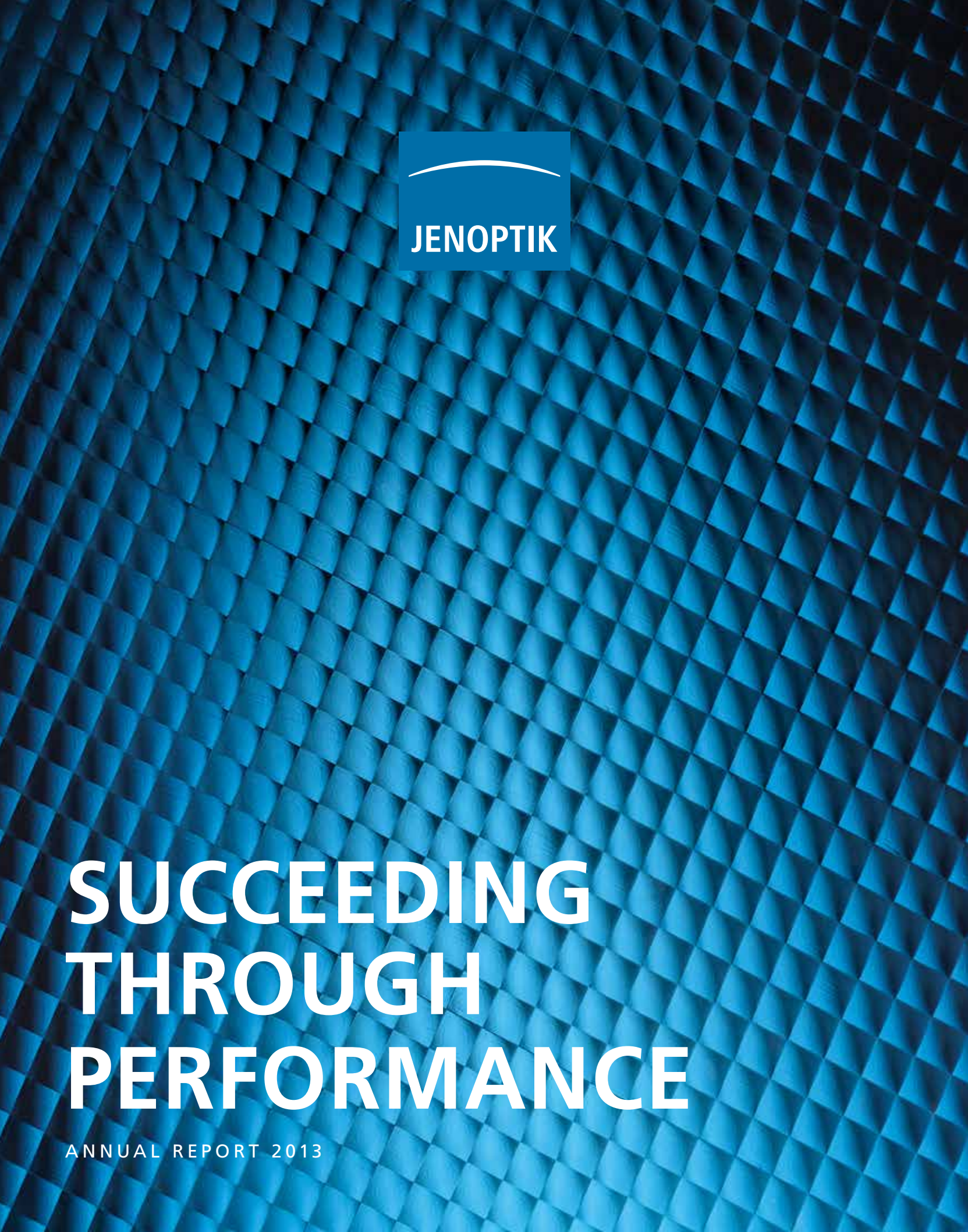

SUCCEEDING THROUGH PERFORMANCE

ANNUAL REPORT 2013

Key figures of Jenoptik

in million euros	2013	2012	Change in %	Oct.–Dec. 2013	Oct.–Dec. 2012	Change in %
Sales	**600.3**	**585.0**	**2.6**	**167.8**	**161.9**	**3.6**
Domestic	228.4	208.1	9.7	71.1	58.0	22.6
Foreign	371.9	376.9	–1.3	96.7	103.9	–7.0
EBITDA	**74.8**	**77.7**	**–3.6**	**21.1**	**18.9**	**11.6**
EBIT	**52.7**	**54.8**	**–3.9**	**15.2**	**12.7**	**19.6**
EBIT margin (EBIT in % of sales)	**8.8**	**9.4**		**9.1**	**7.9**	
Earnings before tax	**47.2**	**46.1**	**2.4**	**13.6**	**9.7**	**40.7**
Earnings after tax	**47.2**	**50.2**	**–6.1**	**18.1**	**20.2**	**–10.6**
Free cash flow (before income taxes)	**47.0**	**43.7**	**7.6**	**41.8**	**17.0**	**145.6**
Investments in property, plant and equipment and intangible assets	**24.4**	**31.2**	**–22.0**	**6.0**	**14.0**	**–56.8**
Order intake	**575.3**	**587.2**	**–2.0**	**160.0**	**150.1**	**6.6**

in million euros	31/12/2013	31/12/2012	Change in %
Order backlog	**411.4**	**446.8**	**–7.9**
Employees	**3,433**	**3,272**	**4,9**

Please note that there may be rounding differences as compared to the mathematically exact amounts (monetary units, percentagees) in this report.

Key figures of Jenoptik by segment

in million euros	2013	2012	Change in %	Oct.–Dec. 2013	Oct.–Dec. 2012	Change in %
Sales	**600.3**	**585.0**	**2.6**	**167.8**	**161.9**	**3.6**
Lasers & Optical Systems	224.7	212.3	5.8	64.3	50.6	27.1
Metrology	187.4	182.7	2.6	46.6	57.7	–19.2
Defense & Civil Systems	185.1	186.4	–0.7	56.4	53.4	5.7
Others[1)]	3.1	3.6	–15.0	0.4	0.3	68.4
EBITDA	**74.8**	**77.7**	**–3.6**	**21.1**	**18.9**	**11.6**
Lasers & Optical Systems	34.0	36.4	–6.7	10.2	5.2	94.8
Metrology	25.2	28.6	–12.1	6.1	12.7	–51.9
Defense & Civil Systems	16.7	13.3	25.0	6.3	2.2	183.2
Others[1)]	–1.0	–0.6	–61.8	–1.4	–1.2	–25.6
EBIT	**52.7**	**54.8**	**–3.9**	**15.2**	**12.7**	**19.6**
Lasers & Optical Systems	24.6	27.1	–9.2	7.8	2.9	164.8
Metrology	22.6	25.6	–11.6	5.3	12.1	–56.0
Defense & Civil Systems	11.6	7.8	48.5	5.0	0.2	2.926.1
Others[1)]	–6.0	–5.7	–5.4	–2.9	–2.5	–14.7
EBIT margin (EBIT in % of sales)	**8.8**	**9.4**		**9.1**	**7.8**	
Lasers & Optical Systems	10.9	12.8		12.1	5.8	
Metrology	12.0	14.1		11.5	21.1	
Defense & Civil Systems	6.2	4.2		8.8	0.4	
R+D output	**51.1**	**49.1**	**4.0**	**13.1**	**13.3**	**–1.4**
Lasers & Optical Systems	19.4	19.0	2.0	4.1	4.7	–12.0
Metrology	19.4	16.9	15.0	5.6	4.7	19.0
Defense & Civil Systems	12.2	13.1	–6.9	3.5	3.8	–8.0
Others[1)]	0.0	0.1	–71.0	–0.1	0.1	–211.1
Order intake	**575.3**	**587.2**	**–2.0**	**160.0**	**150.1**	**6.6**
Lasers & Optical Systems	221.4	219.9	0.7	56.3	52.7	6.8
Metrology	172.5	198.7	–13.2	47.4	40.7	16.3
Defense & Civil Systems	179.2	165.0	8.6	55.0	56.0	–1.8
Others[1)]	2.2	3.6	–39.6	1.3	0.7	83.6

in million euros	31/12/2013	31/12/2012	Change in %
Order backlog	**411.4**	**446.8**	**–7.9**
Lasers & Optical Systems	94.3	105.2	–10.4
Metrology	72.8	87.4	–16.8
Defense & Civil Systems	246.9	255.8	–3.5
Others[1)]	–2.6	–1.6	–57.7
Employees	**3.433**	**3.272**	**4.9**
Lasers & Optical Systems	1.391	1.349	3.1
Metrology	907	814	11.4
Defense & Civil Systems	907	913	–0.7
Others[1)]	228	196	16.3

1) including consolidation

A portrait of Jenoptik

We are a globally operating, integrated optoelectronics Group. Optical technologies are the very basis of our business. Our customers primarily include companies in the semiconductor equipment industry, the automotive and automotive supplier industries, the medical technology, security and defense technology industries and the aviation industry. In 2013, our 3,433 employees at around 80 locations around the world generated revenue of approximately 600 million euros.

THE JENOPTIK GROUP

Corporate Center

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

Shared Service Center

SUCCEEDING THROUGH PERFORMANCE

We are an outstanding high-tech partner to our customers! On the principle of growing **„FROM GOOD TO GREAT“**, we want to do even better justice to this claim:
We energetically drive our operational development on, boost networks with our customers and increasingly gain access to new markets around the world. In this way we generate growth and raise our corporate value.

FROM GOOD TO GREAT – 2013 TO 2017

INTERNATIONALIZATION
INNOVATION
OPERATIONAL EXCELLENCE

~10

approx. 10 percent growth per year over the market cycles

800

approx. 800 million euros revenue in 2017

9/10

9 to 10 percent EBIT margin over the market cycles

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COVER PICTURE

Expertise in optics – one example of this can be seen on the cover image of this year's annual report. These micro-optics (a Shack-Hartmann microlens array), in real life no larger than a thumbnail, are an all-round powerhouse. Because of the outstanding properties of materials such as calcium fluoride, optics are suitable for universal use in light refraction and shaping. Used in medical systems for ophthalmology, for example, they allow measurement of eye parameters. In quality assurance for semiconductor and optical systems, or in microscopy, too, micro-optics are extremely versatile.

Further information on the Internet

Further information in the Annual Report

Dr. Michael Mertin, President & CEO, and Rüdiger Andreas Günther, Chief Financial Officer

Foreword of the Executive Board

Dear shareholders,

2013 has been a challenging year, but we still succeeded in achieving our targets and increasing revenue. This makes it the fourth successive year in which the Group generated organic growth.

We can be rightly proud of this! Despite a tough market environment, we pressed on with the development of the company and secured our future with appropriate capital expenditure. This shows that Jenoptik now has the strength to remain on course in dynamic economic environments, too. We continue to invest systematically in the long-term development of the company. Our sustainable strategy is bearing fruit and has been adopted by all units of the Group around the world.

“Succeeding through Performance”, the guiding principle of this Annual Report, highlights one key factor in the successful implementation of our strategy. It draws attention to our uncompromising determination to achieve the very best performance for our stakeholders, anytime and anywhere. This performance promise is our ticket to successful growth in the world’s markets.

And we made a further step in the right direction last year: for the first time in the company’s recent history, we succeeded in generating revenue of over 600 million euros. The Group operating result came to 52.7 million euros. As planned, we made extensive capital expenditure to expanding our international sales structures, developed new products and pushed on with our Group development projects. With an improved financial result, our earnings before tax were at a higher level than last year. The Group achieved a profitability level almost on a par with the record year of 2012.

We countered weak markets in other European countries and parts of Asia with revenue increases in America and Germany. Jenoptik generated 62 percent of its revenue abroad.

In 2013, Jenoptik again generated clearly positive cash flows, considerably reduced its net debt and increased its equity ratio to 53.0 percent. The Group also has a long-term and robust financing structure which provides it with sufficient room for maneuver to secure future growth and the continuing implementation of our strategy.

Due to their varying levels of internationalization and fluctuating demand patterns among customers, the segments developed at different rates in 2013. The Lasers & Optical Systems and Metrology segments set new revenue records despite a volatile economic environment, while revenue in the Defense & Civil Systems segment remained virtually unchanged. The development of business and earnings was essentially supported by optimizations of internal processes and successes in implementing the internationalization strategy. All three segments generated a positive operating result, also in 2013.

We continued the Jenoptik Excellence Program (JEP), including the Group development projects such as Go-Lean and JOE (Jenoptik One ERP), as scheduled. The Group's largest project, JOE, has three objectives: we want to support international growth with harmonized processes and standardized IT systems; we want to increase efficiency in the operating functions by establishing a standardized ERP system; and we want to optimize Group management through the further development of methods in controlling and accounting.

Our shareholders keep a very close eye on our development process and evidently rate it highly: in mid-June 2013, the Jenoptik share broke the ten-euro mark for the first time in nine years; at its intra-year peak of 13.84 euros in October, it rose to its highest level since 2002.

The steps we have taken lay the foundations for our further successful growth as an integrated and globally operating company. We will continue to build on these foundations in 2014 and beyond.

Our objective for the years ahead remains sustainable and profitable growth, which we want to secure with three strategic levers: further expansion into international markets, capital expenditure in research and development and an improvement in operating processes – to the benefit of shareholders, customers and employees.

Our internationalization process is transforming us from a markedly "regional" company with sales structures abroad into a genuine global corporation. We want to move away from being a "global seller" to become a "global player", a high-tech company with value creation all around the world. This is a major challenge, but at the same time a major opportunity.

In terms of the company's operational excellence, it means we want to make our internal processes more efficient and actively bring common values to life. Jenoptik is not just represented in Germany, but has locations around the world. The corporate cultures which have developed over decades are just as varied as the different sites and their histories. With a standard Jenoptik identity and common values which are upheld at all locations and across national boundaries we create the basis for lasting success. We would like to take this opportunity to thank our employees for their willingness to adopt this state of constant change and their great contribution to it.

We look to the future with optimism: in 2014, we expect an increase in revenue of between 5 and 10 percent and Group operating results of 55 to 62 million euros. With respect to the development of our key sectors such as the semiconductor equipment and automotive industries, we currently expect a stable to slightly positive trend for the coming months.

Dear shareholders, dear customers and partners, dear employees, we are on the right track. "Succeeding through Performance" – this guiding principle through the Annual Report defines all our entrepreneurial activities. We want to and will prove that we are up to the challenges change brings with it. Together with and for our customers, we will continue to create products and solutions which set standards and inspire confidence.

We thank you for your continued trust in us.

Michael Mertin

Rüdiger Andreas Günther

Jena, March 2014

DR. MICHAEL MERTIN
President & CEO

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

RÜDIGER ANDREAS GÜNTHER
Chief Financial Officer

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

Report of the Supervisory Board

The Jenoptik Group is able to look back on a successful fiscal year. In addition to the consistent implementation of our strategy and the further improvement of the processes, this success has also been due to the targeted development of projects with key customers and the expansion of the international presence, with which we were able to further strengthen our position on the global market. Despite a challenging economic environment, Jenoptik has succeeded in further increasing revenue beyond the previous year's high level and strengthening global customer confidence in Jenoptik. The Supervisory Board has closely supported and advised the Executive Board along this path.

The Supervisory Board has carefully fulfilled its duties as stipulated in law, the Articles of Association, the German Corporate Governance Code, and the Rules of Procedure. It has regularly advised the Executive Board on the management of the company and continually monitored its activities. The Executive Board has intensively involved the Supervisory Board in all decisions of fundamental importance to the company at an early stage. To this end, the Supervisory Board was regularly presented with timely and comprehensive information by the Executive Board, both verbally and in written form, on corporate planning, business development, matters involving risk and risk management, compliance issues, as well as the general economic position of the company.

The Executive Board also regularly coordinated and discussed the strategic direction of the Group and the status of strategy implementation with the Supervisory Board. Business events of importance to Jenoptik were presented and discussed in detail at the meetings of both the committees and the plenary board based on reports submitted by the Executive Board.

On occasions where, in accordance with the provisions of the German Stock Corporation Act [Aktiengesetz (AktG)], the Articles of Association, or the Rules of Procedure, the Executive Board required the agreement of the Supervisory Board before undertaking certain actions, the Supervisory Board granted its approval after thorough examination and consultation. In the past fiscal year, such occasions included the conclusion of a syndicated loan agreement for restructuring Jenoptik's medium-term financing framework. In the event that the business development deviated from the established plans and goals, the Executive Board notified the Supervisory Board of this, explaining the reasons in detail. The Executive Board completely fulfilled its reporting obligations as stipulated in § 90 of the German Stock Corporation Act (AktG), and the German Corporate Governance Code.

The Supervisory Board held four regular meetings during the reporting year. In three instances, decisions in 2013 were also made through the exchange of written correspondence. All the meetings during the reporting period were attended by all members of the Supervisory Board members with the exception of one meeting to which two members sent their apologies, and a further meeting from which one member excused himself/herself. Consequently, attendance at the meetings was 94 percent on average. With the exception of one member at one meeting, all members attended also the respective committee meetings.

The Executive Board and Supervisory Board always cooperated in an open and trusting atmosphere. The Chairman of the Supervisory Board and the Chairman of the Audit Committee also maintained regular contact with the Executive Board between the respective meetings. The Chairman of the Supervisory Board consulted with the Executive Board on current business development in particular, but also on the risk situation, risk management, and compliance measures within the company. In addition, he was informed immediately, and either verbally or in writing, about important occasions which were significant for the assessment of the situation and development as well as for the management of Jenoptik. The Chairman of the Supervisory Board informed the Supervisory Board of relevant events or issues without delay, at the latest, however, at the next meeting. Between the meetings, the members received regular monthly reports on the company's current business and financial situation.

At a special Strategy Day prior to the meeting of the Supervisory Board in December 2013, the Supervisory Board discussed in great depth the strategic positioning of the Jenoptik Group with the Executive Board, other members of the Executive Management Board, and the head of the central strategy department. In addition to the long-term consideration of the Group's situation with respect to the market, competition, and customers, potential areas of growth in each of the business units were also discussed at the meeting.

PARTICULAR SUBJECTS DISCUSSED BY THE SUPERVISORY BOARD

At all its regular meetings, the Supervisory Board dealt with the detailed reports of the Executive Board on the progress of the business, particularly with regard to the current development of revenue and earnings, the position of the company including the financial and risk situations. This included a comprehensive examination and discussion of the corresponding quarterly and monthly reports. A recurring topic at several meetings was also information about the sale of Jenoptik Group real estate not essential to operations as well as about the Jenoptik Excellence Program (JEP) as well as the JOE project, the purpose of which is to harmonize the operating and business processes throughout all Jenoptik companies in the interests of sustainable improvements in efficiency, particularly with respect to IT.

In written correspondence in February 2013, the Supervisory Board approved the corporate governance statement, including the Corporate Governance Report, and adopted its report to the 2013 Annual General Meeting.

The focus of the balance sheet meeting on March 25, 2013 was the auditing of the financial statements of JENOPTIK AG, the consolidated financial statements and the management reports for JENOPTIK AG and for the Group for the previous fiscal year. Two representatives of the auditor reported on the results of the audit. Following a thorough review, and on the recommendation of the Audit Committee, the Supervisory Board approved the financial statements and the consolidated financial statements. The financial statements were thus adopted. Following in-depth discussions, it approved the Executive Board's proposal for the appropriation of profits, providing for a 20 percent increase in the dividend compared with the previous year. Other important topics discussed included the adoption of the agenda for the Annual General Meeting on June 4, 2013, and information on the current status of the Group's real estate portfolio and the status of the JOE project. The Supervisory Board also considered the current Group Risk Report and a planned site optimization. It concluded the settlement of the 2012 target agreements for the members of the Executive Board and adopted the new target agreements for the 2013 fiscal year. Furthermore, two clarifications were made to the employment contracts of the Executive Board members, and it discussed an adjustment to the total remuneration for the Chairman of the Executive Board.

In written correspondence in April 2013, the Supervisory Board delegated its powers of consent for participation of a division in a larger public procurement procedure abroad to the Audit Committee. In May 2013, the Supervisory Board decided, also in the form of written correspondence, to adjust the total remuneration for the Chairman of the Executive Board.

In the meeting on June 3, the day before the Annual General Meeting, the Supervisory Board dealt with the changes to the German Corporate Governance Code, the European Commission's action plan for company law and corporate governance, and adopted a revised questionnaire for the efficiency audit, in addition to the recurring themes mentioned above. It also considered the status of a property in France, improvements in Jenoptik's financing structure as a result of the concluded syndicated loan agreement, current analyst forecasts and the Audit Committee's approval of the participation of a division in a public procurement process resulting from the delegation in April.

The meeting on September 11, 2013 took place at the location of Lechmotoren GmbH in Altenstadt. In addition to the regular submissions, the Supervisory Board discussed the current Group Risk Report with the Executive Board at its meeting on September 11, 2013 after a factory tour. The subject of the discussion was once again the current status of the JOE project and the Group's real estate portfolio, but also information about two projects in the Traffic Solutions division. The Supervisory Board looked at the strategy process and discussed the results of the efficiency audit undertaken. The Chairman of the Supervisory Board also reported in detail on a meeting of the Personnel Committee, which took place on the same day.

After the separate Strategy Day held on December 11, 2013, and following thorough discussion, the Supervisory Board adopted the corporate planning for the 2014 fiscal year, as well as the mid-term planning at its last meeting of the reporting year on December 12, 2013. In addition to recurring themes, other topics of discussion were the restructuring of the target agreements for the members of the Executive Board, the defining of vertical comparison groups for defining remuneration for the Executive Board, information on investor relations activities, as well as on central IP, funding, and innovation management. Furthermore, the portion of the remuneration of Rüdiger Andreas Günther to be paid in virtual shares was increased from one third to one half. Following examination of a corporate governance checklist, the Supervisory Board, in conjunction with the Executive Board, also adopted the JENOPTIK AG declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG). In accordance with the decision of the Annual General Meeting of June 4, 2013, and on the recommendation of the Audit Committee, KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin was appointed as auditor and group auditor for the 2013 fiscal year.

WORK IN THE COMMITTEES

The Supervisory Board has set up four committees to intensify its work and increase its efficiency. The committees prepare decisions for the Supervisory Board, and may, in individual cases, make decisions in place of the Supervisory Board insofar as this is permitted by law. The committee chairs report on the content and results of the committee meetings at the next plenary meeting of the Supervisory Board. With the exception of the Audit Committee, chaired by Heinrich Reimitz, the committees are led by the Chairman of the Supervisory Board. An overview of the composition of the individual committees can be found on pages 170 and 171 of the Annual Report.

During the reporting period, the **Audit Committee** met four times and held one conference call. In addition to the members of the Committee, all the meetings were attended by the Chief Financial Officer. Representatives of the auditor also attended the first and third meetings. In accordance with legal requirements, at least one independent member of the Audit Committee is to have expert knowledge in the areas of accounting and auditing. In addition, the Chairman is to have particular knowledge and experience in application of accounting principles and internal control processes. The primary duties of the committee were intensive audits of the financial statements and consolidated financial statements, the Management Report of JENOPTIK AG, and the Group Management Report, as well as discussions of the detailed quarterly and half-yearly reports prior to their publication. In addition, particular attention was paid to the effectiveness and further development of the risk management, the internal control and Jenoptik compliance management systems as well as current topics and projects of relevance to Internal Auditing.

During the conference call in January 2013, the Chief Financial Officer presented the members of the committee with the preliminary figures which were to be published the following day and explained in detail the current status of the process of preparing the financial statements.

The main topic of the balance sheet meeting in March 2013 was the intensive discussion of the financial statements and consolidated financial statements, the Management Reports, and the proposed appropriation of profits in the presence of the auditors. As a result, the Audit Committee recommended to the Supervisory Board that the financial statements be adopted. Another purpose of the meeting was the recommendation by the Audit Committee to the Supervisory Board that KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin be proposed to the Annual General Meeting as the auditor for the 2013 fiscal year. For this purpose, the Committee obtained a declaration of independence from KMPG which listed the services provided by the auditor in the previous fiscal year as well as the additional services likely to be performed in the 2013 fiscal year. The Committee also considered the current Group Risk Report and looked at improvements in the Jenoptik financing structure as a result of the new syndicated loan agreement.

In addition to the quarterly financial statements, the first forecasts for the fiscal year, and information about current analyst forecasts, the focus of the May meeting of the Audit Committee was intensive discussion on the participation of a division in a public procurement process abroad, to which the Committee ultimately agreed. The authority to make this decision had been granted to the Audit Committee by the plenary board in April 2013.

The half-yearly financial statements as well as the status of the Group's real estate portfolio and the compliance activities were the focus of the August meeting. The committee once again dealt with the current Group Risk Report and took an in-depth look at the concept for risk and compliance reporting from 2014. After discussing the 2012 Management Letter, the Committee defined the key audit issues for the audit of the 2013 fiscal year. As preparation for mandating the auditor, the Committee studied the resumes to familiarize itself with the qualifications of the audit team appointed.

At the last meeting of the year, the Audit Committee prepared the granting of the auditing assignment to the auditor, including the fee agreement, and recommended to the plenary board that KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin, be appointed to conduct the audit of the financial statements and consolidated financial statements for 2013. Other focal points of the meeting were the interim financial statements for the third quarter, the key results of the audits conducted by Internal Auditing during the past fiscal year, as well as the current status of the JOE project and of the real estate portfolio.

The **Personnel Committee** met on two occasions during the past fiscal year; two further meetings took place in the form of conference calls. The purpose of the sessions was the settlement of the target agreements with the members of the Executive Board for 2012 and the finalization of the target agreements for 2013. The Personnel Committee also reviewed an adjustment to the total remuneration for the Chairman of the Executive Board. At the meetings in September and December, the Personnel Committee prepared a restructuring and simplification of the target agreements for the members of the Executive Board. It also submitted appropriate recommendations on all topics to the Supervisory Board.

