the cash flows. Jenoptik once again expects the cash flow from operating activities to exceed the previous year's figure. By contrast, the free cash flow (before interest and taxes) in the current year is expected to fall below the level for 2011 as a result of increased investment but remain positive.

Forecast for capital expenditure. There will be a marked increase in capital expenditure in 2012. The focus of the investment in tangible assets is on the Lasers & Optical Systems and

Defense & Civil Systems segments. The Group's most significant investment is in the already begun expansion of production for diode lasers bars at the Berlin site. In the Defense & Civil Systems segment, the mechanics production facility at the Wedel site will be updated and expanded. Jenoptik expects capital expenditure to total around 35 million euros in 2012. In 2013, capital expenditure is expected to decrease slightly.

55 **GROUP AND SEGMENT TARGETS** (in million euros)

	Actual figure	Outlook 2012	Trend 2013 compared with 2012
Sales	543.3	Rise of 2 to 6 percent	Rise
of which Lasers & Optical Systems	217.1	Decrease in the single-digit percentage range	Rise in connection with the recovery of the semiconductor industry
Metrology	140.1	plus 25 to 30 percent	Depending on projects, remaining at high level
Defense & Civil Systems	183.3	Slight rise in the middle single-digit percentage range	Slight rise
Order intake	647.9	Slightly lower	n. a.
Group EBIT	49.2	40 to 50 million euros	Rise
of which Lasers & Optical Systems	29.2	Declining stronger than sales	Rise
Metrology	12.0	Stronger than sales	Depending on projects, remaining at high level
Defense & Civil Systems	11.6	Slight rise in the middle single-digit percentage range	Stable to slight rise
Investment result	-2.3	Substantially improved	n. a.
Interest result	-11.9	Substantially improved	n. a.
Free cash flow	44.0	Slight decrease due to higher investments	n. a.
Net debt	77.1	Slight rise due to compensation payment to silent shareholders and high investments	Decreasing step by step
Shareholders' equity and shareholders' equity ratio	310.8 million / 48.3 %	Slight rise stable up to slight rise	Slight rise
Balance sheet total	644.0	Stable	n. a.
Employees	3,117	Rise	Rise
R + D expenses	32.0	In proportion to sales	In proportion to sales
Capital expenditure ¹⁾	25.1	Approx. 35 million euros	Slight decrease

1) without investments in financial assets

Policy on future dividends. Jenoptik has achieved its objective in 2011 and restored its ability to pay dividends.

With regard to the policy on future dividends, it is our opinion that a sound shareholders' equity base is crucial to sustainable organic growth and the exploitation of acquisition opportunities. Other key factors are the technology-intensive environment in which Jenoptik operates as well as the uncertainties surrounding economic development, which have increased sharply over the last three years. These factors will shape future decisions on the dividend policy.

Net debt is dependent upon the abovementioned financial indicators. Despite the increase in capital expenditure and a possible slight rise in the working capital required for growth rea-

sons, Jenoptik expects to meet all interest and tax payments out of the free cash flow. Approx. 23 percent of the non-current financial liabilities as at December 31, 2011 are real estate loans. The intention in the short-term is to utilize the cash on hand and bank credit balances of JENOPTIK AG for payments to the silent shareholders in two real estate funds which still have to be made. Depending on the time of concluding the negotiations for settlement with the silent shareholders of two real estate funds which have been conducted since February 2012 and their result, there might be a possibly short-term increase in net debt as a result of paying the credit balances. Rental income from real estate and the possible sale of real estate not needed for operating purposes could then reduce the effect. We are planning to further reduce net debt step by step in 2013 and the following years.

Jena, March 9, 2012



Michael Mertin
Chairman of the Executive Board



Frank Einhellinger
Member of the Executive Board

JENOPTIK CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

FOR FISCAL YEAR 2011

44.0m euros Free Cash Flow

was generated by Jenoptik in the previous year.
 Despite higher investments, the free cash flow exceeded
 last year's figure by about 12 million euros.

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

in KEUR	Note No.	1.1. – 31.12.2011		1.1. – 31.12.2010	
		Group	Continuing business divisions	Discontinued business division	Group
Sales	1	543,298	478,750	31,897	510,647
Cost of sales	2	359,287	328,569	24,833	353,402
Gross profit		184,011	150,181	7,064	157,245
Research and development expenses	3	31,982	28,088	1,946	30,034
Selling expenses	4	61,908	53,746	665	54,411
General administrative expenses	5	38,893	36,494	1,561	38,055
Other operating income	6	21,307	22,524	25,230	47,754
Other operating expenses	7	23,374	25,347	742	26,089
EBIT		49,161	29,030	27,380	56,410
Result from investments in associates and joint ventures	8	–995	–1,523	0	–1,523
Result from other investments	8	–1,339	–446	0	–446
Interest income	9	1,783	1,701	65	1,766
Interest expenses	9	13,662	13,713	19	13,732
Financial result		–14,213	–13,981	46	–13,935
Earnings before tax		34,948	15,049	27,426	42,475
Income taxes	10	4,404	1,312	0	1,312
Deferred taxes	10	–3,530	4,720	0	4,720
Earnings after tax		34,074	9,017	27,426	36,443
Non-controlling interest in profit/loss	11	–25	–139	0	–139
Net profit		34,099	9,156	27,426	36,582
Earnings per share in euros	12	0.60	0.16	0.49	0.65
Earnings per share (diluted) in euros		0.60	0.16	0.49	0.65

Consolidated Statement of Recognized Income and Expense

Earnings after tax	34,074		36,443
Difference arising on foreign currency translation	1,465		1,776
Financial assets available for sale	–208		2,206
Cash flow hedge	–2,662		–5,159
Deferred taxes	788		1,021
Total income and expense recognized in shareholders' equity	–617		–156
of which attributable to:			
Non-controlling interest	0		0
Shareholders	–617		–156

Consolidated Balance Sheet

Assets in KEUR	Note No.	31.12.2011	31.12.2010	Change
Non-current assets		312,911	310,665	2,246
Intangible assets	13	68,884	72,380	-3,496
Tangible assets	14	138,190	139,405	-1,215
Investment properties	15	20,601	22,080	-1,479
Shares in associates	17	0	246	-246
Financial assets	18	22,793	16,579	6,214
Other non-current assets	19	7,022	9,080	-2,058
Deferred tax assets	20	55,421	50,895	4,526
Current assets		331,105	318,190	12,915
Inventories	21	169,116	148,797	20,319
Current accounts receivable and other assets	22	111,873	103,308	8,565
Securities held as current investments	23	1,288	750	538
Cash and cash equivalents	24	48,828	65,335	-16,507
Total assets		644,016	628,855	15,161

Shareholders' equity and liabilities in KEUR	Note No.	31.12.2011	31.12.2010	Change
Shareholders' equity	25	310,767	282,487	28,280
Subscribed capital		148,819	148,819	0
Capital reserve		194,286	194,286	0
Other reserves		-32,630	-60,936	28,306
Non-controlling interest	26	292	318	-26
Non-current liabilities		161,937	165,315	-3,378
Pension provisions	27	6,640	6,443	197
Other non-current provisions	29	12,423	17,631	-5,208
Non-current financial liabilities	31	123,106	125,856	-2,750
Other non-current liabilities	32	15,809	11,681	4,128
Deferred tax liabilities	20	3,959	3,704	255
Current liabilities		171,312	181,053	-9,741
Tax provisions	28	6,825	2,361	4,464
Other current provisions	29	49,715	61,895	-12,180
Current financial liabilities	31	4,109	19,486	-15,377
Other current liabilities	33	110,663	97,311	13,352
Total shareholders' equity and liabilities		644,016	628,855	15,161

Consolidated Statement of Movements in Shareholders' Equity

in KEUR	Subscribed capital	Capital reserve	
Balance as at 1.1.2010	135,290	186,137	
Valuation of financial instruments			
Currency differences			
Capital increase	13,529	8,149	
Earnings after tax			
Other changes			
Balance as at 31.12.2010	148,819	194,286	
Balance as at 1.1.2011	148,819	194,286	
Valuation of financial instruments			
Currency differences			
Capital increase			
Earnings after tax			
Other changes			
Balance as at 31.12.2011	148,819	194,286	

	Cumulated profit	Financial assets available for sale	Cash flow hedge	Cumulative currency differences	Non-controlling interest	Total
	-82,527	-1,790	4,409	-1,987	457	239,989
		2,206	-4,138			-1,932
	-433			2,209		1,776
						21,678
	36,582				-139	36,443
	-15,467					-15,467
	-61,845	416	271	222	318	282,487
	-61,845	416	271	222	318	282,487
		-208	-1,874			-2,082
	917			548		1,465
						0
	34,099				-26	34,073
	-5,176					-5,176
	-32,005	208	-1,603	770	292	310,767

Consolidated Statement of Cash Flows

in KEUR	1.1.–31.12. 2011	1.1.–31.12. 2010
Earnings before tax	34,948	15,049
Interest	11,879	12,012
Depreciation/write-up	23,242	25,634
Impairment	6,032	6,696
Loss/profit on disposal of fixed assets	2,546	–4,906
Other non-cash expenses/income	1,655	1,785
Operating profit/loss before working capital changes	80,302	56,270
Increase/decrease in provisions	–3,849	–2,360
Increase/decrease in working capital	–23,523	–3,384
Increase/decrease in other assets and liabilities	14,353	–7,726
Cash flow from/used in operating activities before income taxes – Continuing business divisions	67,283	42,800
Cash flow from/used in operating activities before income taxes – Discontinued business division	0	2,172
Cash flow from/used in operating activities before income taxes – Group	67,283	44,972
Income taxes paid	–1,703	–1,231
Cash flow from/used in operating activities – Continuing business divisions	65,580	41,569
Cash flow from/used in operating activities – Discontinued business division	0	2,172
Cash flow from/used in operating activities – Group	65,580	43,741
Receipts from disposal of intangible assets	193	61
Payments for investments in intangible assets	–2,105	–2,011
Receipts from disposal of tangible assets	1,556	3,143
Payments for investments in tangible assets	–22,922	–12,443
Receipts from disposal of investment properties	2,174	0
Receipts from disposal of financial assets	1,432	8,639
Payments for investments in financial assets	–11,329	–2,884
Receipts from acquisition of consolidated companies	100	38,849
Payments for acquisition of consolidated companies	–209	–4,000
Interest received	1,771	1,749
Cash flow from/used in investing activities – Continuing business divisions	–29,339	31,103
Cash flow from/used in investing activities – Discontinued business division	0	–794
Cash flow from/used in investing activities – Group	–29,339	30,309
Receipts from allocations to equity	0	21,678
Receipts from issue of bonds and loans	90,351	24,111
Repayments of bonds and loans	–107,014	–49,583
Repayments for finance leases	–971	–1,218
Change in group financing	–24,634	–2,866
Interest paid	–11,392	–11,133
Cash flow from/used in financing activities – Continuing business divisions	–53,660	–19,011
Cash flow from/used in financing activities – Discontinued business division	0	–1,397
Cash flow from/used in financing activities – Group	–53,660	–20,408
Change in cash and cash equivalents – Continuing business divisions	–17,419	53,661
Change in cash and cash equivalents – Discontinued business division	0	–19
Change in cash and cash equivalents – Group	–17,419	53,642
Foreign currency translation changes in cash and cash equivalents	230	492
Changes in cash and cash equivalents due to initial consolidation	682	0
Cash and cash equivalents at the beginning of the period	65,335	11,201
Cash and cash equivalents at the end of the period	48,828	65,335

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2011

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 quoted on the German stock exchange (Deutschen Börse) in Frankfurt and is listed in the TecDAX.

ACCOUNTING PRINCIPLES

The consolidated financial statements of JENOPTIK AG for 2011 were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid at the balance sheet date as they have to be applied in the European Union. The following IFRS are applied for the first time in the consolidated financial statements:

IAS 24 "Related Party Disclosures". In November 2009 the IASB approved the amendment of IAS 24. The amendment provides a partial exemption from the disclosure requirements for government-related entities. Furthermore, the amendment clarifies the definition of a related party. The revised standard is effective for financial years beginning on or after January 1, 2011 and has not had any effect on the consolidated financial statements of JENOPTIK AG.

IAS 32 (2009) "Financial Instruments: Presentation". The IASB issued an amendment to IAS 32 "Financial Instruments: Presentation" in October 2009. According to this subscription rights, options and option certificates for the purchase of equity instruments which are denominated in a currency other than the functional currency of the issuer and are issued to existing shareholders of the entity, shall be classified as equity by the issuer. This applies to the extent the subscription rights are issued at a fixed currency amount. The amended standard shall apply to financial years beginning on or after February 1, 2010. The application of IAS 32 had no effect on the consolidated financial statements of JENOPTIK AG.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments". The IASB issued the interpretation IFRIC 19 in November 2009. This outlines the requirements of the IFRS for the accounting treatment if an entity settles a financial liability partially or in full by issuing shares or other equity instruments. According to this, the equity instruments issued for settlement are part of the consideration paid for the financial liability and are to be measured at fair value. A resulting difference between the carrying value of the financial liability being extinguished and the first-time measurement of the issued equity instrument shall be recorded to income. The interpretation shall apply to fiscal years beginning on or after July 1, 2010. The first-time application of IFRIC 19 had no effect on the consolidated financial statements of JENOPTIK AG.

Change in IFRIC 14 "The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction". The application of IFRIC 14, published in July 2007, had some unintended consequences for companies subject to minimum funding requirements and premature provision of services to cover these obligations. The change enables entities to record an advance payment for future service costs as an asset. This change shall apply at the latest to fiscal years beginning after December 31, 2010. The change in the interpretation has no effect on the presentation of net assets, financial position and results of the Group.

IMPROVEMENTS TO IFRS (PUBLISHED IN MAY 2010)

In May 2010 the IASB published its third collective standard for amending various IFRS with the objective of removing inconsistencies and clarifying formulations. The collective standard includes an individual transition rule for each amended IFRS. These improvements shall apply to financial years beginning on or after July 1, 2010 or January 1, 2011. Although the application of the following new rules led to changes in accounting principles, they did not have an effect on the presentation of net assets, financial position and results of the Group:

IFRS 3 “Business combinations”. The measurement option available for non-controlling interests was limited. Only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity’s net assets, in the event of liquidation, may be measured at fair value or at the proportionate share of the acquiree’s identifiable net assets. Other components are measured at their acquisition date fair value.

IFRS 7 “Financial Instruments – Disclosures”. The changes to IFRS 7 relate to enhanced disclosure requirements for the transfer of financial assets. This is to make the relationships more understandable between financial assets, which shall not be entirely de-recognized, and the corresponding financial liabilities. Furthermore, the nature, as well as in particular the risk of continuing involvement, should be better assessable for de-recognized financial assets. With the changes additional disclosures are required if there is a disproportionately large number of transfers with continuing involvement, e.g. approx. at the end of reporting period. The adjustment had no effect on the consolidated financial statements.

IAS 1 “Presentation of the Financial Statements”. The amendment clarifies that the analysis of the other results for individual components of capital shall either be reflected in the statement of changes in equity or in the notes to the financial statements.

The following new rules in the improvements to IFRS had no impact on the accounting methods and the presentation of group net assets, financial position and results of operations:

IFRS 3 “Business Combinations”. Clarification was made that contingent consideration arising from business combinations whose acquisition dates precede the application of IFRS 3 (revised 2008) has to be accounted for in agreement with IFRS 3 (2004).

IAS 27 “Consolidated and Separate Financial Statements”. This relates to the application of transitional requirements of IAS 27 (revised 2008) to the consequential amendments in the standards IAS 21, 28 and 31.

IFRIC 13 “Customer Loyalty Programmes”. The rule relates to other discounts and incentives which are granted to customers who have not purchased point credits from an original purchase, in determining the fair value of an award credit.

The following accounting pronouncement published by the IASB and adopted by the EU is not yet obligatory and has not yet been applied by Jenoptik:

IFRS 7 “Financial Instruments: Disclosures”. In October 2010 the IASB published amendments to IFRS 7 “Financial Instruments: Disclosures” enhancing the disclosure requirements. The amendments enhance the disclosures in the notes for transfers of financial assets under which continuing involvement remains with the entity transferring the financial assets. Additional disclosures are also necessary if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. This enhancement is applicable to fiscal years beginning on or after July 1, 2011, whereby earlier application is permitted. The company does not expect the enhancement to have a material influence on the consolidated financial statements.

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

IAS 19 “Employee Benefits”. In June 2011 the IASB published IAS 19 “Employee Benefits”. The amended IAS 19 has abolished the so-called corridor method and prescribes accounting directly for actuarial gains and losses in other comprehensive income. Furthermore, under the amended IAS 19 expected income from plan assets and the interest expense from the pension obligation are replaced by a uniform net interest component. The service cost to be calculated later will, in future, be recorded fully in the period of the related change in the plan. The revision of IAS 19 also changes the requirements for benefits from termination of the employment relationship and enhanced presentation and disclosure obligations. The pronouncement – subject to still being adopted under EU law – is applicable to all financial years beginning on or after January 1, 2013. Earlier application is permitted.

Since Jenoptik currently uses the corridor method, applying the circumstances as at December 31, 2011, the amendment would lead to an increase in the pension provision by KEUR 10,761. On changing from the corridor method to the amended method, the statement of comprehensive income of Jenoptik will, in future, remain free of effects from actuarial gains and losses (e. g. due to interest rate fluctuations) since these will be immediately recorded in other comprehensive income.

In May 2011 with IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities” as well as subsequent amendments to IAS 27 “Separate Financial Statements (as amended in 2011)”

and IAS 28 “Investments in Associates and Joint Ventures (as amended in 2011)” the IASB published its improvements to accounting and disclosure requirements on the topics of consolidation, off-balance sheet activities and joint arrangements:

IFRS 10 “Consolidated Financial Statements”. IFRS 10 replaces the rules for consolidated financial statements in IAS 27 “Consolidated and Separate Financial Statements (as amended 2008)” and SIC 12 “Consolidation - Special Purpose Entities”. Based on the currently applicable principles IFRS 10 sets out, using a comprehensive controlling concept, which companies are to be included in the consolidated financial statements. The pronouncement additionally offers guidelines on the interpretation of the principle of control in doubtful cases. Accordingly, an investor controls another entity when it has rights to variable returns from its involvement with the investee and has the ability to influence the business activities of the investee which are significant for economic success. Substantial changes to the current rules can occur in situations in which an investor holds less than half of the voting rights in an entity, but due to other methods has the possibility to determine the significant business activities of the other entity. The influence of this rule on the consolidated financial statement of JENOPTIK AG is currently being examined.

IFRS 11 “Joint Arrangements”. IFRS 11 deals with the accounting of joint arrangements and relates this to the type of rights and obligations within the arrangement rather than to its legal form. IFRS 11 classifies joint arrangements in two groups: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the

arrangement have rights to the net assets of the arrangement. In accordance with IFRS 11 a party to a joint operation shall account for the assets and liabilities (and corresponding income and expenditure) appropriate to his interest. A party to a joint venture accounts for his investment using the equity method. IFRS 11 replaces IAS 31 "Interests in Joint Ventures (as amended in 2008)" and SIC 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers". The influence of this rule on the consolidated financial statement of JENOPTIK AG is currently being examined. However, only a change in the structure of the Group Statement of Comprehensive Income is expected, the most significant change being a shift of profit contributions between EBIT and net financial result.

IFRS 12 "Disclosure of Interests in Other Entities". As a new and comprehensive pronouncement IFRS 12 deals with the disclosure requirements for all types of interests in other entities including joint arrangements, associated, structured entities and off-balance sheet units. It requires the disclosure of information to enable users of financial statements to evaluate the nature of and risks associated with the interest in other entities and the effects of those interests on its financial position, net assets and results. IFRS 12 replaces disclosure requirements from IAS 27 "Consolidated and Separate Financial Statements (amended 2008)", IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures (amended 2008)".

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

IAS 28 "Investments in Associates and Joint Ventures (amended 2011)". In accordance with the amended IAS 28 an entity shall account for investments or parts of investments in associates or in joint ventures as held for sale to the extent the relevant criteria are fulfilled. A remaining part of an associate or joint venture which is not classified as held for sale shall be accounted for under the equity method until the part classified as held for sale is disposed of.

IFRS 10, 11, 12 and the subsequent amendments to IAS 27 and IAS 28 apply to financial years beginning on or after January 1, 2013 – subject to adoption according to EU law still outstanding. The new or amended pronouncements may be applied earlier, whereby in this case there is a common application date for all of the new rules. The exception to this is only IFRS 12, the disclosure requirements of which may be applied early, independent of the other pronouncements. The company is currently reviewing the effects on the consolidated financial statements and the time of initial application.

IFRS 13 "Fair Value Measurement". In May 2011 the IASB published IFRS 13 "Fair Value Measurement". The new pronouncement does not determine to what extent certain assets and liabilities are to be measured at fair value but only determines the term "fair value" and standardizes the disclosure requirements for measurement at fair value. The new pronouncement is applicable to financial years beginning on or after January 1, 2013. Earlier application is permitted. IFRS 13 has not yet been adopted by the EU in European law. Most changes resulting from IFRS 13 relating to financial instruments have already been introduced, above all through changes to IFRS 7 "Financial Instruments: Disclosures". Consequently, the company only expects minor effects with regard to financial assets and liabilities. The company is currently reviewing the effects with regard to non-financial assets and liabilities on the consolidated financial statements and will determine the time of initial application.

IFRS 9 “Financial Instruments”. In November 2009 the IASB published IFRS 9 “Financial Instruments”. This Standard contains the first of three phases of the IASB project to replace the existing IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 changes the classification and measurement requirements of a financial asset. It applies a uniform approach for accounting for a financial asset at amortized cost or at fair value which replaces the various rules of IAS 39. Changes in value of assets purchased for sale are measured at fair value through profit or loss. For defined equity instruments an option can be exercised to record changes in value in other comprehensive income and dividend claims from these assets in profit or loss. The approach in IFRS 9 is based on how a company controls its financial instruments and on the nature of the contractually agreed cash flows of the financial assets. Furthermore, the new standard also expects a uniform impairment method which replaces the various methods within IAS 39. The requirements for financial liabilities are principally adopted from IAS 39. The main difference relates to the recording of measurement changes of the financial liabilities measured at fair value. In future these are to be separated: the portion relating to own risk shall be recorded neutrally under other comprehensive income, the remaining portion of the value change shall be recorded in profit or loss.

IFRS 9 – subject to still being adopted under EU law – is not applicable until all financial years commencing on or after January 1, 2015. The company is currently reviewing the effects on the consolidated financial statements.

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

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

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

ESTIMATES

The preparation of the consolidated financial statements in compliance with IFRS requires assumptions to be made for certain items which may have an effect on the amounts in the balance sheet or statement of comprehensive income of the Group and on the disclosure of contingent assets and liabilities. All assumptions and estimates are made to the best of our knowledge and belief, in order to present a true and fair view of the net assets, financial position and results of operations of the Group.

The underlying assumptions and estimates are reviewed on an ongoing basis. As part of this the preparer of the consolidated financial statements has certain discretionary scope. This mainly relates to:

- the evaluation of impairment of goodwill (see Note 13),
- the recognition and measurement of intangible assets (see Note 13), tangible assets (see Note 14) and investment properties (see Note 15),
- the recognition and measurement of provisions for pensions and similar obligations (see Note 27),
- the recognition and measurement of other provisions (see Note 29) and
- the realization of future tax credits (see Note 10).

Accounting policies

COMPANIES CONSOLIDATED

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

The consolidated financial statements of JENOPTIK AG include 23 (2010 23) fully-consolidated subsidiaries. Of these 14 (2010 15) are based in Germany and 9 (2010 8) abroad. Compared to the prior year companies consolidated changed due to the sale of shares in InnovaVent GmbH, Göttingen which was de-consolidated as of July 31, 2011. To the extent not otherwise disclosed, InnovaVent GmbH is included in the following disclosures – proportionally – until the point of de-consolidation.

As at November 17, 2011 JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd., Shanghai (JENOPTIK Shanghai) was included for the first time in the consolidated financial statements.

29 subsidiaries, of which 17 are non-operating companies, with no material influence on the net assets, financial situation and results, are not consolidated. Its total operating results amount to about 0.6 percent of the Group operating result. The estimated effect of a consolidation of all companies on the total assets of the Group amounts to approx. 1.5 percent of the total assets of the Group.

Furthermore, companies consolidated include one (2010 one) joint venture. Hillos GmbH, Jena, is included in accordance with IAS 31 on a proportionate basis with a share of 50 percent.

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

in KEUR	2011	2010
Non-current assets	1,709	2,232
Current assets	7,274	7,486
Non-current financial liabilities	2,782	33
Current financial liabilities	1,962	4,651
Income	20,468	13,871
Expenses	19,890	13,624

A further associated company included earlier came to an end in the period under review and was accordingly no longer to be included in the consolidated financial statements.

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 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 consolidated financial statements.

Companies that have utilized the exemption clauses of § 264 Para. 3 or § 264b HGB have been disclosed under obligatory and supplementary disclosures under HGB.

PRINCIPLES OF CONSOLIDATION

The assets and liabilities of the domestic and foreign companies 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 using the purchase method. The assets and liabilities of the subsidiaries are recognized at this point at fair values. Furthermore, identified intangible assets and contingent liabilities as defined in IFRS 3.23 are recognized. The remaining difference represents goodwill. There is no regular amortization of goodwill in following periods but an annual impairment test according to IAS 36.

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 transactions affecting income are subject to deferred tax, whereby deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset actual tax reimbursement claims against actual tax liabilities, or if these relate to income taxes that are administered by the same tax authority.

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

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

in KEUR	Additions	Disposals
Non-current assets	1,273	1,349
Current assets	6,752	1,060
Non-current financial liabilities	0	25
Current financial liabilities	1,920	955

COMPANY ACQUISITIONS

As at November 17, 2011 JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd., Shanghai was included for the first time in the consolidated financial statements. Applying IFRS 1 C4 (j) the individual carrying values were recognized without accounting for existing hidden reserves and their development.

The inclusion of the company is based on preliminary amounts since an appropriate basis for data is not currently available. These would be finalized by the end of the measurement period where relevant in accordance with IFRS 3.45.

in KEUR	IFRS carrying values at November 17, 2011
Intangible assets	14
Tangible assets	458
Inventories	4,216
Receivables and other assets	2,048
Cash and cash equivalents	682
Non-current financial liabilities	5,717
Current financial liabilities	1,920
Purchased net assets	-219

Furthermore, in November 2011 the shares were increased from 85 percent to 100 percent. The investment carrying value of 85 percent of the company shares amounted to KEUR 386, the purchase price for the remaining 15 percent of the shares acquired in November amounts to KEUR 107.

After deduction of the purchased net assets from the purchase price paid, goodwill amounts to KEUR 606. The goodwill shown represents the other economic benefits which did not lead to separate recognition in accordance with the criteria for intangible assets.

Were the company already included in the consolidated financial statements as of January 1, 2011 sales to be included would amount to KEUR 6,337 and earnings to be included KEUR 126.

CURRENCY CONVERSION

Translation of financial statements of companies included in the consolidation, prepared in foreign currency, is performed based on the concept of functional currency in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" using the modified 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.

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

In the separate financial statements of consolidated companies prepared in local currency receivables and liabilities are translated at the balance sheet date rate in accordance with IAS 21. Foreign currency translation differences are recorded in the income statement in other operating income (see Note 6) and expenses (see Note 7).

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

	1 EUR=	Average annual rate		Year-end rate	
		2011	2010	31.12.2011	31.12.2010
USA	USD	1.4203	1.3170	1.2932	1.3362
Switzerland	CHF	1.2993	1.3572	1.2165	1.2504
China	CNY	8.4189	—	8.1630	—

GOODWILL

The rules of IFRS 3 are applied to all business combinations after the date of transition. The Jenoptik Group does not utilize the option under IFRS 3 (revised 2008) to apply the full-goodwill method. Subsequently, only the portion of the goodwill allocable to the majority interest is recorded.

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

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

Negative goodwill on capital consolidation is credited immediately to other operating income in 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 its production as well as its internal use or sale is intended. Furthermore, in order to capitalize the development costs it should be reasonably certain that these are covered by future financial inflows and are reliably determinable. Ultimately, sufficient resources should be available in order to conclude development and to be able to use or sell the asset.

Capitalized development costs are amortized over the expected sales period of the products. Amortization is included in the research and development costs. Acquisition or production costs include all costs directly attributable to the development process and appropriate portions of the general overheads related to development. Where the recognition criteria as an asset are not met the costs are treated as an expense in the year they are recorded.

Research costs shall be recognized as operating expenses in accordance with IAS 38.

TANGIBLE ASSETS

Tangible assets are carried at historical acquisition or production cost less accumulated straight-line depreciation. The depreciation method reflects the expected course of future economic use. Where necessary amortized acquisition or production costs are reduced by impairment losses. Government grants are deducted from acquisition or production costs in accordance with IAS 20 "Accounting for Government Grants" (see section "Government Grants"). Production costs are based on directly attributable costs and proportional material and production overheads including depreciation. In accordance with IAS 23 "Borrowing Costs" borrowing costs which are directly allocable to the acquisition or manufacturing of a qualified asset are capitalized as part of the acquisition and manufacturing costs.

Tangible asset repair costs are always expensed. Subsequent purchase costs are capitalized for components of tangible assets which are renewed at regular intervals to the extent that a future economic benefit is probable and the related costs can be reliably measured.

Depreciation and amortization are based primarily on the following useful lives:

	Useful life
Buildings	25–50 years
Technical equipment and machines	4–20 years
Other equipment, factory and office equipment	3–10 years

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

For tangible and intangible assets which have finite useful lives, an assessment is made at each fiscal year end whether the appropriate assets show any indications of impairment in accordance with IAS 36 "Impairment of Assets". Where such indications are identified for individual assets or a cash generating unit (CGU) an impairment test is then performed on these.

The cash generating units (CGU) are defined based on the structure of the divisions or the business units allocated to the divisions. Where there are changes to organizational structure within the Group, e.g. through mergers or spin-offs, the CGU is newly defined appropriately.

As part of an impairment test initially the recoverable amount of the asset or rather the CGU is determined and this is then compared with the relevant carrying value in order to determine any impairment losses.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

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

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

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

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

LEASING

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

Finance leasing

As lessee under finance leasing the Group capitalizes the relevant assets at the inception of the lease at the lower of the fair value of the assets and the present value of the minimum lease payments. These assets are depreciated straight-line for the shorter of their useful economic lives or term of the leasing agreement if the purchase of the leased asset is not probable at the end of the leasing period. Liabilities from finance leasing agreements are stated at the net present value of the minimum lease payments.

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

Operating leasing

Rental income from operating lease agreements is written off straight-line to the 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 PROPERTY

Investment properties comprise land and buildings held to earn rentals or for capital appreciation. Furthermore, these properties are not used for the production or supply of goods and services or for administrative purposes or for sale in the ordinary course of business.

In accordance with IAS 40 "Investment Properties" these are recognized at amortized acquisition or production costs (see Note 15). The fair value of these properties is additionally disclosed in the notes to the financial statements. The fair value is determined using available purchase price offers applying official land values or using the discounted cash flow model.

Straight-line depreciation is based on useful economic lives of 25 to 50 years.

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

PRIMARY FINANCIAL INSTRUMENTS

SHARES IN COMPANIES

Initial recognition is at acquisition cost including transaction costs.

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

value. Changes in value of "financial assets available for sale" are recorded directly in other comprehensive income. Where impairment is of a permanent nature this is recorded in income.

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

LOANS

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

Non-current non-interest bearing and low-interest bearing loans are accounted for at present value. Where there are objective substantial indications of impairment then impairment losses are accounted for. Carrying values are reduced using a valuation adjustment account.

SECURITIES

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

TRADE ACCOUNTS RECEIVABLE

Trade receivables do not attract interest due to their short-term nature and are measured at nominal value less allowances estimated for bad debts. These account for both the individual default risk as well as the general default risk derived from experience values.

OTHER RECEIVABLES AND ASSETS

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

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

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH

Restricted cash is separately disclosed.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

Liabilities from finance leasing agreements are stated at the net present value of the minimum lease payments.

An equity instrument is a contract that represents a residual interest in the assets of the Group after deducting all of its liabilities. Subscribed capital was classified as equity, whereby the costs (reduced by the related income tax benefits) which are allocable directly to the issue of own shares were deducted from equity.

BANK LIABILITIES

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Cash flow hedging is described as the process of fixing future variable cash flows. Within cash flow hedging the Jenoptik Group protects against currency risks. Currency derivatives, which can clearly be allocated to future cash flows from foreign currency transactions and fulfill the conditions of IAS 39 with regard to documentation and effectiveness, are concluded directly with banks.

The objective of a fair value hedge is to neutralize the market value changes in assets and liabilities with the market value changes of the hedging transaction in the other direction. A profit or loss arising from the market value changes of a hedging transaction should be recorded in profit or loss immediately. With regard to the hedged risk with effect from commencement of the hedge, the underlying transaction should also be taken to 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 other comprehensive income. The reclassifications from equity to profit or loss are performed in the period where the underlying transaction impacts income. Changes in value from financial instruments classified as non-effective are recorded directly in profit or loss.

The task of the central Group Treasury is also to monitor and optimize interest rate fluctuation risk. For this purpose interest caps and interest swaps are used on an individual basis.

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. Administrative costs are accounted for if they can be allocated to production. Where amounts are lower at the balance sheet date due to decreased prices in the sales market, these should be applied. Similar items in inventories are principally valued using the average method. If the reasons for previously devaluing inventories no longer exist and the net realizable value thus rises, the increases in value are recorded as decreases in the cost of materials in the appropriate period in which the increases in value take place.

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

ON-ACCOUNT PAYMENTS RECEIVED

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

CONSTRUCTION CONTRACTS

Sales and profit from construction contracts are recorded according to their stage of completion in accordance with IAS 11 "Construction Contracts" (percentage of completion method). The stage of completion results from the proportion of contract costs incurred for work performed to date until the end of the fiscal year to the estimated total contract costs (cost to cost method). Losses on construction contracts shall be fully recognized immediately in the fiscal year in which the losses are identified irrespective of the stage of completion of contract activity.

Construction contracts which are measured using the percentage of completion method are disclosed as assets or liabilities

from construction contracts depending on the amount of the progress billings demanded. These are measured at production cost plus proportional profit in relation to the stage of completion reached. Where the cumulative contract result (contract costs plus contract result) is higher than the amount of progress billings received, the balance for contracts in progress is disclosed as an asset under receivables due from construction contracts. If a negative balance remains after deducting the progress payments received, then this is disclosed as a liability under payables from long-term construction contracts. Expected losses on contracts are accounted for through deductions or provisions and are determined under consideration of recognizable risks.

DEFERRED TAXES

The accounting for deferred taxes is in accordance with IAS 12 "Income Taxes". Deferred taxes are calculated based on the internationally accepted balance sheet oriented liability method. Deferred tax assets and deferred tax liabilities are disclosed as separate items in the balance sheet in order to account for the future tax effect of timing differences between the measurement of assets and liabilities in the balance sheet as well as of tax losses carried forward.

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

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

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset actual tax reimbursement claims against actual tax liabilities, as well as if the deferred taxes that are based on income taxes that are administered by the same tax authority. In accordance with the rules of IAS 12 deferred tax assets and liabilities are not discounted.

PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

Pensions and similar obligations include the pension commitments of the Jenoptik Group from defined benefit and defined contribution pension plans. 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 (2010 2.75 percent), for pension development of 2.0 percent (2010 2.0 percent) and a country specific discount rate of between 2.4 and 4.37 percent (2010 4.65 percent).

The mortality probabilities are determined by the Heubeck "Richttafeln 2005 G" for Germany or by Swiss LPP for Switzerland. Actuarial gains and losses which exceed the range of 10 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 and the interest portion of the addition to the provision under the financial result.

The defined contribution pension systems (e.g. direct insurance) offset the obligatory contributions directly as cost.

TAX PROVISIONS

Tax provisions include obligations from current taxes on income. Deferred taxes are disclosed as separate items in the balance sheet and in the statement of comprehensive income.

Tax provisions for trade tax and corporation tax or comparable taxes on income are based on the 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

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" provisions are recognized where there is a current obligation to a third party as a result of a past event which will probably lead to an outflow of resources and the amount of which can be reliably estimated. Other provisions are only recognized if there is a legal or constructive obligation to a third party for which there is more evidence of its existence than not at the closing date.

Provisions are measured at their discounted settlement amount at the balance sheet date where the interest effect is material. The settlement amount comprises expected cost increases. Discounting is based on pre-tax interest rates which reflect the current market expectations with regard to interest effects and on those risks specific to the liability, and which are dependent on the appropriate term of the commitment. The interest portion of the increase to the provision is recorded in the net financial result.

Provisions and accrued expenses are measured at experience values from the past under consideration of the conditions at the balance sheet date. Provisions for warranties are established at the time of sale of the relevant goods or provision of the appropriate services. The amount of the provision is based in the historic development of warranties and the observation of all future potential warranty cases weighted according to their probability of occurrence.

Provisions and other accrued expenses are not offset against counter claims.

SHARE-BASED REMUNERATION

The long-term incentive components (LTI) for individual members of the Executive Management Board of JENOPTIK AG were accounted for as share-based remuneration with cash compensation. At the balance sheet date a non-current liability was set up amounting to the fair value of the payment obligation. The share program is allocated based on the annual target agreement. Changes in fair value are recorded in the statement of income.

GOVERNMENT GRANTS

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

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

Grants for non-current assets in the Jenoptik Group are deducted from acquisition costs. Accordingly the depreciation volume is determined on the basis of thus lower acquisition costs.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Jenoptik Group. Furthermore, present obligations can represent contingent liabilities if the probability of an outflow of resources is not sufficient to recognize a provision and/or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are measured at the level of the scope of the liability at the balance sheet date. They are not recorded in the balance sheet but explained in the Notes to the financial statements.

BORROWING COSTS

Borrowing costs which can be directly allocated to the building or production of a qualifying asset are also recognized as parts of the acquisition cost of this asset.

STATEMENT OF COMPREHENSIVE INCOME

Income from the sale of goods is recorded in the statement of comprehensive income as soon as all material rewards and risks of ownership have been transferred to the purchaser, a price agreed or determined and it can be assumed that this will be paid. Sales include the consideration invoiced to customers for goods and services – reduced for deductions, conventional penalties and discounts.