The **Nomination Committee**, which consists exclusively of shareholder representatives, and the **Mediation Committee,** formed in accordance with § 27 (3) of the German Codetermination Act [Mitbestimmungsgesetz (MitbestG)], have not met during the reporting year as there was no reason for them to do so.

CORPORATE GOVERNANCE

The Supervisory Board has continued to focus on the principles of good corporate governance over the past fiscal year. At its meeting on June 3, 2013, it discussed the changes to the German Corporate Governance Code and the further development of corporate governance at a European level, with particular reference to the European Commission's action plan to modernize European company law. In December, following comprehensive examination of a corporate governance checklist, and in conjunction with the Executive Board, the updated declaration of conformity was adopted in accordance with § 161 of the German Stock Corporation Act (AktG). The declaration of conformity is permanently available to shareholders on the company's website and can be found from page 36 of the Annual Report on.

In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board regularly reviews its efficiency. For this purpose, it approved an expanded and updated questionnaire at its meeting in June and then carried out the evaluation based on this. At its September meeting, the responses were assessed, as a result of which the efficiency could be affirmed.

Individual members of the Supervisory Board exercise an executive role at other companies with which Jenoptik has a business relationship. All of these business transactions, which are not of significant interest to Jenoptik, were conducted under the same conditions as would have been maintained with third-party companies. Detailed information on business transactions with so-called related parties can be found in the Notes of the Annual Report on page 166. In this past fiscal year, there were no conflicts of interest that would have required reporting to the Annual General Meeting with this report.

Detailed information on Corporate Governance can be found in the Corporate Governance Report beginning from page 36 of the Annual Report on.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin audited and gave its unqualified approval of the consolidated financial statements and Group Management Report for the 2013 fiscal year, prepared in accordance with § 315 a of the German Commercial Code (HGB) and based on the International Financial Reporting Standards (IFRS), submitted by the Executive Board. This also applies to the Financial Statements and Management Report of JENOPTIK AG prepared in accordance with the rules of the German Commercial Code (HGB). Following comprehensive preliminary

research and in accordance with the decision of the Annual General Meeting on June 4, 2013, the Audit Committee recommended to the Supervisory Board that KPMG AG Wirtschaftsprüfungsgesellschaft of Berlin be appointed as auditor. The appointment was finally made at the meeting held on December 12, 2013. The auditor undertook its audit in accordance with § 317 of the German Commercial Code (HGB) giving consideration to the generally accepted German audit principles defined by the Institute of Public Auditors in Germany [Institut der Wirtschaftsprüfer (IDW)]. Immediately upon completion, the audit reports, the financial statements, the consolidated financial statements including the Executive Board's proposal for the appropriation of profits, as well as the Management Reports were sent to the Audit Committee, and then to the full plenary board, where they were examined and discussed in detail at their meetings on March 11 and March 24, 2014. Representatives of the auditor reported at the meetings on the major findings of their audits as well as on the services that were provided in addition to those concerning the annual account audit. They were also available for further questions and information. The Chairman of the Audit Committee also reported in detail to the Supervisory Board on the examination of the statements carried out by the Audit Committee.

Following its own comprehensive examination and discussion, the Supervisory Board concurred with the results submitted by the auditor and raised no reservations to the results of the audit. It approved the financial statements and consolidated financial statements submitted by the Executive Board, thus adopting the financial statements in accordance with § 172 (1) of the German Stock Corporation Act (AktG). The Supervisory Board discussed in detail with the Executive Board the proposal for the appropriation of profits and also agreed to this following its own examination and consideration of the company's financial position.

COMPOSITION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

No personnel changes occurred on the Executive Board and Supervisory Board during the 2013 fiscal year.

We would like to thank the members of the Executive Board and all the employees for their exceptional performance and great commitment throughout the fiscal year, as well as our shareholders for the trust they have shown in us.

Jena, March 2014
On behalf of the Supervisory Board

Rudolf Humer
Chairman of the Supervisory Board

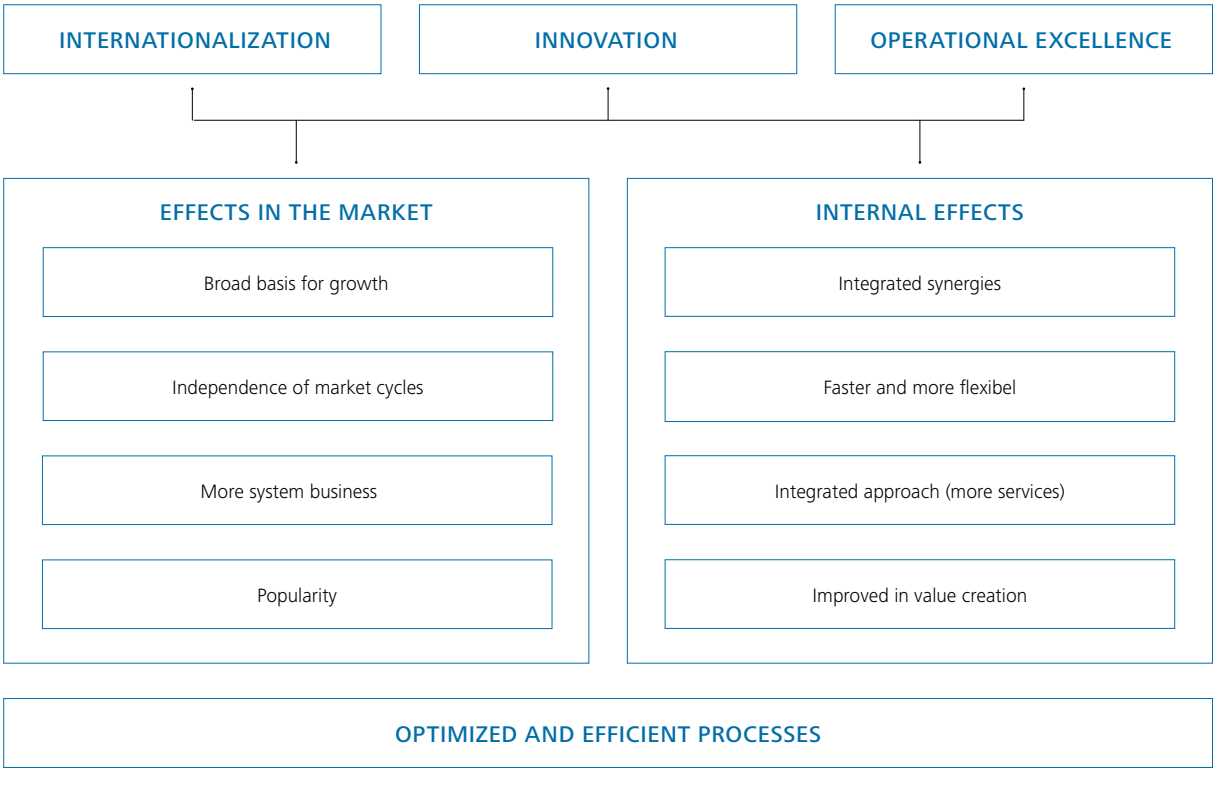
Status Report 2013

Embracing the idea of growing "From good to great", last year we defined a medium-term plan to assist us on our course of sustainable and profitable growth. One focal area of our work in 2013 was in improving structures and processes, and we will continue to optimize them in 2014. These efforts establish the basis for our further development, which we will press ahead with on a continuous basis in the coming years.

SHARING EXCELLENCE TO BECOME A GLOBAL PLAYER

Photonics is a crucial key technology for the 21st century with a high leverage effect for many industries. This notion resulted in the creation of a framework program at EU level to promote development in this field. But irrespective of politically backed initiatives and short-lived market developments, we also want Jenoptik to grow – or better, to achieve sustainable and profitable growth. Our aim in future is to support and promote our customers from within the international markets as a systems partner with excellent solutions. In this process, we will preferably align our business with sectors serving the digital world, healthcare, mobility, safety and infrastructure megatrends. Our medium-term planning on the principle of growing "From good to great" charts our path to this future.

G 01
THE GROWTH MODEL



BUILDING BLOCKS FOR GROWTH STRATEGY SUCCESSFULLY IMPLEMENTED IN 2013

Taking stock after around a year, we can say with confidence that the development process is going to plan. Alongside outstanding economic performance, we also made excellent headway in our core strategic areas of "internationalization", "innovation" and "operational excellence" in 2013.

Internationalization

We increasingly served the Asia/Pacific and US markets in 2013. In Australia, we acquired DCD Systems at the start of the year, a supplier of traffic safety technology based in Sydney. The company, now named Jenoptik Australia, gives us direct access to the local market for traffic safety technology. We were awarded our first major order in the low double-digit million euro range here in the fall. Also proceeding apace is our market expansion in the US, where we have primarily strengthened our sales activities. Finally, we further consolidated our market position in the Middle East and Africa. Overall, the foreign share of revenue in the year just past came to 62.0 percent.

Our further internationalization is strongly dependent on us developing from within the respective regions. Two key events in this context were the establishment of the Asian and US holding companies in 2013. As "strategic architects" they will in future coordinate our activities in the two regions and systematically create new opportunities for growth.

In the current year 2014, we are focusing on intensifying our market coverage in the established regions and continuing to invest in the international expansion of sales structures. Following only moderate development last year, we want to return to growth in Asia. America and Asia, where we plan to generate around 40 percent of our revenue, will remain in the spotlight in the medium term. We expect to secure further international customer projects in 2014. Alongside organic development, we will also buy in where appropriate. Potential options are reviewed on an ongoing basis; the financial means are available.

G 02

OUR MEDIUM-TERM TARGETS

INTERNATIONALIZATION
INNOVATION
OPERATIONAL EXCELLENCE

~10

approx. 10 percent growth per year
over the market cycles

800

approx. 800 million euros revenue in 2017

9/10

9 to 10 percent EBIT margin
over the market cycles

Innovation

We systematically expanded our product portfolio in 2013. The number of patent registrations, at 59, was at a high level. An area in which we were very active in 2013 is the development of innovative products for the medical technology and life sciences markets. We again augmented our outstanding expertise in optics, in particular micro-optics and optoelectronics. In this field, we handle promising development projects which are due to be brought to market in the current year.

We sold the 200th unit of our JENOPTIK-VOTAN® A machine which is used for inserting predetermined breaking lines in airbags flaps in passenger cars on the global market. The Physikalisch-Technische Bundesanstalt awarded our TraffiStar S350 laser scanner system a license for the German market, making us the world's only manufacturer to supply all key sensor technologies for traffic monitoring.

In total, we invested 51.1 million euros in research and development in 2013, above the average for the last four years. This level of spending highlights the great importance

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

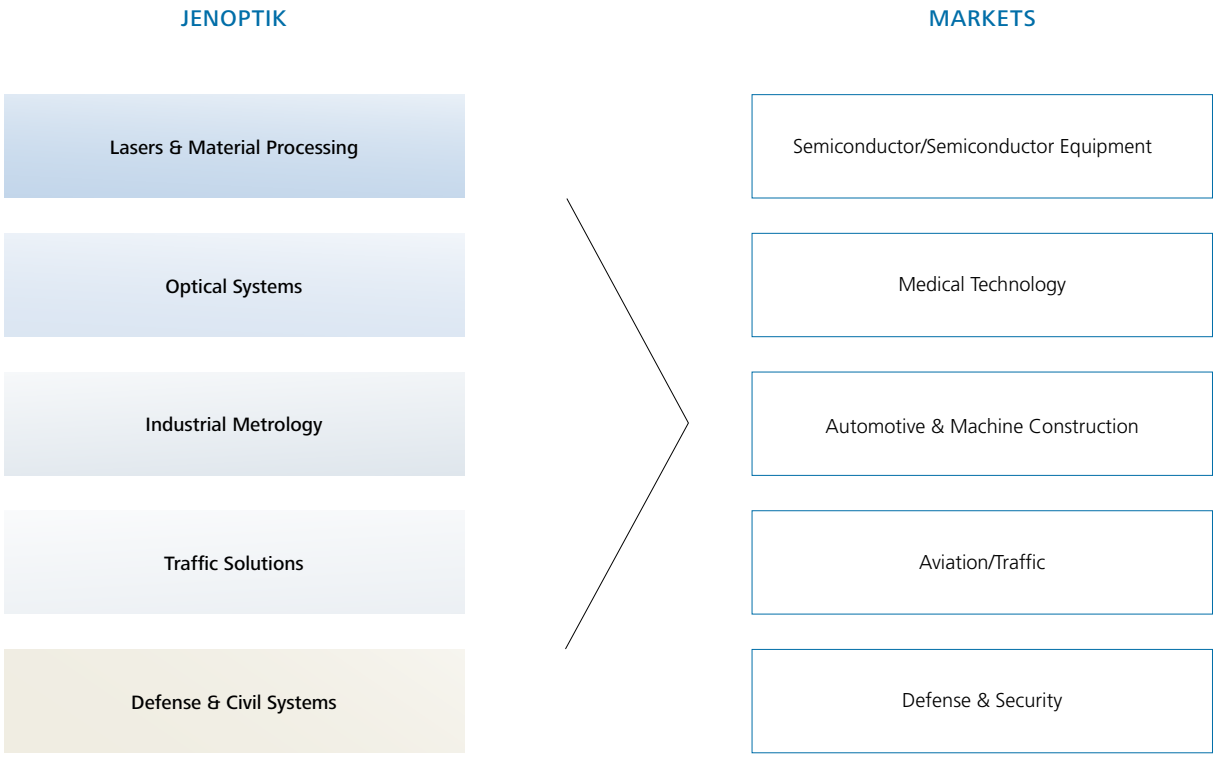
In 2014, our capital expenditure in research and development will again be substantial. In terms of products, we will be unveiling a tested prototype of a new multi-kilowatt fiber laser for material processing in the summer. We are pressing ahead with the transfer of technical expertise from military applications to civil scenarios begun in the Defense & Civil Systems segment. A key issue is the preparation of cooperative research projects on an international level with the objective to drive development work from within the regional markets in future.

Operational excellence

In 2013, successful progress was made on the initiatives launched in 2011 and 2012 for harmonized and excellent processes, both in the operating business as well as in systems and commercial processes. On the Jenoptik One EPR project (JOE), we largely completed the actions scheduled for the year. JOE focuses on the efficient standardization of processes and settlement systems across all organizational units in the Group. One of our divisions, Industrial Metrology, already adopted the new process mode in Germany at the start of 2014.

Implementation of the Go-Lean program, geared toward integrated process improvements and an increase in operational performance, also yielded encouraging results in 2013: we can report tangible improvements in both our cost structures and our processes. Go-Lean aims to maximize far-reaching synergies by making processes

G 03
INTELLIGENTLY MEETING MARKET DEMAND



leaner, consolidating functions in areas such as purchasing and supporting the operational units with central bodies such as the Corporate Center and the Shared Service Center.

In the first six months of the year, we trained employees and managers in the operational units in comprehensive lean methodology skills, while in the second half of the year we established the Go-Lean Campus. The latter will in future give managers and employees the knowledge they need to identify weaknesses even more effectively and independently master them, as well as take initial steps to optimize processes.

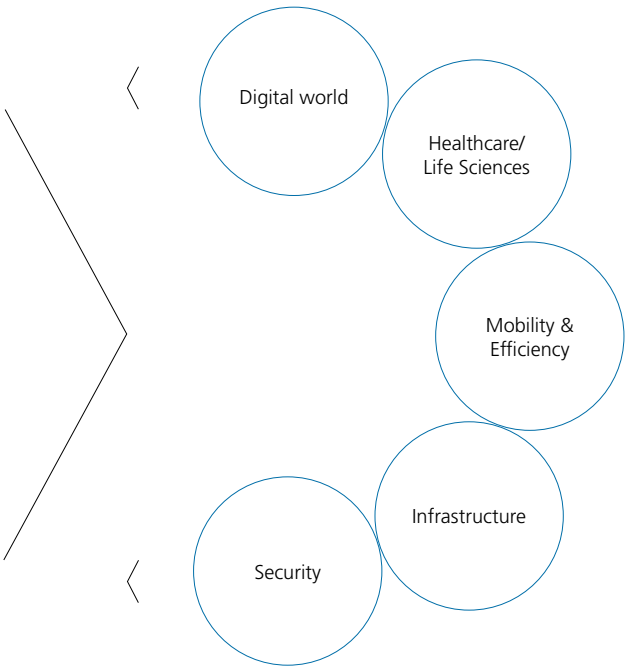
In 2014, we will press ahead with our excellence program as a matter of priority, as it provides the necessary basis for a sustainably successful business. On the JOE project, we will go live with two other divisions in Germany following successful implementation in the Industrial Metrology division. Our work to fully harmonize our ERP systems will last until 2017. Go-Lean and the other Group development programs will result in cost savings in 2014 and beyond. Global Sourcing, which we will further expand, will make a significant contribution to this.

JENOPTIK IS CLEARLY WITHIN THE TARGET CORRIDOR

Regular status analyses provide us with information on whether we are basically on the right path to achieving our medium-term objectives. We expect the basic measures will only take real effect over a certain period of time. Short-lived market factors, which we as a company can only predict to a limited extent, must also be considered in this context. Our plans, however, are designed so that our activities can result in the following economic indicators by 2017: 800 million euros annual revenue, around 10 percent growth a year and 9 to 10 percent EBIT margin over the market cycles.

In the 2014 fiscal year, we therefore expect business to develop positively for the Jenoptik Group with an increase in revenue and earnings. Our operational focuses remain on expanding sales structures, capital expenditure on innovative products and optimization of internal processes.

MEGATRENDS

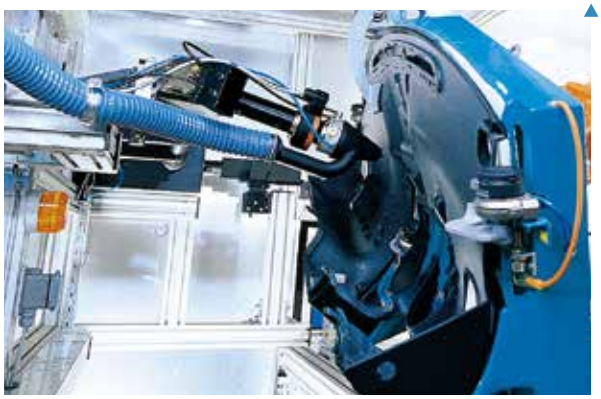


Jenoptik 2013 – Selected events

Jenoptik Group

SYNDICATED LOAN CONFIRMS BANKS' FAITH IN JENOPTIK

Jenoptik successfully concludes a five-year syndicated loan agreement for 120 million euros on favorable terms. It primarily reflects our financial strength and the trust placed by the international core group of banks. The deal makes a decisive contribution to securing the financial flexibility and ongoing international growth of the Group.



Laser machines for efficient and automated material processing.

AWARD-WINNING COMMUNICATION

In August, "manager-magazin" awards Dr. Michael Mertin the prize for the best TecDax annual report 2012 in Frankfurt/Main. JENOPTIK AG thus occupies first place in the TecDax rankings for the fifth time since the index was launched in 2003. In the competition's overall rankings, Jenoptik also moved up into the top 10.

DR. MICHAEL MERTIN APPOINTED TO COMMISSION FOR CORPORATE GOVERNANCE

As one of three new members, the President and CEO of JENOPTIK AG, is appointed to the German Government Commission for the Corporate Governance Code. The commission focuses on topics relating to good and responsible corporate management and conducts annual reviews to determine how the rules contained in the code require modification.

Lasers & Optical Systems segment

CROSS-DIVISIONAL SYNERGIES FOR INNOVATIVE SOLUTIONS

A coating based on diamond-like carbon protects the new infrared lens of Jenoptik's thermal imaging cameras. The ideal interplay of optics and camera demonstrates the efficient utilization of cross-divisional synergies within the company. The divisions involved also combined their expertise in the development of the NYXUS BIRD optronic observation system and in the fire service cameras for Dräger.

LASER MACHINE BUSINESS UNIT ACHIEVES FURTHER INTERNATIONAL SUCCESS WITH VOTAN MODELS

The JENOPTIK-VOTAN® BIM laser system is presented the Vision Award 2013 in the US as an important technological innovation for industry. The system enables efficient and flexible laser cutting of complex 3D components made of metal and plastic with great precision and speed. Jenoptik has already sold 200 JENOPTIK-VOTAN® A systems around the world. The machine lasers predetermined breaking lines in airbag covers for automobiles and can process a wide range of different materials.

INTELLIGENT LED LIGHTING FOR INDUSTRIAL USE

Jenoptik responds to strong demand for cost-efficient, low-maintenance LED lighting and quality service when planning lighting systems. The powerful Lucid arena pro LED industrial light provides targeted and illumination without losses of halls and buildings with high ceilings while minimizing energy consumption. The intelligent LED lights in the new PLD product range can be fully integrated in the machine control system and, thanks to innovative optics, are dazzle-free. They were developed in cooperation with Phoenix Contact.

HIGHLY EFFICIENT EXHAUST CLEANING SYSTEMS FOR THE PRINTING INDUSTRY

Jenoptik adds the new KATASORB® PRINT to its laser systems range, thereby expanding its target markets. The system cleans exhaust air from printing machines with great efficiency and reduces their operating costs by up to 85 percent. It can be used either as original equipment or be retrofitted to existing printing machines.

Metrology segment

MOBILE POWERHOUSE FOR PRECISE MEASUREMENTS

The new device generation for mobile inspection of surfaces, HOMMEL-ETAMIC W10 and W20, is ideally tailored for direct use in production. It enables up to 800 measurements without an external power supply. Variances are rapidly identified, thus preventing potential rejects. The Jenoptik devices take reliable metrology directly from the test lab to the production environment.

FURTHER INTERNATIONALIZATION STEPS

Jenoptik acquires an Australian supplier of traffic technology, receives a major order to supply mobile systems for speed monitoring and will provide service for at least three years in New South Wales.

Jenoptik's Traffic Solutions division has been active in the Middle East for many years and secured an order in Qatar to provide stationary monitoring systems as part of a campaign for better road safety.

100 PERCENT INSPECTION OF TRUCK ENGINE COMPONENTS

Jenoptik is applying its expertise in measuring passenger car components to a new market segment, making a significant contribution to environmentally friendly and energy-efficient truck drive systems. Numerous parameters of truck camshafts can be measured using the fully automated, extremely flexible systems from Jenoptik. Our measuring systems enable manufacturers to guarantee the highest quality for their engine components.

MILESTONE ACHIEVED WITH GERMAN APPROVAL OF THE TRAFFISTAR S350

The TraffiStar S350 laser scanner system is approved for the German market. Jenoptik thus achieves a milestone in stationary speed monitoring. The company is the world's only manufacturer to provide all key sensor technologies for traffic monitoring and can offer customers around the world tailored, technologically flexible solutions.

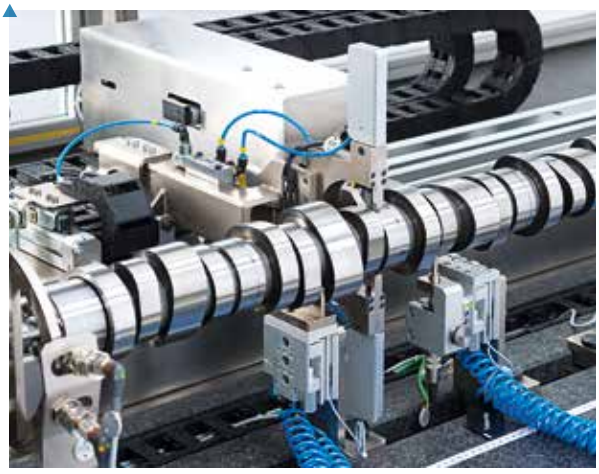
Defense & Civil Systems segment

MAJOR ORDERS FOR MODERNIZATION IN THE GERMAN ARMED FORCES

Within the context of the German armed forces' efforts to modernize its equipment, Jenoptik supplies multi-functional NYXUS BIRD monitoring devices and laser rangefinders to a German systems company in the field of security and defense technology. Jenoptik has longstanding expertise in military reconnaissance systems and plays a leading technological role in innovative sensor systems.

ENERGY SYSTEMS FOR MUNICH AIRPORT

Jenoptik provides the ground power supply for aircraft at satellites of terminal 2 in Munich. The stationary 400-Hertz systems convert the alternating voltage of the public power grid to the frequency required for aircraft. The order demonstrates that Jenoptik is also acknowledged as a reliable specialist for power supplies in the civilian sector.



Measurement equipment for quality in the automotive industry.

You may find all our press releases of fiscal year 2013, of prior years as well as the most recent news on our website under NEWS.

The Jenoptik Share

STOCK MARKET TRENDS

The continuing relaxed monetary policy adopted by central banks in the interests of promoting global economic recovery pushed share prices up to new highs in the course of 2013, especially in Europe and the US. Statements issued by the US Federal Reserve indicating an intention to scale back its bond-buying program worth billions, however, were a frequent cause of disquiet on the international financial markets in the second half of the year. Nevertheless, shortly before the year-end, the Dax achieved a new record high of 9,589 points on December 27, while the TecDax reached its intra-year high of 1,167 points on December 30. In 2013, the Dax sunk to its lowest level of 7,584 points on February 21. After starting the year at 7,779 points, Germany's benchmark index ended 2013 with an increase of 22.8 percent. The TecDax started the year covered by the report at 843 points, achieving an increase of 38.5 percent by the closing date of December 30.

JENOPTIK SHARE TREND

The Jenoptik share started 2013 at a price of 7.71 euros. By mid-June, it had surpassed the 10 euro mark for the first time in nine years. Within the context of good development of the operating business and a buoyant mood on the capital markets, the share continued to rise at a faster rate than the indices also in the second half of the year. The Jenoptik share gained particular momentum in the fall to reach its intra-year peak of 13.84 euros on October 24. This was also its highest level since 2002. In the final months of 2013, the share consolidated at a high level and ended the year on at a closing price of 12.35 euros on December 30, equating to a 60.3 percent rise in value in the period under review. This was the sharpest increase within a year since 2000. Jenoptik thus not only followed the general positive market trend, but also clearly outperformed the two aforementioned indices. Up to February 28, 2014, the share price further increased to 12.78 euros, a rise of 4.7 percent since the beginning of 2013. All figures are for Xetra closing prices. G 04 G 05

As the result of the strong rise in share price this past year, market capitalization (number of issued shares multiplied by the closing price at the reporting date) also increased considerably. At 57,238,115 shares issued, the figure came to 706.9 million euros at the end of the year for a rise of 67.3 percent (prior year 422.5 million euros). Through February 28, 2014, the company's stock exchange value increased to 731.2 million euros.

The rising perception of Jenoptik on the capital market and the growing interest of investors were also reflected in stock exchange turnover. The average number of Jenoptik shares traded each day was 135,827 a further rise on the prior year (2012: 121,486 shares). As a result, the Jenoptik share improved in the TecDax ranking of the Deutsche Börse, and finished the year 18th in market capitalization with regard to the free float, and 23rd in stock exchange turnover (31/12/2012: 18th and 30th place). T 01 T 02

T 01
JENOPTIK SHARE INFORMATION

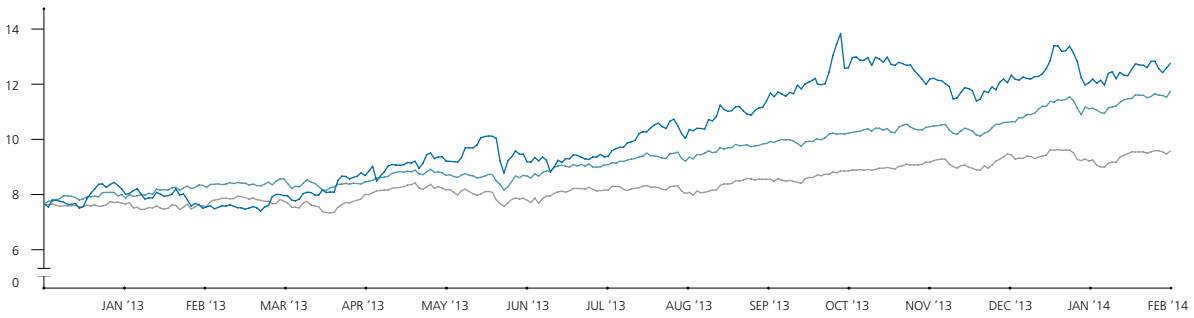
ISIN DE0006229107 – WKN 622910 – Ticker symbol JEN – Reuters Xetra JENG.DE – Bloomberg JEN GR

Listed in the following indices:

TecDax – CDax – HDax – Dax International Mid 100 – Prime All Share – Technology All Share – MIDCAP Market – different Dax sector and subsector indiced

G 04

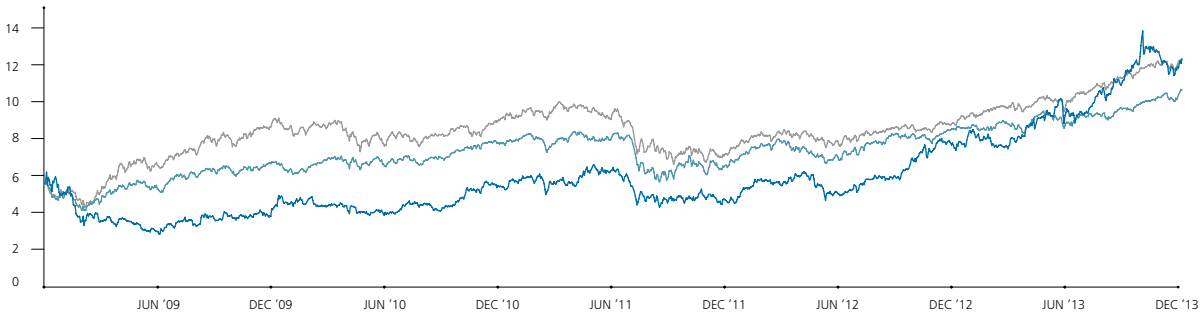
SHARE PRICE DEVELOPMENT (JANUARY 2, 2013 TO FEBRUARY 28, 2014)



Jenoptik Xetra TecDax (indexed) Dax (indexed)

G 05

SHARE PRICE DEVELOPMENT 2009 TO 2013



Jenoptik Xetra TecDax (indexed) Dax (indexed)

T 02

JENOPTIK SHARE KEY FIGURES

	2013	2012	2011	2010	2009
Closing share price (Xetra year-end) in euros	12.35	7.38	4.56	5.40	3.79
Highest share price/Lowest share price (Xetra) in euros	13.84/7.46	7.99/4.50	6.58/4.30	5.70/3.85	6.19/2.83
Non-par value bearer shared issued (31/12/2013) in million euros	57.24	57.24	57.24	57.24	52.03
Market capitalization (Xetra year-end) in million euros	706.9	422.5	261.0	309.1	197.2
Average daily trading volume[1)]	135,827	121,486	120,407	174,627	147,065
PER (based on highest share price)/ PER (based on lowest share price)	16.88/9.10	9.09/5.12	10.61/6.93	35.63/24.06[2)]	n. a.
Operating cash flow per share in euros	1.17	1.41	1.07	0.74[2)]	1.02
Group earnbings per share in euros	0.82	0.88	0.62	0.16[2)]	–0.73

1) Source: Deutsche Börse
2) Adjusted for discontinued operations

DIVIDENDS

The Jenoptik management aspires to continuity in its dividend policy in which shareholders participate in the company's success through an appropriate payment of a dividend. In addition, a solid basis of equity is also in the interests of shareholders, both as a means of sustaining organic corporate development and making use of acquisition opportunities. The Executive and Supervisory Boards of JENOPTIK AG therefore review their dividend recommendation with considerable prudence every year. In the fiscal year 2013, Jenoptik paid a dividend of 0.18 euros per share (prior year 0.15 euros per share) to its shareholders for now the second time in the company's recent history. T 03

ANNUAL GENERAL MEETING

Over 450 shareholders, representing around 56 percent of nominal capital, and numerous guests participated in the JENOPTIK AG Annual General Meeting in Weimar on June 4, 2013. The Executive Board reported on the success attained in fiscal year 2012 and the company's further strategic development. The Jenoptik shareholders approved all points of the agenda with a vast majority. G 06

INVESTOR RELATIONS

It is our aim to conduct open and reliable communications with all the company's stakeholders, and especially with shareholders, investors, analysts and media representatives, as well as with employees and others interested. We provide comprehensive and up-to-date information on the development of our business, while also seeking an active exchange with others. It is important to us to achieve transparency and trust through our continual dialog.

In the 2013 fiscal year, we attended a total of 15 capital market conferences in Frankfurt/Main, Geneva, Munich, Paris and Warsaw, and eleven roadshows at other financial centers in Germany, Switzerland, Austria, Luxembourg, the USA, the United Kingdom and Scandinavia. Jenoptik held two analyst conferences in Frankfurt/Main to mark the reporting of its annual and half-year figures. The publication of annual and quarterly financial statements was also followed by both conference calls and numerous individual conversations with institutional investors, analysts and journalists to explain the development of business. An increasing number of investors also used the opportunity to tour Jenoptik's production facilities.

T 03
DIVIDEND KEY FIGURES

	2013	2012
Dividend per share in euros	0.20	0.18
Amount paid out in million euros	11.4	10.3
Dividend yield at year end in %	1.57	1.46
Pay out ratio in %	24.3	20.5

T 04
ANALYST RECOMMENDATIONS (AS OF FEBRUARY 28, 2014)

6 x buy	6 x hol	1 x sell

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

CAPITAL MARKET COMMUNICATIONS

A key component of our investor relations work not least involves personal contact with important opinion leaders in the market. In October 2013, the management took advantage of the 4th Capital Market Days to set out the growth potential and the strategic orientation of the Group and its segments to 25 analysts, investors and banking representatives from Germany, France, Belgium, the Netherlands and the United Kingdom. The representatives of the financial community also used the opportunity to acquire a detailed and real-world picture of new products at the Jena and Triptis production locations.

Thirteen analysts published regularly updated recommendations on the Jenoptik share: Baader Bank, Berenberg Bank, Close Brothers Seydler, Commerzbank, Deutsche Bank, DZ Bank, fairesearch, HSBC, Independent Research and M.M.Warburg. Coverage increased in the fiscal year to include the research institutes Montega, Bankhaus Lampe and Kepler Cheuvreux. Equity research conducted by NordLB and Viscardi was discontinued in the year covered by the report. T 04

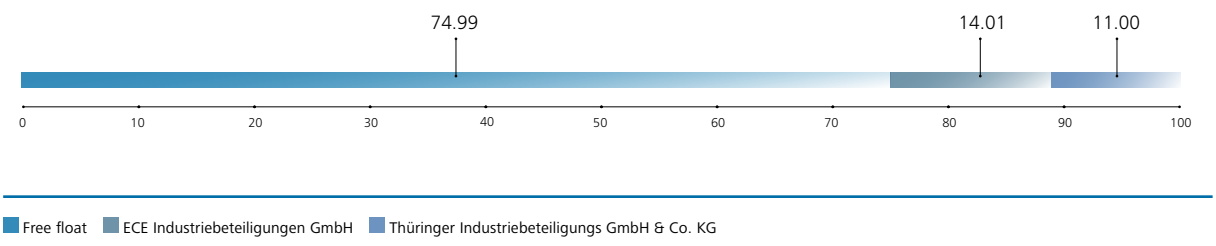
In the year covered by the report, we also adapted Jenoptik's equity story to better reflect the further development of the company and our internationalization strategy. In 2013 Jenoptik was delighted to be ranked first in the TecDax in manager magazin's "Best Annual Report" competition probably the most prestigious German annual report rankings. This was the fifth time since the introduction of the index in 2003 that JENOPTIK AG was awarded the first place in the TecDax ranking. Of 160 companies which were rated, Jenoptik took overall tenth place, improving its performance by 25 places compared with the previous year.

The latest information on the Jenoptik share and the development of the Jenoptik Group can be found on the internet at www.jenoptik.com. Since 2013, anyone interested can also follow the Group on Twitter.

twitter.com/
Jenoptik_Group

G 06

SHAREHOLDER STRUCTURE (AS OF FEBRUARY 28, 2014) (in %)



SUCCEEDING THROUGH PERFORMANCE

The key to Jenoptik's success rests on a commitment to deliver outstanding performance at all times – in the development of products, when devising new solutions and with comprehensive services. We want to build on this success in the years ahead. Embracing the idea of growing "from good to great", we take our bearings from a strategic target corridor defined in the past year – independent of the operating business. It will help us to advance our value creation and further expand into the global markets.

Excellence demands the highest standards – in every detail.

Boosting customer competitiveness with intelligent solutions.

PAGE 24
Internationalization
From global seller to global player

PAGE 26
Customers
Treading new ground as a systems partner with our customers

PAGE 28
Innovation
Gaining a competitive edge with innovative solutions

PAGE 30
Employees
Promoting excellence through a culture of values and communication

PAGE 32
Processes
Enhancing performance by optimization and standardization

The Jenoptik holding company in Singapore consolidates and coordinates all business in Asia.

FROM GLOBAL SELLER TO GLOBAL PLAYER

We are advancing our internationalization strategy with expansion in existing foreign markets and targeted development of new ones. Our key focus is on America and Asia/Pacific: following the successful establishment of a regional sales and service network, our medium-term objective is always to consolidate our production and research work in the local environment. In this way, we increase our market penetration and advance from being a "global seller" to become a "global player".

US: Major expansion via US holding company and Shared Service Center

—

Our strategic satellite for the North American market is the Jupiter location in Florida. There, we target the local market with all three segments from our headquarters on "Innovation Drive". We have the expertise and resources on the ground to supply a wide range of precision optics, from design to production, in the highest quality and in large quantities. Pooling our activities in Jupiter will allow us to meet customers' individual requirements even better in the future. We have also established a further Shared Service Center here, similar to the one in Shanghai, which consolidates supporting processes in the US, especially in purchasing and human resources.

The US is currently undergoing a phase of "reindustrialization", to which Jenoptik contributed in 2013 with its full product portfolio. Whether it is laser systems, optics or measuring equipment – demand for Jenoptik solutions is high. One example among many is in the automotive industry: our technologies and products which enhance efficiency and reduce pollutants support the Obama administration's aim to significantly cut CO_2 emissions by 2030.

Production at the Jupiter location in Florida, US: this is where optical components and systems for sectors such as medical technology are manufactured.

Sydney: following an acquisition in Australia Jenoptik is gaining a foothold in new markets in the Pacific region.

Asia/Pacific: A high-potential market we systematically continue to develop

—

The Asia/Pacific region is a key emerging market for us. In recent years, we have established a number of small and medium-sized sites here, from which we operate across the entire region. In late 2012, we founded an Asian holding company based in Singapore to further step up our activities in the region. JENOPTIK Asia-Pacific Pty. Ltd. has been handling our entire Asian business and systematically promoting our further development since 2013. At present our primary focus is to expand business with the international automotive and automotive supplier industries which are well-established here with heavy demand for solutions in areas such as metrology.

In Australia, Jenoptik acquired DCD Systems in early 2013, a supplier of traffic safety technology based in Sydney. This gave us direct access to a key market for traffic safety technology. Australia is considered a forerunner in the field and accordingly sets standards. To date, we supply technical equipment and services in the country, especially in the states of New South Wales and Victoria, but in coming years we want to enhance the leading role played by our Traffic Solutions division as a global supplier by further developing our sales and service structures in Australia and beyond.

TREADING NEW GROUND AS A SYSTEMS PARTNER TO CUSTOMERS

We are a market and customer-oriented company which uses technologies as a lever for products and solutions which set standards in the market. Our customers prize our range of services, which cover everything from the development and manufacture of standard products to individual components and all the way to complex system solutions and their implementation. In addition to marketing of our own products, in the years ahead we will continue to build on the close relationships we have established in systems partnerships. This will strengthen existing links to our customers, increase added value and allow us to provide even more comprehensive "solutions of tomorrow".

Jenoptik develops tailored solutions in close partnership with customers.

Systematic support enabling customers to focus on their core competences

Our business model is rooted in a two-pronged strategy: we develop and manufacture our own products and solutions based on market trends and customer needs, which we then successfully market worldwide ourselves or via sales partners. As a systems partner, we also seek out new enabling possibilities with customers and industries, reflected in innovative products and systematic solutions for customers. In this respect, we enjoy strategic value creation partnerships from which both sides lastingly benefit.

Many of our key customers now involve us in their development roadmaps at an early stage, allowing us to develop solutions with them for trendsetting new-generation devices with more powerful components, modules and systems which enable faster processing times and less costly applications. One example is the Optical Systems division, where our systems often form the heart of our customers' products. As a global leader, we are in a position to create innovative micro-optics systems with entirely new optical properties and develop solutions which go all the way to hardware and software integration. The benefit for our customers is that they can focus on their core competences: application, control of the system software and sales.

Integrated automatic inspection of bores guarantees customers exceptional precision in engine manufacturing.

Boosting customer competitiveness

One of our main customer groups is the automotive industry. Two topics which are of particular current relevance to this industry are low fuel consumption and a reduction in CO_2 and other pollutant emissions of vehicles. To support these market trends, Jenoptik's Industrial Metrology division has developed a new generation of devices for testing the finest surface structures of bores and cylinder barrels. The technologically advanced measuring systems can precisely and rapidly determine the finest surface characteristics of the components. The result: surfaces of engine components can be finished with even greater precision, enabling a reduction in fuel consumption and CO_2 emissions.

GAINING A COMPETITIVE EDGE WITH INNOVATIVE SOLUTIONS

As a photonics specialist, we are one of the world's leading suppliers of solutions to attractive growth markets. Ongoing capital expenditure in research and development allows us to cement this position and extend our lead. Our services are based on expertise to which only very few companies have similarly deep access. We utilize it to develop solutions which our customers can exploit to create new opportunities in their respective markets.

Entering a port on the rails – regardless of the available power infrastructure.

Last mile diesel-driven genset: greater flexibility for locomotives in rail traffic

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The last mile diesel-driven genset is a rail traffic innovation developed in cooperation with our customer Bombardier Transportation. It is a supplementary diesel engine for electric locomotives, which can then be used on line sections which are not electrified. In real-world use, the hauling engine's hybrid system facilitates access to ports, industrial facilities and freight terminals. International transportation is also considerably easier thanks to the alternative power supply. The result of this innovation opens the way to new operating concepts in the rail industry.

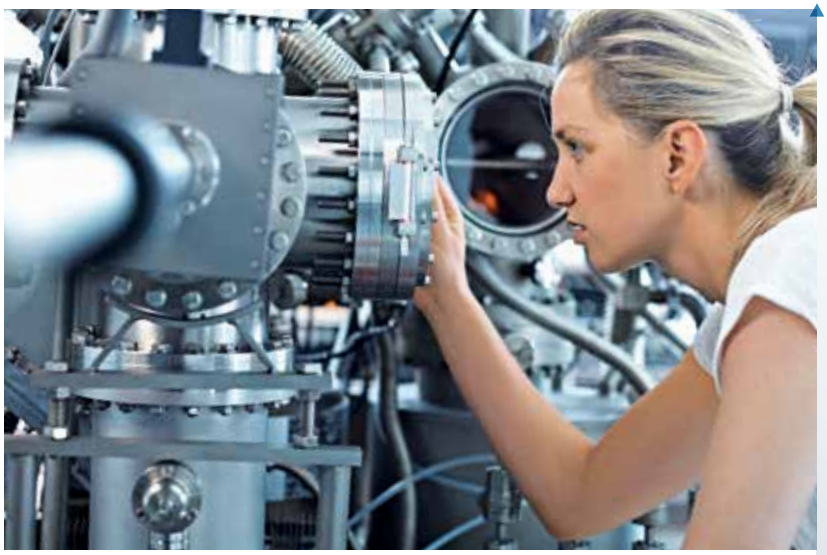
New 3D laser technology for high-efficiency material processing

Efficiency in production is another key issue for our customers. With technical integration of our 3D laser technology, we can support their need for rapid, no-wear and extremely flexible production in industrial material processing. Accessing the workpiece using our system is also significantly easier than with conventional cutting processes. Short set-up times additionally increase the economy of the manufacturing process. Whether it is used to process plastics, metals or glass, Jenoptik's laser technology can be integrated in a wide range of customer production lines as part of process optimization and automation measures.

Process optimization and automation with laser technology from Jenoptik.

PROMOTING EXCELLENCE THROUGH A CULTURE OF VALUES AND SHARING

Our aim of "Sharing Excellence" goes beyond the technological realm: we want to meet our customers' and stakeholders' expectations to the highest possible degree, irrespective of the problem or location. To this end, we gain our bearings from values which are deeply rooted in our company. One key pillar of our success is our culture of communication, both internally and externally: active dialog with the very best minds in their fields means we make progress on our path to excellence every single day.



Everything we do is geared toward one objective: excellence.

Developing valuable expertise via intelligent links

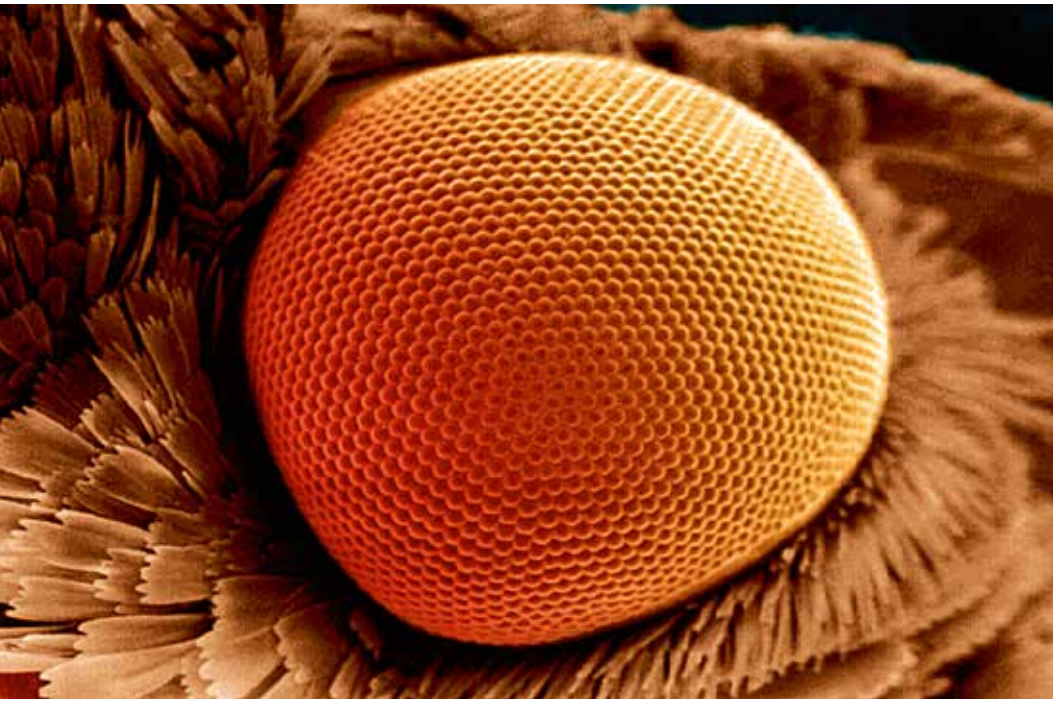
The objective of our business model is to develop and manufacture products and services with which we can fulfill our customers' requirements in the best possible way. With this market perspective in mind, we also enter into strategic cooperation arrangements with research institutions and universities. They complement and stimulate our own development activities. Dialog and cooperation with the best minds allow us to develop valuable expertise and use it to develop new solutions for the markets.

Optics coated using plasma etching are one example: together with the Fraunhofer Institute for Applied Optics and Precision Mechanics in Jena, we are working on perfecting anti-reflective coatings on exposed surfaces and nanostructures. The basis we use for this field of innovation is given to us by nature, or more precisely, by the structure of moth eyes. The regular patterns of the compound eyes are smaller than the wavelength of light, considerably reducing light reflection. With the moth eye structure, various surface forms and structures can be given effective anti-reflective properties. The range of potential uses is huge: well-known companies operating in the medical technology, pharmaceutical and optical industries are already using these anti-reflective surfaces.

Shared values for a vibrant corporate culture

Excellence begins with how we approach issues: that's why, in 2013, we critically engaged with a set of values and underlying attitudes which help us to maintain our standards and corporate objectives. We want common values to link us together across national and language borders in the future. As a first step, we have defined a vision we will pursue to ensure our successful long-term viability on the market: "We are a vital driver of a brighter future. As a leading photonic company, we take ownership in your success."

We have formulated six corporate values from this vision: performance, integrity, responsibility, trust, change and openness. The vision and these values are interlinked by a clear promise: "As an attractive global high-tech partner creating added value for our customers thanks to rapid and consistent action, our Jenoptik enjoys sustained financial success." Our management conference in September 2013, at which we planned the next steps on the path to a group-wide Jenoptik identity, also featured the tagline "Visions and Values".



Looking into the eye of nature: the compound structure of a moth's eye is used as the model for developing innovative antireflective optics.

ENHANCING PERFORMANCE BY OPTIMIZATION AND STANDARDIZATION

Because we always endeavor to adhere to best practices, we constantly review our procedures and work to improve them. We are making headway in standardization, at the same time increasing our flexibility. We are reducing operating costs, cutting production lead times and raising quality. Clear performance benchmarks help us to know where we stand and what needs to be done. Our aim is to make our processes as lean, efficient and international as possible.

Go-Lean sustainably improves Jenoptik's value creation structures.

„Go-Lean" – for stringent and simple work processes

—

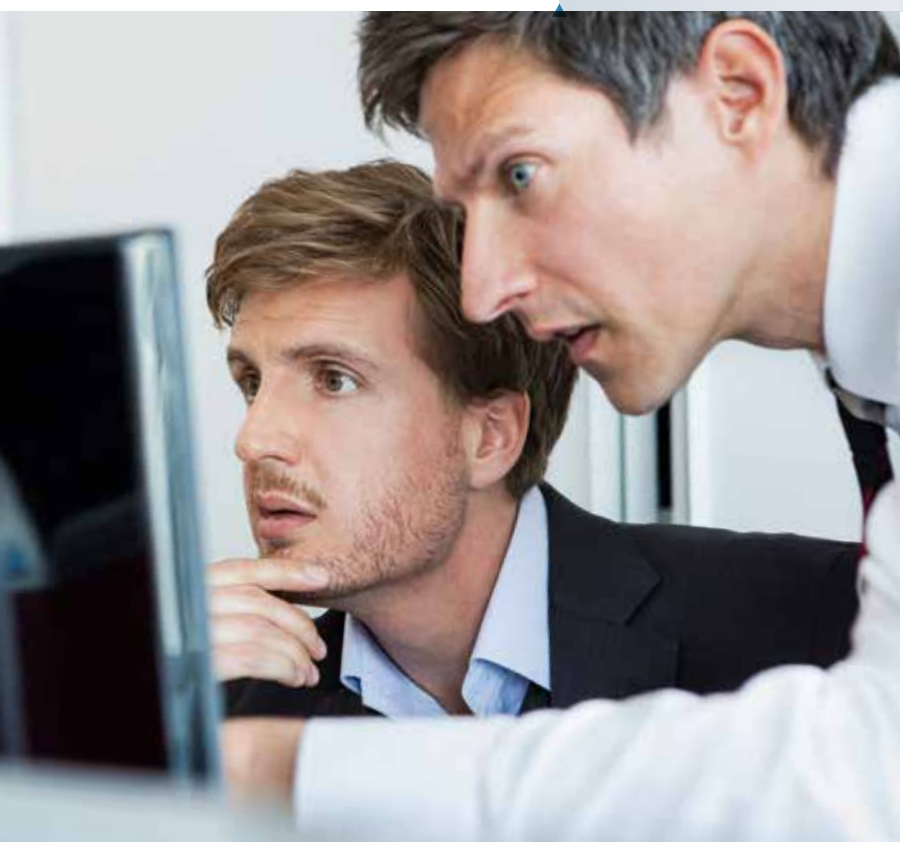
A lean production system in the segments and divisions, and an increase in operating performance – this is the aim of the Go-Lean project Jenoptik has been running since 2012. The project allows us to give managers and employees the methods and tools they need to further improve processes and the use of resources on their own. Go-Lean thus directly influences work processes at every single location, in every unit, at every workplace.