Income from services is recorded depending on the stage of completion of the contract at the balance sheet date. The stage of completion of the contract is measured based on the services provided. Income is only recorded when it is sufficiently probable that the company receives the economic benefit from

the contract. Otherwise, income is only recorded to the degree that the costs incurred are recoverable.

Income from rental of investment properties is recorded straight-line over the term of the relevant rental contracts and in sales.

Cost of sales includes the costs incurred in generating sales. This item also includes the cost of warranty provisions. Amortization and depreciation on intangible assets and tangible assets are recognized as they arise and included in manufacturing cost, selling or administrative expenses. Research and development costs not qualifying for capitalization as well as write-downs against capitalized development costs are also disclosed under research and development expenses.

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 the reversal of provisions is, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is recorded in profit or loss. Reversals of provisions are recognized in the relevant functional costs in which the provisions were also recorded.

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	2005	2006 ¹⁾	2007	2008	2009	2010 ¹⁾	2011
Non-current assets	454.9	417.0	387.7	376.3	336.9	310.7	312.9
Intangible assets	76.7	89.5	88.3	88.9	78.0	72.4	68.9
Tangible assets	164.7	170.2	175.9	170.5	152.1	139.4	138.2
Investment properties	58.0	34.6	36.0	34.8	24.5	22.1	20.6
Financial assets	73.0	55.0	24.0	18.8	18.9	16.6	22.8
Shares in associated companies	16.7	1.4	0.8	1.3	0.3	0.2	0.0
Other non-current assets	8.8	11.2	10.8	10.6	11.0	9.1	7.0
Deferred tax assets	57.0	55.1	51.9	51.4	52.1	50.9	55.4
Current assets	279.6	456.7	309.6	312.8	270.2	318.2	331.1
Inventories	143.3	161.5	174.1	179.5	154.7	148.8	169.1
Accounts receivable and other assets	125.5	137.8	119.5	118.8	103.2	103.3	111.9
Securities held as current investments	2.0	3.6	2.2	2.0	1.1	0.8	1.3
Cash and cash equivalents	8.8	153.8	13.8	12.5	11.2	65.3	48.8
Assets held for sale	773.8	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	314.3	299.4	280.9	292.8	240.0	282.5	310.8
of which subscribed capital	135.3	135.3	135.3	135.3	135.3	148.8	148.8
Non-current liabilities	369.2	333.2	208.8	133.1	205.8	165.3	161.9
Pension provisions	6.9	6.4	6.4	6.4	6.4	6.4	6.6
Other non-current provisions	15.3	22.3	22.1	18.4	18.6	17.6	12.4
Non-current financial liabilities	324.7	281.6	161.7	92.4	158.2	125.9	123.1
Other non-current liabilities	19.2	20.0	15.2	13.0	20.1	11.7	15.8
Deferred tax liabilities	3.1	2.9	3.4	2.9	2.5	3.7	4.0
Current liabilities	193.0	241.1	207.6	263.2	161.3	181.1	171.3
Tax provisions	1.7	1.2	1.1	2.9	2.6	2.4	6.8
Other current provisions	26.0	41.1	39.9	35.8	40.6	61.9	49.7
Current financial liabilities	61.6	78.8	45.9	113.7	13.6	19.5	4.1
Other current financial liabilities	103.7	120.0	120.7	110.8	104.5	97.3	110.7
Liabilities held for sale	631.8	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	1,508.3	873.7	697.3	689.1	607.1	628.9	644.0
Change compared to prior year							
Non-current assets	-28.5 %	-8.3 %	-7.0 %	-2.9 %	-10.5 %	-7.8 %	0.7 %
Current assets	-69.6 %	63.4 %	-32.2 %	1.0 %	-13.6 %	17.8 %	4.1 %
Shareholders' equity	-14.8 %	-4.7 %	-6.2 %	4.2 %	-18.0 %	17.7 %	10.0 %
Non-current liabilities	-18.4 %	-9.8 %	-37.5 %	-36.3 %	54.6 %	-19.7 %	-2.1 %
Current liabilities	-73.7 %	24.9 %	-13.6 %	26.8 %	-38.7 %	12.3 %	-5.4 %
Share of total assets							
Non-current assets (asset ratio)	30.2 %	47.7 %	55.6 %	54.6 %	55.5 %	49.4 %	48.6 %
Current assets	18.5 %	52.3 %	44.4 %	45.4 %	44.5 %	50.6 %	51.4 %
Shareholders' equity (equity ratio)	20.8 %	34.3 %	40.3 %	42.5 %	39.5 %	44.9 %	48.3 %
Debt capital (debt capital ratio)	37.3 %	65.7 %	59.7 %	57.5 %	60.5 %	55.1 %	51.7 %
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	
per share	0.00	0.00	0.00	0.00	0.00	0.00	
in % of subscribed capital	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	
Return on dividend based on year-end price 31.12.	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net financial liabilities ²⁾	375.5	203.0	191.6	191.6	159.5	79.3	77.1
in % of adjusted total assets ³⁾	26.4 %	32.4 %	32.3 %	32.7 %	30.9 %	16.2 %	14.7 %

1) Continuing business divisions 2) Financial liabilities less cash and securities 3) Balance sheet total less intangible assets and cash including securities held as current investment

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

in million EUR	2005	2005 ¹⁾ adjusted	2006 ¹⁾	2007	2008	2009	2010 ¹⁾	2011 adjusted
Sales	1,914.4	410.1	485.1	521.7	548.3	473.6	478.8	543.3
Gross profit	191.7	124.8	151.3	159.9	161.9	128.7	150.2	184.0
in % of sales	10.0 %	30.4 %	31.2 %	30.6 %	29.5 %	27.2 %	31.4 %	33.9 %
EBITDA ²⁾	43.7	57.7	69.9	79.1	67.5	23.3	60.1	76.8
in % of sales	2.3 %	14.1 %	14.4 %	15.2 %	12.3 %	4.9 %	12.6 %	14.1 %
Result from operating activities ³⁾	-9.8	25.1	38.2	35.3	37.1	-19.7	29.0	49.2
in % of sales	-0.5 %	6.1 %	7.9 %	6.8 %	6.8 %	-4.2 %	6.1 %	9.0 %
Earnings before tax	-52.5	8.1	19.1	0.7	20.2	-34.3	15.0	34.9
in % of sales	-2.7 %	2.0 %	3.9 %	0.1 %	3.7 %	-7.2 %	3.1 %	6.4 %
Earnings after tax	-69.4	4.0	16.1	-4.6	16.6	-33.9	9.0	34.1
in % of sales	-3.6 %	1.0 %	3.3 %	-0.9 %	3.0 %	-7.2 %	1.9 %	6.3 %
Cash flow from/used in operat. activities ⁴⁾	31.7	65.7	28.8	73.8	46.5	53.3	41.6	65.6
Free cash flow (before income taxes)	1.2		17.5	42.4	27.9	41.0	31.6	44.0
Change compared to prior year								
Sales	-24.1 %		18.3 %	7.5 %	5.1 %	-13.6 %	1.1 %	13.5 %
Gross profit	-34.6 %		21.2 %	5.7 %	1.3 %	-20.5 %	16.7 %	22.5 %
EBITDA	-66.1 %		21.1 %	13.2 %	-14.7 %	-65.5 %	157.9 %	27.8 %
Result from operating activities	-112.1 %		52.5 %	-7.6 %	5.1 %	-153.1 %	-	69.5 %
Earnings after tax	-464.3 %		307.6 %	-128.5 %	460.9 %	-304.2 %	-	278.9 %
Employees (average)	9,486	2,621	2,849	3,215	3,292	3,206	2,800	2,894
Personnel expenses (incl. pensions)	472.6	148.4	180.1	192.3	194.7	187.3	177.5	183.8
Personnel ratio (in % of sales)	24.7 %	36.2 %	37.1 %	36.9 %	35.5 %	39.5 %	37.1 %	33.8 %
Sales per employee (in KEUR)	201.8	156.5	170.3	162.3	166.6	147.7	171.0	187.7
Cost of materials (incl. purchased services)	1,076.0	184.8	227.1	252.2	252.5	206.6	207.6	230.5
Materials ratio (in % company performance)	55.4 %	43.8 %	44.5 %	45.1 %	44.7 %	41.9 %	41.3 %	40.8 %
Research and development expenses	34.4	27.4	33.8	39.0	34.1	32.6	28.1	32.0
in % of sales	1.8 %	6.7 %	7.0 %	7.5 %	6.2 %	6.9 %	5.9 %	5.9 %
Net value added	456.6	168.1	213.3	221.2	226.7	163.8	204.7	231.0
in % of company performance ⁵⁾	23.5 %	39.8 %	41.8 %	39.5 %	40.1 %	33.2 %	41.0 %	41.1 %
of which shareholders, company share	-15.2 %	2.4 %	7.6 %	-2.1 %	7.3 %	-20.7 %	4.4 %	14.8 %
Return on sales based on EBIT	-0.5 %	6.1 %	7.9 %	6.8 %	6.8 %	-4.2 %	6.1 %	9.0 %
Total turnover of assets	1.27		0.56	0.75	0.80	0.78	0.76	0.84
Total return on capital based on EBIT	-0.6 %		4.4 %	5.1 %	5.4 %	-3.2 %	4.6 %	7.6 %
Return on shareholders' equity before tax (at balance sheet date)	-16.7 %		6.4 %	0.2 %	6.9 %	-14.3 %	5.3 %	11.2 %
Adjusted equity ratio ⁶⁾	16.7 %		33.5 %	32.5 %	34.8 %	31.3 %	42.8 %	46.1 %
Non-current assets financed by shareholders' equity	69.1 %		71.8 %	72.5 %	77.8 %	71.2 %	90.9 %	99.3 %
Asset cover ⁷⁾	190.8 %		175.9 %	159.7 %	171.7 %	157.8 %	202.6 %	224.9 %

1) Continuing business divisions

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

3) Operating income before interest and net investment result

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

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

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

7) Shareholders' equity/tangible assets excl. property => ratio of plant, machinery, equipment financed by shareholders' equity

Segment reporting

The presentation of segments is in accordance with IFRS 8 "Operating Segments".

IFRS 8 follows the management approach. Accordingly the external reporting is based on the Group internal organizational and management structure as well as on the internal reporting structure to the chief operating decision maker. The Executive Board analyzes the financial information which serves as a decision basis for the allocation of resources and for measuring profitability. The accounting policies for the segments are the same as those for the Group described under accounting principles. Important management indicators in the company are the operating result and the free cash flow.

For the fiscal year 2011 segment reporting is on the business segments Lasers & Optical Systems, Metrology, Defense & Civil Systems and Other.

Business activities can be analyzed into three operative business segments and the segment Other which are managed by the Executive Board and supported by the Executive Management Board. In addition to the Executive Board this body consists of the highest management of the segments and an Executive Vice President. The three business segments are at the same time the reportable segments.

Further subdivision of the segments is oriented towards the internal divisional structure, whereby the Lasers & Material Processing and Optical Systems 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.

In the Lasers & Optical System segment the Lasers & Material Processing division offers the complete value-added chain of laser material processing from the component through to complex systems. The Optical Systems division offers opto-mechanical and opto-electrical systems, modules and components and is development and production partner for optical, micro-optic and optical coating components – made of optical glass, infrared materials and of plastics.

In the Metrology segment, the Industrial Metrology division is known as a manufacturer and systems provider for high-precision, contact and non-contact production metrology. The Traffic Solutions division develops, produces and sells components and systems for traffic security.

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

The segment Other includes JENOPTIK AG, JENOPTIK SSC GmbH, the property companies and provisionally JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd. In the prior year this segment also included the disposal proceeds from the sale of a discontinued business division amounting to KEUR 24,501. The allocation of JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd. to two operative segments and the Other segment is performed in the fiscal year 2012.

The item Adjustments includes the consolidation of the business relationships between the segments as well as the necessary reconciliations and reclassifications.

The business relationships between companies of the segments of the Jenoptik Group are based on prices which would also be agreed with third parties.

Information by segment

in KEUR	Lasers & Optical Systems	Metrology	Defense & Civil Systems	Discontinued business division	Other	Adjustments	Group ¹⁾	Group ²⁾
Sales	217,099 (188,943)	140,081 (113,805)	183,345 (173,946)	0 (31,897)	25,932 (24,444)	-23,158 (-22,388)	543,298 (510,647)	543,298 (478,750)
of which Germany	65,974 (56,503)	44,198 (38,192)	108,235 (101,631)	0 (6,209)	25,871 (24,441)	-22,447 (-21,707)	221,831 (205,269)	221,831 (199,060)
European Union	65,662 (56,301)	25,882 (18,790)	31,212 (35,590)	0 (10,139)	26 (0)	-26 (0)	122,756 (120,820)	122,756 (110,681)
Other Europe	5,641 (4,233)	9,978 (4,615)	27,459 (23,267)	0 (1,426)	18 (3)	-9 (-3)	43,087 (33,541)	43,087 (32,115)
NAFTA	40,652 (39,393)	21,923 (17,230)	11,223 (8,568)	0 (5,899)	17 (0)	-676 (-678)	73,140 (70,412)	73,140 (64,513)
South East Asia/Pacific	26,262 (19,747)	28,952 (15,138)	4,221 (3,421)	0 (8,224)	0 (0)	0 (0)	59,435 (46,530)	59,435 (38,306)
Other	12,908 (12,766)	9,146 (19,840)	996 (1,469)	0 (0)	0 (0)	0 (0)	23,050 (34,075)	23,050 (34,075)
Sales with other business divisions	4,154 (3,566)	107 (10)	1,187 (1,195)	0 (0)	17,710 (17,617)	-23,158 (-22,388)	0 (0)	0 (0)
EBITDA	40,539 (24,027)	15,385 (12,070)	16,571 (14,883)	0 (4,077)	4,324 (33,642)	7 (-5)	76,826 (88,694)	76,826 (60,116)
EBIT	29,235 (13,327)	11,950 (8,588)	11,609 (8,654)	0 (2,879)	-3,640 (22,967)	7 (-5)	49,161 (56,410)	49,161 (29,030)
Result from investments in associates and joint ventures	-995 (-1,523)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	-995 (-1,523)	-995 (-1,523)
Result from other investments	-1,014 (-1,526)	107 (-420)	194 (170)	0 (0)	-626 (1,330)	0 (0)	-1,339 (-446)	-1,339 (-446)
Earnings after tax before profit/loss transfer	28,557 (9,533)	11,647 (8,008)	8,743 (6,330)	0 (2,905)	-14,878 (9,671)	4 (-4)	34,074 (36,443)	34,074 (9,017)
Research and development expenses	14,127 (12,581)	9,584 (8,560)	8,232 (7,016)	0 (1,946)	353 (278)	-314 (-347)	31,982 (30,034)	31,982 (28,088)
Research and development output	16,788 (15,799)	13,916 (10,019)	14,614 (16,101)	0 (5,259)	353 (0)	-314 (92)	45,357 (47,270)	45,357 (42,011)
Free cash flow (before income taxes)	28,705 (24,911)	4,933 (2,520)	2,075 (14,166)	0 (1,361)	8,291 (-10,047)	0 (0)	44,004 (32,911)	44,004 (31,550)
Working capital	47,609 (43,287)	51,402 (35,812)	93,228 (91,030)	0 (0)	-1,880 (-5,432)	0 (-65)	190,359 (164,632)	190,359 (164,632)
Order intake	224,444 (230,198)	166,739 (136,992)	254,450 (163,709)	0 (47,911)	25,932 (24,444)	-23,628 (-20,760)	647,937 (582,494)	647,937 (534,583)
Tangible assets, investment properties and intangible assets	82,041 (88,540)	14,291 (15,490)	35,463 (32,226)	0 (0)	95,879 (97,609)	0 (0)	227,675 (233,865)	227,675 (233,865)
Investments excluding company acquisitions	12,930 (6,241)	2,175 (2,331)	8,529 (4,180)	0 811	1,428 (1,769)	0 (0)	25,061 (15,332)	25,061 (14,521)
Depreciation and amortization	9,815 (10,365)	3,256 (3,482)	4,798 (5,053)	0 (1,198)	5,372 (5,213)	0 (0)	23,242 (25,311)	23,242 (24,113)
Impairments	1,489 (335)	178 (0)	164 (1,176)	0 (0)	2,592 (5,462)	0 (0)	4,423 (6,973)	4,423 (6,973)
Employees (annual average) (without trainees)	1,220 (1,181)	644 (621)	873 (848)	0 (128)	157 (150)	0 (0)	2,894 (2,928)	2,894 (2,800)

(Figures in brackets are those of the previous year).

EBIT = operating result EBITDA = Earnings before interest, taxes, depreciation and amortization

1) in previous year including discontinued business division 2) in previous year adjusted for discontinued business division and resulting consolidations

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.

The research and development output consists of the development costs within customer contracts, capitalized development costs and depreciation on them as well as research and development costs.

Free cash flow is calculated from cash flow from operating activities (before income taxes) less investments in intangible assets and tangible assets plus disinvestments.

Working capital comprises inventories, trade accounts receivable and receivables from construction contracts less trade accounts payable, liabilities from construction contracts and on account payments received.

Non-current assets comprise intangible assets and tangible assets.

There were no relationships with individual customers whose share of sales is material relative to Group sales.

Reconcillation of segment information

Reconcillation of free cash flows

in KEUR	2011	2010 ¹⁾
Cash flow from/used in operating activities before income taxes	67,283	42,800
Investments in intangible and tangible assets	-25,028	-14,454
Receipts from operative disposals of intangible and tangible assets	1,749	3,204
Free cash flow (before income taxes)	44,004	31,550

1) continuing business divisions

Information by region

in KEUR	no-current assets ¹⁾	
	31.12.2011	31.12.2010 ¹⁾
Group	227,675	233,865
of which Germany ²⁾	211,573	223,252
European Union ²⁾	1,801	1,939
Other Europe ²⁾	95	116
NAFTA ²⁾	13,129	8,558
Asia ²⁾	1,077	0

1) Includes tangible assets, intangible assets and investment properties.

2) by location of the companies

Notes to the statement of comprehensive income

All prior year disclosures relate exclusively to continuing business divisions and are thus not directly comparable with the relevant disclosures in the annual report in the prior year.

1 SALES

Sales increased overall by KEUR 64,548 or 13.5 percent to KEUR 543,298 compared to 2010 and mainly result from the sale of goods. Sales include sales for long-term construction contracts in the sum of KEUR 6,492 (2010 KEUR 0).

Detailed disclosures on sales by segment and region are shown in the segment reporting.

2 COST OF SALES

Cost of sales includes the costs incurred in generating sales. This item also includes provisions made for transactions dependent on sales.

Cost of sales increased overall by KEUR 30,718 or 9.4 percent to KEUR 359,287 compared to 2010. Cost of sales rose less than proportionally compared to sales.

Cost of sales includes impairment losses on intangible and tangible assets amounting to KEUR 32 (2010 KEUR 257).

Cost of sales for long-term construction contracts amounted to KEUR 5,364 (2010 KEUR 0). Profit was realized at an amount of KEUR 1,128 (2010 KEUR 0).

3 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include all expenses allocable to research and development. Research and development costs paid for by customers are not included in the research and development expenses but allocated to cost of sales.