We explain the methodological skills in targeted training sessions at our Lean Campus, where managers and employees are qualified to identify and correct weak areas and seek out and leverage potential for optimization on their own. A key aim of this process is that the Lean Campus participants take their methodological skills back into the company and disseminate them there.

JOE: Clear process standards support our promise of excellence

If we want to work efficiently and offer the very highest quality of services as the global player we are striving to become, we need common standards: a consistent commercial and operational pool of data and, in this context, standardized systems and definitions. Our JOE project (Jenoptik One ERP) project is a program designed to achieve organizational and procedural advantages and is leading the way to success here. It has been running since 2012 and has three objectives: to provide support for the international growth through the creation of scalable processes, data and IT systems, to increase efficiency in the operating functions through the development of an integrated ERP system and to improve Group controls through the further development of methods in the financial control and accounting areas.

The realization of the JOE project benefits all sections of the company: it means transparent data available at any time for day-to-day business, simplified processes and flexible sharing of data between divisions and at an international level. In a word: JOE offers an ideal basis for our successful global cooperation.



With JOE, Jenoptik is implementing its largest Group-wide process harmonization project.

Stock Corporation Act §

161

Declaration of conformity

CORPORATE GOVERNANCE

Corporate governance is understood as the responsible, transparent management and control of a company which is geared toward lasting value creation. For Jenoptik as an international group, excellent corporate governance is crucial to the sustainable success of our business. We are convinced that good corporate governance strengthens the confidence placed in us by our shareholders, business partners, employees and the financial markets.

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Corporate Governance Report

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Information and notes relating to takeover law

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Remuneration Report

Corporate Governance Report

In the following Corporate Governance Report, the Executive Board and Supervisory Board are reporting in accordance with Point 3.10 of the German Corporate Governance Code in the version dated May 15, 2013 ("Code"). We also consider the Remuneration Report (page 45) to be a part of the Corporate Governance Report.

The declaration of conformity as well as the declarations of prior years are permanently accessible on our website at www.jenoptik.com under the category Investors/Corporate Governance.

The **corporate governance statement** in accordance with § 289 a of the German Commercial Code [Handelsgesetzbuch (HGB)] is an unaudited part of the Group Management Report. It contains a description of the functions of the Executive Board and Supervisory Board, the structure and function of the committees of the Supervisory Board, as well as information on methods of corporate management. The corporate governance statement can be found on our website at www.jenoptik.com under the category Investors/Corporate Governance. At the same time, we consider the declaration of conformity in the Corporate Governance Report to be a part of the corporate governance statement.

The JENOPTIK AG Executive Board and Supervisory Board affirm their commitment to the principles of responsible, values-based corporate governance, oriented towards long-term success. They see this as an essential foundation for positive, sustainable corporate development of the Group as a whole. This includes, at its core, a sound corporate governance system throughout all of the Group's business units. This boosts trust in Jenoptik on the part of shareholders, business partners, employees, and the general public, and allows for the appropriate management of risk. We consider the appointment of Dr. Michael Mertin to the Government Commission on the German Corporate Governance Code also to be special recognition of our corporate governance work within the company.

Jenoptik structures its policies to adhere to recognized standards and supports the recommendations of the Code. While doing so, we support the statement of the Code in its preamble, that a well-founded deviation from a recommendation made by the Code may be in the interest of good corporate governance. The Executive and Supervisory Boards issued their current declaration of conformity in adherence with § 161 of the German Stock Corporation Act [Aktiengesetz (AktG)] on December 12, 2013. It contains details of deviations from four recommendations of the Code. Jenoptik has also followed the majority of the suggestions contained in the Code. If changes should arise in the future, the declaration of conformity will also be updated during the year.

Over the past fiscal year, the Executive Board and Supervisory Board have been occupied with the further development of corporate governance at a European level, with particular reference to the European Commission's action plan on European company law and corporate governance.

Declaration of Conformity by the Executive Board and Supervisory Board of JENOPTIK AG in the 2013 fiscal year

Under § 161 (1) (1) of the German Stock Corporation Act (AktG), the Executive and Supervisory Boards of a stock-listed company are required to issue a declaration once a year that the recommendations of the Government Commission on the German Corporate Governance Code as published by the Federal Ministry of Justice in the official section of the Federal Gazette [Bundesanzeiger] have been and are complied with, or to advice 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 (1) (1) of the German Stock Corporation Act (AktG):

Since the last declaration of conformity in December 2012, all recommendations of the „Government Commission on the German Corporate Governance Code" ("Code") in the version dated May 15, 2012 have been followed with the following exceptions stated under 1 and 2, and will be followed in the version dated May 13, 2013 with the following exceptions stated under 1 to 4:

1. In accordance with Point 4.2.3 (4) of the Code, care should be taken in concluding Executive Board contracts to ensure that payments made to a member of the Executive Board upon premature termination of his/her contract including fringe benefits do not exceed the value of two years' compensation (severance payment cap) and compensate for no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total remuneration for the past full fiscal year and, if appropriate, also for the expected total remuneration for the current fiscal year.

This recommendation has not been followed since the last declaration of conformity and will also not be followed in future with respect to the Chairman of the Executive Board who has served as member of the Executive Board since October 1, 2006; here the status quo was upheld. There is the view that this type of regulation on severance payments contradicts the principle of concluding the contracts with members of the Executive Board regularly for the full term of their office which has been applied by Jenoptik in accordance with the German Stock Corporation Act (AktG). A premature termination of an employment contract regularly requires a serious cause. In such a case, no severance payment will be made. In the case of a mutually agreed termination of the contract, it would be difficult for the company to unilaterally enforce a severance payment cap; just as one could not ensure that the specific circumstances for the premature termination would sufficiently be taken into account. The idea behind the regulation of Point 4.2.3 (4) of the Code will be taken into account by ensuring an appropriate compensation in the event of premature termination of the contract by mutual agreement. However, this recommendation was taken into account in the employment contract concluded with the Chief Financial Officer in December 2011.

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

This recommendation has not been followed since the last declaration of conformity and will not be followed in the future. The Executive Board and Supervisory Boards take the view that the performance-related remuneration as stipulated in the Articles of Association is appropriate. Accordingly, members of the Supervisory Board will only be paid performance-related remuneration in the amount of 10,000 euros or 20,000 euros if group earnings before tax exceed 10 percent or 15 percent of the group equity at the end of the fiscal year. If the return on equity is lower than 10 percent, there is no right to remuneration in addition to the fixed remuneration.

The Code does not define what is to be understood by sustainable development of the company. If the term was to be understood according to § 87 (1) (2) and (1) (3) of the German Stock Corporation Act (AktG), performance-related remuneration components for Supervisory Board members should be based on data of several years. As this is not the case at Jenoptik and due to the lack of clarity of the definition, we disclose a deviation from Point 5.4.6 (2) (2) of the Code as a purely precautionary measure. The members of the Supervisory Board are solely bound to the interests of the company and are not influenced in their decision-making process by the possibility of variable remuneration and its amount. They profit, just as for the members of the Executive Board, employees and shareholders, from a generally sustainable development of the company. The return on equity of 10 percent or 15 percent respectively which triggers payment of the variable remuneration is ambitious enough and was approved by the Annual General Meeting in June 2012 with just under 98 percent of the votes.

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

This new recommendation, which was added to the Code dated May 13, 2013, will not be followed in the future. The variable remuneration of the members of the Executive Board of JENOPTIK AG is capped. But the calculation of the portion of the variable remuneration which is granted in form of virtual shares is made on the basis of the average Jenoptik share closing price in the final quarter of the year before last, there is a theoretical possibility that the value of the total variable remuneration exceeds the cap at the time the shares will be granted. This, however, requires a high level of target attainment as well as a positive share price development. A negative share price performance would have a contrary effect. The Executive and Supervisory Boards take the view that a reference to a share price of

the year before last is appropriate as this price is the basis for assessing the share price development of the following year which is relevant for remuneration. Therefore, the Executive Board participates in share price development just like each shareholder. There is no cap for the payment of virtual shares. The Executive and Supervisory Boards are of the opinion that such a cap would have disincentive effects with respect to the share price development. In addition „windfall profits" can be avoided due to the fact that the amount to be paid is calculated on the basis of the volume weighted annual average share price.

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

Jenoptik intends to comply with this recommendation in the future for new contracts or adjustments of pension commitments for the Executive Board members. The company cannot interfere with existing contracts; therefore it declares deviation as a precautionary measure.

December 12, 2013
JENOPTIK AG

On behalf of the Executive Board

Dr. Michael Mertin, President & CEO

On behalf of the Supervisory Board

Rudolf Humer, Chairman of the Supervisory Board

Shareholders and the Annual General Meeting

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

Transparency

For Jenoptik, providing participants in the capital market as well as interested members of the general public with continual and comprehensive information is an important issue. All information which concerns the company directly and which is essential for the evaluation of the company's development is made available promptly to all target groups. Annual and interim reports provide extensive information about the Group's earnings, assets, and finances. Ad-hoc announcements and press releases cover important events and current developments. Along with the annual and interim reports, these are published in German and English, and are available on our website at www.jenoptik.com under the categories Investors and Press. Shortly after the financial reports are published, conference calls are also held with representatives of the media, analysts, and investors, analyst conferences are held for each annual and half-year financial statements as well as an annual balance sheet press conference.

In accordance with the German Securities Trading Act [Wertpapierhandelsgesetz (WpHG)], inside information is published immediately insofar as JENOPTIK AG is not, in individual cases, exempted from this obligation. In order to ensure that potential inside information is treated in accordance with the law, a working group established for this purpose evaluates individual facts for their ad-hoc relevance on a monthly basis and in the event of specific concerns. A group guideline regarding compliance with the regulations of the German Securities Trading Act (WpHG) regulates significant obligations and responsibilities on the part of board members and employees concerning inside information,

ad-hoc publicity, market manipulation, and directors' dealings. There is a list of persons who are authorized to have access to inside information.

Jenoptik immediately publishes major changes to its shareholder structure when it is informed that someone has reached, fallen below of or surpassed reportable voting rights thresholds. During the past fiscal year, ODDO Asset Management of Paris, France informed us that it exceeded the threshold of three percent of the voting rights on January 24, 2013. ODDO & CIE of Paris, France has an indirect interest via ODDO Asset Management. Templeton Investment Counsel LLC. of Fort Lauderdale, USA, also informed us in August 2013 that they had fallen below the threshold of three percent of the voting rights in JENOPTIK AG. The announcements are available on our website at www.jenoptik.com under the category Investors/Share/Voting rights announcements.

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

As at December 31, 2013 the Jenoptik Group maintains securities-oriented incentive plans in the form of virtual shares for the members of the Executive Board and parts of upper management. The principles of the system for allocation and issuance of the virtual shares are chiefly identical for the Executive Board and members of upper management, and are described in the Remuneration Report.

As at December 31, 2013 no shares were held by the Executive Board members; the members of the Supervisory Board held a combined total of 964,255 shares or derived financial instruments. This figure includes 675,000 shares held directly and indirectly by Rudolf Humer, Chairman of the Supervisory Board.

Accounting and auditing

The consolidated financial statements and all consolidated interim financial statements are compiled in accordance with the International Financial Reporting Standards (IFRS), as they are to be used in the European Union. JENOPTIK AG's financial statements are compiled in accordance with the requirements of the German Commercial Code (HGB). The consolidated financial statements and the financial statements, including the management reports, are examined by auditors of annual accounts. The auditor for the 2013 fiscal year was KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (KPMG AG), as elected by the Annual General Meeting on June 4, 2013. The auditors inform the Supervisory Board Chairman of any grounds for bias or disqualification, as well as of all important events and findings that emerge during the audit. This includes occasions when the auditors should discover facts that point to inaccuracies in the declaration of conformity submitted by the Executive Board and Supervisory Board in accordance with § 161 of the German Stock Corporation Act (AktG).

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Further information is available in the Notes in the section "Share capital".

The notifications received by us during the 2013 fiscal year as well as those of previous years can be found on our website at www.jenoptik.com under the category Investors/Corporate Governance/Directors' Dealings.

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

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Pages 154, 169

You may find further information in the Remuneration Report and in the Notes.

Risk and opportunity management, internal auditing

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

A basic revision of the risk and opportunity management was begun in 2013. By doing so, we continue to ensure effective risk and opportunity management, despite increased internationality and complexity, which also takes into account the German Accounting Standard No. 20 [Deutschen Rechnungslegungs-Standard Nr. 20 (DRS 20)]. Detailed information on risk management, including the significant characteristics of the internal control and risk management system with regard to the financial reporting process, is to be found in the Risk and Opportunity Report from page 121 on.

With the objective of improving business processes, Internal Auditing at Jenoptik provides objective auditing and consulting services for the Executive Board. It supports the organization in achieving its goals by using a systematic and target-oriented approach to review the effectiveness of the opportunity and risk management, the Internal Control System and the management and monitoring processes, and helping to improve them. It also helps to safeguard operational practices and assets, and monitors compliance with the principles of correctness, safety, efficiency, and quality.

Risk prevention and ensuring compliance

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

In order to increase employee awareness, and to create a company-wide uniform understanding of our compliance standards, special training courses on subjects relevant to compliance, such as anti-corruption and anti-trust law, are regularly held at both the German and foreign business units. The beginning of 2014 sees the introduction of a web-based compliance training course for all employees. It will be gradually rolled out in all business units around the world and its contents will be continually expanded.

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

During the past fiscal year, the anti-corruption guideline adopted in 2012 was revised, and a number of measures stipulated in it have been clarified and expanded. For example, a more comprehensive business partner screening process is undertaken centrally by the Risk & Compliance department now. The purpose of this is to ensure that Jenoptik only cooperates with business partners that comply with and guarantee all of its compliance requirements.

A special website with a help desk was set up to help employees with all questions relating to risk or compliance issues at Jenoptik. Using specific practical examples, it enables employees to familiarize themselves with the compliance requirements and any risks resulting from them. It also advises employees on relevant issues.

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

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

Code of Conduct

Jenoptik views the pursuit of sustainable economic and social activity while observing prevailing legislature as a top priority and a major part of its corporate culture. This entails trust, respect, fairness, honesty, and integrity in all its dealings with employees, business partners, shareholders, and the general public. The most important principles of conduct have been compiled into a code of conduct. This is a mission statement for everyone, whether it be the Executive Board, the Supervisory Board, managers, or employees throughout the company. It sets out minimum standards and serves as a point of orientation to meet the ethical and legal challenges at work each day, and to prevent possible conflicts of interest from arising while creating transparency in this regard. The code of conduct is of particular use in conflict situations.

Each new employee receives a copy of the code of conduct when hired. Compliance with the code is regularly reviewed by Internal Auditing, and any possible violations are investigated and their causes eliminated in the interest of the Group and all their employees. Any employee may lodge a personal complaint or draw attention to circumstances which are indicative of violations of the code of conduct or statutes and guidelines. The code of conduct can be viewed on our website www.jenoptik.com under the category Investors/Corporate Governance. It is regularly reviewed in terms of its accordance with general compliance standards.

Objectives for composition of the Supervisory Board

Taking into consideration the size of the company, the object of the company and the international orientation of the Jenoptik Group, in 2010 the Supervisory Board defined the following objectives for its future composition, adding a further objective of independence of the members of the Supervisory Board in 2012. Accordingly, the Supervisory Board will „ensure that it includes, at all times, members who particularly fulfill the criterion of internationality (such as foreign citizens or those with relevant experience abroad). The Supervisory Board will ensure that its members play neither an advisory nor an executive role with customers, suppliers, creditors, or other business partners of JENOPTIK AG, inasmuch as this is the basis of a significant and not merely temporary conflict of interest. In cases of such conflicts of interest, especially with regard to responsibilities at companies that are in direct competition with JENOPTIK AG or a Group company, the Supervisory Board will normally refrain from nominating such a person for election. The Supervisory Board will ensure that at least two seats are held by women. The shareholder representatives on the Supervisory Board will ensure that at least half of its members have an independent status. No persons are to be considered who, at the time of the election, have already reached the age of 70. The Supervisory Board will recommend the best possible candidates, from its point of view, to the Annual General Meeting, taking into account their expertise and personal integrity."

At the last election of Supervisory Board members at the 2012 Annual General Meeting, the Nomination Committee and the Supervisory Board took into account the resolution on the objective composition when proposing candidates.

The composition of the Supervisory Board on December 31, 2013 is in line with the objectives for its composition which are to be maintained in the future. Currently one of the shareholder representatives and one of the employee representatives are female. At least five members of the Board have extensive international experience. The Supervisory Board also has a wide variety of expertise on offer, reflecting the broad scope of its members' career backgrounds. It is the view of the Supervisory Board that all current shareholder representatives are independent in the sense of the regulations of the code. However individual members do exercise an executive role at other companies with which Jenoptik has a business relationship. All of these business transactions which are not of significant interest to Jenoptik were conducted under the same conditions as would have been maintained with third parties; consequently, it is the belief of the Supervisory Board that the business transactions do not negatively impact upon the independence of the members. Further information on the Executive Board and Supervisory Board, especially on their work procedures and their members' other responsibilities, can be found in the Supervisory Board Report from page 6 on, in the Notes from page 170 on of the Annual Report and in the corporate governance statement published on the Internet.

The code of conduct can be viewed on our website www.jenoptik.com under the category Investors/Corporate Governance.

Information and Notes relating to takeover law

Reporting on § 289 (4), § 315 (4) of the German Commercial Code (HGB)

1. Composition of the share capital

As of the reporting date on December 31, 2013, the share capital totaled 148,819,000 euros (same as on December 31, 2012). It is divided into 57,238,115 (same as on December 31, 2012) 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 General Meeting and is the determining factor for the shareholders' proportion of company profits (§ 58 (4), § 60 of the Stock Corporation Act (AktG)). The shareholders' rights also include the subscription right to shares in the event of increases in capital (§ 186 of the Stock Corporation Act (AktG)). 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. of the Stock Corporation Act (AktG). Under § 4 (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

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

3. Direct or indirect participations in the capital which exceed 10 percent of the voting rights

Information on direct or indirect investments in capital which exceed 10 percent of the voting rights can be found in the Group Notes under item 25 "Equity" from page 149 on.

4. Holders of shares with special rights which confer controlling powers

There are no shares of JENOPTIK AG which entail special rights.

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

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

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

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

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

In accordance with § 119 (1) (5), § 179 (1) (1) of the Stock Corporation Act (AktG), 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 (1) (2) of the Stock Corporation Act (AktG) and § 28 of the Articles of Association. This also includes the corresponding change to the Articles of Association following the utilization of the authorized capital 2010 and of the conditional capital 2013. Under § 24 (1) of the Articles of Association, resolutions by the Annual General Meeting require a simple majority of the votes cast unless stipulated otherwise by law. In those cases in which the law requires a majority of the nominal capital represented for a resolution to be passed, a simple majority of the nominal capital represented is sufficient, unless specified otherwise by the law.

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

The Executive Board is authorized until May 30, 2015, with the consent of the Supervisory Board, to increase the nominal capital of the company by up to 35.0 million euros through one or multiple issues of new, no-par value bearer shares against cash and/or contribution in kind ("authorized capital 2010"). The Executive Board is authorized, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders (a) for fractional amounts; b) in the event of capital increases against contribution in kind, in particular also as part of corporate mergers or for the acquisition of companies, parts of companies or investments in companies; (c) in the event of capital increases in return for cash contributions, to the extent that the portion of the nominal capital attributable to the new shares, taking into account resolutions at the Annual General Meeting and/or the utilization of other authorizations to exclude the subscription right in direct or corresponding application of § 186 (3) (4) of the Stock Corporation Act (AktG) since the date on which such authorization becomes 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 issuance of the new shares and the issue price of new shares is not significantly below the stock exchange price; (d) for the issuance to employees of the company and in companies in which Jenoptik has a majority participation. Decisions on the details of the issuance of new shares, in particular their conditions and the content of rights of the new shares, are taken by the Executive Board, with the consent of the Supervisory Board.

The nominal capital of the company is conditionally increased by up to 28.6 million euros through the issuance of up to 11,000,000 new no-par value bearer shares ("conditional capital 2013"). The conditional capital increase will only be executed to the extent that

- the creditors/holders of option certificates or conversion rights issued up to June 3, 2018 by the company or a domestic or foreign company in which the company has a direct or indirect majority stake, pursuant to the resolution of the Annual General Meeting dated June 4, 2013, 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 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 4, 2013, fulfill their conversion rights by June 3, 2018 and treasury shares are not utilized nor fulfillment is made in cash. The Executive Board is authorized to define further details regarding the execution of the conditional capital increase.

Under a resolution passed by the Annual General Meeting on June 9, 2010, the Executive Board is authorized to purchase own no-par value bearer shares not exceeding a proportion of 10 percent of the nominal capital for purposes other than trading in its treasury shares up to May 31, 2015. 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 (AktG)), may not account for more than ten 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.

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Detailed information on the authorized capital 2010 and on the conditional capital 2013 can be found in the Group Notes.

Further details regarding the buy-back of shares are described in the invitation to the Annual General Meeting 2010, accessible to the general public on our website at 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 which has since been terminated and various financing agreements with a total utilized volume of approximately 106.6 million euros (prior year 97.5 million euros) in the event of a change of control in the ownership 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. For the debenture loan placed in 2011 with a total utilized volume of 90.0 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 accrued up to the repayment date. A change of control applies if one or more persons acting in concert, with the exception of the existing main shareholders on the date the contract is concluded, acquire more than 30 percent of the outstanding nominal capital or more than 30 percent of the voting rights, directly or indirectly at any time.

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Detailed information on the compensation schemes agreed in this case can be found in the Remuneration Report.

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

There is a framework agreement in place with one joint venture partner that grants Jenoptik direct access to a comprehensive basis of patents, technological expertise and components that the partner possesses in the field of fiber laser development and manufacture and which contains the special agreements described below: in the event of a change of control in a competitor of the joint venture partner within a specific period, Jenoptik's right of use is limited to the manufacture and distribution of the product portfolio manufactured with the help of the rights of use granted on the date on which the change of control takes effect. The right granted to Jenoptik to purchase components for a specific period expires at the end of a transitional period. Although the joint venture has been in liquidation since mid-2011, the rights of use granted continue to exist and the rules relating to the consequences of a change of control therefore also remain in force.

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

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

Remuneration Report

Remuneration for the Executive Board

The Remuneration Report below sets out the basic principles of the remuneration system for the members of the Executive Board and Supervisory Board and gives details of the total remuneration for the individual members.

Executive Board Remuneration System

The criteria for defining the appropriateness of the remuneration for the Executive Board of Jenoptik are primarily the tasks of the members of the Executive Board, their personal performance, the economic situation, the success of the company and its future prospects. Standard practice within the comparative environment and in relation to established comparative groups within the company is another factor in the remuneration. The remuneration for the Executive Board of Jenoptik consists of non-performance-related and performance-related components. The non-performance-related components include the fixed remuneration, fringe benefits and retirement benefits. Part of the performance-related bonus is paid in cash and part in the form of virtual shares. The long-term incentive component (LTI), 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 defining the structure of the remuneration system and the composition of the remuneration for the individual Executive Board members. The contractual provisions of the contracts of employment with both members of the Executive Board are essentially identical, unless specified otherwise below. The contract of employment with Dr. Michael Mertin includes an agreement for an annual review of the total remuneration. The Supervisory Board conducted this review in the period December 2012 to May 2013 in collaboration with an independent external remuneration expert and has adjusted the remuneration of Dr. Michael Mertin with effect from January 1, 2013.

FIXED REMUNERATION

The non-performance related basic salary is paid on a pro rata basis each month. The figure for Dr. Michael Mertin has been 600,000 euros per year since January 1, 2013 and for Rüdiger Andreas Günther 380,000 euros per year since April 1, 2012, payable respectively in twelve equal installments at the month end.

VARIABLE REMUNERATION

The members of the Executive Board are entitled to a bonus granted partly in cash and partly in the form of virtual shares. It is based on personal target agreements to be concluded in the first quarter of each calendar year between JENOPTIK AG, represented by the Supervisory Board, and the respective member of the Executive Board. The target agreement is oriented towards the company's sustainable business development. For the fiscal year 2013, the bases for this were the Group EBIT, operating free cash flow, Group net income, share-price-related, strategic and operating targets for the corresponding year and of a long-term nature as well as an individual performance assessment. The variable remuneration has an upper limit of a total of 150 percent of target attainment. With 100 percent target attainment, Dr. Michael Mertin receives EUR 1,000 thousand for the period from January 1, 2013 and Rüdiger Andreas Günther EUR 420 thousand. The actual amount of the variable remuneration is dependent upon the attainment of the targets as per the target agreement. If defined minimum requirements are not achieved for individual targets then no proportional bonus is paid for this part of the target; there is no guaranteed lower limit to the bonus.

Financial targets account for 50 percent of the bonus, short and medium-term operational targets for 25 percent and medium and long-term strategic objectives for 25 percent. The total bonus for Dr. Michael Mertin is paid half in cash, Rüdiger Andreas Günther received two-thirds in cash in 2013 and will receive half in cash from January 1, 2014 on. Both persons receive the remainder in the form of virtual shares.

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

The allocation of the virtual shares granted as a long-term incentive is carried out within the context of determining the level of target attainment. The calculation of the number of shares is based on the volume-weighted average closing price of the Jenoptik share in the fourth quarter of the calendar year before last ('conversion rate'). The conversion rate for the virtual shares allocated for 2013 is 7.25 euros. Payment is made at the end of the fourth subsequent year after allocation, based on the volume-weighted average closing price of the Jenoptik share in the full fourth

subsequent year. The subsequent year is the calendar year following the calendar year for which the target agreement was concluded. In the event of virtual shares being granted as part of the target agreement for the year 2013, this would mean that the virtual shares will be allocated within the framework of establishing the level of target attainment in the year 2014, and payment of the monetary value of the virtual shares – the level of which will be calculated on the basis of the volume-weighted average price of the shares in 2017 – will be made at the beginning of the year 2018.

Dividend payments made to shareholders of JENOPTIK AG in the interim are taken into account by additional virtual shares being granted in the equal amount of the dividends.

In the year in which the contract of employment with the member of the Executive Board expires, the bonus is paid pro rata temporis, based on the actual target attainment and without division into cash bonus and virtual shares. Payment for virtual shares allocated at the time of the termination of employment, for which the fourth subsequent year has not yet expired, is made at the value based on the average price over the last twelve months prior to the date of termination of employment. The employment contracts of the members of the Executive Board contain provisions for the potential consequences of certain circumstances, in particular conversion and capital measures on the virtual shares granted.

Under Point 4.2.3 (2) (6) of the German Corporate Governance Code, there are to be maximum limits to the total remuneration for the members of the Executive Board and in respect of their variable portions. In the declaration of conformity dated December 12, 2013, Jenoptik gave an explanation for a deviation from these recommendations with reference to possible effects from calculating the number of virtual shares and their value development; this explanation and the reasons for it are given from page 36 on of the Annual Report.

An agreement was reached in January 2013 with Frank Einhellinger who resigned from the Executive Board at the end of the first quarter of 2012 in settlement of the 66,622 virtual shares granted to him as a member of the Executive Board since 2010, plus the virtual shares granted to him in place of dividends. As a result of this agreement, he was paid the gross sum of EUR 489 thousand in January 2013. The appropriate provisions were used for this.

Contracts for occupational retirement benefits were concluded with Dr. Michael Mertin and Rüdiger Andreas Günther. The pension commitment is based on a pension fund reinsured by a life insurance policy. This is a defined contribution scheme within the framework of a provident fund. The annual contribution for the provident fund in 2013 totaled EUR 240 thousand for Dr. Michael Mertin and EUR 80 thousand for Rüdiger Andreas Günther. Under Point 4.2.3 (3) of the German Corporate Governance Code,

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

	Dr. Michael Mertin (President & CEO)				
	2012	2013			
		Actual	Min.	100 %	Max.
Fixed remuneration	510.0	600.0	600.0	600.0	600.0
Fringe benefits	45.5	45.8	45.8	45.8	45.8
Total	**555.5**	**645.8**	**645.8**	**645.8**	**645.8**
One-year variable remuneration	731.5	600.6	0.0	500.0	750.0
Multi-year variable remuneration*	383.4	650.9	50.3	550.3	800.3
Thereof LTI 2013 (term until 2018)*	0.0	600.6	0.0	500.0	750.0
Thereof LTI 2012 (term until 2017)*	365.8	0.0	0.0	0.0	0.0
Thereof dividends and LTI tranches outstanding	17.6	50.3	50.3	50.3	50.3
Total*	**1,114.9**	**1,251.5**	**50.3**	**1,050.3**	**1,550.3**
Retirement benefits	240.0	240.0	240.0	240.0	240.0
Total remuneration*	**1,910.5**	**2,137.35**	**936.1**	**1,936.1**	**2,436.1**
* each plus development of value of the newly granted LTI compared to the share price taken as basis for allocation					
Increase in share price LTI 2013	0.0	222.7	0.0	185.4	278.1
Increase in share price LTI 2012	192.0	0.0	0.0	0.0	0.0

the Supervisory Board is to define the desired contribution level for pension commitments – also according to the length of service – and to make allowance for the resulting annual and long-term costs for the company. Jenoptik intends to comply with this recommendation in the future when concluding new contracts or adjusting the retirement benefit commitments with members of the Executive Board. Alteration of the existing contracts however is not unilaterally enforceable for the company; consequently, as a precautionary measure, an explanation was given in the declaration of conformity dated December 12, 2013 for a deviation.

FRINGE BENEFITS

Fringe benefits exist in the form of an occupational indemnity insurance for Dr. Michael Mertin and accident insurance for Dr. Michael Mertin and Rüdiger Andreas Günther. Executive Board members are entitled to the private use of a company vehicle. There is a third-party financial loss-liability insurance for the members of the Executive Board with the contractual obligation to pay a deductible amounting to 10 percemt of the loss per claim, however up to a maximum sum of 150 percent of the fixed salary of the board member in question for all claims per year.

If the contract of service with the President & CEO Dr. Michael Mertin is not extended beyond the end of its regular term of June 30, 2017, with effect from this date he has an entitlement to **bridging payments** in the sum of 80 percent of one twelfth of the annual salary for a period of twelve months. Emoluments of the Executive Board member resulting from a freelance and/or employed activity, in particular as a member of a management and supervisory body of another company, as well as any compensation for a non-competition clause, will be offset against the bridging payments. Bridging payments are not payable if the non-renewal of the service contract is attributable to serious breaches of duty by the Executive Board member, or in the event of extraordinary termination of the employment relationship, or if the Executive Board member rejects an extension of the service contract on the same, equivalent or enhanced terms.

Under Point 4.2.3 (4) of the German Corporate Governance 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 service to the Executive Board without good reason do not exceed the equivalent of two years' remuneration (severance payment cap) and that payment does not extend beyond the remaining period of the contract of employment. In the declaration of conformity dated December 12, 2013, Jenoptik gave an explanation for a deviation from this recommendation for the employment contract of the Chairman of the Executive Board; this explanation and the reasons for it are given from page 36 on of the Annual Report.

	Rüdiger Andreas Günther (Chief Financial Officer since 1/4/2012)					Frank Einhellinger (Chief Financial Officer until 31/3/2012)	
	2012				2013	2012	2013
		Actual	Min.	100 %	Max.		Actual
	285.0	380.0	380.0	380.0	380.0	83.3	0.0
	34.8	19.5	19.5	19.5	19.5	4.9	0.0
	319.8	**399.5**	**399.5**	**399.5**	**399.5**	**88.1**	**0.0**
	210.0	390.4	0.0	280.0	420.0	81.3	0.0
	105.0	203.9	8.8	148.8	218.8	39.0	0.0
	0.0	195.2	0.0	140.0	210.0	0.0	0.0
	105.0	0.0	0.0	0.0	0.0	29.0	0.0
	0.0	8.8	8.8	8.8	8.8	10.0	0.0
	315.0	**594.3**	**8.8**	**428.8**	**638.8**	**120.2**	**0.0**
	60.0	80.0	80.0	80.0	80.0	24.8	0.0
	694.8	**1,073.8**	**488.3**	**908.3**	**1,118.3**	**233.1**	**0.0**
	0.0	72.4	0.0	51.9	77.9	0.0	0.0
	55.1	0.0	0.0	0.0	0.0	4.6	0.0

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

	Dr. Michael Mertin (President & CEO)		Rüdiger Andreas Günther (Chief Financial Officer since 1/4/2012)		Frank Einhellinger (Chief Financial Officer until 31/3/2012)	
	2012	2013	2012	2013	2012	2013
Fixed remuneration	510.0	600.0	285.0	380.0	83.3	0.0
Fringe benefits	45.5	45.8	34.8	19.5	4.9	0.0
Total	**555.5**	**645.8**	**319.8**	**399.5**	**88.1**	**0.0**
One-year variable remuneration	687.7	731.5	0.0	210.0	300.0	81.3
Multi-year variable remuneration*	0.0	0.0	0.0	0.0	0.0	489.3
Thereof LTI 2012 (term until 2017)	0.0	0.0	0.0	0.0	0.0	47.3
Thereof LTI 2011 (term until 2016)	0.0	0.0	0.0	0.0	0.0	141.0
Thereof LTI 2010 (term until 2015)	0.0	0.0	0.0	0.0	0.0	171.1
Thereof LTI 2009 (term until 2014)	0.0	0.0	0.0	0.0	0.0	130.0
Total	**687.7**	**731.5**	**0.0**	**210.0**	**300.0**	**570.6**
Retirement benefits	240.0	240.0	60.0	80.0	24.8	0.0
Remuneration	**1,483.2**	**1,617.4**	**379.8**	**689.5**	**412.9**	**570.6**

* In 2013 all LTI outstanding were paid to Frank Einhellinger.

In the event of a **change of control** at JENOPTIK AG, a change-of-control clause will come into force for the members of the Executive Board with effect from the acquisition of a controlling interest in accordance with §§ 29, 35 (1) (1) of the Securities Acquisition and Takeover Act [Wertpapiererwerbs- und Übernahmegesetz (WpÜG)], i.e. an acquisition of at least 30 percent of the voting rights in JENOPTIK AG, granting them the right to give notice of termination within a specified period following the change of control. In the event of notice of termination being issued, the Executive Board member will be entitled to payment of a settlement in the maximum sum of 36 months' salary plus the variable remuneration on a pro rata basis depending upon the residual period of his/her contract of employment plus the period for which bridging benefits are granted. In addition, if the pension contributions continue to be paid up to the normal expiry of the respective contract of employment (a maximum period of three years, however), the members of the Executive Board will receive a contractually vested entitlement to retirement benefits.

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

Total Remuneration for the individual Members of the Executive Board.

The table above contains a list of the remuneration components granted to the members of the Executive Board Dr. Michael Mertin and Rüdiger Andreas Günther in the fiscal year just past, as well as the former member of the Executive Board, Frank Einhellinger. The table differentiates between five components, the fixed portion, variable remuneration, share-based long-term incentive components, retirement benefits and fringe benefits.

Following agreement with the Personnel Committee, but subject to the consent of the Supervisory Board, the variable remuneration for the fiscal year 2013 for Dr. Michael Mertin will be EUR 600.6 thousand in cash and 82,877 virtual shares and for Rüdiger Andreas Günther EUR 390.4 thousand in cash and 26,932 virtual shares. Further details on the share-based remuneration in the form of virtual shares can be found under Point 5.17. in the Notes from page 154 We also consider this to be an integral part of this Remuneration Report. T 05 T 06

Remuneration System for the Supervisory Board

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

If Group earnings before tax exceed 10 percent of the Group equity at the end of the fiscal year, each member of the Supervisory Board will receive a performance-oriented annual payment of EUR 10 thousand. The performance-oriented annual payment is increased to EUR 20 thousand, provided that Group earnings before tax exceed 15 percent of the group equity 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 consolidated financial statements for the corresponding fiscal year are definitive for the calculation of the earnings before tax and the equity. The annual performance-oriented remuneration 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.

Group earnings before tax for the year 2012 exceeded the above mentioned figure of 10 percent of the Group equity at the end of the fiscal year 2012, consequently the members of the Supervisory Board each received a performance-oriented remuneration payment following the Annual General Meeting in June 2013. There is also a performance-oriented remuneration payment for 2013, which will be paid after the 2014 Annual General Meeting.

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

The members of the Supervisory Board were paid a meeting allowance of EUR 1 thousand for attending a meeting. For conference calls or attending multiple meetings on the same day, they are paid half of the agreed meeting allowance from the second meeting. Verified expenses incurred in connection with the meeting are reimbursed in addition to the meeting allowance; the reimbursement for travel and overnight accommodation costs in connection with a meeting held in Germany is limited to 600 euros. JENOPTIK AG also reimburses the members of the Supervisory Board for any sales tax applicable to the payment of their expenses.

In the 2013 fiscal year, EUR 352.8 thousand was set up as a provision for the fixed remuneration of the Supervisory Board and its committees to be paid in January 2014 and EUR 131.2 thousand for the variable remuneration to be paid after the Annual General Meeting in June 2014. Jenoptik did not pay any other remuneration or benefits to the members of the Supervisory Board for services rendered personally by them, in particular consulting and intermediary services.

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

Information on the total remuneration for individual members of the Supervisory Board can be found in the Group Notes on page 172.

600.3

million euros revenue

GROUP MANAGEMENT REPORT

Jenoptik once again concluded a successful fiscal year in 2013. Revenue rose to 600 million euros for the first time in the company's recent history, while the Group EBIT came to 52.7 million euros. Our clear strategic orientation forms the key basis for this positive development: further internationalization, improvement of internal cost structures and processes and the targeted development of projects with key customers. In the current year, the Executive Board expects a continuation of this positive performance.

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General Group Information

Group structure

LEGAL AND ORGANIZATIONAL STRUCTURE

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

In recent years, Jenoptik has significantly expanded its international structures. An Asian holding company was founded at the end of 2012 in Singapore, under the umbrella of which Jenoptik combines its Asian business and from where all Jenoptik's efforts to expand in this region are coordinated. Under the leadership of a US holding company at the Jupiter location in Florida, the overall strategy, the coordination of financing activities as well as shared services for the American market are controlled.

In order to further consolidate its market position in the Asia/Pacific region, Jenoptik acquired the shares in an Australian traffic safety technology supplier based in Sydney. In the course of the year, this company's name was changed to JENOPTIK Australia Pty Ltd.

KEY LOCATIONS

The Jenoptik Group is represented in 80 countries worldwide, with a direct presence in 18 of these, e.g. through its own companies or investments. Jenoptik's main focus of production is Germany. The Jena headquarters is primarily home to optoelectronic operations, which cover all aspects of lasers, optics, sensors and digital imaging. Other major sites in Germany are at Wedel near Hamburg, Essen and Altenstadt (Defense & Civil Systems), Monheim near Düsseldorf (Traffic Solutions), Villingen-Schwenningen and Ratingen (Industrial Metrology), Triptis and Eisenach (Optical Systems) and Berlin (Lasers & Material Processing).

Outside Germany, Jenoptik maintains production and assembly sites in the US, France, China and Switzerland. In addition, the Group is represented in Australia, Brazil, India, Japan, Korea, Malaysia, Mexico, Russia, Singapore and the Czech Republic with independent subsidiaries.

In the 2013 fiscal year, we closed our production site in Easthampton, Massachusetts (USA). Production capacities for optics manufacturing were concentrated at the Jupiter site in Florida.

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JENOPTIK: KEY LOCATIONS (AS AT FEBRUARY 2014)

Group operations

BUSINESS MODEL

Jenoptik is a globally operating integrated optoelectronics group and a supplier of high-quality and innovative capital goods. The Group is thus primarily a partner for industrial companies. Its customers also include the public sector, in part directly via system integrators. Our range of products comprises OEM or standard components, modules and subsystems through to complex systems and production lines for numerous sectors. The range also includes total solutions and full-service operator models. Research and development play a key role. Cooperations and developments on behalf of customers are often the beginning of partnerships and business relationships along the value-added chain.

SEGMENTS

Jenoptik operates in the five divisions of Lasers & Material Processing, Optical Systems, Industrial Metrology, Traffic Solutions and Defense & Civil Systems, each of which are subdivided into several business units. The three segments are made up of the five divisions. G 08

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Detailed information on the segments' development of business can be found in the Segment Report.

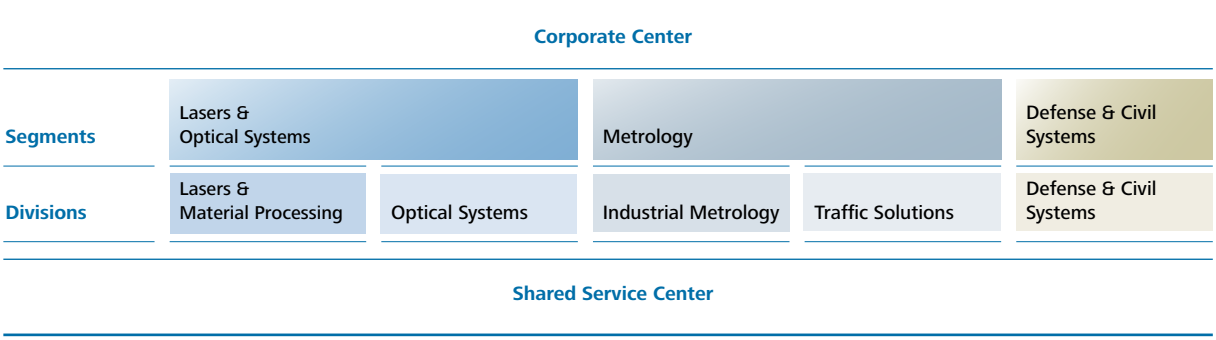
Lasers & Optical Systems

All activities relating to lasers and optics are combined within this segment. Jenoptik is one of the leading providers of laser technology, offering products and services along the entire value added chain of laser material processing – from the semiconductor material and semiconductor lasers through to the complete laser system. In the Lasers business unit, the company specializes in high-quality semiconductor lasers, reliable diode lasers as modules and systems as well as innovative, solid-state lasers such as 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 machines which are integrated into production lines as part of process optimization and automation. The activities are concentrated on system solutions for processing plastics and metals. In addition, we offer solutions for the processing of functional glass (so-called "smart glass") in connection with the processing of thin layers with highest efficiency, precision and safety.

Through its Optical Systems division, Jenoptik is one of the leading global manufacturers producing precision optics and integrated optical systems designed to meet the most stringent quality requirements. The division is a development and production partner for optoelectronic and optomechanic systems as well as assemblies based on optic and micro-optic components made from semiconductor materials, crystals, metals and plastics. It possesses superb expertise in the development and manufacture of micro-optics for beam shaping used in the semiconductor industry and for laser material processing. The portfolio also includes systems and components for the areas of defense and security, healthcare and life sciences, lighting, system solutions and modules for digital imaging and analysis, as well as cameras used for digital microscopy.

In the Lasers & Optical Systems segment, Jenoptik is one of the world's major providers of lasers and laser processing systems as well as optics, micro-optics and optoelectronic systems. It is also a world leader for high-power diode and disk lasers. The segment is an established partner for the automotive industry in the area of plastics processing of vehicle interior trims for airbag systems and has opened up access to a fast-growing market with the launch of 3D metal processing systems. Jenoptik has a prominent position in the market for optical systems. In the year covered

G 08
ORGANIZATIONAL STRUCTURE



by the report, for example, the range of integrated system solutions was expanded, thereby increasing the share of added value. We have also significantly strengthened our position in the field of micro-optics. This has enhanced Jenoptik's established role as a development and production partner for leading companies.

The segment's regional areas of focus are in Europe and North America, and increasingly also in Asia. Our core markets are semiconductor equipment, medical technology, defense and security technology as well as the automotive and machine construction industries.

In the year covered by the report, the cutting-edge production of high-quality base materials for high-power diode lasers was started according to schedule. Jenoptik's further development of production capacity is a response to significant increases in demand, among other things in Asia, and boosts the company's technological position for new areas of application.

Metrology

In the area of industrial metrology, the Group is one of the world's leading manufacturers of high-precision production metrology used mainly in the automotive industry. The range of services covers total solutions for a wide variety of measurement tasks, such as the optical, tactile or pneumatic testing of roughness, contours and shape and the measurement of dimensions during every phase of the production process as well as in the metrology room. The segment also offers comprehensive advice, training and services, including long-term maintenance agreements.

To increase traffic safety, Jenoptik develops, manufactures and sells components and systems which are making the world's roads safer. The product portfolio includes comprehensive systems covering all aspects of road traffic, such as speed and red light monitoring systems plus OEM products (Original Equipment Manufacturer) and special solutions used, for example, to automatically detect license plates or software to evaluate traffic offenses. Jenoptik is the globally leading company which offers its customers red light and speed monitoring solutions based on all established technologies.

In the services area, Traffic Service Provision, the Group covers the entire, supporting process chain – from construction and installation of the monitoring infrastructure, to capturing images of the traffic violations and the automatic further processing, through to sending out the penalty notices and collection of the fines as the system operator.

Jenoptik is one of the leading companies worldwide in the field of two-dimensional metrology and is the market leader in optical production metrology. In traffic safety, Jenoptik is a leading provider of photographic monitoring, with more than 20,000 devices in use worldwide. The Metrology segment has a greater international focus than any other within the Jenoptik Group. The regional areas of focus are primarily determined by the customers. In the Industrial Metrology division, these are thus the centers of the global automotive and automotive supplier industries in Europe, North America and Asia. For the Traffic Solutions division, the market is being increasingly characterized by major projects. In the German market, traffic safety systems are subject to licensing by the Physikalisch Technische Bundesanstalt (PTB) in Brunswick. Foreign deliveries are subject to controls by the national institute, while various countries also partially or fully recognize the German PTB license or licenses from other leading European licensing authorities.

In the 2013 reporting year, the Metrology segment optimized and expanded its structures. The framework for this has been provided by the continuing process of internationalization in the key sales markets as well as the expansion of business in industrial metrology.

The competence centers were further established in Germany, France, Switzerland, the US and China. The Industrial Metrology division has a presence in Brazil, Czech Republic, India, Singapore, South Korea and Spain through application centers. Work on the standardization of the product portfolio and on internationalization was continued in the traffic solutions area. As one example, Jenoptik has considerably expanded its own presence in the Asia/Pacific growth region since 2012. Further major orders were secured in the region following the acquisition of an Australian supplier of traffic safety technology, confirming the success of Jenoptik's internationalization strategy and consolidating its position as leading global supplier in the area of traffic monitoring.

Defense & Civil Systems

The Defense & Civil Systems division develops, manufactures and markets mechatronic and sensor products for civil and military applications. Its portfolio ranges from individual assemblies for customers to integrate in their systems to turnkey solutions and final products. The mechatronic products are used in drive, stabilization and energy systems for vehicle, rail and aircraft equipment. The product range also includes optoelectronic systems for the security industry as well as software development and measurement and control. Sensor products include infrared camera systems and

laser rangefinders. They are primarily used in automation technology, environmental metrology, security technology and military reconnaissance. An efficient customer service ensures that customers receive support for the service life of the products, which in most cases is a very long time.

The segment supplies equipment to major systems companies or is a direct supplier to procurement authorities in the public sector. The business is predominantly geared toward the long-term. Many of the components and subsystems are developed specially on behalf of customers. In the area of defense and security technology as well as aviation and rail equipment, Jenoptik is a business partner primarily for German or European customers, with end products being dispatched all over the world by the systems companies. The business is subject to strict security, certification and export requirements to which Jenoptik stringently adheres.

SALES MARKETS AND COMPETITIVE POSITIONING

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

The total market for optical technologies is expected to rise from approximately 400 billion euros in 2013 to around 615 billion euros by 2020 (average annual growth rate 6.5 percent, source: VDMA, ZVEI, Spectaris). G 02 The fields of application in this market are highly diversified and range, for example, from illumination engineering, to IT-linked applications, through to production engineering and medical technology. As enabling technologies, the extremely precise and flexible manufacturing and measuring techniques used in photonics exert a great economic leverage effect and will thus enjoy an increasing share in industrial value creation. The solutions support the forecast growth in responding to global megatrends such as the demands for greater energy efficiency, better environmental compatibility and rising precision in manufacture and products. G 09

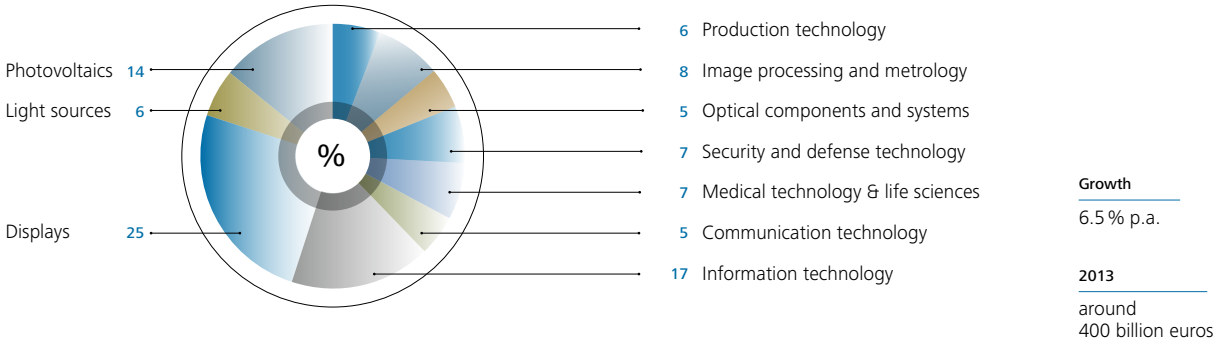
The areas of application for optical technologies display highly varied rates of growth. Jenoptik's business is focused on markets in which growth of 8 to 9 percent per year is expected with respective volumes of approximately 40 billion euros. The Group's products secure it leading market positions in attractive niches. T 07

Page 108 ff.

For information on future development and strategy, we refer to the Forecast Report.

G 09

GLOBAL PHOTONIC MARKET 2013 (in %)



Source: VDMA, ZVEI, Spectaris and own calculation

With its products, Jenoptik competes with a wide range of internationally operating companies which not uncommonly specialize in only one or a few of the abovementioned technologies. Differing service ranges and highly limited comparability thus make it difficult to provide definite market share estimates.

Targets and strategies

STRATEGIC ORIENTATION OF THE GROUP

Continuing profitable growth remains the focus of Jenoptik's strategic development. In this respect, the Group concentrates on sustainable areas of business and on internationalization, thus systematically pursuing its medium and long-term objectives. By 2017, the Group expects to achieve an average income from operations (EBIT) margin of approximately 9 to 10 percent and growth in revenue of around 10 percent over the market cycles. Revenue is due to rise to around 800 million euros. Jenoptik aims to generate above-average growth abroad to achieve these targets.