Research and development expenses increased overall by KEUR 3,894 or 13.9 percent to KEUR 31,982 compared to 2010. The increase was almost proportional to sales. Research and development costs include write-downs amounting to KEUR 164 (2010 KEUR 0).

4 SELLING EXPENSES

Selling expenses mainly comprise marketing costs, sales commissions, publicity work and advertising. Selling expenses increased overall by KEUR 8,162 or 15.2 percent to KEUR 61,908 compared to 2010. In addition to the costs for further expansion of the selling function internationally these also include costs proportioned to sales such as costs of freight and selling commission.

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 rose by KEUR 2,399 or 6.6 percent to KEUR 38,893 compared to 2010.

Furthermore general administrative expenses include the auditor's fees amounting to KEUR 1,106 (2010 KEUR 720); thereof for auditing financial statements KEUR 870 (2010 KEUR 649), fees for other services for the auditor KEUR 206 (2010 KEUR 39), for other certification services KEUR 10 (2010 KEUR 32), and for tax services KEUR 20 (2010 KEUR 0).

6 OTHER OPERATING INCOME

in KEUR	2011	2010
Income from exchange gains	8,449	8,051
Income from services, transfer and rental	3,266	1,662
Income from the release of allowances/ provisions	2,832	2,100
Income from government grants	2,507	2,449
Income from disposal of fixed assets	1,814	627
Income from issue of licenses	496	412
Income from sale of shares	110	4,629
Income from compensation/ insurance payments	67	412
Miscellaneous	1,766	2,182
Total	21,307	22,524

Other operating income declined overall by KEUR 1,217 or 5.4 percent to KEUR 21,307.

Income from exchange rate gains mainly includes gains on exchange rate fluctuations on foreign exchange receivables and payables between transaction date and payment date and exchange gains from the balance sheet date rate valuation. Exchange losses from these transactions are disclosed under other operating expenses.

7 OTHER OPERATING EXPENSES

in KEUR	2011	2010
Exchange losses	8,369	6,742
Impairment losses tangible assets/ investment properties	4,868	2,656
Costs of services and rental	4,493	3,674
Losses on disposal of fixed assets	3,592	288
Amortization of intangible assets on first-time consolidation	1,611	1,621
Other taxes	769	160
Expenses of SAP implementation	696	228
Expenses for consulting services	555	1,484
Impairment of goodwill	212	2,884
Expenses of reorganization and restructuring	0	2,267
of which additions to personnel provisions (restructuring)	0	2,267
Expenses for location integration	0	1,742
Increase/reversals of provisions and allowances	-4,081	164
Miscellaneous	2,291	1,437
Total	23,374	25,347

Other operating expenses fell compared to the prior year by KEUR 1,973 or 7.8 percent to KEUR 23,374.

Additions to allowances are only included in other operating expenses if these are outside of the ordinary activities of the relevant company.

In the period under review the item is significantly affected by the reversals to provisions which were previously accounted for in other operating expenses. Further details on this can be found in Note 29.

8 NET INVESTMENT RESULT

in KEUR	2011	2010
Result from investments	409	2,962
Results from investments in associated and joint ventures	-995	-1,523
Write-downs on financial assets and on non-current asset securities	-1,748	-3,408
Total	-2,334	-1,969

The prior year amount was influenced by the one-off distribution of a minority interest.

The write-downs on financial assets and on non-current asset securities primarily relate to write-downs against loans to affiliated non-consolidated entities.

include both prepayment penalties as well as the expense effect of the write-off of costs incurred that were deferred at the time the loan was taken up.

As a result of the low guarantee volume in the past fiscal year the guarantee income reduced to KEUR 61 (2010 KEUR 386). The item interest expense from the increase in pension provisions includes actuarial losses recorded in the statement of comprehensive income, amounting to KEUR 1,230 (2010 KEUR 846).

The rise in interest expenses for debenture loans to KEUR 783 (2010 KEUR 193) reflects the interest for the new debenture loans placed in October 2011.

The other interest and similar expenses reduced mainly due to the decline in the overall item liabilities to banks.

9 NET INTEREST RESULT

in KEUR	2011	2010
Income from securities and financial asset loans	250	142
Guarantee income	61	386
Other interest and similar income	1,472	1,173
Total interest income	1,783	1,701
Interest portion on increase to pension provisions less interest in plan assets	1,837	1,520
Interest expenses on debenture loans (impacting cash)	783	193
Expense in connection with premature repayment of guarantee loans	518	0
Interest portion of leasing instalments for finance leasing	282	356
Other interest and similar expenses	10,242	11,644
Total interest expenses	13,662	13,713
Net interest result	-11,879	-12,012

The net interest result improved by KEUR 133 to minus KEUR 11,879 (2010 minus KEUR 12,012). Expenses of KEUR 518 (2010 KEUR 0) were incurred in connection with the premature release of the guarantee loan. These expenses

10 INCOME TAXES

Income taxes comprise the current taxes (paid or owed) on income in the individual countries as well as the deferred taxes. The calculation of the current income tax expense for the Jenoptik Group is subject to the tax rates applicable at the balance sheet date.

The calculation of domestic deferred taxes is based on a corporation tax rate of 29.6 percent (2010 28.6 percent). In addition to corporation tax amounting to 15.0 percent (2010 15.0 percent) and the solidarity levy amounting to 5.5 percent (2010 5.5 percent) of the corporation tax charge there was an effective trade tax rate of 13.78 percent (2010 12.78 percent). For foreign companies the calculation of deferred taxes is based on the tax rates applicable in each relevant country.

Deferred taxes are included in the income statement as tax income or tax expense unless they relate to items not impacting income which are accounted for directly in other comprehensive income. 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 KEUR	2011	2010
Current income taxes		
Domestic	4,156	1,392
Foreign countries	248	-80
Total	4,404	1,312
Deferred tax expense and income		
Domestic	-2,731	4,137
Foreign countries	-799	583
Total	-3,530	4,720
Total taxes on income	874	6,032

Current taxes on income include an expense of KEUR 206 (2010 income KEUR 515) for current taxes of prior fiscal periods. The deferred tax expense and income include income from a previous year of KEUR 594 (2010 income KEUR 238).

The deferred tax expense and income include income of KEUR 3,282 (2010 expense KEUR 47) based on the development of timing differences.

At the balance sheet date the Jenoptik Group has unused tax losses carried forward of approx. EUR 439 million (2010 EUR 472 million) which can be set off against future profits. The reduction in tax loss carry forwards amounting to EUR 33 million mainly results from utilization in the period under review. Of these losses EUR 425 million (2010 EUR 455 million) can be carried forward for an unlimited period of time. After accounting 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 136 million (2010 EUR 104 million) will be utilized. With regard to these usable losses a deferred tax asset has been accounted for amounting to EUR 40 million (31.12.2010 EUR 38 million). Of this EUR 18 million (2010 EUR 21 million) related to trade tax losses carried forward. With regard to these remaining tax losses carried forward EUR 303 million (2010 EUR 368 million) no deferred tax asset has been accounted for. Furthermore, no deferred tax asset has been accounted for for deductible timing differences amounting to EUR 55 million (2010 EUR 47 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 KEUR	Deferred tax assets		Deferred tax liabilities	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Intangible assets	1,249	689	2,949	3,633
Tangible assets	4,156	3,692	3,049	3,381
Financial assets	17,428	12,574	1,290	1,416
Inventories	3,780	1,672	46	101
Receivables and other assets	4,600	4,674	1,490	1,504
Provisions and accrued expenses	6,122	10,535	0	1
Liabilities	1,756	1,333	2,039	2,093
Tax losses carried forward, interest carried forward and tax credits	39,980	38,027	0	0
Gross value	79,071	73,196	10,863	12,129
of which non-current	(62,292)	(56,536)	(7,726)	(8,954)
Write-downs	-16,746	-13,876	0	0
Offsetting	-6,904	-8,425	-6,904	-8,425
Balance sheet presentation	55,421	50,895	3,959	3,704

The balance of the excess deferred tax assets increased net by KEUR 4,271. Accounting for the deferred taxes offset neutrally in the year under review (KEUR 496) as well as the effects of the changes in the companies consolidated (KEUR 220) and from foreign currency translation (KEUR 25), a deferred tax credit of KEUR 3,530 is disclosed in the statement of comprehensive income.

The following table shows the tax reconciliation of the expected tax expense for the relevant fiscal year to the actual tax expense disclosed. In order to calculate the expected tax charge the group tax rate valid for the fiscal year 2011 of 29.6 percent (2010 28.6 percent) was multiplied by the earnings before tax.

in KEUR	2011	2010
Earnings before tax	34,948	42,475
of which earnings before tax of discontinued business divisions	0	27,426
of which earnings before tax of continuing business divisions	34,948	15,049
Income tax rate Jenoptik Group	29.6 %	28.6 %
Expected tax expense of continuing business divisions	10,345	4,304
Tax impact of the following effects led to a difference between actual and expected tax expense:		
Non-deductible expenses and tax-free income	-3,746	223
Changes in allowances against deferred taxes and non-recognition of deferred taxes	-6,176	2,645
Permanent differences	3,080	-532
Effects of tax rate differences in 2011	245	394
Effects of tax rate changes	-2,277	23
Taxes from previous years	-390	-792
Other tax effects	-207	-233
Total adjustments	-9,471	1,728
Actual tax expense	874	6,032

11 NON-CONTROLLING INTEREST IN PROFIT / LOSS

The non-controlling interest in Group results amounts to minus KEUR 26 (2010 minus KEUR 139) and relates to the minority shares in a consolidated company.

12 EARNINGS PER SHARE

The earnings per share represent the earnings attributable to shareholders divided by the weighted average number of shares outstanding of 57,238,115 (2010 56,254,446).

	2011	2010		
		Group total	Discontinued business division	Continuing business divisions
Earnings attributable to shareholders in KEUR	34,099	36,582	27,426	9,156
Weighted average of outstanding shares	57,238,115	56,254,446	56,254,446	56,254,446
Earnings per share in Euro (undiluted=diluted)	0.60	0.65	0.49	0.16

Notes to the balance sheet

13 INTANGIBLE ASSETS

in KEUR	Development costs from internal development projects	Patents, trademarks, software, customer relations	Goodwill	Other intangible assets	Total
Acquisition and production costs	19,745	42,644	65,729	1,959	130,077
Balance as at 1.1.2011	(18,956)	(42,295)	(65,857)	(3,211)	(130,319)
Currencies	4	119	110	-3	230
	(22)	(186)	(193)	(-4)	(397)
Companies consolidated	-1,785	-19	-454	-58	-2,316
	(0)	(-1,394)	(-235)	(-3)	(-1,632)
Additions	533	1,238	0	334	2,105
	(481)	(888)	(0)	(706)	(2,075)
Disposals	2,423	194	-372	181	2,426
	(0)	(925)	(86)	(71)	(1,082)
Reclassifications (+/-)	0	935	0	-922	13
	(286)	(1,594)	(0)	(-1,880)	(0)
Balance as at 31.12.2011	16,073	44,723	65,758	1,129	127,683
	(19,745)	(42,644)	(65,729)	(1,959)	(130,077)
Amortization, depreciation and write-downs	14,842	33,337	9,518	0	57,697
Balance as at 1.1.2011	(13,501)	(32,067)	(6,802)	(0)	(52,370)
Currencies	4	91	0	0	95
	(22)	(58)	(0)	(0)	(80)
Companies consolidated	-1,781	-28	0	0	-1,809
	(0)	(-1,244)	(0)	(0)	(-1,244)
Additions	1,184	3,460	0	0	4,644
	(1,226)	(3,545)	(1)	(0)	(4,772)
Impairment	164	212	0	0	376
	(161)	(15)	(2,884)	(0)	(3,060)
Disposals	2,422	166	-371	0	2,217
	(0)	(1,172)	(169)	(0)	(1,341)
Reclassifications (+/-)	0	13	0	0	13
	(-68)	(68)	(0)	(0)	(0)
Balance as at 31.12.2011	11,990	36,919	9,889	0	58,798
	(14,842)	(33,337)	(9,518)	(0)	(57,697)
Net book value as at 31.12.2011	4,083	7,804	55,868	1,129	68,884
	(4,903)	(9,307)	(56,211)	(1,959)	(72,380)

(The amounts in brackets relate to the prior year)

Impairment losses charged against intangible assets in the period were accounted for as other operating expenses (KEUR 212) and in research and development costs (KEUR 164).

The changes in companies consolidated in the current year relate to the de-consolidation of InnovaVent GmbH as the result of a disposal, as well as the first-time consolidation of JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd. In the prior year the disposals of the discontinued business unit are illustrated.

Apart from goodwill there are no intangible assets with an undefined useful life.

There are no restrictions on use of intangible assets. The order commitment for intangible assets amounts to KEUR 1,786 (31.12.2010 KEUR 384).

The impairment test is carried out at the level of the cash-generating unit (CGU) which benefits from the synergies of the relevant business combination and represents the lowest level at which goodwill is monitored for internal company management.

If the carrying amount of a CGU is higher than its recoverable amount then the allocated goodwill should be written down in accordance with the impairment amount. The impairment test is based on the recoverable amount, i.e., the higher of its fair value less costs to sell and its value in use.

Jenoptik determines the value in use based on a discounted cash flow method. The basis for this is the five-year business forecast as approved by management and Supervisory Board. This accounts for the experience of the past and is based on the management's best estimate of the future development. A perpetuity is assumed which is derived individually by management for each CGU from the fifth forecast year. One-off effects in the final forecast year are eliminated before the calculation of the perpetual annuity.

For the impairment test risk-adjusted discount rates are used of between 7.6 percent and 8.96 percent (2010 7.84 percent). The discount rates are based on a current cost of capital study for companies of the HDAX and represent the weighted average capital costs before taxes of the Jenoptik Group accounting for the individual risk of the CGUs. The CGUs are classified into three various risk classes, whereby the allocation to the risk classes is oriented to the standard deviation of the results of the CGUs for the years 2007 to 2011.

In the fiscal year 2011 there were no impairment losses (2010 KEUR 2,884). As part of the deconsolidation of InnovaVent GmbH which was defined as a CGU goodwill of KEUR 1,060 was disposed of.

As at December 31, 2011 goodwill amounts to KEUR 55,868 (31.12.2010 KEUR 56,211). This amount comprises the following major individual items KEUR 38,086 (31.12.2010 38,086 KEUR) from the CGU "Business Unit Optoelectronic Systems" (Laser & Optical Systems segment), KEUR 7,920 (31.12.2010 KEUR 7,920) from the CGU "Business Unit Energy Systems" (Defense and Civil Systems segment), KEUR 3,586 (31.12.2010 3,536 KEUR) from the CGU "Division/Business Unit Industrial Metrology" (Metrology segment), KEUR 3,071 (31.12.2010 3,071 KEUR) from the CGU "Business Unit Laser" (Laser & Optical Systems segment). The goodwill arising from the first-time inclusion of JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd. of KEUR 606 was allocated to the preliminary CGU "Shanghai" (Other segment).

Overall, 76 percent (31.12.2010 77 percent) of goodwill is attributable to the Laser & Optical Systems segment, 14 percent (31.12.2010 14 percent) to the Defense & Civil Systems segment, 9 percent (31.12.2010 9 percent) to the Metrology segment and 1 percent (31.12.2010 0 percent) to the Other segment.

For all group companies and CGUs to which goodwill is allocated as at December 31, 2011 a sensitivity analysis was carried out. Even with a reduction in cash flows of 15 percent and a simultaneous increase in the discount rate by 3 percentage points to the range of 10.60 percent to 11.96 percent would not lead to a lower recoverable amount than carrying amount.

14 TANGIBLE ASSETS

in KEUR	Land, buildings	Technical equipment and machines	Other equipment, factory and office equipment	Assets under construction	Total
Purchase/manufacturing cost	129,212	139,075	77,754	3,160	349,201
Balance as at 1.1.2011	(132,637)	(136,330)	(84,961)	(2,968)	(356,896)
Currencies	315	564	91	8	978
	(457)	(1,086)	(292)	(0)	(1,835)
Companies consolidated	264	179	-1,244	0	-801
	(0)	(-1,310)	(-9,592)	(-182)	(-11,084)
Additions	1,264	6,485	5,348	9,829	22,926
	(548)	(5,558)	(4,167)	(2,984)	(13,257)
Disposals	407	3,990	3,648	142	8,187
	(2,749)	(4,199)	(2,652)	(157)	(9,757)
Reclassifications (+/-)	-3,665	830	314	-1,576	-4,097
	(-1,681)	(1,610)	(578)	(-2,453)	(-1,946)
Balance as at 31.12.2011	126,983	143,143	78,615	11,279	360,020
	(129,212)	(139,075)	(77,754)	(3,160)	(349,201)
Amortization, depreciation and write-downs	44,517	104,539	60,740	0	209,796
Balance as at 1.1.2011	(42,884)	(98,027)	(63,842)	(0)	(204,753)
Currencies	164	187	53	0	403
	(167)	(870)	(241)	(0)	(1,278)
Companies consolidated	108	61	-1,206	0	-1,037
	(0)	(-902)	(-7,718)	(0)	(-8,620)
Additions	3,884	8,447	5,431	0	17,762
	(3,922)	(9,681)	(6,374)	(0)	(19,977)
Impairment	154	2,180	48	0	2,382
	(152)	(333)	(1,096)	(0)	(1,581)
Disposals	-1,080	3,867	3,521	0	6,209
	(2,143)	(3,351)	(3,121)	(0)	(8,615)
Reclassifications (+/-)	-1,173	-158	-73	0	-1,404
	(-465)	(-119)	(26)	(0)	(-558)
Balance as at 31.12.2011	48,734	111,609	61,487	0	221,830
	(44,517)	(104,539)	(60,740)	(0)	(209,796)
Net book value as at 31.12.2011	78,249	31,534	17,128	11,279	138,190
	(84,695)	(34,536)	(17,014)	(3,160)	(139,405)

(The amounts in brackets relate to the prior year)

The impairment loss results from the accounting balance of the increase of KEUR 2,460 and a release amounting to KEUR 78. Of the increase amounting to KEUR 2,460 (2010 KEUR 1,581) KEUR 80 (2010 KEUR 257) were included in cost of sales and

KEUR 2,380 (2010 KEUR 1,324) included in other operating expenses. That results from extraordinary depreciation due to lack of economic usefulness.

Restrictions on use of tangible assets amount to KEUR 455 (31.12.2010 KEUR 50). Fixed assets order commitments amount to KEUR 3,664 (31.12.2010 KEUR 4,788).

The investment grant of KEUR 534 (31.12.2010 KEUR 316) was deducted from the acquisition costs of the tangible fixed assets.

Land and buildings of the Group of KEUR 78,249 (31.12.2010 KEUR 84,695) include in particular the production and administration buildings in Jena, Triptis, Villingen-Schwenningen and Altenstadt. With regard to reclassifications we refer to Note 15.