As an innovative high-technology company, identifying customer needs and trends early on and directing strategic actions to accommodate them is of critical importance to Jenoptik. The Group thus accords particular attention to this. Sustainable, profitable growth will further be supported by efficiency measures and increasingly by the expansion of the systems business and economies of scale.

Jenoptik focuses its strategy on operating as a **global, integrated optoelectronics group.** We see this as offering advantages over our competitors, many of whom only operate in one market and, in addition, are often smaller, or operate as a local or regional supplier. By targeting various markets, Jenoptik is less dependent upon the trends and cycles in individual markets and is able to compensate for fluctuations in the market better. That means greater stability, particularly in crisis situations.

Page 76 ff.

Further information on the development of the sectors and markets can be found in the Group Management Report.

Optoelectronics Group. Optoelectronics is a cross-section technology that targets a whole range of markets. Optoelectronic technologies serve various future megatrends such as increasing global digitalization, growing demand for healthcare, mobility, security and efficiency as well as the global expansion of infrastructure.

Integrated Group. The three segments of Jenoptik are already interlinked in diverse ways today. The Lasers & Optical Systems segment, in particular, provides technologies and expertise for the other two segments. The Jenoptik segments also use joint infrastructures and cross-section functions, for example for procurement or in the expansion of the international sales network. Group-wide functions are combined within the Shared Service Center, while the Corporate Center assumes the function of a "strategic architect" for the entire Group. The harmonization of process and structures continues apace, increasing efficiency and at the same time improving the basis for future growth. Group-wide uniform development and technology roadmaps are the basis for managing the market-oriented innovation process within the Group. The strong joint umbrella brand of Jenoptik ensures greater perception and promotes acceptance of the Group. Major customers can be addressed on equal terms.

T 07
LEADING POSITION IN NICHE MARKETS

Segment	Products	End market
Lasers & Optical Systems	Micro-optics	Semiconductor industry
	Optical systems	Semiconductor industry
	Airbag perforation	Automotive
	Ophthalmological thin-disk lasers	Medical technology
	High-power diode lasers	Medical technology
Metrology	Traffic safety technology	Public sector
	2D optical production metrology	Automotive
	Tactile metrology	Automotive
	Pneumatic metrology	Automotive
Defence & Civil Systems	Randome	Aviation
	Stabilization systems	Defense and railway technology

Global Group. The segments' joint locations enable Jenoptik to quickly achieve an adequate size worldwide in regions which are important to the company. The joint utilization of the infrastructure also simplifies entry into the market and helps to save costs. Cost benefits are realized and currency risks minimized through global sourcing and production.

In the course of the rolling strategy process, relevant issues relating to the international strategy and the medium to long-term development of business are discussed half-yearly. A detailed market and competitor analysis is created and then compared with internal competencies. The results are used to identify future areas of growth and discuss development approaches for the business areas, which then form the basis for strategic decision making.

The five value levers defined in 2007 will remain crucial to the further development of Jenoptik.

Page 68 ff.
Further information on this topic can be found in the section "Employees"

Profitable growth. The Jenoptik Group intends to continue its profitable growth, with internationalization, market development, market penetration and product innovation being the central themes. Market trends support the Group's ongoing development. Key stimuli for further organic growth will come from the Group's core areas of expertise.

The strategic portfolio management will be continued and optimized on the level of the individual market and competitor segments. Acquisitions will only be made if these complement the technology portfolio or existing activities on the market or customer side. In the short to medium term, we therefore primarily consider small and medium-sized acquisitions to round off the product range and increase both our sales strength and access to the market appropriate. Any acquisition must satisfy the criteria of increasing the value of the company and the ability of the acquisition to be integrated.

Page 66 ff.
Further information on the initiatives for operational excellence

Market and customer orientation. Jenoptik will continue to invest in the development of new and the expansion of existing sales and service structures, primarily abroad. Internal processes will be geared toward customer and market needs, with a focus on developing our customer relationship management. Where possible, customers are already involved at the early stages of development processes. This helps us to strengthen our customer relations and increase the value added

Internationalization. Jenoptik sees major potential in the growth regions of Asia and North America, among other things due to the trend of strengthening industrial production, and for this reason is concentrating the internationalization on these markets. JENOPTIK Asia-Pacific Pty and JENOPTIK North America Inc. were founded in 2012 and 2010 respectively to manage the business, structural and organizational development in these two regions as "strategic architects". The aim by 2016 is for these growth regions to account for a 40 percent share of revenue together (2013: 29.5 percent).

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

Employees & management. Attracting qualified and capable employees and winning their loyalty to the company remain the central themes of the strategic HR work. Structured HR planning is necessary to achieve this in an environment which is becoming increasingly difficult from the demographic aspect. Jenoptik utilizes HR marketing activities to continue positioning itself as an attractive employer. Corresponding personnel development measures and improved framework conditions help to strengthen the employees' loyalty to the company.

Another major topic is the active support for the project regarding corporate values provided by HR activities. The Executive Management Board defined a Jenoptik vision and six corporate values which form its basis. In 2014 this will be rolled out in a Group-wide project.

Operational excellence. All processes in the Group are subject to regular scrutiny in order to increase their efficiency, harmonize them and save costs. The initiatives for creating harmonized and excellent processes – in both the operating business and the commercial processes – are consistently continued. These mainly include group-wide Jenoptik Excellenc Program (JEP), the JOE project (Jenoptik One ERP) or Go-Lean.

STRATEGIC ORIENTATION OF THE OPERATING BUSINESS

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

Lasers & Optical Systems segment. Jenoptik aims to achieve a leading position among global suppliers of laser and material processing systems. In the area of lasers, Jenoptik's activities are concentrated on new applications for diode lasers, on the the high growth segments for solid state lasers such as low-power thin-disk lasers as well as ultra-short-pulse lasers and fiber laser, in which our own diode lasers are used. In the area of laser processing systems the concentration on machining of plastics and metals is supporting future growth. The focus over the medium term is on advancing the process of internationalization, particularly in Asia and America.

In the optical systems business, Jenoptik has established a position for itself as a global leader and independent provider of optical OEM systems. The continuing process of internationalization, the expansion of the systems business and the focus on key customers as well as the exploitation of economies of scale and synergies on the customer and technology sides form the basis for the continued profitable growth.

Metrology segment. In the area of industrial metrology, Jenoptik sees itself as a leading supplier of production metrology. In the automotive market, Jenoptik focuses on trends to reduce fuel consumption and CO_2 emissions, as well as on hybridization, and supports these endeavors with the development of measuring systems. In this context, the aim is to expand its position as a global market leader in the area of production metrology for engine and gear parts. Growth is expected to come primarily from Asia and North America. In addition, the Group is expanding into new growth markets, e.g. in the area of medical technology.

As one of the globally leading providers of speed and red light monitoring systems offered as complete solutions we enable our customers to achieve their targets in improving traffic safety. Due to the global trend toward increasing mobility, particularly in the emerging countries, Jenoptik is tapping into new regions. In the area of traffic safety, the trend is continuing toward major projects combining equipment business and services, known as Traffic Service Provision. That's why Jenoptik is focusing on strengthening its service business. The expansion of our presence in the international markets, selected cooperation arrangements and a focus on innovative and competitive products are aimed at securing future growth and boosting our position as a globally leading supplier.

Page 74 f.
Selected products used by Jenoptik to address megatrends

Defense & Civil Systems segment. The segment positions itself as a partner for systems companies and customers who have a need for individual solutions that meet the stringent requirements of the defense, aviation and railway market. Falling defense budgets of the industrialized nations, primarily within the European Union, pose the long-term challenge. This is the reason why the segment is seeking to expand its international sales and service structures, especially in North America. The key focus is on the rapidly expanding energy and sensor systems business areas. In addition, the segment aims to increase the share of systems which are used in civil areas, for example in railway technology.

Further information on the segments can be found in the Segment Reporting from page 91 on and in the section "Business model of the Group" from page 54 on.

Control system

CONTROL SYSTEM AND PERFORMANCE INDICATORS

Jenoptik controls its business units on both the strategic and operational levels. As part of the rolling strategy process the Executive Board and Executive Management Board control the development of business unit strategies, supported by a central project management office, and monitor their implementation using the Jenoptik project map. Opportunities and risks are identified on the basis of the global megatrends, portfolio decisions are made, growth paths defined and the areas of focus for research and development determined.

Page 111

Further information on the planning process can be found in the Forecast Report.

Budget planning for a period of five years is drawn up annually on the basis of the corporate strategy, summarizing the economic development that we strive to achieve. In the course of a fiscal year, the planning is updated in several forecast cycles.

Monthly earnings meetings are a forum for operational control where the business units report to the Executive Board on the economic situation, the development of customer relationships, the competitive situation and any special business events. They use a standardized report as their basis, which provides trends, analyses of deviations and measures on the basis of key performance indicators.

The Jenoptik system of key performance indicators essentially covers financial control parameters. which primarily focus on shareholder value and the requirements of the capital market. Major indicators for the purpose of achieving the growth targets of the Group are revenue and order intake. Income from operations (EBIT) and earnings after tax (EAT) are our most important key performance indicators for profitability, EBIT margin and return on capital employed (ROCE) for returns. Free cash flow and net debt are monitored to secure liquidity. In addition, personnel-related indicators are monitored as key non-financial performance indicators. G 10

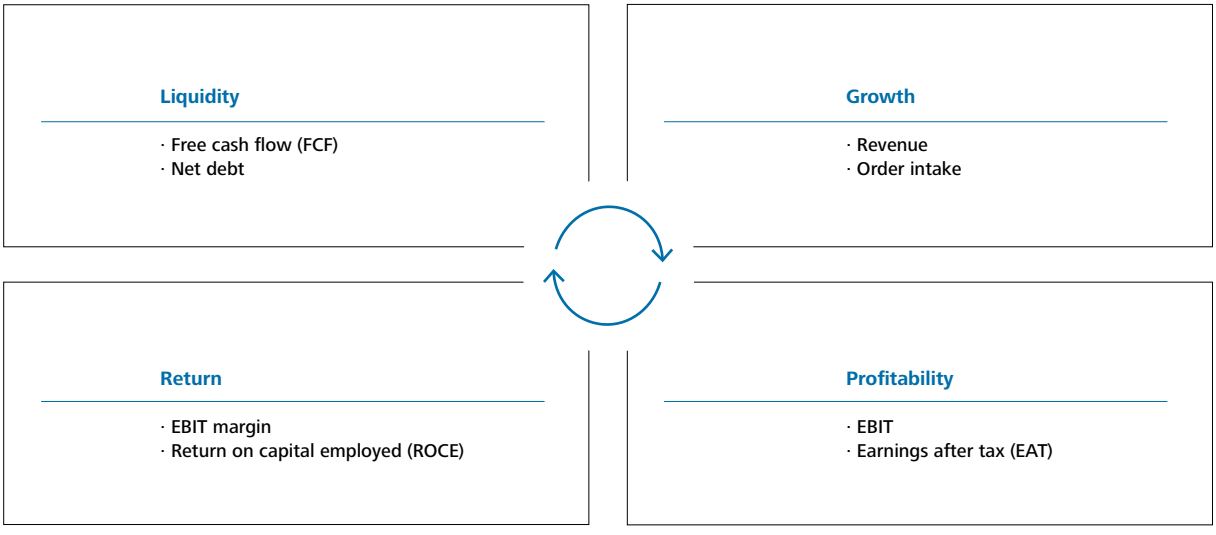
Since 2012, Jenoptik has been working on expanding and creating greater harmony within the control system. As part of the JOE project (Jenoptik One ERP), see page 67, a multi-stage direct costing method was adopted, which went "live" on January 1, 2014. The Go-Lean program which was started up in 2012 will also increase the proportion and quality of the process-related control indicators. The further development of the control system will in future also remain one of the key themes of our efforts of continuous improvement.

Page 67

Further information on the Go-Lean program.

G 10

CORPORATE TARGETS AND KEY PERFORMANCE INDICATORS



Research and development

STRATEGIC ORIENTATION OF RESEARCH AND DEVELOPMENT ACTIVITIES

As a technology group, research and development (R+D) is of paramount importance to Jenoptik. The Group thus accords particular attention to this corporate activity. Innovations and all activities involving R+D are crucial to Jenoptik's future performance.

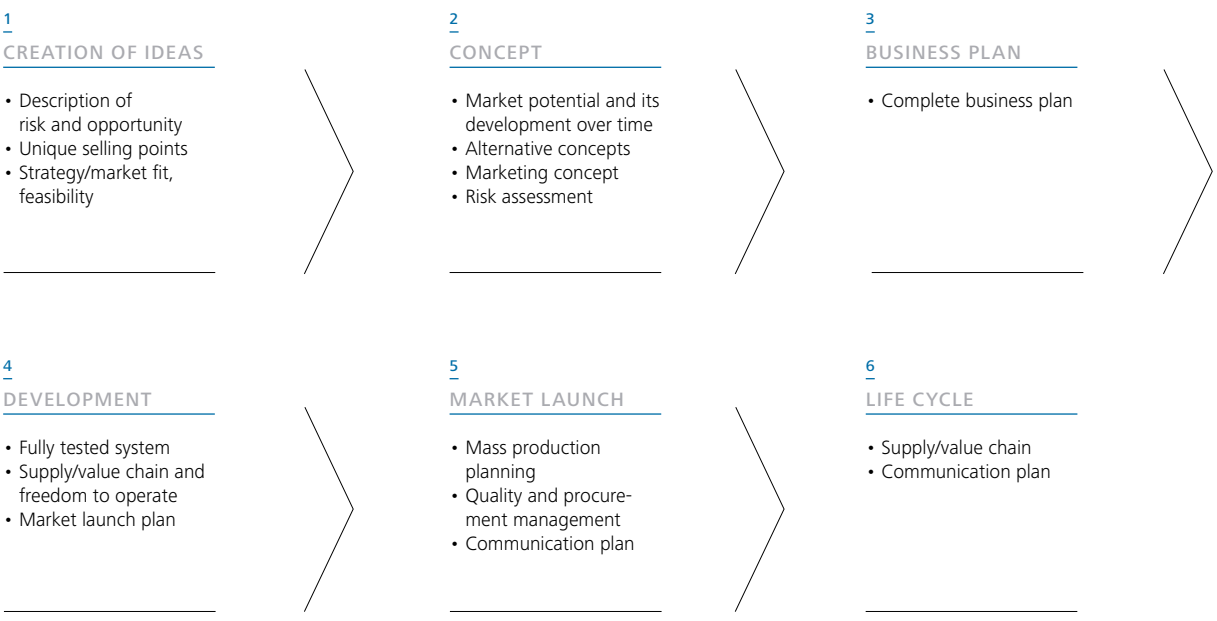
The key strategic aim of our R+D work is to acquire, secure and expand our position as a leader in innovation in each area. We also strive to develop products with unique selling points and protect them by means of industrial property rights. For positioning in the B2B business, this means making our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

CREATION OF INNOVATION.

Growth options are identified and corresponding innovation projects are defined, frequently in direct collaboration with key customers, on the basis of a strategic analysis of the global megatrends and the requirements of our customers, taking our core competencies into account.

The Jenoptik Group's innovation process "Idea to money" is multi-stage and follows the guidelines set by the central innovation management. Development projects are evaluated on the basis of R+D roadmaps with the help of corresponding milestones. These involve product, process and service innovations as well as innovations in business models. G 11

G 11
IDEA TO MONEY – THE MULTI-STAGE INNOVATION PROCESS AT JENOPTIK



EMPLOYEES IN RESEARCH AND DEVELOPMENT

The experience and expertise of employees are a key factor in the success of our research and development work. The qualification standards we expect of them are correspondingly demanding. T 08

In addition to a linear career path, the Group has provided a special technical career path for the employees in research and development since 2012.

Page 71

More information on the technical career path can be found in the section employees.

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

KEY COOPERATION ARRANGEMENTS AND MEMBERSHIPS IN ASSOCIATIONS.

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

Page 180

The members of the Scientific Advisory Council can be found in section Information.

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

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

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

Jenoptik is also a strong advocate for an environment that encourages innovation, promotes the image of photonic technologies and plays an active role in numerous sector and technology-oriented associations. T 09

T 08

EMPLOYEES IN R+D

	2013	2012
Number of employees in R+D	427	445
Proportion of total employees in %	12.2	13.3

T 09

JENOPTIK MEMBERSHIP OF COMMITTEES AND ASSOCIATIONS (SELECTION)

- Association of Laser Users
- Bundesverband der Deutschen Luft- und Raumfahrtindustrie e. V. (BDLI)
- Deutsche Gesellschaft für angewandte Optik e. V.
- Deutscher Industrieverband für optische, medizinische und mechatronische Technologien e. V. (SPECTARIS)
- Deutsches Institut für Normung e. V.
- European Optical Society
- European technology platform 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 (SEMI)
- Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA)
- Verein Deutscher Ingenieure (VDI)
- Wirtschaftsrat der CDU e. V.
- Zentralverband Elektrotechnik- und Elektronikindustrie (ZVEI)

DEVELOPMENT OUTPUT

The R+D output of the Jenoptik Group, including developments on behalf of customers, totaled 51.1 million euros in 2013 (prior year 49.1 million euros). With a rise of 4.1 percent, it thus increased at a slightly higher rate than revenue. Development costs allocated in connection with customer orders are apportioned to the cost of sales. T 10

The proportion of third party services by development service providers as a proportion of the development costs increased by 6.0 percent to 6.3 million euros, enabling us to create flexibility in capacities G 12

R+D output in the **Lasers & Optical Systems segment** includes development costs on behalf of customers worth 4.0 million euros (prior year 4.7 million euros). R+D expenses in 2013 totaled 15.7 million euros (prior year 14.7 million euros). Key development projects are often pursued on a joint basis with customers.

T 10

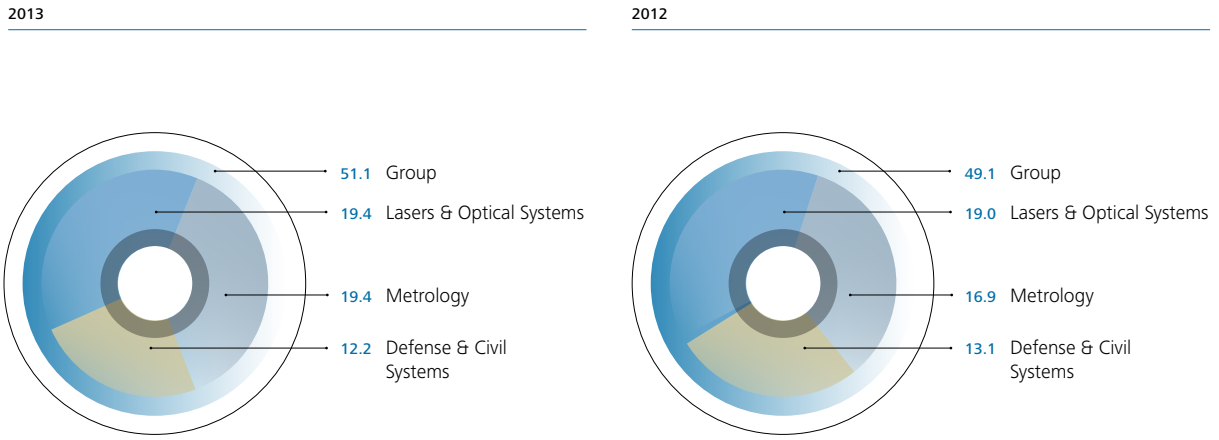
R+D OUTPUT (In million euros)

	2013	2012	2011	2010*	2009**
R+D output	**51.1**	**49.1**	**45.4**	**42.0**	**51.5**
R+D expenses	39.8	36.0	32.0	28.1	32.6
Capitalized development costs	0.2	1.2	0.5	0.6	1.1
Depreciation and impairment losses on capitalized development costs	0.2	0.4	0.3	0.1	0.4
Developments on behalf of customers	12.2	13.3	14.2	14.4	27.2
R+D ratio 1 (R+D output/revenue) in %	**8.5**	**8.4**	**8.4**	**8.8**	**10.9**
R+D ratio 2 (R+D expenses/revenue) in %	**6.6**	**6.2**	**5.9**	**5.9**	**6.9**

* continuing operations only
** 2009: not comparable due to change in definition

G 12

R+D OUTPUT BY SEGMENT (in million euros)



Change in %

Group 4.1 / Lasers & Optical Systems 2.0 / Metrology 15.0 / Defense & Civil Systems -6.9

The R+D output of the **Metrology segment** includes developments on behalf of customers totaling 2.6 million euros (prior year 2.8 million euros). The segment's R+D expenses came to 16.8 million euros (prior year 14.2 million euros).

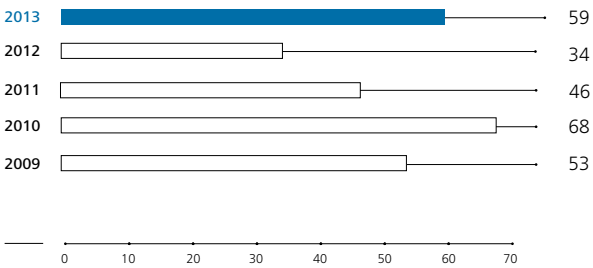
In 2013, developments directly on behalf of customers in the **Defense & Civil Systems segment** totaled 5.6 million euros (prior year 5.8 million euros). As a result of its business model, the segment accounts for the largest share of the development payments directly apportionable to customers. The segment is a long-term partner for large systems companies and develops platform technologies in conjunction with the customers. The segment's R+D expenses totaled 7.3 million euros (prior year 7.1 million euros).

PATENTS

Our R+D capital expenditure is consistently protected via the central innovation management in close cooperation with the intellectual property managers in the operating areas. We accord particular importance to patent registrations in dynamic growth markets such as China, Korea and the US. The registration strategy was modified in 2011, which in 2011 and 2012 resulted in a sharp drop in new patent registrations. 59 patents were registered in 2013, a considerable increase in development outcomes compared to prior years. G 13

One example is the ongoing expansion of the patent portfolio in the area of module integration, which was consistently continued in 2013. Various complexes of intellectual property rights were registered, particularly in the areas of lens assembly and high-performance optics. Jenoptik expects these patents to produce a sustainable improvement in the competitive situation within the Lasers & Optical Systems segment. The number of patents includes registered designs and patterns or brand registrations. For reasons of competition Jenoptik does not publish information on the receipt and issuance of patents.

G 13
NUMBER OF PATENT REGISTRATIONS



KEY PROJECTS AND RESULTS

It is our aim to offer our customers excellent solutions. For this purpose we combine our comprehensive know how with our deep experience with innovations in the area of optoelectronics for the benefit of our customers. A wide range of new products were launched in 2013.

Lasers & Optical Systems segment. The products in the Lasers & Material Processing division are targeted at the growth markets in the laser industry. As one example, the rising requirements of our customers in the area of industrial and medical application in terms of productivity are met with the upgraded variant of the femtosecond laser with 500 kHz, 5 W. The product portfolio was expanded by the fiber laser for use in macro material processing.

The healthcare megatrend was addressed with the addition of OEM modules for ophthalmology to the JenLas® D2 product range. The new versions of the JenLas® *D2.mini* are also used in the show industry.

At the "Schweißen und Schneiden" trade fair in the fall of 2013, Jenoptik also unveiled its robot-based 3D cutting system for rapid and cost-effective metal and plastic processing.

The Optics business unit boosted its research and development capacities in Florida to better serve the systems business with strategic key account customers. The new structure successfully facilitates the acquisition of new customers in areas of business such as the semiconductor industry, life sciences research and entertainment. Capital expenditure was also made in technology development for system integration and nanolithography for the production of micro-optics.

Significant strides were also made in the further development of the technology platform for high-performance UV lenses for semiconductor production. New technologies were developed as part of the project, increasing the performance of the optical systems and thus expanding the market position with high-end lenses for inspection of semiconductor structures.

Metrology segment. New products in the Metrology segment include the HOMMEL-ETAMIC mobile roughness tester for monitoring surface quality. The transverse scanning capability of the device allows for measurements in narrow areas which are difficult or impossible to access using conventional methods.

The HOMMEL-ETAMIC F135/155 tactile form measurement family was also launched, enabling the precise and reliable evaluation of roundness and cylindricity.

The HOMMEL-ETAMIC TPE200 is the smallest pneumo-electronic transducer on the market and combines high precision with simultaneously large measuring ranges.

The new HOMMEL-MOVOMATIC DM405 digital in-process gage head completes the existing product family. It can be used to combine inexpensive and reliable in-process measurements of plain and interrupted surfaces during the machining process on grinding machines. The HOMMEL-MOVOMATIC DM300 and DM305 in-process gage heads, specially developed for the requirements of the Asian growth markets, offer precise repeatability and require little maintenance.

In 2013, the Traffic Solutions division was awarded a license for its stationary laser scanner system TraffiStar S350 by the Physikalisch-Technische Bundesanstalt in Brunswick (PTB).

The development of a compact, stationary system for speed and red light monitoring was also consistently pursued; the first competitive tenders have already been won.

Key development projects also include a new radar-based hub system for speed and red light monitoring.

Defense & Civil Systems segment. The VarioCAM® HD can be used to visualize heat distribution in detail and carry out non-contact and precise temperature measurements. Jenoptik develops and produces thermographic cameras with the highest resolution in their class with this product range.

With the NYXUS BIRD, Jenoptik has developed a high-resolution thermal imaging device with binoculars, laser rangefinder, magnetic compass and GPS – all in a single, lightweight, handy and robust device.