15 INVESTMENT PROPERTIES

in KEUR	Investment properties
Purchase and manufacturing costs	36,186
Balance as at 1.1.2011	(35,212)
Companies consolidated	0
	(15)
Additions	0
	(0)
Disposals	5,891
	(987)
Reclassifications	3,965
	(1,946)
Balance as at 31.12.2011	34,260
	(36,186)
Depreciation	14,106
Balance as at 1.1.2011	(10,762)
Companies consolidated	0
	(15)
Additions	574
	(562)
Impairment	2,307
	(2,332)
Impairment reversal	380
	(0)
Disposals	4,221
	(123)
Reclassifications	1,273
	(558)
Balance as at 31.12.2011	13,659
	(14,106)
Net book value as at 31.12.2011	20,601
	(22,080)

(The amounts in brackets relate to the prior year)

Investment properties held at December 31, 2011 primarily include a real estate fund which mainly consists of properties located in the industrial area of Jena-Göschwitz. This real estate fund has been included in the consolidated financial statements in accordance with IAS 27 in conjunction with SIC-12.

During the fiscal year reclassifications were carried out from tangible assets to investment properties since the relevant properties now fulfill the criteria of IAS 40. The purchase and manufacturing costs of the reclassified properties amount to KEUR 6,255 (31.12.2010 KEUR 1,946). Similarly the reclassifications were carried out from investment properties to fixed assets since the criteria of IAS 40 were no longer fulfilled. The purchase and manufacturing costs of the reclassified properties amounted to KEUR 2,290 (31.12.2010 0). The net effect is KEUR 3.965.

The disposals mainly include the sale of an office building in the city centre of Jena.

The measurement of investment properties is at amortized cost amounting to KEUR 20,601 (31.12.2010 KEUR 22,080). During the fiscal year impairment losses were accounted for amounting to KEUR 2,307 (31.12.2010 KEUR 2,332). Furthermore, for one property an impairment reversal of KEUR 380 (31.12.2010 0) was accounted for since, due to the market situation, the reasons for impairment in the past no longer exist.

For two investment properties the fair value was determined based on purchase price offers available. For one property a potential sales price was based on the land value. For the remaining ten properties the fair value was determined, due to a lack of current market data, on the basis of the discounted cash flow method. Under this method the net rentals are determined and discounted over the total remaining useful lives of the properties. Risk-adjusted interest rates are used as a discount rate. These are based on the real estate interest rates used in the expert reports available. In order to ensure the dis-

counted cash flows thus determined are plausible external expert reports are prepared for individual properties.

In total the fair values calculated for the investment properties amount to KEUR 24,212 (31.12.2010 KEUR 24,166). Of this amount KEUR 19,588 related to properties for which the discounted cash flow was applied, KEUR 3,925 relates to two properties for which purchase price offers are available and KEUR 699 related to a property for which a potential purchase price was determined based on the land values.

Rental income from investment properties held at the fiscal year end amount to KEUR 2,395 (2010 KEUR 2,162).

The direct operating costs for the fiscal year of the rented space of properties held at the year end amount to KEUR 3,722 (2010 KEUR 3,088) and for non-rented space KEUR 200 (2010 KEUR 388). This amount includes impairment losses of KEUR 2,307 (2010 KEUR 2,332). The increase in direct operating costs for the rented space is mainly due to the increased maintenance expenses. This increase in maintenance expenses mainly relates to the fulfillment of new official and legal requirements.

16 LEASING

FINANCE LEASING

The Group as lessee. Finance leases primarily include technical equipment and machinery. These are mainly rental purchase contracts or contracts with purchase options which are due to be exercised. The borderline loan interest rates on which the contracts are based vary, depending on market position and timing of the inception of the lease, between 5.4 and 9.5 per cent.

The assets held under finance leases are included in capitalized tangible assets at KEUR 2,846 (31.12.2010 KEUR 4,528). The decline results from the regular termination of contracts for finance leasing. The purchase and manufacturing costs of the assets held under finance leases amount to KEUR 8,272 (31.12.2010 KEUR 9,884) at the balance sheet date.

In the fiscal year lease payments amounting to KEUR 908 (2010 KEUR 1,404) have been charged against income.

Leasing payments due in the future can be seen from the following table:

in KEUR	Up to 1 year	1–5 years	More than 5 years	Total
Minimum lease payments	904	1,926	627	3,457
Interest portion included in payments	223	509	37	769
Present value	681	1,417	590	2,688

The Group as lessor. One Group company has concluded a finance lease under which it is lessor.

The contract is for the delivery of digital speed measurement equipment to Lithuania.

The underlying leasing contracts have a term of 76 and 83 months, commencing in August and December 2009. The customer has a purchase option at the end of the term. Until this time legal ownership remains with JENOPTIK Robot GmbH, Monheim am Rhein.

A leasing contract for a laser annealing machine, which existed in the prior year, was terminated in 2011.

For the finance leasing transactions described amounts due from finance leasing of KEUR 2,787 (31.12.2010 KEUR 3,272) will be accounted for in the current fiscal year. Outstanding

minimum lease payments and their present value, determined based on an interest rate of 5.7 percent, are presented as follows:

in KEUR	Up to 1 year	1–5 years	More than 5 years	Total
Minimum lease payments	400	2,849	0	3,249
Interest portion included in payments	13	449	0	462
Present value	387	2,400	0	2,787

Unrealized finance income amounts to KEUR 462 (2010 KEUR 813).

OPERATING LEASING

The Group as lessee. Operating leasing mainly consists of rental income for trade properties as well as for office and data processing equipment.

Payments under leasing agreements amounting to KEUR 8,281 (2010 KEUR 8,500) have been charged against income.

At the balance sheet date the Group has open commitments from non-cancelable operating leases which are due as follows:

in KEUR	Up to 1 year	1–5 years	More than 5 years	Total
Minimum lease payments	8,158	23,407	28,015	59,580

The Group as lessor. Within operating leases the Group rents out trade properties. Income from leasing tangible assets and investments properties in the period under review amounted to KEUR 4,762 (2010 KEUR 4,318).

At the balance sheet date the following minimum lease payments are agreed between the Group and lessees:

in KEUR	Up to 1 year	1–5 years	More than 5 years	Total
Minimum lease payments	3,554	3,964	527	8,045

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 have not been included in the calculation.

17 SHARES IN ASSOCIATES

In the year under report the shares in JT Optical Engine GmbH + Co. KG, Jena, amounting to KEUR 246, were disposed of.

The last financial statements prepared by the company disclosed sales of KEUR 2,994 and annual net income of KEUR 4,731.

18 FINANCIAL ASSETS

in KEUR	31.12.2011	31.12.2010
Shares in non-consolidated affiliated companies	2,299	3,404
Investments	14,826	4,948
Loans to non-consolidated affiliated companies and investments	2,949	4,875
Non-current securities	1,592	1,799
Other loans	1,016	1,553
Total	22,793	16,579

During the fiscal year impairments of KEUR 18,107 (2010 KEUR 899) were accounted for against financial assets.

Of these, KEUR 15,125 relate to a loan that Jenoptik would have to issue on effect of the cancellation of an atypical silent investor and which is not expected to be repaid. For this potential default provisions have already been made in prior periods based on the co-financing obligation and thus, the impairment of KEUR 15,125 in 2011 was not recorded as an expense.

19 OTHER NON-CURRENT ASSETS

Other non-current assets include:

in KEUR	31.12.2011	31.12.2010
Amounts due from leasing contracts	2,400	2,453
Surplus amount from funded pension obligation	2,091	3,870
Reinsurance coverage	1,564	1,481
Derivatives	7	499
Miscellaneous	960	777
Total	7,022	9,080

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 35.

20 DEFERRED TAXES

The development of the balance sheet item of deferred taxes is described under Note 10.

21 INVENTORIES

in KEUR	31.12.2011	31.12.2010
Raw materials, consumables and supplies	65,631	52,267
Work in progress	88,553	83,858
Finished goods and merchandise	14,932	12,672
Total	169,116	148,797

Compared to the prior year inventories increased by KEUR 20,319, of which KEUR 4,216 relate to JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd., included for the first time in the fiscal year.

The fair value of inventories is represented by their carrying value. At the fiscal year end cumulative write-downs of KEUR 33,364 (2010 KEUR 27,826) were accounted for against the net realizable value. Reversals of previous write-downs amounted to KEUR 162 (2010 KEUR 579).

For the credit lines of a subsidiary amounting to KEUR 30,000 which had not been taken up as at December 31, 2011 (31.12.2010 KEUR 4,693), trade accounts receivables and inventories of the company have been generally assigned or pledged as security under a global assignment up to sufficient coverage of the bank liabilities. As at December 31, 2011 these receivables amounted to KEUR 22,708 (31.12.2010 KEUR 23,931). Additionally, inventories of KEUR 64,800 (31.12.2010 KEUR 70,919) were pledged as security for the credit lines.

22 CURRENT ACCOUNTS RECEIVABLE AND OTHER ASSETS

in KEUR	31.12.2011	31.12.2010
Trade accounts receivable	92,299	75,119
Receivables from non-consolidated affiliated companies	1,718	4,893
Receivables from investment companies	3,073	998
Other assets	12,287	22,298
Receivables from construction contracts less on-account payments	2,496	0
Total	111,873	103,308

Trade accounts receivable rose compared to the prior year by KEUR 17,180 as a result of increased sales. The fair values of trade accounts receivable correspond with their carrying values.

In the fiscal year 2011 receivables from investment companies did not include any receivables from joint ventures (31.12.2010 KEUR 266).

Receivables from long-term construction contracts less payments on account amounting to KEUR 2,496 (31.12.2010 0) include customer-specific construction contracts with an asset balance for which the manufacturing costs including profit portions exceed the payments on account. During the fiscal year payments on account amounting in total to KEUR 3,996 (31.12.2010 0) were offset against receivables from construction contracts.

There are no further restrictions to access for other assets in addition to those outlined under Note 21.

Bad debts are accounted for using allowances. Other current receivables are predominately not subject to interest.

The following table shows the changes in allowances against trade accounts receivable:

in KEUR	2011	2010
Allowances at the beginning of the fiscal year	4,787	7,466
Additions	1,149	1,716
Utilization	1,361	871
Release/write-off	1,428	3,531
Currencies	9	7
Allowances at the end of the fiscal year	3,156	4,787

The ageing structure of trade accounts receivable is as follows:

in KEUR	2011	2010
Carrying values	92,299	75,119
of which neither overdue nor provided for	69,599	56,873
of which overdue but not provided for	22,700	18,246
of which less than 30 days	15,295	12,712
of which between 30 and 60 days	3,056	1,957
of which more than 60 days	4,349	3,577

There was an increase in overdue receivables not provided for compared to the prior year. At the closing date these receivables amounted to KEUR 22,700 (2010 KEUR 18,246). Overdue receivables not provided for are principally due from public contractors, the automotive industry and its suppliers. There was no need to make allowance for these at the closing date because receipt of the total payment is expected.

Other current assets include:

in KEUR	31.12.2011	31.12.2010
Other receivables from tax authorities	3,986	4,640
Accruals	2,035	2,177
Subsidies receivable	1,600	928
Receivables from pension trust	1,264	2,364
Derivatives	400	1,737
Creditors with debit balances	266	363
Receivables from fixed deposit balances	0	9,000
Other current assets	2,736	1,089
Total	12,287	22,298

The whole item of derivative financial instruments is described in more detail in Note 35.

23 SECURITIES HELD AS CURRENT INVESTMENTS

Securities available for sale:

in KEUR	31.12.2011	31.12.2010
Fair value	1,288	750

Securities held as current investments mainly consist of money market funds.

24 CASH AND CASH EQUIVALENTS

in KEUR	31.12.2011	31.12.2010
Checks, cash in hand, credit bank balances and funds due at any time <3 months	48,828	65,335

The balance of cash equivalents decreased mainly due to the repayment of loan capital.

25 SHAREHOLDERS' EQUITY

The development of Jenoptik's equity is shown in the statement of development of shareholders' equity.

SUBSCRIBED CAPITAL

The subscribed capital of the company now amounts to EUR 148,819,099 and is allocated to 57,238,115 bearer shares.

VOTING RIGHTS ANNOUNCEMENT BY EXISTING INVESTMENTS

At the beginning of July 2011 Thüringer Industriebeteiligungs GmbH & Co. KG, Erfurt, Thüringer Industriebeteiligungs-geschäftsführungs GmbH, Erfurt, bm-t beteiligungsmanagement thüringen GmbH, Erfurt, Stiftung für Unternehmensbeteiligungen und -förderungen in der gewerblichen Wirtschaft Thüringens (StUWT), Erfurt, Thüringer Aufbaubank Erfurt and the Free State of Thuringia, Erfurt announced that they had exceeded the thresholds of 3, 5 and 10 percent of the voting rights of JENOPTIK AG as at June 30, 2011 and that they were entitled to 11.0 percent of the voting rights (6,296,193 shares) at this date. Thüringer Industriebeteiligungs GmbH & Co. KG purchased the voting rights from ECE Industriebeteiligungen GmbH.

ECE Industriebeteiligungen GmbH, Vienna, Austria, announced to us on July 5, 2011 that it had dropped below the thresholds of 25 percent, 20 percent and 15 percent of the voting rights in JENOPTIK AG. According to this ECE Industriebeteiligungen GmbH had a right to 14.01 percent of the voting rights (8,021,886 shares) on this date. Of these 1.97 percent of the voting rights (1,125,000 shares) were allocated to ECE Industriebeteiligungen GmbH in accordance with § 22 Para. 1, sentence 1 No. 6 WpHG (Securities Trading Act). Alpha Holding GmbH, Hinterbrühl, ECE European City Estates GmbH, Hinterbrühl, HPS Holding GmbH, Hinterbrühl and Humer Privatstiftung indirectly have shareholdings via ECE Industriebeteiligungen GmbH. These are allocated 12.05 percent of the voting rights (6,896,886 shares) in accordance with § 22 Para. 1 sentence 1 No. 1 WpHG and 1.97 percent of the voting rights (1,125,000 shares) in accordance with § 22 Para. 1 sentence 1 No. 6 WpHG in connection with § 22 Para. 1 sentence 2 WpHG.

ERGO Lebensversicherung Aktiengesellschaft announced to us on June 16, 2011 that it had exceeded the thresholds of 3 percent and 5 percent of the voting rights in JENOPTIK AG. According to this ERGO Lebensversicherung Aktiengesellschaft had a right to 5.75 percent of the voting rights (3,288,872 shares) on this date. MEAG Munich Ergo AssetManagement GmbH and MEAG Munich Ergo Kapitalanlagegesellschaft have announced to us that they exceeded the thresholds of 3 percent and 5 percent of the voting rights in JENOPTIK AG on June 16, 2011. Both had a right on this date to 6.62 percent of the voting rights (3,790,528 shares) which were allocated to MEAG Munich Ergo AssetManagement GmbH under § 22 Para. 1, sentence 1 No. 6 in connection with § 22 Para. 1, sentence 2 WpHG and allocated to MEAG Munich Ergo Kapitalanlagegesellschaft under § 22 Para. 1, No. 6 WpHG. VICTORIA Lebensversicherung Aktiengesellschaft, Düsseldorf, announced to us that on June 16, 2011 that it had dropped below the thresholds of 5 percent and 3 percent of the voting rights in JENOPTIK AG. According to this VICTORIA Lebensversicherung Aktiengesellschaft had a right to 0 percent of the voting rights (0 shares) on this date.

Mrs. Gabriele Wahl-Multerer, Germany communicated to the company on March 3, 2011 that she had dropped below the threshold of 5 percent of voting rights in JENOPTIK AG on April 23, 2010. After this Mrs. Gabriele Wahl-Multerer held 4.96 percent of the voting rights (2,843,066 voting rights) at April 23, 2010. Of these 4.96 percent (2,843,066 voting rights) were to be allocated to VARIS Vermögensverwaltungs GmbH under § 22 Para. 1, sentence 1 No. 1 WpHG. ZOOM Immobilien GmbH, Munich, Germany communicated to the company on March 3, 2011 that it had exceeded the threshold of 3 percent of voting rights in JENOPTIK AG on September 3, 2010. ZOOM Immobilien GmbH has a right to 4.84 percent of the voting rights (2,773,066 voting rights). The exceeding of the threshold of 3 percent arose through the merger of VARIS Vermögensverwaltungs GmbH with ZOOM Immobilien GmbH.

Templeton Investment Counsel LLC., Fort Lauderdale, USA, communicated to the company that it had exceeded the threshold of 3 percent of the voting rights in JENOPTIK AG on September 13, 2010. Templeton Investment Counsel LLC. has a right to 3.11 percent of the voting rights (1,780,218 no-par value shares). All these voting rights shall be allocated to Templeton Investment Counsel LLC. in accordance with § 22 Para. 1, sentence 1 No. 6 WpHG.

Voting rights announcements of the last few years and those of shareholders no longer active are also published on our website under www.jenoptik.com under Investors/Share/Voting rights Announcements.

AUTHORIZED CAPITAL

By resolution of the Annual General Meeting on June 9, 2010 the resolution "authorized capital 2009", which was limited until May 30, 2014, was cancelled and redrafted as follows: The Executive Board is authorized, with the approval of the Supervisory Board, to increase the nominal capital of the company by up to KEUR 35,000 up to May 30, 2015 through one or several issues of new no-par value bearer shares in exchange for cash and/or non-cash contributions ("authorized capital 2010"). The new shares can be adopted by one or several banks under the obligation of offering them to shareholders (indirect subscription right). The Executive Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders in certain cases. Exclusion is possible for fractional amounts, for capital increases in exchange for non-cash contributions, also in particular as part of business combinations or for the purchase of companies, parts of companies or investments in companies, for capital increases in exchange for cash contributions to the extent that the share of nominal capital attributable to the new share, under consideration of Annual General Meeting resolutions or the use of other authorizations to exclude the subscription rights under the direct or corresponding application of § 186 Para. 3, Sentence 4 Act (Stock Corporation Act) since this authorization became effective, neither exceeds a total of ten of one hundred (= 10 percent) of the nominal capital at the existence at the time of issue of the new shares, and the issue price of the new shares is not materially lower than the stock

exchange price, as well as for the issue to employees of JENOPTIK AG and of companies with a majority owned affiliated companies with it.

The Executive Board, under approval by the Supervisory Board, decides on the details of the issue of the new shares, in particular on their conditions as well as on the content of the rights of the new shares.

CONDITIONAL CAPITAL

By resolution of the Annual General Meeting on June 3, 2009 the nominal capital of the company is conditionally increased by up to KEUR 23,400 through the issue of up to 9,000,000 new no-par value bearer shares (conditional capital 2009). The conditional capital increase will only be executed to the extent that the creditor or owner of the option certificates or conversion rights, which were issued by the company or a domestic or foreign company in which the company holds a direct or indirect majority holding, on the basis of an authorization resolution of the Annual General Meeting dated June 3, 2009 to May 30, 2014, exercises its option or conversion rights and/or – the creditor obliged to convert the issued convertible bonds, which were issued by the company or a domestic or foreign company in which the company holds a direct or indirect majority holding, by May 30, 2014, based on the resolution of the Annual General Meeting dated June 3, 2009, fulfils its right to conversion and own shares are not utilized nor fulfillment made in cash.

The new shares participate in profits from the beginning of the fiscal year for which, at the time of their issue, there is not yet a resolution by the Annual General Meeting for the appropriation of profit. The Executive Board is empowered to determine further details of the issue and terms of the convertible and/or option bonds and of the implementation of the conditional capital increase.

RESERVES

Reserves comprise the results generated in the past but not yet 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 KEUR 208 (2010 KEUR 962) 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 minus KEUR 2,662 (2010 minus KEUR 2,515).

Movements in deferred taxes not impacting income increased reserves by KEUR 496 (2010 KEUR 1,021) in the fiscal year 2011. The balance of deferred tax assets in equity amounts to KEUR 350 (31.12.2010 deferred tax liabilities KEUR 146). Furthermore, KEUR 1,120 (31.12.2010 KEUR 11,452) of shareholders' equity was reclassified in this fiscal year to other liabilities and KEUR 3,850 paid out to atypical silent investors of the real estate companies.

OWN SHARES

On resolution of the Annual General Meeting on June 9, 2010 the Executive Board was authorized to purchase own no-par value shares by May 31, 2015 at a calculated maximum of ten from one hundred of nominal capital (= 10 percent) for purposes other than to deal in own shares. The purchased own shares together with own shares already purchased and still held by the company (including shares allocated under §§ 71a et seq. Stock Corporation Act) may not exceed 10 percent of nominal capital of the company. The authorization can be exercised either completely or in partial amounts, once or several times in pursuing one or several permitted purposes by the company or also by the parent company or for its own or on behalf of third-parties. A purchase is carried out as selected by the Executive Board as a purchase via the stock exchange or using a public purchase bid. Further details of re-purchase of

own shares are described in the publicly available invitation to the Annual General Meeting 2010 on our Internet page under www.jenoptik.com under Investors/Annual General Meeting.

26 NON-CONTROLLING INTERESTS

This balance sheet item represents a reconciling item for shares of other shareholders in the consolidation capital from the capital consolidation as well as their allocable profits and losses. These shares are attributable to a foreign company.

27 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions are set up on the basis of provision plans for commitments for old-age, invalidity and surviving dependants benefits. 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 contributions have been paid, the enterprise does not have any further obligations to provide benefits.

Most pension plans are based on defined benefit plans, whereby these are distinguished between provision-based and externally financed pension plans.

Pension provisions for the benefit obligations are determined applying the projected unit credit method in accordance with IAS 19. Under this method future commitments are valued at the balance sheet date according to proportional benefits earned and trend assumptions are considered for the relevant values which affect the amount of the benefit. For all benefit systems actuarial calculations are required.

The Group's benefit commitment covers approximately 930 persons entitled, comprising 483 active employees, 81 former employees and 366 pensioners and survivors.

The assets held by JENOPTIK Pension Trust e.V. are offset against the pension obligations as plan assets in agreement with IAS 19. The new pension obligations in the fiscal year 2011 of Hommel-Movomatic Suisse SA are offset using plan assets and are thus presented net. As at 31.12.2011 there is a slight surplus defined benefit obligation which is principally due to a strong decline in the discount interest rate.

Pension provisions are illustrated as follows:

in KEUR	31.12.2011	31.12.2010
Present value of funded obligations	42,750	32,487
Present value of unfunded obligations	7,573	7,305
Fair value of plan assets	-31,901	-25,678
Present value of net obligation	18,422	14,114
Unrecorded actuarial losses	-13,873	-11,541
Net liability recorded in the balance sheet	4,549	2,573
of which disclosed as other asset	2,091	3,870
of which disclosed as pension obligation	6,640	6,443

The change in the defined benefit obligation (DBO) is presented as follows:

in KEUR	2011	2010
DBO as at 1.1.	39,792	36,520
Current service cost for fiscal year	509	470
Interest cost	1,807	1,874
Actuarial losses	1,321	2,508
Transfers	8,543	0
Pension payments	-1,649	-1,580
DBO as at 31.12.	50,323	39,792

The effects of the expense recorded in the income statement are summarized as follows:

in KEUR	2011	2010
Current service cost	509	470
Interest cost	1,807	1,874
Expected return on plan assets	-1,200	-1,200
Offsetting of actuarial gains and losses	1,230	846
Total expense	2,346	1,990

The above amounts are included in the personnel expenses of the functional areas. Interest cost on the obligation is included in net interest under Note 9.

The change in plan assets is as follows:

in KEUR	2011	2010
Plan assets as at 1.1.	25,678	25,711
Expected return on plan assets	1,200	1,200
Actuarial losses	-1,185	-35
Transfers	7,472	0
Pension payments	-1,264	-1,198
Plan assets as at 31.12.	33,519	25,678

In the fiscal year 2011 there were no additions to plan assets.

The portfolio structure of plan assets at the balance sheet date is as follows:

in percent	31.12.2011	31.12.2010
Shares and investments	28	28
Loans (loans and receivables)	55	53
Cash and cash equivalents	17	19
Total	100	100

The actuarial assumptions were selected as follows:

in percent	31.12.2011	31.12.2010
Discount rate as at 31.12.	Germany 4.37 Switzerland 2.4	4.65
Return on plan assets	4.67	4.67
Future salary increases	2.75	2.75
Future pension increases	0-2.0	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 2011 amounted to KEUR 15.

For the fiscal year 2012 a planned return of KEUR 441 is expected for the JENOPTIK Pension Trust e. V. and of KEUR 187 for the plan assets of Hommel-Movomatic Suisse SA.

Actuarial gains or losses result from changes in balances and differences in actual trends (e. g. income increases or pension increases) compared to the calculation assumptions. In accordance with 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 KEUR	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Present value of the defined benefit obligation	52,173	39,792	36,520	32,324	33,456
Fair value of plan assets	-33,519	-25,678	-25,711	-27,990	-30,046
Plan deficit	18,654	14,114	10,810	4,334	3,410
Experience adjustments based on balance changes	5	-19	-132	-38	-134
Experience adjustments based on parameter changes of plan assets	1,316	2,526	3,524	-1,988	-4,490

The experience adjustments result from the difference between previous actuarial assumptions and what has actually occurred.

28 TAX PROVISIONS

Taxes are presented in detail under Note 10.

29 OTHER PROVISIONS AND ACCRUED EXPENSES

The development of other provisions and accrued expenses is as follows:

in KEUR	Personnel	Warranty obligations	Provision from sale	Obligation from property sales	Trademark and license fees	Restructuring	Anticipated losses	Miscellaneous	Total
Balance as at 1.1.2011	17,272	11,888	17,153	5,429	1,639	3,440	15,844	6,861	79,526
Currencies	11	10	7	0	0	2	-1	36	66
Companies consolidated	226	-4	0	0	0	0	0	7	229
Additions	11,445	7,249	1,444	0	0	25	590	9,230	29,983
Compound interest	160	25	107	122	0	-5	0	25	434
Utilization	10,526	3,705	452	485	3	2,117	15,280	2,813	35,131
Dissolution	685	1,246	6,284	2,193	0	258	385	1,667	12,718
Balance as at 31.12.2011	17,903	14,217	11,975	2,873	1,636	1,087	768	11,679	62,138

Material items within personnel provisions are part-time early retirement of KEUR 4,420 (31.12.2010 KEUR 5,983) and long-term service awards of KEUR 1,700 (31.12.2010 KEUR 1,694). Additionally, personnel provisions include performance premiums, profit sharing and similar obligations.

The provision for warranty obligations includes expenses for specific as well as for general warranty cases.

The provisions from sale include expenses and accruals from the sale of discontinued business units and contractual commitments in connection with these as well as legal and consulting costs. The decline results primarily from releases carried out in the period under review which were recognized in other operating expenses. These were performed since, as a result of positive developments in 2011, a clearly lower utilization was expected at the closing date.

The provisions for obligations from real estate sales include risks in connection with the property assets, including obligations

for the payment of maintenance expenses and for adoption of rental guarantees. The release was possible due to new rentals of space which still had rental guarantees after sale.

The provision for trademark and license fees still, as in the prior year, relates to risks in connection with potential patent infringements.

Of the provision set up in the prior year for restructuring KEUR 2,117 was utilized in the period under review. This included costs of location transfers, compensation for employees as well as costs of cancelling contract relationships.

The provision for anticipated losses was particularly set up for joint financing obligation. On effect of the cancellation of an atypical silent investor of a real estate company in the fiscal year 2011 the risk manifested itself and KEUR 15,125 of the provision was utilized.

Miscellaneous provisions include provisions for price audit risks as well as for potential contract penalties and compensation claims.

Furthermore, these relate to many recognizable specific risks and uncertain obligations which are accounted for at the probable amount required to settle them. Detailed information on these can be found in the management report under point 6 Risk Report.

The expected cash flows of other provisions and accrued expenses are as follows:

in KEUR	Up to 1 year	1–5 years	More than 5 years	31.12.2011
Personnel	12,568	4,203	1,132	17,903
Warranty obligations	11,731	2,486	0	14,217
Provision from sale	10,220	1,205	550	11,975
Obligation on property sales	2,873	0	0	2,873
Trademark and license fees	0	1,636	0	1,636
Restructuring	1,034	53	0	1,087
Pending losses	768	0	0	768
Miscellaneous	10,521	1,020	138	11,679
Total	49,715	10,603	1,820	62,138

30 IFRS 2 – SHARE-BASED PAYMENT

At December 31, 2011 the Jenoptik Group held share-based payment instruments in the form of virtual shares for both active Executive Board members and some members of top management.

The virtual shares are measured as share-based remuneration instruments with cash compensation at their relevant fair values at the balance sheet date. The virtual shares will be paid out at the end of their four-year contractually fixed term.

The following effects resulted in the fiscal year 2011 in connection with the share-based payments in the statement of comprehensive income and in the balance sheet:

in KEUR	Statement of comprehensive income		Balance sheet	
	2011	2010	2011	2010
Virtual shares	– 191	– 431	813	622

The basis of measurement for determining fair value is the share price of JENOPTIK AG. In 2011 the Supervisory Board granted the Executive Board virtual shares with a total volume of 63,944 for the year 2010. The virtual shares allocated for the fiscal years 2009 and 2010 were recorded at the balance sheet date 2011 at their fair value of EUR 4.56 per virtual share and recorded in provisions.

On March 5, 2012 the Personnel Committee made a recommendation to the Supervisory Board that virtual shares with a total volume of 63,222 be allocated to the Executive Board members as part of their variable remuneration for the fiscal year 2011. The Supervisory Board still has to decide on the final allocation. The virtual shares allocated for the fiscal year 2011 were recorded at the balance sheet date 2011 at their fair value of EUR 4.56 per virtual share and recorded in provisions.

Development of the virtual shares of the Executive Board:

Dr. Michael Mertin	Number of shares 2011	Number of shares 2010
1.1.	72,222 ¹⁾	30,000
Granted	45,322 ²⁾	42,222 ¹⁾
Paid out	–	–
31.12.	117,544	72,222
Frank Einhellinger	Number of shares 2011	Number of shares 2010
1.1.	42,722 ³⁾	21,000
Granted	17,900 ²⁾	21,722 ¹⁾
Paid out	–	–
31.12.	60,622	42,722

1) of which 42,222 shares with a remaining term of three years and 30,000 shares with a remaining term of two years 2) remaining term of four years 3) of which 21,722 shares with a remaining term of three years and 21,000 shares with a remaining term of two years

The information disclosed in the table does not represent a cash remuneration but personnel expense in accordance with IFRS 2. With regard to all further information we refer to the remuneration report in the management report from page 46.

For the first time virtual shares amounting to KEUR 59 were agreed as at October 1, 2011 for individual members of top management in the fiscal year 2011. The system for allocation and payment of the virtual shares principally follows the system described for the Executive Board. Special conditions apply in the case of termination of the service relationship.

31 FINANCIAL LIABILITIES

Details of current and non-current financial liabilities can be seen in the following table:

in KEUR	Up to 1 year	1 – 5 years	More than 5 years	31.12.2011
Bank liabilities	3,428 (18,515)	68,164 (83,714)	52,936 (39,455)	124,528 (141,684)
Liability from finance leases	681 (971)	1,416 (1,705)	590 (982)	2,687 (3,658)
Total	4,109 (19,486)	69,580 (85,419)	53,526 (40,437)	127,215 (145,342)

(The amounts in brackets relate to the prior year)

The current fiscal year was characterized by the further stabilization and improvement of the liquidity situation within the Group.

In October 2011 Jenoptik issued debenture loans with an overall volume of EUR 90 million on the capital market with terms of 5 and 7 years. These loans are free from capital repayment over the whole term. Two installments of EUR 54 million attract fixed interest at 3.767 and 4.388 percent. Two further installments with an overall volume of EUR 36 million are charged interest variably dependent on the 6-month EURIBOR with a premium of 170 or 200 base points. After acceptance of these loans Jenoptik was in a position to prematurely repay capital on loans from 2009, which had significantly higher interest rates

and were guaranteed by the federal and state governments. While the repaid loans were equipped with financial covenants which were able to lead to a special loan cancellation, a lack of covenants for the debenture loans taken up can exclusively lead to an increase in interest rate.

For the current financial liabilities from current account facilities, and the current portion of long-term loans amounting to KEUR 3,428, interest rates have been agreed ranging from 2.58 to 8.05 percent.

Non-current liabilities to banks include property loans of KEUR 28,645 (2010 KEUR 43,105) in addition to debenture loans. The property loans are secured by mortgages.

As at December 31, 2011 the Group had access to credit facilities amounting to KEUR 100,416, of which KEUR 89,173 remained unused and loans not taken up amounted to more than KEUR 9,000.

32 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities comprise:

in KEUR	31.12.2011	31.12.2010
Cancelable financial instruments	11,216	9,568
Other non-current liabilities	4,075	1,642
Derivatives	518	471
Total	15,809	11,681

In previous years the Jenoptik Group had formed two real estate companies in the legal form of a GmbH & Co. KG, in which, among others, an atypical silent investor held shares. The atypical investors were granted extraordinary rights of notice at each of December 31, 2012 and at December 31, 2014. The real estate companies were included fully in the consolidated financial statements in accordance with IAS 27 in connection with SIC-12. For the Jenoptik Group the extraordinary right of notice represents a conditional purchase price obligation which is accounted for at the present value of the

expected compensation payments. Any necessary measurement adjustments to the conditional purchase price obligations will be recorded against equity without any impact on income. In accordance with expected utilization this item is presented in non-current or current liabilities. In 2011 the first right of notice as at December 31, 2011 was not exercised and, thus, there is an annual right of notice at each year end of the following year, for the first time as at December 31, 2012. Accordingly, this obligation continued to be accounted for as a current liability, whereby the right of notice as at December 31, 2014 is still accounted for as non-current.

Further information on derivatives can be found under Note 35 Financial Instruments.

33 OTHER CURRENT LIABILITIES

This item includes:

in KEUR	31.12.2011	31.12.2010
Trade accounts payable	40,026	31,632
Liabilities from on-account payments received	33,526	27,652
Liabilities to non-consolidated, affiliated companies	2,135	1,722
Liabilities to participating interests	112	596
Other current liabilities	34,863	35,709
Total	110,663	97,311

Trade accounts payable increased by KEUR 8,394 and liabilities from on-account payments received rose by KEUR 5,874.

Normal market interest rates have been agreed for liabilities to non-consolidated affiliated and associated companies. Trade accounts payable include liabilities to joint ventures of KEUR 132. In the prior year liabilities to joint ventures of KEUR 419 were included in the liabilities to investment interests.

Miscellaneous current liabilities comprise the following:

in KEUR	31.12.2011	31.12.2010
Cancelable financial instruments	9,188	11,388
Liabilities to employees	7,983	7,769
Other liabilities from taxes	5,648	5,951
Derivatives	2,167	982
Purchase price liabilities	2,083	2,175
Liabilities to employees' accident insurance	1,032	899
Accruals	963	911
Interest liabilities from financial obligations	610	442
Other liabilities for social security	584	523
Miscellaneous liabilities	4,606	4,669
Total	34,864	35,709

The cancelable financial instrument, as described under Note 32, relates to a right of notice of a silent investor of a consolidated real estate company under IAS 27 in connection with SIC-12, exercisable next time at December 31, 2012.

Liabilities to employees include holiday entitlements and flexi-time credits.

The whole item of derivative financial instruments is described in more detail in Note 35.

34 GROUP CASH FLOW STATEMENT

The cash and cash equivalents in the cash flow statement include liquid funds disclosed in the balance sheet amounting to KEUR 48,828 (2010 KEUR 65,335). Cash and cash equivalents are defined as the sum of cash balances and credit bank accounts with a term of less than 3 months.

The cash flow statement provides information on cash flows, separately for cash flows from operating activities, from investing activities and from financing activities. Changes in balance sheet items required in the development of the cash flow statement are not directly derivable from the balance sheet since effects of foreign currency exchange and changes in companies consolidated are non-cash effective and are eliminated. Cash flow from operating activities is indirectly derived from the earnings before tax. The earnings before tax 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 rose by KEUR 24,011 to KEUR 65,580 (2010 KEUR 41,569). This resulted in particular from the high operating result in 2011. The operating result before working capital change, which rose by KEUR 24,032 from KEUR 56,270 to KEUR 80,302, thus reflects the operative improvement.

Furthermore, the cash flow from operating activities was also affected by the increase in working capital as part of the expansion in business volume. Payments for increasing working capital rose by KEUR 23,523, in the prior year the cash increase only amounted to KEUR 3,384. This was countered by a reverse effect in other assets and liabilities which burdened the cash flow from operating activities by KEUR 7,726 and improved by KEUR 14,353 in 2011. The main reason was a deposit account of KEUR 9,000 which was set up in 2010 and released in 2011.

Cash flow from investing activities amounted to minus KEUR 29,339 (2010 KEUR 31,103) and is particularly affected

by the payments for investments in tangible assets amounting to KEUR 22,922 (2010 KEUR 12,443). The payments for investments in intangible assets of KEUR 2,105 (2010 KEUR 2,011) remained, on the other hand, almost constant.

Receipts from disposal of consolidated companies include in the prior year above all the disposal of Jena-Optronik GmbH which led to a positive cash flow from investing activities.

The cash flow from financing activities amounted to minus KEUR 53,660 (2010 minus KEUR 19,011). Here the receipts from the issue of bonds and take up of loans amounting to KEUR 90,351 (2010 KEUR 24,111) are matched by repayments of bonds and loans amounting to KEUR 107,014 (2010 KEUR 49,583). The cash flows from the issue of debenture loans of KEUR 90 million and further cash balances were used to reduce a large portion of the existing bank loans. The cash flow from financing activities continues to include the interest paid of KEUR 11,391 (2010 KEUR 11,133), which also contains the premature compensation payments for the repayment of the loans.

The payments for changes in group financing of minus KEUR 24,634 (2010 minus KEUR 2,866) include payments from or to non-consolidated companies, investments and associates as well as payments to atypical silent investors of the real estate companies. In particular the partial settlement paid by an atypical investor amounting to EUR 17.2 million had an effect on the balance in the past fiscal year.

More information on the cash flow statement can be found under point 2.3 Financial Position in the Management Report.

Other notes

35 FINANCIAL INSTRUMENTS

Risks

As part of its operating activities the Jenoptik Group is exposed to credit risks, liquidity risks and market risks within the financial area. Market risks relate principally to interest rate and exchange rate fluctuation risks.

More detailed information on risk management and monitoring of risks is given in the Management Report under point 6 Risk Report. Further information with regard to notes on capital management are included in the Management Report under point 2.3 Financial situation.

The following comments relate exclusively to the quantitative effects of the risks in the fiscal year.