The segment has also developed a product family of extremely quiet electrical servo drives with up to 60 kW mechanical power output. These systems are extremely reliable, efficient and light, and cover a broad speed range for a multitude of applications. The drives are typically used for pumps, fans, compressors, winches and both maneuvering and control systems.

With the hybrid units for mobile power supply, cutting-edge diesel engine technology to achieve current exhaust emission requirements is combined with innovative energy storage technology. By using intelligent control electronics, it is thus possible to buffer peak loads and consistently and efficiently optimize the load profiles of the electric generators.

With the TRAXX F140 AC, our customer Bombardier Transportation offers an electric locomotive for freight traffic with a special feature known as “Last Mile Diesel”. Thanks to the 240 kVA traction genset developed by Jenoptik, it can also travel on route sections without overhead lines, e.g. on the “last mile” in marshaling yards. It uses a diesel engine with cutting-edge exhaust technology and features a compact design specially tailored to the limited package space of locomotives.

OUTLOOK/RESEARCH AND DEVELOPMENT PIPELINE

As part of structured ideas management processes the Group consistently generates new ideas to further strengthen our market position and provide our customers with innovative solutions. In order to stimulate employees to create new ideas in the future, the best ones are nominated for the Jenoptik Innovation Award every year. The award is presented in the fall of the respective year during the Jenoptik Innovation Days.

The Optical Systems division won the 2013 Innovation Award for an optoelectronic read-out unit consisting of miniaturized fluorescence microscopes, its special feature being several high-performance lenses consisting of plastic lenses. Integrated digital imaging supplies extremely high resolution image data for complex analyses in the life sciences sector.

This product development is an excellent example of how Jenoptik uses optical technologies to develop highly innovative solutions on the principle of "Sharing Excellence" in close cooperation with its customers. New development projects planned for 2014 aim to provide support to the segments in their strategic development of foreign markets and new customers from 2015, e.g. in the area of security and mobility.

Non-financial performance indicators

OTHER INTANGIBLE ASSETS

Customer relationships. 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 customer. This requires confidence on both sides as well as knowledge of the customers' 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 primarily reflected in a very high order backlog, which at the end of 2013 came to 411.4 million euros, of which approximately 42 percent will first be turned into revenue in 2015.

Supplier relationships/procurement. Since 2009, purchasing has managed to leverage significant opportunities and contribute to an increase in operational excellence on the Group level.

The strategic and operational purchasing structures established in Asia and the US in 2011 were further expanded in 2013. Regional buyers were integrated within the global Shared Service Center, incorporating and implementing the strategic requirements for their respective regions. This ensures good access to the relevant markets and thus the creation of synergies.

Key initiatives for achieving our objectives are the Global Sourcing Project, the Purchasing Academy and Material Group Purchasing, which is being further centralized. Alongside on-schedule standard and project procurement, in 2013 the Group focused on central bundling of material requirements and arranging further international sources of supply, particularly in Asia and the US. This helped to secure high-quality and competitive suppliers in these regions, while at the same time reducing the work required for supplier qualification. Supplier assessment was also optimized. In addition to supplier audits, an optimized supplier development procedure in the ramp-up phase was developed and introduced, enabling project-related intervention in procurement at short notice. Strategic purchasing together with the segments' quality management is responsible for managing this process.

The increasing number of customer projects involving complex modules and systems requires tailored project organization in Purchasing. From the outset, this ensures a customer-centric approach which takes account of the procurement strategy.

High-tech products require not least a high standard of quality and reliability on the part of the suppliers and their production factors. Newly defined and implemented general conditions of purchase for the Jenoptik Group standardize the legal terms applicable to all German Jenoptik companies. The Jenoptik Code of Conduct is an integral element of the general conditions of purchase and stipulates compliance with fundamental principles regarding human rights, working standards and anti-corruption policies for suppliers.

Process capital (organizational and procedural advantages). Jenoptik has been investing in the improvement of structures and processes for a number of years. This includes the continual international expansion of the shared service structures on the one side and on the other the continuation of the Jenoptik Excellence Program (JEP) in 2013 as planned. The program is aimed at generating cost savings primarily in production, development and logistical processes as well as in supply chain management.

The most extensive Group-wide program designed to achieve organizational and procedural advantages is the JOE project (Jenoptik One ERP). It has three objectives: to support international growth through harmonized processes and data as well as standardized IT systems, to increase efficiency in the operating functions through the development of a standardized and scalable ERP system and to improve the Group management through the further development of methods in the controlling and accounting areas. The program encompasses all the key management, core and support processes in the Group's organizational units worldwide. The initiative was started in 2011 with the development of a harmonized process model. The JOE project continued as planned in 2013 and was prepared for roll-out in the operating areas. It was introduced in the Industrial Metrology division in Germany in January 2014, and further units will implement it in the course of the year. The process is due to be completed for the entire Group in 2017. All relevant software-assisted business processes will then be subject to identical models and thus simplify the centralized management of the company.

The Go-Lean program also continued, oriented toward integrated process improvements and increasing the operating performance. Based on targets set by senior management, the aim is to develop a lean production system which is to be introduced within the segments and divisions. The establishment of a Lean Campus provides training for employees and management so the program can essentially be implemented on an independent basis.

The foundations for centralized, business-related IT systems were also laid in 2013. For example, a central HR management system was introduced in Germany. This IT system includes a working time record module, and replaces formerly existing systems.

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

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For information on changes to the organizational and production processes in the operating areas, see the Segment Reporting.

Human capital. We also see our employees' expertise and years of experience as well as their high level of commitment and loyalty to the company as an intangible asset. This appreciation is reflected in a lower fluctuation rate which decreased in 2013 to 2.9 percent (prior year 3.2 percent).

Reputation. The Jenoptik Group benefits from the reputation of our headquarters in Jena, which is highly renowned as an "Optical Valley" not only by scientists but also customers. Jenoptik is conscious of this reputation and is involved in various activities aimed at sustainably improving the location. This includes encouraging and training young people, enhancing the attraction of the location by promoting a good work-life balance and discerning cultural activities as well as projects for children and young people from disadvantaged social backgrounds.

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More information on this subject can be found in the section Sustainability.

Environmental issues. Information on this can be found in the section on Sustainability from page 72 on.

In the 2013 fiscal year, other intangible assets were not subject to any overall evaluation.

EMPLOYEES

The number of **Jenoptik employees** (incl. trainees) increased as at the year-end 2013 to 3,433 (31/12/2012: 3,272) and therefore by 4.9 percent. As in the prior year, the largest increases were in the Lasers & Optical Systems segment with 42 employees and the Metrology segment with 93 employees. The number of Jenoptik employees abroad rose by 42 to 475 (31/12/2012: 433). Thus the proportion of employees abroad increased to 13.8 percent (31/12/2012: 13.2 percent). T 11 T 12

Peak order situations were cushioned by temporary personnel. The total number of temporary personnel employed as at the reporting date was 140 (31/12/2012: 139).

At 211.0 million euros, the **personnel expenses** (wages, salaries, social security deductions, pension costs) in 2013 increased by 4.9 percent and are therefore in line with employment trends (prior year 201.2 million euros). More detailed information on the breakdown of personnel expenses can be found in the Notes from page 168.

Revenue per employee fell by 2.2 percent to EUR 183.0 thousand. This is due to the disproportionate increase in the average number of employees (see Notes page 168), due to the creation of the structures necessary for expansion of the internationalization (see increase in functional costs from page 136 on. G 14

The employee demographic structure is essentially balanced. In 2013, 33 employees in Germany took advantage of the age-related working time models, 21.4 percent fewer compared with the prior year (prior year 42).

As at the reporting date December 31, 2013, the proportion of women in the Group (in Germany and abroad) was 27.1 percent, a slight increase on the prior year (31/12/2012: 26.8 percent).

The absenteeism rate among Jenoptik employees in Germany increased slightly from 4.5 percent in 2012 to 4.9 percent in 2013. In contrast, the fluctuation rate dropped from 3.2 percent to 2.9 percent.

Employee remuneration

Company collective wage agreement. A company collective wage agreement forms the basis of remuneration for the employees in the Lasers & Material Processing, Optical Systems, Defense & Civil Systems divisions as well as at JENOPTIK AG and JENOPTIK SSC GmbH at the Jena site. The applicable collective wage agreement for regulating wages and salaries instituted a two-stage increase in remuneration: 3.0 percent from November 1, 2012 and a further 1.75 percent from August 1, 2013. The collective wage agreement was terminated with effect from January 31, 2014 and will be renegotiated in the 1st quarter of 2014.

With respect to the Optical Systems and Lasers & Material Processing divisions at the Triptis and Berlin sites, negotiations are currently underway regarding inclusion in the JENOPTIK AG company collective wage agreement.

General collective wage agreement. For Group employees of the Defense & Civil Systems and Industrial Metrology divisions, for whom the general collective wage agreement of the metal and electrical industry applies, an increase in remuneration of 3.4 percent from July 1, 2013 was agreed nationwide with the IG Metall trade union. The remuneration will increase by a further 2.2 percent from May 1, 2014. On August 29, 2013, a long-term collective wage

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EMPLOYEES AS AT DECEMBER 31 BY SEGMENT

(incl. trainees and academy students)

	2013	2012	Change in %
Group	3,433	3,272	4.9
Lasers & Optical Systems	1,391	1,349	3.1
Metrology	907	814	11.4
Defense & Civil Systems	907	913	-0.7
Other	228	196	16.3

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EMPLOYEES AS AT DECEMBER 31 BY REGION

(incl. trainees and academy students)

	2013	2012	Change in %
Domestic	2,958	2,839	4.2
Abroad	475	433	9.7
Europe (without Germany)	95	101	-5.9
Americas	249	243	2.5
Asia/Pacific	131	89	47.2

agreement was concluded with IG Metall for the employees of ESW GmbH at the Essen and Wedel sites. Key points of this agreement are safeguarding the future of the Essen site as well as sustainable measures that promote innovation and help improve competitiveness and efficiency. The new collective wage agreement has created a sustainably improved costs structure for the Essen and Wedel sites. It is valid from July 1, 2013 to December 31, 2019.

Occupational pension provision. Jenoptik provides its employees with the framework conditions for an employee-funded pension provision model. This is based on a three-pillar concept of the relief fund, the pension fund of the metals industry as well as private pension contracts with Allianz Lebensversicherungs AG. As a general rule, Jenoptik does not issue any pension commitments. The existing pension liabilities of ESW GmbH have been taken on by Jenoptik and combined and secured in a Contractual Trust Arrangement (CTA). More detailed information on this can be found in the Notes from page 151.

Management remuneration

The remuneration of the Jenoptik management is based on a fixed remuneration and a variable salary component. The variable component is based, on the one hand, on the earnings and free cash flow of the respective business unit and, depending on the management level, of the Group as a whole, and on the other hand, on the achieving of individual strategic and personal targets. A long-term incentive component (LTI) based on virtual shares is agreed as part of the variable compensation for the members of the Executive Management Board and their deputies. This sets long-term behavioral incentives and promotes sustainable strategic corporate development. The system for the allocation and payment of virtual shares is essentially in line with that for the Executive Board and is explained in more detail from page 155 on of this Annual Report. Since the corresponding contracts of service, unlike the contracts of service for the Executive Board, are generally not for a limited period, there are special rules relating to the payment of the virtual shares in the event of termination of employment.

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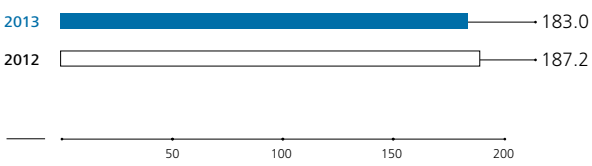
REVENUE PER EMPLOYEE (in thousand euros)



Change in %

2013 –2.2

Human resources processes and key projects

All strategic and procedural principles of HR work are the responsibility of the strategic human resources department in the Corporate Center. These include organizational development, HR marketing, executive recruitment and support, HR development, labor law and HR controlling. The HR departments in the Shared Service Center and in the Industrial Metrology and Defense & Civil Systems divisions are responsible for and control the operational HR work such as personnel support and administration, thereby implementing and shaping the procedural requirements of the central HR department in their daily work.

The focal points of strategic HR work in 2013 were the harmonization and optimization of the HR processes, the introduction of a Germany-wide uniform personnel management system (HCM) as well as organizational and HR development. In order to increase procedural optimization and harmonization of human resources work within the Group, a process team was implemented within the strategic HR department in the third quarter of 2013. The main purpose of this team is to standardize, implement and control all HR processes within the Group as well as organizational development.

An HR manual was created for the presentation and description of all internal processes and areas of responsibility within the field of HR. This should ensure uniformly high process quality as well as a harmonized approach and consequently uniform Group standards.

In 2013, the focus was on improving the database for analyses and corporate management through consolidation of the personnel management systems into the new HCM system. In the year covered by the report, a secondment guideline was defined for the Group which will be implemented in the 1st quarter of 2014. The guideline contains binding requirements for all secondments within the Jenoptik companies.

Attracting qualified employees

Recruitment. In 2013, the particular target groups for recruitment were professionals with a background in engineering sciences (35 percent), economic sciences (25 percent) and natural sciences (10 percent).

HR marketing. The internationalization of the Group and the increasing manpower requirements associated with it, primarily in the growth markets of Asia and the USA, mean that the positioning of Jenoptik as an international employer is of central importance. The challenge in HR marketing consists in the development of a uniform global employer brand which can be adapted to the cultural differences and requirements of the respective target groups.

In the annual top ranking survey conducted by the Trendence Institute of the most popular employers for students approaching graduation as well as graduates (Engineering Edition) Jenoptik once again ranks within the top 100. In the employer ranking published in the FOCUS magazine, the Group was 87th out of 820 companies across Germany. In the machine construction industry, Jenoptik ranked as one the top 15 employers and was among the very best in the region.

Promoting new talent

Students. Direct personal contact with students creates early loyalty to Jenoptik and awakens interest in the job profiles. In total, Jenoptik supported five projects on preparation for choosing a career at five schools in 2013.

As a sponsor of 'Jugend forscht' (Young Researchers Competition), Jenoptik supports the promotion of early interest in natural sciences, technology and mathematics. The company has been supporting the Thuringia regional final since 1991. In 2013, the regional competition 'Schüler experimentieren' (School Students Experiment) was newly integrated and it gives students from year 4 onwards the opportunity to take part in the regional competition. Jenoptik also sponsors this competition. In 2013, a total of 102 students took part in the competitions.

Trainees and students of the career academies. In addition to the standard training content, the trainees and career academy students also receive external supplementary training courses and language teaching. In Thuringia, the new talent will receive their training in optical, precision mechanics, electronic and commercial professions at Jenaer Bildungszentrum gGmbH – Schott, Carl Zeiss, Jenoptik.

As of December 31, 2013, the Group had 137 trainees and career academy students (31/12/2012: 130). Of these, 133 are receiving training in Germany and four at locations abroad. In August 2013, 40 new trainees and career academy students were taken on at the German Jenoptik sites at the beginning of the training year. At the same time, 30 trainees and academy students were able to successfully complete their training this year, taking up positions within the Group.

New academic talent. In addition to the training of skilled workers, targeted support for students and graduates with outstanding potential is another building block in the Group's strategy for skilled workers.

In order to present itself to students as a potential employer, Jenoptik cooperates with selected universities around the world. The objective is to secure the loyalty of outstanding students at any early stage. The cooperation activities include recruitment events at universities and company visits.

Jenoptik provides support for exceptional and socially committed students undertaking relevant study courses under the German National Scholarship Program. In 2013, a total of four students in the fields of laser and optotechnologies and technical physics received financial support.

Jenoptik has offered a trainee program for graduates since 2011. The goal of the program is broad-based training and the loyalty of qualified new talent. In 2013, six trainees were employed. The trainees pass through different interface areas and have the opportunity to work at a Jenoptik site abroad.

Human resources development

In 2013, Jenoptik invested around 1.9 million euros (prior year 1.5 million euros) in the education and further training of its employees. 1,747 employees benefited from this (prior year 1,744). G 15

The need for human resources development within the company is ascertained once a year as part of an analysis of training needs. Based on this analysis, further training measures are put together in a portfolio. The focus of the further training measures in 2013 was on the areas of personal and methodological skills, project management, and English language training.

Executive management program. Following the successful implementation of a pilot project for the executive management program at division manager and deputy division manager level, the 2014 program will be implemented for the next management level. The key topics are management and leadership as well as change management. This ensures networking amongst management, in terms of content and cultural aspects, as well as accelerating the use of standardized management instruments within the company.

The **Jenoptik Junior Leadership Program (J²LP)** is an important building block in human resources development, its purpose being to provide targeted development and promotion of potential leaders from within the company's own ranks. The aims of the program are to provide uniform preparation for new management executives on their continuing career path, to develop a uniform management culture within the company and to encourage cross-divisional networking between the participants. 2013 saw the successful completion of the seventh generation of the program. Currently, 23 participants are undertaking the eighth and ninth generations of the J²LP. The program will also be continued in 2014.

Technical and project careers. The pilot project for the technical and project career track, introduced in 2012, is another target group-oriented development option for employees of the Jenoptik Group. The objective of the one-year measure is the development of both the personal and technical skills of the participants. In 2013, the pilot was successfully concluded in the Optical Systems and Defense & Civil Systems divisions with 14 participants. Group-wide rollout of the program is scheduled for 2014.

The Go-Lean Campus was implemented as part of the **Go-Lean program** begun Group-wide in 2012. This supports the implementation in the divisions through targeted training.

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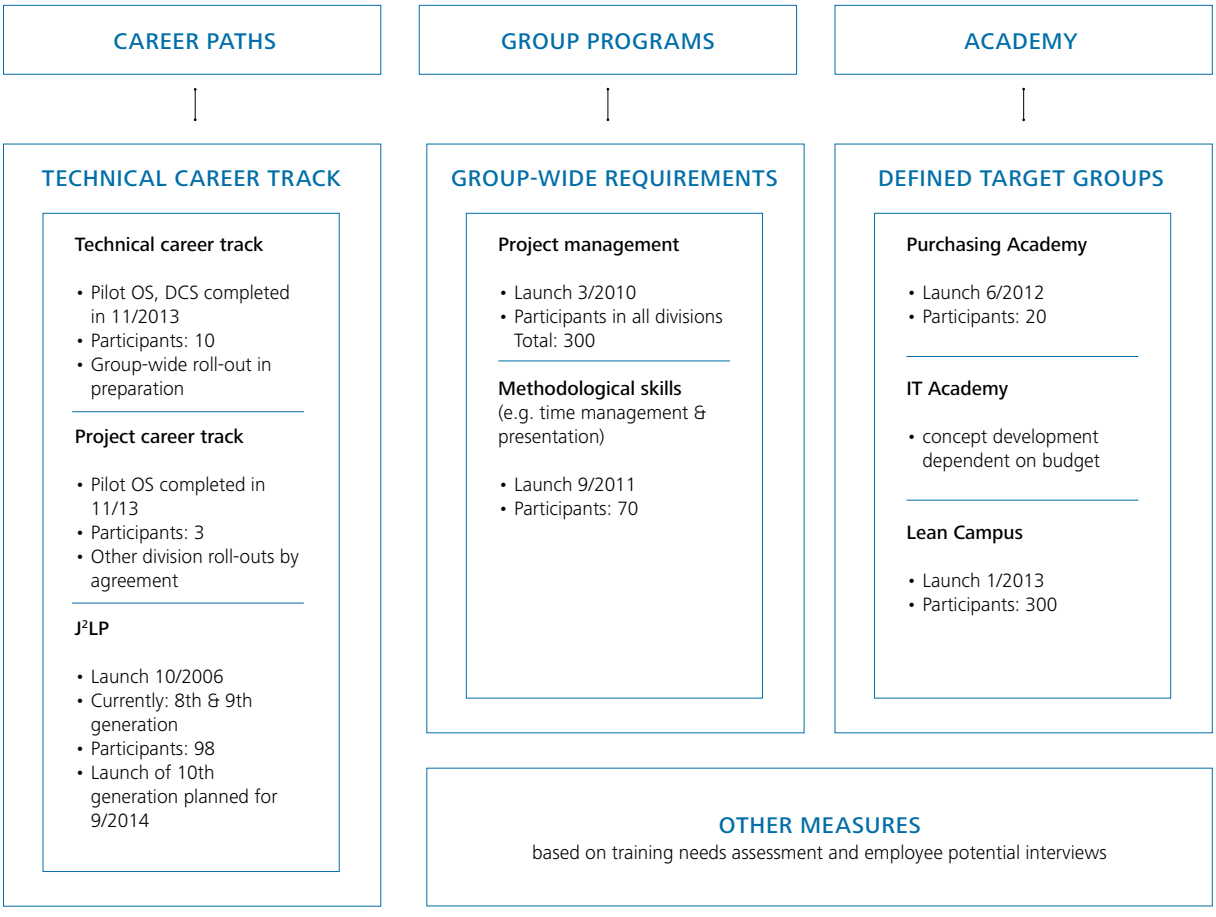
HUMAN RESOURCES DEVELOPMENT



The emphasis will be on teaching comprehensive lean method expertise, the improvement instruments and the personal development of the 290 employees and managers participating. In 2013, 15 internal trainers underwent training, and their task from 2014 will be to carry out the future Go-Lean basic and in-depth training for the target groups in the different business units.

Satisfaction at work, family policy and social welfare

Corporate culture and values. In 2013, the Executive Management Board developed the corporate goal in terms of a vision and the values as the basis for the Jenoptik corporate culture. The future corporate mission statement for Jenoptik comprises the vision, the aspiration statement and six corporate values. These three elements have a close interdependence and build upon one another. They do not just give Jenoptik a strategic but also a cultural alignment and objective. The binding link through all three elements is the guiding Vision Aspiration Values principle "Sharing Excellence". The vision is: "We are a vital driver of a brighter future. As a leading photonics company, we take ownership of your success." The aspiration statement: "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." builds on this. The six values of performance, responsibility, change, integrity, trust and openness were also defined. A Group-wide project was launched in November 2013 with the aim of bringing to life the vision and values around the world within the Group. In 2014, event and training platforms are planned with executive management, who will in turn spread these value through the company.

Employee survey. In 2013, as part of implementation projects, work was undertaken at Group and division level on the specified themes of the employee survey undertaken in 2012. A total of 50 implementation projects were initiated Group-wide, from some of which further continuation projects have already arisen. In order to sustainably implement the results of the employee survey, short-term subjects were addressed as well as long-term priorities emphasized. The second Group-wide employee survey is scheduled for the end of 2014.

Daycare centers. For several years, Jenoptik has been involved in daycare centers at the Jena and Wedel sites. Since 2013, the Traffic Solutions division has also been involved in a project for a family-friendly working environment at its headquarters in Monheim. The division is one of the six Monheim companies involved in the establishment of the family association Familiengenossenschaft Monheim eG in August 2013. Its objective is to create a new and modern daycare center accommodating up to 50 children by the summer of 2014.

Quality management and sustainability

Jenoptik sees entrepreneurial activity not purely as the pursuit and realization of commercial objectives but also an obligation to the environment and society. Corporate Social Responsibility (CSR) encompasses the sustainable and responsible orientation of our business activity, taking into account the economic, ecological and social framework conditions as well as the consequences of our economic activities. Jenoptik meets this responsibility in a variety of different ways. In order to communicate the Group's various actions and successes in terms of a sustainable orientation of the business activities and be in a position to identify further potential for improvement in a targeted way, a separate report on the sustainability performance of the Jenoptik Group was published for the first time in 2012. This report provides an overview of initiatives along the value added chain, of the Jenoptik product range which makes a contribution towards sustainable economic activity, of environmental and quality management and our commitment to employees and society. The report is due to be updated in the current 2014 fiscal year. The key aspects are summarized in the sections below.

Quality management: The success of Jenoptik as a company is based on the quality of its products and solutions which we offer to our customers.

In the 2013 fiscal year, the high standards of the quality management were maintained and comprehensive certification of the various group companies continued. All certifications are subject to annual review audits which were successfully conducted in all areas in 2013. Nearly all the Jenoptik companies met the requirements of the ISO 9001 quality management standard.

In the Lasers & Optical Systems segment, JENOPTIK Optical Systems GmbH and JENOPTIK Polymer Systems GmbH were certified in accordance with the environmental management standard ISO 14001. In addition, JENOPTIK Polymer Systems met the stringent medical technology standards under ISO 13485 as well as those for the automotive industry under ISO/TS 16949.

In the Metrology segment, JENOPTIK Robot GmbH at the Monheim location successfully passed a recertification audit for data protection and data security for order data processing. A surveillance audit in accordance with DIN EN ISO9001, carried out by DEKRA and valid for all locations, was also passed. JENOPTIK Industrial Metrology Germany GmbH was one of the first providers to be awarded a license by the German Accreditation Agency DAkkS for roughness, contour and shape calibration. The Industrial Metrology calibration laboratory has been allowed to use the mark of the International Laboratory Accreditation Cooperation (ILAC) since 2012. Products and services thus gain a higher acceptance on an international level. In 2013, the Villingen-Schwenningen location was certified in occupational safety and health management under ILO-OSH-2001 for the first time.

In the Defense & Civil Systems segment, all of the ESW GmbH locations are certified in accordance with EN 9100, a quality management system especially for the demanding requirements of the aerospace and defense industries. The same applies for the environmental management standard ISO 14001. At the Wedel site, the segment is also certified as a manufacturer for the European Agency for Flight Safety EASA and as a maintenance company under the respective regulations of the European, US American, Canadian and Chinese aviation authorities. At the Altenstadt location, the subsidiary Lechmotoren GmbH is certified in accordance with the International Railway Industry Standard (IRIS). T 13

Environmental management. Jenoptik has implemented the stringent statutory requirements for nature conservation and environmental protection for new buildings as well as the expansion and modernization of its production facilities. For example, state-of-the-art technologies for saving resources and protecting the environment are applied when fitting out production facilities. At the Monheim location in the Traffic Solutions division, a new heating system using condensing boiler technology was installed. Annual savings come to approximately 250 megawatt/hour and have a positive impact on the location's carbon footprint. The new heating system installed at the Villingen-Schwenningen location in 2012, replacing the old heating oil system with gas and wood pellets, also had a favorable effect on the CO_2 balance.