The risks described above have an effect on the following financial assets and liabilities. The carrying values of the financial assets and liabilities represent their market values.

in KEUR	Market values 31.12.2011	Market values 31.12.2010
Financial assets	174,945	188,617
Cash and cash equivalents	48,828	65,335
Financial assets available for sale	20,004	10,901
Receivables from finance leasing	2,787	2,453
Loans and receivables	102,919	107,692
Derivates with hedging relationships	407	2,236
Financial liabilities	242,290	253,423
Trade accounts payable	40,026	31,632
Liabilities to banks and other financial obligations	124,528	141,684
Liabilities from finance leasing	2,687	3,658
Other non-derivative financial liabilities	72,364	74,996
Derivates with hedging relationships	2,685	1,453

The following table shows the fair value hierarchies which exist for the financial assets and liabilities that are measured at fair value in accordance with IFRS 7:

in KEUR	Market value 31.12.2011	Level 1	Level 2	Level 3
Financial assets				
Financial assets available for sale	20,004 ¹⁾	4,321	0	0
Derivatives with hedging relationships	407	407	0	0
Financial liabilities				
Derivatives with hedging relationships	2,685	2,685	0	0

1) of which KEUR 17,124 measured at amortized cost.

Fair values that are always available as quoted market prices are allocated to Level 1.

The explanations of the changes in fair values are included within the relevant comments on the balance sheet items.

The **risk of credit or default** is the risk that a customer or contracting partner of the Jenoptik Group does not meet its contractual obligations. From this results the danger, on one hand, that financial instruments suffer impairment related to credit-worthiness and, on the other hand, the danger of partial or full default of contractually agreed payments.

Credit risks are mainly inherent in trade receivables. These are accounted for by setting up allowances. The Jenoptik Group is exposed marginally to default risks from other financial assets which primarily consist of cash and cash equivalents, loans and derivatives. The maximum risk of default is equal to the carrying values of the financial assets at the balance sheet date of KEUR 174,945 (31.12.2010 KEUR 188,617). The gross amount of trade accounts receivable before allowances amounts to KEUR 95,455 (31.12.2010 KEUR 79,906). The allowances

in KEUR	Carrying values	Cash outflow			
	31.12.2011	Total	Up to 1 year	1 – 5 years	More than 5 years
Variable interest-bearing liabilities to banks	37,808 (70,548)	44,309 (76,709)	2,314 (16,365)	33,737 (60,344)	8,258 (0)
Fixed interest-bearing liabilities to banks	86,720 (71,136)	109,067 (86,918)	6,052 (9,979)	52,605 (37,484)	50,410 (39,455)
Fixed interest-bearing liabilities from finance leasing	2,687 (3,658)	3,457 (3,658)	904 (971)	1,926 (1,705)	627 (982)
Total	127,215 (145,342)	156,833 (167,285)	9,270 (27,315)	88,268 (99,533)	59,295 (40,437)

(The amounts in brackets relate to the prior year)

accounted for in the fiscal year and the ageing structure of receivables are both described in Note 22.

The **liquidity risk** of the Group is that the Group is potentially unable to meet its financial commitments. This can, for example, be due to inadequate availability of cash and cash equivalents, capital repayment of financial liabilities, payment of suppliers and obligations from finance leasing. In order to guarantee liquidity and financial flexibility, credit lines and cash availability are planned using a five-year financial plan and a rolling monthly 5-month liquidity forecast. The liquidity risk has decreased further but still remains the focus of the Group and will be limited by an effective cash and working capital management as well as by credit facilities yet unused.

In the fiscal year 2011 the liquidity risk was reduced by the taking up of debenture loans with terms of 5 to 7 years. The loans are due at final maturity such that until 2015 inclusive there is no burden to liquidity through capital repayments. Through the receipt of the loans taken up higher-interest loans could be repaid. The debenture loans include financial covenants which, contrary to the loans repaid, only include an increase in interest rate but no extraordinary right to cancellation if the financial covenants fail. To this extent the liquidity risk was reduced by the rescheduling of debt.

The gross debt of the Group has reduced. A major portion of the cash outflow of 1 – 5 years relates to the debenture loans which as at December 31, 2011 still had a remaining term of 5 years.

Cash outflows for variable-interest bank liabilities are based on an interest rate of 3.5 percent (2010 4.3 percent). Fixed interest liabilities are charged interest at rates of between 3.8 and 9.5 percent.

Further details are described under Note 31.

The Jenoptik Group is primarily exposed to **interest rate fluctuation risks** in the area of medium-term and long-term interest-bearing financial assets and liabilities due to fluctuations in market interest rates. This risk is met by concluding hedging transactions depending on the market situation.

in KEUR	Carrying values	
	31.12.2011	31.12.2010
Interest-bearing financial assets	52,904	71,763
of which variable interest	48,828	65,335
of which fixed interest	4,076	6,428
Interest-bearing financial liabilities	127,215	145,342
of which variable interest	40,495	74,206
of which fixed interest	86,720	71,136

With a fluctuation in the market interest rate as at December 31, 2011 within a range of 100 base points an opportunity loss or gain of KEUR 41 (2010 KEUR 64) would result for the fixed-interest financial assets.

For financial liabilities within the same range an opportunity loss or gain of KEUR 894 (2010 KEUR 748) would result. A change of 100 base points for the variable-interest financial assets would have an impact of KEUR 488 (2010 KEUR 653) and for the variable-interest financial liabilities an impact of KEUR 378 (2010 KEUR 705).

JENOPTIK AG meets the risks with the following interest hedges.

in KEUR	Nominal volume		Market value	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Interest cap	20,000	20,000	0	4

On the balance sheet date JENOPTIK AG accounts for an interest hedging instrument that limits the interest risk for part of the variable interest liabilities existing at December 31, 2011 amounting to KEUR 37,808. This interest cap, which ends in March 2012, has the following parameters:

Interest cap	KEUR 20,000 (2010 KEUR 20,000)
Term	March 31, 2009 to March 30, 2012
Maximum interest rate	2.45 percent
Reference interest rate	3-month EURIBOR

Under the interest cap liabilities of KEUR 20,000 are secured against the 3-month-EURIBOR rising above 2.45 percent for three years. Since there is no highly effective hedging relationship to our loan financing the derivative is separately disclosed and measured.

At December 31, 2011 the market value of the derivative amounts to KEUR 0 (2010 KEUR 4). The change in market value is accounted for in income.

Currency rate risks arise from the fluctuation in the financial assets and liabilities denoted in foreign currency.

In order to hedge currency risks forward exchange contracts are used. In the fiscal year 2011 forward exchange contracts with a nominal value of KEUR 53,274 were used in order to hedge and document the underlying transactions as cash flow hedges. Also, in the prior year only forward exchange contracts were concluded and accounted for as cash flow hedges. Their total volume in the prior year amounted to KEUR 42,920.

These transactions relate to the exchange rate hedging of major cash flows in foreign currency from the operating business (in particular sales and material purchases).

The following positive market values arise from derivative financial instruments:

in KEUR	31.12.2011	31.12.2010
Transactions to hedge against		
Currency risks from future cash flows (Cash flow hedges):		
Forward exchange contracts, non-current	7	495
current	400	1,737
Interest cap	0	4
Total	407	2,236

The following negative market values arise from derivative financial instruments:

in KEUR	31.12.2011	31.12.2010
Transactions to hedge against		
Currency risks from future cash flows (Cash flow hedges):		
Forward exchange contracts, non-current	518	471
current	2,167	982
Total	2,685	1,453

The market values shown above were calculated and confirmed by the banks.

Net gains of KEUR 535 arose in the prior year from income from the release of allowances. In the current fiscal year **net losses** for financial instruments amounting to KEUR 678 (2010 KEUR 3,166) were realized.

Foreign currency risks of KEUR 43,651 for a time frame of until the end of the year 2012 are hedged by forward exchange contracts. Foreign currency risks of KEUR 9,623 are hedged for a time frame of until the end of the year 2013.

Forward currency transactions are analyzed by currency sales and purchases as follows:

in KEUR	31.12.2011	31.12.2010
USD/EUR-sale	50,923	41,757
USD/EUR-purchase	443	356
GBP/EUR-sale	0	578
GBP/EUR-purchase	342	0
CAD/EUR-sale	0	229
CHF/EUR-sale	1,058	0
CHF/EUR-purchase	508	0

The underlying transactions mainly relate to the sales of products. The risk hedged is always the currency risk.

Since forward exchange contracts are for the purpose of hedging cash flow and 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.

In accordance with the currency hedging strategy of Jenoptik for 2011, more than 90 percent of all underlying transactions within the Group were hedged.

The table shows the net foreign currency risk position in USD:

in KUSD	31.12.2011	31.12.2010
Financial assets	24,747	17,426
Financial liabilities	2,208	1,788
Foreign currency risk from balance sheet items	22,539	15,638
Foreign currency risk from pending transactions	50,891	40,828
Transaction related foreign currency item	73,430	56,466
Items hedged economically by derivatives	68,310	54,114
Net position	5,120	2,352

A sensitivity analysis relative to the US Dollar led to the following result:

A change in the US Dollar exchange rate as at the balance sheet date of 5 percent would have a positive or negative impact of KEUR 104 and a change of 10 percent a positive or negative impact of KEUR 399 on the statement of comprehensive income.

36 COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Compared to the prior year the volume of guarantees has decreased further and only amounted to KEUR 8,651 at December 31, 2011 (31.12.2010 KEUR 12,390), whereby approximately 60 percent is secured by counter-guarantees.

in KEUR	31.12.2011	31.12.2010
Guarantees and line for caverion GmbH	1,181	4,058
Other companies	7,470	8,332
Liabilities from guarantees	8,651	12,390

The guarantees still in existence at December 31, 2011 for the company sold, caverion GmbH, amounting to KEUR 1,181 (31.12.2010 KEUR 4,058), are being gradually reduced and have also been counter-guaranteed in full to JENOPTIK AG by the new owner of caverion GmbH. For JENOPTIK AG there is no longer a relevant risk from the adoption of guarantees for caverion GmbH since, in addition to the full counter-coverage, there are no further financial commitments.

The most significant item within guarantees for other companies relates to warranty guarantees in connection with the Klinikum (Clinic) 2000, Jena, amounting to KEUR 5,500 (31.12.2010 KEUR 5,500), the partial release from liability of which is still outstanding by the Free State of Thuringia. Potential claims from warranties of only KEUR 481 (31.12.2010 KEUR 481) exist with regard to Jenoptik.

The loan security granted to OLPE Jena GmbH, Jena, of KEUR 400 (2010 KEUR 600) was extended and will continue to be reduced gradually. This guarantee is also counter-guaranteed by the owners of OLPE Jena GmbH.

Guarantees for Jena-Optronik GmbH, sold at the end of 2010, still amounted to KEUR 172 at December 31, 2011 and are counter-guaranteed in full to JENOPTIK AG by the new owner of Jena-Optronik GmbH.

As part of the sale of InnovaVent GmbH, Göttingen, a debtor warrant agreement was concluded, which entitles the Jenoptik Group, as the authorized party, to participate in future profits of InnovaVent GmbH to a limited extent regarding time and amount, as the bound party. The amount of the contingent receivable resulting from this is estimated at around KEUR 2,000 as at the balance sheet date.

37 OTHER FINANCIAL COMMITMENTS

Financial commitments from rental and leasing contracts are described in Note 16.

In addition to order commitments for intangible and tangible assets, there are further purchase orders and other financial commitments amounting to KEUR 60,748 (31.12.2010 KEUR 37,709). This amount includes a potential co-financing commitment amounting to KEUR 10,575 due from a real estate company in case the silent investor gives notice. In the case of a claim, the commitment is matched by valuable rights on utilization of the assets of the real estate company.

38 LEGAL DISPUTES

JENOPTIK AG and its Group companies are involved in several court or arbitration cases.

For more information on pending legal disputes which may have significant influence on the economic position of the Group, we refer to the section "Legal Risks" in the Group Management Report.

For any potential financial burdens from court or arbitration cases, adequate provisions have been accounted for regarding process risks and process costs.

39 RELATED PARTY DISCLOSURES ACCORDING TO IAS 24

Related parties are defined in IAS 24 "Related Party Disclosures" as entities or people which/who control or are controlled by the Jenoptik Group to the extent that these are not already included in the consolidated financial statements as consolidated companies or, on the basis of the constitutional conditions or contractual agreement, have the possibility to substantially direct the financial and business policies of the management of the JENOPTIK AG or to participate in the joint management of JENOPTIK AG. Control exists if a shareholder holds more than half of the voting rights in JENOPTIK AG.

ECE Industriebeteiligungen GmbH, Hinterbrühl, Austria and its affiliated companies announced in July 2011 in accordance with §§ 21 Para. 1, 22 Para. 1, sentence 1 No. 6 WpHG that they had fallen below the thresholds of 25 percent, 20 percent and 15 percent. According to this ECE Industriebeteiligungen GmbH had a right to 14.01 percent of the voting rights (8,021,886 shares) of JENOPTIK AG on June 30, 2011. ECE Industriebeteiligungen GmbH thus does not have the possibility to direct the financial and business policies of JENOPTIK AG.

Members of the Executive Board and Supervisory Board of JENOPTIK AG also qualify as related parties. In the fiscal year 2011 there were no provisions of goods or services between the company and members of the Executive Board or Supervisory Board.

Two members of the Supervisory Board are members of management of ECE Industriebeteiligungen GmbH and/or of its controlling company which should therefore be classified as related parties as defined in IAS 24. There were no provisions of goods or services either with ECE Industriebeteiligungen GmbH, nor with the companies controlling it in the fiscal year 2011.

The Supervisory Board member Mrs. Gabriele-Wahl-Multerer is sole shareholder and director of ZOOM Immobilien GmbH which, at the same time, is shareholder of JENOPTIK AG. There were also no provisions of goods and services with ZOOM Immobilien GmbH in the fiscal year.

Information on the remuneration of the Executive Board and of the Supervisory Board, which has to be disclosed in accordance with IAS 24.9, is published in the remuneration report of the Group Management Report from page 46 as well as under obligatory and supplementary disclosures under HGB.

The analysis of the relationships to related parties in the fiscal year 2011 is shown in the table below.

Furthermore, there are guarantees in the Group to related parties amounting to KEUR 1.

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.

Detailed information on the Executive Board and Supervisory Board is set out in the section on Executive Board and Supervisory Board.

40 POST BALANCE SHEET EVENTS

The Executive Board authorized the financial statements on March 9, 2012 for approval by the Supervisory Board. In its meeting on March 22, 2012 the Supervisory Board also agreed to the proposal of the Executive Board to propose a dividend of 0.15 euros for each no-par value eligible share to the Annual General Meeting. This means that from the net income of 18,828,633.29 euros an amount of 8,585,717.25 euros is to be distributed and an amount of 10,242,916.04 euros to be carried forward. There were no other events of significant importance occurring after the balance sheet date of December 31, 2011.

Obligatory and supplementary disclosures under HGB

OBLIGATORY DISCLOSURES UNDER § 315A HGB AND § 264 PARA. 3 OR § 264B HGB

The consolidated financial statements of JENOPTIK AG have been prepared in accordance with § 315a HGB in line with the rules of the IASB with an exemption from preparation of consolidated financial statements under HGB. At the same time the consolidated financial statements and Group Management Report are in line with the European Union Directive on Consolidated Accounting (83/349/EWG), whereby this directive has been interpreted accordingly in compliance with Standard

in KEUR	Total	Of which with	
		Non-consolidated companies	Joint ventures
Sales	8,083	8,083	0
Purchased services	3,304	2,822	482
Receivables from operations	4,033	4,033	0
Liabilities from operations	410	278	132
Loans	2,077	1,577	500

No. 1 (GAS 1) "Exempt Consolidated Financial Statements under § 315a HGB" issued by the German Accounting Standards Committee (GASC). In order to achieve comparability with consolidated financial statements prepared in accordance with the German Commercial Code all disclosures and information required by HGB, and which are in addition to the obligatory disclosures necessary for IFRS, are published.

Due to their inclusion in the consolidated financial statements of JENOPTIK AG the following fully consolidated affiliated German companies have taken advantage of the simplifications of § 264 Para. 3, or § 264b HGB:

- SAALEAUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach i. Isartal
- LEUTRA SAALE Gewergrundstücksgesellschaft mbH & Co. Vermietungs KG, Jena
- JENOPTIK Robot GmbH, Monheim am Rhein
- Hommel-Etamic GmbH, Villingen-Schwenningen
- JENOPTIK Automatisierungstechnik GmbH, Jena
- ESW GmbH, Wedel
- JENOPTIK Optical Systems GmbH, Jena
- JENOPTIK Diode Lab GmbH, Berlin
- JENOPTIK Laser GmbH, Jena
- Lechmotoren GmbH, Altenstadt
- JENOPTIK Polymer Systems GmbH, Triptis
- JENOPTIK SSC GmbH, Jena
- JORENT Techno GmbH, Jena

SUPPLEMENTARY DISCLOSURES UNDER § 314 HGB

In accordance with the commercial code requirements the supplementary disclosures for the prior year were, contrary to the procedures in the comments on the statement of comprehensive income, not adjusted for the influence of discontinued business units.

NUMBER OF EMPLOYEES

The average number of employees is analyzed as follows:

	2011	2010
Employees	2,894	2,928
Trainees	114	120
Total	3,008	3,048

An average of 34 (2010 35) employees were employed in proportionally consolidated companies in 2011.

COST OF MATERIALS AND PERSONNEL EXPENSES

in KEUR	2011	2010
Cost of materials		
Raw materials, consumables, supplies and purchased merchandise	180,072	163,368
Cost of purchased services	50,409	60,811
Total	230,481	224,179
Personnel expenses		
Wages and salaries	156,178	158,115
Social security and pension costs	27,657	28,148
Total	183,835	186,263

German Corporate Governance Codex

On December 15, 2011 the Executive and Supervisory Boards of JENOPTIK AG submitted the statement on conformity with the recommendations of the government commission on the German Corporate Governance Code in the version dated May 26, 2010 in accordance with § 161 AktG (German Public Companies Act). The statement is made permanently available to the shareholders on the Internet page of JENOPTIK AG under www.jenoptik.com under Investors/Corporate Governance. The statement is also viewable at the business premises of JENOPTIK AG (Carl-Zeiß-Straße 1, 07743 Jena).

Executive Board

The following gentlemen were appointed members of the Executive Board during the fiscal year 2011:

	Additional appointments at:
Dr. Michael Mertin Chairman of the Executive Board of JENOPTIK AG	None
Frank Einhellinger Member of the Executive Board of JENOPTIK AG	None

The following summary shows the remuneration of the Executive Board for the fiscal year 2011. In addition to the direct and indirect components of remuneration this also includes the fair value of the share-based remuneration instrument (LTI).

in KEUR	Dr. Michael Mertin (Chairman of the Executive Board)	Frank Einhellinger (Member of the Executive Board)
Fixed remuneration	510.0	333.0
Variable remuneration	687.7	300.0
LTI ¹⁾	206.8	81.7
Total remuneration	1,404.5	714.7
Retirement benefits	240.0	99.9
Fringe benefits	36.7	17.0
Total of other benefits	276.7	116.9

1) measured at fair value

The fringe benefits include contributions to professional disability and accident insurance as well as the provision of company cars. With regard to more detail on the remuneration system we refer to the remuneration report in the Management Report from page 46.

Pension payments amounting to KEUR 299 were made to former Executive Board members. Pension provision (defined benefit obligation) for former Executive Board members amounted to KEUR 3,911 as at the balance sheet date December 31, 2011. The interest cost recorded in 2011 for these existing provisions amounted to KEUR 200. As at July 1, 2011 the pension

package for former Board members was amended for several former Executive Board members.

In the fiscal year 2011 – as in preceding years – no loans or advances were given to members of the Executive Board or Supervisory Board. Consequently, there were no loan repayments.

The privately purchased shareholding of Mr. Frank Einhellinger amounted to 1,036 shares at the end of the fiscal year. Dr. Michael Mertin does not hold any shares in JENOPTIK AG.

Supervisory Board

The following ladies and gentlemen were appointed members of the Supervisory Board during the fiscal year 2011:

<hr/> <p>RUDOLF HUMER Entrepreneur</p> <p>Member of: Personnel Committee (Chairman) Mediation Committee (Chairman) Nomination Committee (Chairman)</p> <hr/>	<hr/> <p>Additional appointments at:</p> <ul style="list-style-type: none"> • Bauman AG, Austria (Ccb member) • Bauman Anteilsverwaltung AG, Austria (Ccb member) • Ühinenud Farmid AS, Estonia (Ccb Member) • K.A.M. ESSL Holding AG, Austria (SB member) • ECE Capital OÜ, Estonia (Ccb Member) <hr/>
<hr/> <p>MICHAEL EBENAU ¹⁾ Trade union secretary, first authorized representative of IG Metall Jena-Saalfeld and first authorized representative of IG Metall Gera</p> <p>Member of: Audit Committee (until 14.9.2011) Personnel Committee Mediation Committee</p> <hr/>	<hr/> <p>None</p> <hr/>
<hr/> <p>MARKUS EMBERT ¹⁾ Dipl.-Ing. für Elektrotechnik (Degree in Electrical Engineering) at ESW GmbH</p> <p>Member of: Capital Market Committee</p> <hr/>	<hr/> <p>None</p> <hr/>
<hr/> <p>CHRISTIAN HUMER Chairman of the Executive Board of ECE European City Estates GmbH, Austria</p> <p>Member of: Personnel Committee Nomination Committee</p> <hr/>	<hr/> <ul style="list-style-type: none"> • Ühinenud Farmid AS, Estonia (Ccb Chair) <hr/>
<hr/> <p>WOLFGANG KEHR ¹⁾ Trade Union secretary at IG Metall, Bezirk Frankfurt/Main</p> <p>Member of: Personnel Committee Mediation Committee</p> <hr/>	<hr/> <p>None</p> <hr/>
<hr/> <p>THOMAS KLIPPSTEIN ¹⁾ Chairman of Group Works' Council of Jenoptik</p> <p>Member of: Personnel Committee Audit Committee</p> <hr/>	<hr/> <p>None</p> <hr/>

Abbreviations: SB – Supervisory Board Ccb. – Comparable controlling body ig – Internal group appointment Dep. – Deputy ¹⁾ Employee representative

<hr/> <p>CHRISTEL KNOBLOCH ¹⁾ Process coordinator at JENOPTIK Automatisierungstechnik GmbH</p> <p>Member of: Capital Market Committee</p> <hr/>	<p>Additional appointments at:</p> <hr/> <p>None</p> <hr/>
<hr/> <p>DIETER KRÖHN ¹⁾ Process coordinator at ESW GmbH</p> <p>Member of: Capital Market Committee Audit Committee (from 15.09.2011)</p> <hr/>	<hr/> <p>None</p> <hr/>
<hr/> <p>DR. LOTHAR MEYER Former Executive Board member of ERGO Versicherungsgruppe AG</p> <p>Member of: Audit Committee Capital Market Committee (Chairman)</p> <hr/>	<hr/> <ul style="list-style-type: none"> • UniCredit Bank AG (SB member) • ERGO Versicherungsgruppe AG (SB member) <hr/>
<hr/> <p>HEINRICH REIMITZ Member of the Executive Board of ECE European City Estates GmbH, Austria</p> <p>Member of: Audit Committee (Chairman) Capital Market Committee</p> <hr/>	<hr/> <ul style="list-style-type: none"> • Ühinenu Farmid AS, Estonia (Ccb Member) <hr/>
<hr/> <p>PROF. DR. RER. NAT. HABIL., DIPL.-PHYSIKER ANDREAS TÜNNERMANN Director of the Institute for Applied Physics and Lecturer for Applied Physics at the Friedrich-Schiller-University and Head of the Fraunhofer Institut for Applied Optics and Fine Mechanics Jena</p> <p>Member of: Personnel Committee Mediation Committee Nomination Committee</p> <hr/>	<hr/> <ul style="list-style-type: none"> • BioCentive GmbH (SB Chair) <hr/>
<hr/> <p>GABRIELE WAHL-MULTERER Dipl.-Kauffrau, entrepreneur</p> <p>Member of: Capital Market Committee</p> <hr/>	<hr/> <ul style="list-style-type: none"> • Seniorbook AG, Munich (SB member) <hr/>

Abbreviations: SB – Supervisory Board Ccb. – Comparable controlling body ig – Internal group appointment Dep. – Deputy 1) Employee representative

SUPERVISORY BOARD REMUNERATION

The members of the Supervisory Board received the following total remuneration payments in the fiscal year 2011:

in KEUR	Total remuneration	of which		Meeting fees	Value added tax ¹⁾
		Fixed annual remuneration	Variable remuneration		
Rudolf Humer (Chairman)	91.8	60.0	30.0	1.8	0.0
Michael Ebenau (Dep. Chairman from 1.1.2011)	51.7	24.5	17.9	9.3	8.2
Markus Embert	46.0	23.8	17.9	4.3	7.3
Christian Humer	45.4	25.0	15.0	5.4	0.0
Wolfgang Kehr	71.9	38.7	26.8	6.4	11.5
Thomas Klippstein	57.7	29.8	17.9	10.0	9.2
Christel Knobloch (since 6.12.2010)	5.9	1.3	1.0	3.6	0.0
Anita Knop (until 3.12.2010)	38.5	22.0	16.5	0.0	6.1
Dieter Kröhn (since 3.12.2010)	6.9	1.5	1.2	4.2	0.0
Dr. Lothar Meyer	60.7	35.7	17.9	7.1	9.7
Günther Reißmann (until 30.11.2010)	49.0	32.7	16.3	0.0	7.8
Heinrich Reimitz	51.0	30.0	15.0	6.0	0.0
Prof. Dr. rer. nat. habil. Andreas Tünnermann	60.7	35.7	17.9	7.1	9.7
Gabriele Wahl-Multerer	45.3	23.8	17.9	3.6	7.3
Total	682.5	384.5	229.2	68.8	76.8

1) Included in fixed remuneration and attendance fees; the gentlemen Rudolf and Christian Humer and Mr. Heinrich Reimitz have a limited tax liability in Germany due to their place of residence being abroad and thus no value added tax was incurred on their remuneration but rather withholding tax in accordance with § 50 a (1) No. 4 EStG (Income Taxes Act) was paid on the fixed remuneration.

With regard to more detail on the remuneration system of the Supervisory Board we refer to the remuneration report in the Management Report from page 50.

At the end of the fiscal year 2011 total shares or related financial instruments held directly or indirectly by all Supervisory Board members amounted to 3,728,979 shares.

These include 2,773,066 shares held by Ms. Wahl-Multerer as sole shareholder of Zoom Immobilien GmbH and 675,000 shares held directly and indirectly by Mr. Rudolf Humer.

Responsibility statement by the legal representatives

We hereby confirm to the best of our knowledge that, in accordance with the accounting principles applicable for reporting, the consolidated financial statements present a true and fair

view of the net assets, financial position and results of operations of the Group and the Group Management Report gives a true and fair view of the business performance, including the results of operations and the situation of the Group, and describes the main opportunities and risks and anticipated development of the Group.

Jena, March 9, 2012



Michael Mertin
Chairman of the Executive Board



Frank Einhellinger
Member of the Executive Board

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by JENOPTIK Aktiengesellschaft, Jena, comprising the consolidated statement of comprehensive income, the balance sheet, 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, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management

report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] 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 9, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

NEUMANN
Wirtschaftsprüfer

BÜCHIN
Wirtschaftsprüfer

ADDITIONAL INFORMATION

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EXECUTIVE MANAGEMENT BOARD

(AS AT JANUARY 2012)

BERNHARD DOHMANN

Metrology segment
Head of Traffic Solutions division

VOLKMAR HAUSER

Metrology segment
Head of Industrial Metrology division

FRANK EINHELLINGER

Member of the Executive Board

MELANIE JAKLIN

Head of HR, Supply Chain & Shared Services

DR. THOMAS FEHN

Lasers & Optical Systems segment
Head of Lasers & Material Processing division

DR. MICHAEL MERTIN

Chairman of the Executive Board

WILHELM HARDICH

Defense & Civil Systems segment
Head of Defense & Civil Systems division

DR. DIRK MICHAEL ROTHWEILER

Lasers & Optical Systems segment
Head of Optical Systems division

SCIENTIFIC ADVISORY COUNCIL

(AS AT JANUARY 2012)

DR. MICHAEL MERTIN

JENOPTIK AG, Jena, Chairman

PROF. DR. RER. NAT. JÜRGEN POPP

IPHT Institut für Photonische Technologien e.V., Jena

PROF. DR. HARTMUT BARTELT

IPHT Institut für Photonische Technologien e.V., Jena

PROF. DR. ROLAND SAUERBREY

Forschungszentrum Rossendorf, Dresden

PROF. DR. KARLHEINZ BRANDENBURG

Ilmenau

PROF. DR. MICHAEL SCHENK

IFF Fraunhofer Institut für Fabrikbetrieb und -automatisierung, Magdeburg

PROF. DR. GERHARD FETTWEIS

Technische Universität Dresden,
 Fakultät für Elektrotechnik,
 Mannesmann Mobilfunk Stiftungslehrstuhl

PROF. DR. HARTWIG STEFFENHAGEN

Rheinisch-Westfälische Technische Hochschule (RWTH), Aachen

PROF. DR. JOHANN LÖHN

Steinbeis-Hochschule Berlin

PROF. DR. GÜNTHER TRÄNKLE

Ferdinand-Braun-Institut, Leibniz-Institut für Höchstfrequenztechnik, Berlin

PROF. DR. RER. NAT. HABIL. JÜRGEN PETZOLD

Technische Universität Ilmenau,
 Fakultät für Elektrotechnik und Informationstechnik,
 Institut für Elektrische Energiewandlungen und Automatisierung

PROF. DR. ANDREAS TÜNNERMANN

IOF Fraunhofer Institut für angewandte Optik und Feinmechanik, Jena

PROF. DR. BERND WILHELMI

Jena

FINANCIAL GLOSSARY A – Z

A

ACCRUALS: Balance sheet liabilities that include future payments and reductions in value as expenses for the accounting period. The exact amount and/or time of payment for these items are not yet determined by the balance sheet date, but their occurrence is quite certain.

ACCRUALS AND DEFERRALS: Payments made or received during the accounting period, but which refer to a period after the balance date.

AFFILIATED COMPANIES: JENOPTIK AG and all its subsidiaries, whether or not they are included in the consolidated financial statements.

ASSET RATIO: Figure used in the analysis of the asset structure which describes the ratio of non-current assets to total assets.

ASSOCIATED COMPANIES: Companies not completely or majority owned by the parent company, but upon which the parent company exercises significant influence (with an ownership interest of more than 20 percent).

AT-EQUITY EVALUATION: The evaluation of an interest in an affiliated company reflecting the company's shareholders' equity and annual earnings proportionate to the interest held.

B

BOOK-TO-BILL RATIO: Order intake to sales for a fiscal year. A ratio of over 1.00 indicates that order intake surpassed sales for the fiscal year, likely leading to an increase in order backlog. This is usually also a good indicator of a future rise in sales.

BORROWED CAPITAL: Capital that a company receives as a credit to finance fixed and current assets.

C

CAP.: In a contractual agreement of this sort, the purchaser pays for a guaranteed interest rate cap for an agreed period of time. If the market interest rate rises above the cap on the specified interest determination dates for the next interest period, the cap seller must pay the difference.

CAPITAL EXPENDITURE: Expenditure on items required for production purposes over a period of more than a year, such as buildings, machinery and computer programs. Capital expenditure is subject to depreciation throughout its useful life.

CASH FLOW: A corporate analysis figure that sheds light on the earnings and financial strength of the company which indicates the amount of liquid funds the company has at its disposal within a specific period of time as a result of its economic turnover.

COMMERCIAL PAPERS: Money market papers with a term of between 7 and 270 days. They are placed on the money market mostly by companies with a very good credit rating. The terms of these debt instruments can be determined flexibly to meet the needs of the companies. Interest payments proceed through the calculation of a loan discount.

CONSOLIDATION: The incorporation of partial accounts into a total account, such as the incorporation of the individual balance sheets of group companies into a group balance sheet.

CONSOLIDATION OF ASSETS AND LIABILITIES: Adjustments necessary in consolidated financial statements that offset all group-internal receivables and payables – not only the positions included in the balance sheet.

CONSOLIDATION OF EQUITY: Equity relationships between companies within a group are consolidated as a part of the overall consolidation process. This entails offsetting the book value of the investment in the subsidiary against the shareholders' equity of the subsidiary.

CONSOLIDATION OF INCOME AND EXPENSES: Only expenses and income arising from transactions with third parties outside the group may be included in the consolidated income statement. Therefore income and expense items which arise from the group-internal supply of goods and services need to be offset against each other in the consolidated financial statements.

CONSOLIDATED COMPANIES: Companies included in a group's consolidated financial statement.

CORPORATE GOVERNANCE (CODE): This code determines the guidelines for the transparent management and supervision of a company. The recommendations of the Corporate Governance Code provide for transparency and increase trust in responsible management. The recommendations protect the shareholders in particular.

D

DEBENTURE LOANS: Debenture loans are another form of (long-term) external financing for companies, in addition to bank credits and bonds. The borrower is granted a loan against a debenture by large financial

intermediaries (in general credit institutions) without having to access the organized capital market.

DEBT: This includes all long-term and short-term interest-bearing third-party capital, including bonds, participatory capital, bank loans and loans from social welfare funds.

DEFERRED TAXES: Temporary tax expense differences between individual or consolidated group accounts in accordance with commercial law and tax returns. This figure is a measure of the relationship between company results and tax expenses.

DEPRECIATION: Capital expenditure is subject to depreciation throughout its entire useful life, with the purchase price being amortized over a period of time.

DERIVATIVES: Derivatives are derived financial instruments dependent on the price development of the underlying assets (e.g. shares, interest rates, currencies, or goods). The basic forms are futures and options.

DISAGIO: The difference between the amount of a loan to be repaid and the amount received when the loan was granted.

DISINVESTMENT: The effect of depreciation surpassing replacement investment (e.g. to maintain production machinery).

DUE DILIGENCE: Due diligence is the intensive investigation and evaluation by external experts of the financial, legal and commercial situation of a company including risks and prospects. This analysis is a prerequisite in, e.g., the preparation process for IPOs, the acquisition or sale of companies or company segments, the granting of credits and for capital increases.

E

EBIT: Earnings before interest and taxes.

EBITDA: Earnings before interest, taxes, depreciation and amortization.

ELIMINATION OF GROUP-INTERNAL PROFITS AND LOSSES: For the purposes of the consolidation process, group-internal profits and losses arising from the delivery of goods or services between group companies are not considered valid until the asset in question departs from the group. The elimination of group-internal profits and losses is made possible through the evaluation of deliveries and services according to uniform group acquisition and production costs.

F

FREE CASH FLOW: The free cash flow is the cash flow available. The amount of the free cash flow is regarded by financing institutions as an indicator for the ability to repay credits and is therefore often used as basis to calculate the financing capacity. The free cash flow is calculated taking the cash flow from operating activities (before income taxes and interests) less investments from operating activities plus disinvestments.

FREE FLOAT: Scattered company shares held by a large number of different investors.

FINANCIAL LIABILITIES: These include all current and non-current interest-bearing external finances, e.g. bonds, bank liabilities, and leasing liabilities.

G

GOODWILL: The purchase price of a newly acquired company minus its shareholders' equity (assets minus liabilities).

H

HEDGING: Through hedging, existing securities can be protected against negative price trends though the purchase or sale of derivatives (futures, options, swaps).

I

IFRS / IAS (INTERNATIONAL FINANCIAL REPORTING STANDARDS): These internationally valid accounting standards ensure the comparability of consolidated financial statements and, through their particular transparency, satisfy the information requirements. The sections of the IFRS are known as the IAS (International Accounting Standards), while the newer sections are referred to as IFRS.

J

JOINT VENTURE: Economic cooperation between companies, usually limited in time and scope which is run by the partner companies together.

M

MARKET CAPITALIZATION: Number of shares multiplied by share price.

MINORITY INTERESTS: Interests in Jenoptik Group companies that are not majority-owned by JENOPTIK AG or the group companies. They are included in the earnings and net assets of the subsidiary company.

O

OPTION: The right to purchase (call option) or sell (put option) the underlying of an option (e.g. securities or currencies) at a previously agreed price (exercise price) at a specific time or within a specific period of time.

P

PERCENTAGE-OF-COMPLETION METHOD:

A procedure in accordance with IAS 11, which computes sales revenue, order costs, and order results deriving from partial payments on a long-term customer-specific contract or similar services in accordance with the degree to which the project is completed. This method is also valid when the order has not yet been fully completed although the customer has paid the invoice.

PREPAID AND DEFERRED EXPENSES: Payments which are made or received in advance in the period under report but concern a period after the balance sheet date.

PROJECTED-UNIT-CREDIT METHOD: A method used to evaluate pension obligations in accordance with IAS 19, which includes the expected future increase of salaries and pensions in addition to the pension benefits secured before the cut-off date.

PURCHASE PRICE ALLOCATION: The method of dividing the purchase price of a newly acquired company among its assets and liabilities.

R

RETURN ON SALES: Earnings after tax divided by sales.

RETURN ON EQUITY: Ratio of earnings after tax and capital employed.

R + D RATIO: R + D expenditure as a percentage of sales.

REVENUE RESERVES: Reserves that are accumulated from undistributed profits.

S

SHAREHOLDERS' EQUITY: The capital contributed by a company's owners (shareholders) that is gradually accumulated within the company in the form of reserves. It is available for use by the company in the long term.

SHAREHOLDERS' EQUITY RATIO: Ratio used in capital structure analysis depicting the ratio of the shareholders' equity in the total capital (shareholders' equity divided by the balance sheet total).

SWAP: An agreement between two companies to exchange cash flows. In the case of an interest swap, fixed interest payments are swapped for floating payments for a nominal fee.

T

TREASURING: Management of finances – a major task of the corporate finance area. The aim of Treasuring and its control instruments is to optimize liquidity and profitability of the company.

V

VALUE ADDED: The growth in value that is created through company operations, in addition to goods and services purchased from outside the company. Value added is then distributed as labor costs, taxes, interest, profits and dividends.

W

WORKING CAPITAL: Sum of inventories and receivables from operating activities less trade accounts payable, PoC (percentage of completion) liabilities and on-account payments received.

IMPRINT

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The contents of this publication address men and women equally.
For better readability, the masculine forms are used normally.

In case of differences of opinion the German text shall prevail.