On the basis of the energy certificates that had been issued in prior years, a cost-benefit analysis was carried out for the first time in 2011 for all buildings in Germany and was continued in 2013. Based on this, measures aimed at increasing energy efficiency have been embodied within the medium term planning up to 2017. In this context, in addition to long-term measures, Jenoptik is also committed to a whole range of smaller activities. In 2013, a pilot project was launched at the Jena site to introduce an energy management system in compliance with DIN EN 5000 for a Jenoptik

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CERTIFICATION WITHIN THE GROUP (SELECTION)

ISO 9001	Certification of Quality Management Processes
EN 9100	Certification of Quality Management Processes especially 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
EC 1702/2003	Certification as a manufacturer for the civil aviation industry
EC 2042/2003	Certification as a maintenance company for the civil aviation industry
IRIS	International Railway Industry Standard
ILO-OSH-2001	Certification of occupational safety and health management

real estate company. Certification is due in the first half of 2014. In all construction activities in the 2013 fiscal year, opportunities for a further improvement in energy efficiency were increasingly exploited, leading to a sustainable rise in the sparing use of resources in the buildings. Key examples of this are roof refurbishments on selected buildings at the Jena site and the refurbishment or new construction of buildings at the Wedel location.

The creation of a CO_2 balance for environmental management was continued for the German locations in 2013. This provides comparison values which allow for an assessment of the energy consumption levels as a ratio of revenue and consequently in relation to the development of the energy efficiency in production. Consumption levels presently cover only the German locations. Nevertheless, this does highlight a positive trend from the figures that have been collated. The consumption of resources was essentially maintained at a lower level in proportion to the growth in business. The consumption of the various media (electricity, district heating, gas, heating oil, wood pellets) by all Jenoptik locations in Germany was used to calculate CO_2 emissions, which in 2013 came to 16,686 tons (prior year 19,976 tons). The absolute reduction of over 3,000 tons of CO_2 can primarily be attributed to the use of green electricity by all segments at the Jena location and at one of the sites of the Optical Systems division in Berlin. Energy efficiency measures at the Villingen-Schwenningen and Monheim locations also contributed to this positive development. T 14

In Germany, types of waste are now systematically recorded in all divisions and the quantities calculated. The volume of hazardous waste for the year 2013 covered by the report totaled 242 tons; this was disposed of in waste treatment/disposal plants through the transportation of hazardous goods (prior year 225 tons). The volume of non-hazardous waste significantly reduced to 779 tons (prior year 960 tons).

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

	2013	2012	2011
Electricity	33,478	31,857	30,735
Gas	12,861	11,179	11,849
Wood pellets	1,192	1,058	588
District heating	9,095	7,195	9,436
Heating oil	194	611	1,060
Water in cbm	57,633	55,216	56,794

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

- **Energy efficiency.** In the area of lasers & material processing, Jenoptik is one of the leading manufacturers of diode lasers, one of the most efficient light sources available, with an efficiency of up to 70 percent. With their excellent flexibility and efficiency, lasers are becoming increasingly important tools in production. As a provider of laser systems for a wide range of applications, Jenoptik offers its customers a durable and resource-saving alternative to conventional machining processes.

- **Key technology.** With the continuing advances in development, optical technologies are increasingly opening up potential new areas of application which allow for simpler process design, protect resources or reduce the size of crystalline structures in semiconductor production. Jenoptik supplies optical systems for new optical analysis processes, e.g. for endoscopies and gentle treatment methods in the medical area. In addition, components, systems and complete devices are manufactured so that efficiency in these areas can be increased on a sustainable basis. LED technology with special optics, e.g. the "lucid power high bay" lighting system for high bay shelving warehouses, has seen particular demand from the logistics sector which is keen to achieve energy savings and increase lighting performance.

- **Fuel and CO_2 savings plus hybridization.** The ultra-precision systems and equipment used in industrial metrology support the automotive industry in the development and production of combustion engines with extremely low production tolerance levels and so contribute towards reducing CO_2 emission levels in road traffic. In addition, the further widespread use of hybrid drive units is leading to the use of increasingly complex transmission drives containing a large number of new components. The development and coordination of these transmission drives necessitates the increased use of metrology. For customers, this means longer life cycles and less service expenditure, equating to excellent product sustainability and reduced costs in the manufacturing process.

- **Traffic safety.** Traffic monitoring systems from Jenoptik help to monitor adherence to applicable laws. They thus contribute to making road traffic safer, reducing the probability of accidents and injuries and cutting pollutant and noise emissions.

- **Energy systems.** The supply of electrical power is playing an increasingly important role in modern vehicles. As a specialist in medium and high-performance category energy systems, the Defense & Civil Systems segment develops and manufactures electric motors and generators, power electronics and entire power units. They are extremely efficient and feature a very good power to weight ratio, i.e. they have an improved ratio between the level of electrical or mechanical energy generated and the weight of the systems.

Social commitment. In addition to economic and ecological matters, Jenoptik's promotion of sustainability also focused on social issues. The Group lent support to a whole range of not-for-profit projects, organizations and initiatives and was actively involved in science, education and culture as well as in the area of social welfare and charity.

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

Support for the work-life balance was provided within the company, particularly e.g. in the form of flexible working hour models and a range of childcare places close to the workplace for children of Jenoptik employees at two locations. In 2013, the foundations were laid for childcare facilities at one further location. The childcare facilities on offer are geared toward flexible opening hours and integrated, bilingual teaching concepts.

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

In its social commitment, Jenoptik endeavors to establish a close and long-term partnership aimed at providing both financial and personal support. The Group has long been pursuing this approach, e.g. since 1996 through its patronage of the "Elterninitiative für krebskranke Kinder Jena e.V." (Adult Initiative for Children with Cancer Jena), assumed by CFO Rüdiger Andreas Günther in 2012. Donations both made by Jenoptik and collected from partners as well as the organization of diverse events helped to support children with cancer and their parents. The Easter Charity Concert of the International Youth Orchestra Academy represents a specially important event, the proceeds benefit the initiative.

The New Year Reception 2014 was again an opportunity for Jenoptik to ask its guests for a charitable donation. The donation in the sum of more than 17,000 euros is given to the Sternenbrücke hospice for children in Hamburg. Jenoptik has also been committed to the promotion of science and education as well as art and culture for many years. Examples include the long-term sponsorship of the Thuringian "Jugend forscht" (young researchers) state competition, participation in the Long Night of Sciences and cooperation arrangements with universities and research institutes.

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

The company also organizes art exhibitions in its own gallery. "Special Olympics e.V." has been receiving support from JENOPTIK AG since 2004. This commitment will be continued in 2014, enabling regional and national competitions to be staged in various sports disciplines.

Business Report

Macroeconomic and sectoral developments

DEVELOPMENT OF THE ECONOMY AS A WHOLE

According to the International Monetary Fund (IMF), the **global economy** recovered moderately in 2013, especially in the second half of the year. From the middle of the year, the emerging economies where momentum had been weaker than in prior years also benefited from robust growth in the US and recovery in Europe's industrialized nations. At the end of 2013, the impending fiscal cliff in the US unsettled the markets, albeit with minimal impact on global economic output in the 4th quarter. T 15

The **US economy** recovered in 2013, displaying robust growth by the end of the year with strong domestic consumption and a rise in exports and investment in plant and machinery. According to the Department of Commerce, the budget dispute had only a minor impact on the US economy.

The **euro zone** had already come out of recession in the 2nd quarter of 2013 to enjoy a gradual recovery – muted but on a broad level, as even the countries on the periphery of the euro zone were showing signs of improvement.

Following a weak start, the **German economy** developed favorably over the year; according to the German government, gross domestic product (GDP) grew by 0.4 percent for the year as a whole (IMF: 0.5 percent). While government spending, private consumption and order intakes in industry increased, exports rose by just 0.6 percent, while capital expenditure on equipment fell by 2.2 percent.

Economic momentum in **China** remained unchanged year-on-year in 2013, equating to minor growth by Chinese standards. At year-end, figures for industrial production and capital expenditure in equipment confirmed an ongoing cooling of the markets.

DEVELOPMENT OF THE INDIVIDUAL JENOPTIK SECTORS

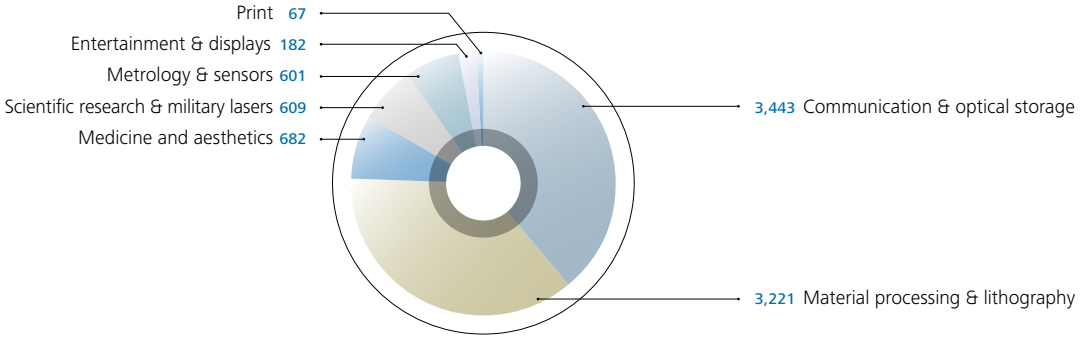
The Jenoptik Group targets the markets of the automotive/machine construction, aviation/traffic, security and

T 15
CHANGE IN GROSS DOMESTIC PRODUCT (in %)

	2013	2012
World	3.0	3.1
US	1.9	2.8
Euro zone	–0.4	–0.7
Germany	0.5	0.9
Emerging economies	4.7	4.9
China	7.7	7.7

Source: International Monetary Fund, World Economic Outlook, January 2014

G 16
INDUSTRIAL LASERS: REVENUE BY SEGMENT IN 2013 (in million USD)



Source: Laser Focus World, January 2014

defense technology, semiconductor equipment and medical technology industries. Jenoptik uses optical technologies in all segments and is an established partner of the global photonics industry.

In the supplement to their "2013 **Photonics** Industry Report", the VDMA, Spectaris und ZVEI industry associations assume that production by German manufacturers has been increasing by an average of 5.6 percent annually since 2011. Domestic production in 2013 thus came to just under 30 billion euros. On the basis of a survey, Spectaris calculated revenue growth for German industry of around 3 percent to approximately 28.7 billion euros in 2013. The German share of the worldwide market is particularly large in production technology (laser material processing and lithography), imaging and metrology, optical components and systems, medical technology and life sciences.

Contrary to expectations, revenues in the global **laser** market showed only negligible growth, as reported by market researchers from Strategies Unlimited in the "Laser Focus World" magazine. The industry generated revenue of 8.8 billion US dollars, around 1.7 percent more than in 2012 (8.7 billion dollars). Alongside macroeconomic factors, the experts note a decline in revenue in the optical storage technologies, lithography, research and military lasers segments. The business with lasers for communication technology, displays, sensors and medical technology, on the other hand, was more successful. In addition, fiber lasers continued to make further inroads in material processing. G 16

According to the Semiconductor Industry Association (SIA), the **semiconductor** industry rebounded in 2013 and for the first time generated over 300 billion US dollars in revenue. The recovery gathered pace in each quarter; growth was seen in all areas and regions, and especially in America and Asia/Pacific. IT analyst Gartner also confirmed a global rise in revenues to over 300 billion US dollars on the basis of its preliminary figures. G 17

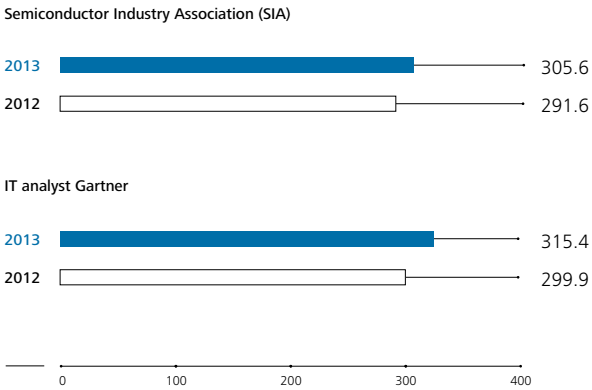
Year-on-year, the **semiconductor equipment industry** got off to a disappointing start in 2013, but according to the Semiconductor Equipment and Materials International (SEMI) industry association improved with each quarter. This, however, was not enough to achieve the revenue level of almost 37 billion US dollars seen in 2012. Provisional calculations indicate that total global revenue of equipment manufacturers in all industry areas dropped to approximately 32 billion US dollars in 2013. G 18

According to preliminary estimates by the Spectaris industry association, **medical technology** manufacturers in Germany generated just under 3 percent more revenue than in the prior year. Over two thirds of this revenue, 22.9 billion euros, were generated abroad. The association sees demand shifting away from industrialized nations and toward the emerging economies. Alongside the BRIC countries, the most important export nations were South Korea, Saudi Arabia and Australia.

G 17

SEMICONDUCTOR INDUSTRY: GLOBAL REVENUE

(in billion USD)

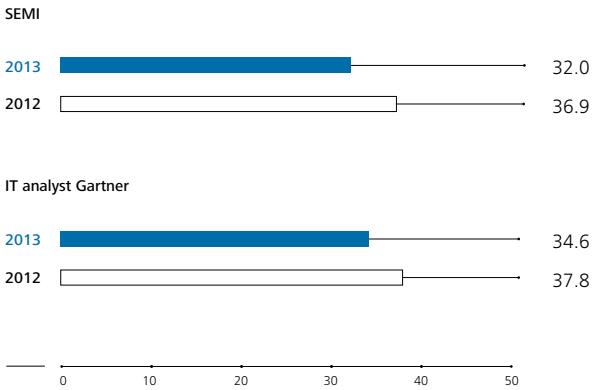


Source: Semiconductor Industry Association, January 2014

G 18

SEMICONDUCTOR EQUIPMENT: GLOBAL REVENUE

(in billion USD)



Source: Semiconductor Equipment and Materials International (SEMI)

According to the German **Engineering Federation** (VDMA), the development of the industry in 2013 remained at about the same level as in the prior year: minus 2 percent in order intakes, minus 1 percent in production. It believes that companies around the world have held back on capital expenditure in the light of uncertainties surrounding the development of the global economy. Signs of a slight recovery in November were quickly dampened by a drop in orders in December. G 19

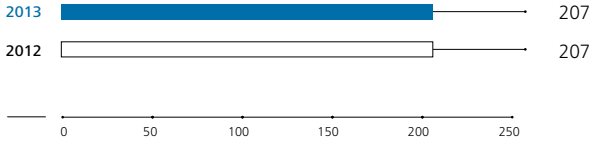
The industry association for the German **machine tool industry** (VDW) reported a 6 percent drop in order intakes in the industry for 2013 compared to the prior year. Production, by contrast, rose 2 percent more than expected to 14.5 billion euros, primarily due to a high order backlog at the start of the year. The key driver was the domestic market, but there was a drop in exports to the two largest foreign markets, China and the US.

According to the German Association of the **Automotive Industry** (VDA), the US and Chinese markets continued to grow, and car sales in Europe also increased slightly at the end of the year. Initial estimates suggest that around 5 percent more vehicles (72.2 million) were registered than in the prior year. In the US, automakers achieved their best result since 2007 with over 15 million new registrations; the Chinese market grew by almost a quarter to more than 16 million new vehicles, thereby surpassing the US as the largest automobile market. Thanks to a stabilization of the market in the 4th quarter, sales in Western Europe fell overall by just some 2 percent on the prior year. According to the VDA, Brazil, Japan, Russia and India also saw similar stagnating or downward trends.

Within the **aviation industry**, the two largest manufacturers, Airbus and Boeing, achieved record numbers of orders and deliveries in 2013. The International Air Transport Association (IATA) again raised its 2013 profit forecast at the end of the year. Despite a lull during the year, it reports that the international aviation industry generated net profits of approximately 12.9 billion US dollars in 2013 (prior year 7.4 billion US dollars). This, however, corresponds to only around 1.8 percent of revenue.

G 19

MACHINE CONSTRUCTION: REVENUE IN GERMAN INDUSTRY (in billion euros)



Source: German Engineering Federation (VDMA)

The German **rail industry** reported a year-on-year 17 percent drop in revenue to 4.4 billion euros in the first half-year of 2013. According to the German Railway Industry Association (VDB), however, order intakes in the same period showed a record increase of almost 50 percent to 8.7 billion euros. This should allow the economic situation in the industry to stabilize, while completion of postponed projects will compensate for the dip in revenue.

With long-term planning and projects a characteristic feature of this sector, the international market for **security and defense technology** as a whole developed at a weaker rate than in prior years. According to the International Institute for Strategic Studies (IISS), global spending has fallen by an average of 2.5 percent annually since 2010. While defense budgets in many EU nations were further cut or remained unchanged in 2013, armaments spending continued to rise in countries such as China, India, Japan, Russia and the Middle East. The peace research institute SIPRI again calculated revenue falls in the top 100 armaments companies, by 4.2 percent to 395 billion US dollars. In Germany, the 2012 Armaments Export Report reported a drop in the value of exported arms to below 1 billion euros. Over half of all licenses were granted to nations outside the EU and NATO.

SUMMARY

In 2013 the pace of development in the markets which Jenoptik is addressing slowed compared with the prior year. With single-digit growth in revenue most of the markets, however, remained on a stable course, as e.g. the global photonics and laser market, the medical industry as well as the automotive and aviation industry. The global semiconductor equipment and defense industry as well as the order intake of the German machine tool industry showed a decline.

Legal framework conditions

The **legal framework conditions** governing business operations essentially remained constant in the fiscal year 2013 and therefore had no significant impact on the business development of the Jenoptik Group.

Earnings, financial and asset position

ACTUAL AND FORECAST COURSE OF BUSINESS

In a challenging environment, Jenoptik has achieved the key forecast targets: The Group published a first forecast for revenue and EBIT development back in January 2013. At this point, the Executive Board announced that, in 2013, capital expenditure would be directed towards the further expansion of its sales structures and to innovative products, and that internal processes would be further optimized. To this end, various projects, such as the initiatives for harmonized and excellent processes, would be consistently continued. In a challenging economic environment, Jenoptik anticipated slight growth in revenue of up to 5 percent for the 2013 fiscal year. Depending upon the course of the semiconductor cycle, particularly in the 2nd half of 2013, the EBIT generated from the operating business should be between 50 and 55 million euros before costs for the Group development projects and site optimization in the mid single digit million euro range.

After a strong 4th quarter, the Group was able to post revenue of 600.3 million euros for the 2013 fiscal year. Consequently, growth compared with 2012 of 2.6 percent was achieved, which falls within the forecast range of up to 5 percent.

With the EBIT, Jenoptik slightly exceeded the expected development. The Group EBIT in 2013 was 52.7 million euros. This included the costs for the specified projects for Group development in the amount of 4.5 million euros, so the EBIT generated from the operating business before project costs was 57.2 million euros. It was therefore above the forecast range of 50 to 55 million euros. T 16

Moreover, the EBIT was influenced as planned by expenses in connection with the extensive capital expenditure in the expansion of the international sales structures. The Group achieved a profitability level almost on a par with the record year of 2012.

We met or even exceeded our forecasts for other key indicators that we had issued in March 2013 for the year as a whole. For example, thanks to a better than expected free cash flow, it was possible to reduce net debt significantly further than forecast to 44.1 million euros.

We remained slightly below the forecast values for the order intake due to project delays as well as the major orders included in the prior year.

At the beginning of 2013, Jenoptik acquired the Australian company DCD Systems which now trades as JENOPTIK Australia Pty. Ltd. This acquisition has enabled Jenoptik to

T 16

ACTUAL AND FORECAST COURSE OF BUSINESS (in million euros)

Indicator	Status as at end 2012	Forecast 2013	Status as at end 2013
Group revenue	585.0	Growth up to 5 percent	600.3
Lasers & Optical Systems	212.3	Slight increase in the mid single-digit percentage range	224.7
Metrology	182.7	Stable to slightly positive development	187.4
Defense & Civil Systems	186.4	Slight increase in the mid single-digit percentage range	185.1
Group EBIT	54.8	50 to 55 million euros before costs for projects for Group development in mid single-digit million euro range	52.7
Group order intake	587.2	Up slightly	575.3
Net debt	74.5	Gradual reduction	44.1
Free cash flow	43.7	Lower due to increased capital expenditure	47.0
Equity quota	49.3	Slight increase	53.0
Balance sheet total	669.6	Slight increase	692.4
Employees	3,272	Slight rise	3,433
R+D costs	36.0	Rise slightly higher than revenue	39.8
Capital expenditure*	31.2	35 to 40 million euros	24.4
Interest result	–6.7	Stable	–5.8

* excluding company acquisitions

strengthen its role as a leading global provider of traffic solutions technology, in particular further expanding its business in the Asia/Pacific region. In October 2013, Jenoptik won a major order for traffic solutions in the low double-digit million euro range in Australia.

In April 2013, Jenoptik concluded a syndicated loan agreement for 120.0 million euros with a period of five years. This financing enabled the Group to secure a line of credit for itself at attractive terms. It can be flexibly used for the financing of general business purposes and will provide support for Jenoptik's future international growth.

The projects for Group development were, in essence, continued as planned in 2013. The site optimization was completed within the Optical Systems division in the USA. The efficiency improvements planned in the energy systems area, which were originally intended to be achieved by means of a site relocation, will be achieved in the future by alternative means of optimization.

Page 91 ff.
More information on the development of revenue in the segments can be found in the Segment Reporting

EARNINGS SITUATION

In the tables of the Annual Report which provide a breakdown of the key indicators by segment, the item "Others" includes the Corporate Center, the Shared Service Center, real estate and consolidation effects.

Development of revenue and results

Revenue. In the 2013 fiscal year, the Jenoptik Group generated revenue of 600.3 million euros, surpassing the 600 million euro mark for the first time in the company's recent history (prior year 585.0 million euros). This equated to a growth in revenue of 2.6 percent. The 4th quarter was the strongest, with 167.8 million euros in revenue. The Lasers & Optical Systems and Metrology segments contributed to the growth in revenue. T 17

On a regional level, growth momentum was primarily attributable to Germany and Americas. In Asia, on the other hand, revenue remained below the level for the prior year as a result of weaker demand and project postponements. At 371.9 million euros, Jenoptik generated 62.0 percent of revenue abroad (prior year 376.9 million euros or 64.4 percent) in the fiscal year just past. The

T 17
REVENUE BY SEGMENT (in million euros)

	2013	2012	Change in %
Group	600.3	585.0	2.6
Lasers & Optical Systems	224.7	212.3	5.8
Metrology	187.4	182.7	2.6
Defense & Civil Systems	185.1	186.4	–0.7
Others	3.1	3.6	–15.0

T 18
REVENUE BY REGION (in million euros and as % of total revenue)

	2013		2012		Change in %
Group	600.3	100.0%	585.0	100.0%	2.6
Germany	228.4	38.0%	208.1	35.6%	9.7
Europe	150.8	25.1%	150.7	25.8%	0.1
Americas	117.2	19.5%	110.0	18.8%	6.6
Asia/Pacific	59.8	10.0%	69.1	11.8%	–13.5
Middle East/Africa	44.1	7.3%	47.1	8.0%	–6.3

foreign share of revenue fell slightly, mostly due to weaker business in Asia. Outside Germany, Europe remained the key target region, accounting for 25.1 percent of Group revenue, followed by Americas. With an increase of 6.6 percent, the Americas region showed the strongest increase in revenue. T 18

In terms of revenue by target market, revenue in the automotive/machine construction market was once again at the top with 27.9 percent thanks to the high level of demand from the automotive industry, especially in North America, and to the expansion of sales activities in this area. The top three customers accounted for 13.2 percent of Group revenue (prior year 13.5 percent). T 19

EBIT. The Jenoptik Group's operating business gained momentum over the course of the year. Following a strong 4th quarter, the Group operating result (EBIT) came to 52.7 million euros (prior year 54.8 million euros). In the final quarter, EBIT increased at a faster rate than revenue and improved by over 19 percent to 15.2 million euros (prior year 12.7 million euros). T 21

Group development projects such as the JOE project (Jenoptik One ERP) and Go-Lean, and the systematic expansion of international sales and R+D activities, influenced the results in the period covered by the report as planned. Nevertheless, the Group achieved a profitability level almost on a par with the 2012 record. The EBIT margin in the 2013 fiscal year was 8.8 percent (prior year 9.4 percent).

Provisions were set up in conjunction with the sale of M+W Zander Holding AG in 2005. They were partially reversed in 2013. The resulting income in the amount of 2.8 million euros was shown as earnings from discontinued operations. In the prior year, the **earnings euros from discontinued operations** of 4.7 million included income from the reversal of a provision for guarantee risks in connection with the sale of Jena-Optronik GmbH in 2010.

As of December 31, 2013 the **ROCE (return on capital employed)** in the Jenoptik Group was 14.0 percent (prior year 15.6 percent). Jenoptik shows this indicator inclusive of goodwill and before taxes. In 2013, the ROCE was therefore higher than the weighted average cost of capital for the Jenoptik Group (WACC) which, according to a study, were between 6.4 and 8.8 percent. T 20

Page 91 ff.
Information on the segment EBIT can be found in the Segment Reporting.
Page 183
For the method of calculating ROCE, see the Glossary.

T 19
REVENUE BY TARGET MARKET (in million euros and in % of total revenue)

	2013		2012	
Automotive/machine construction	167.3	27.9%	160.7	27.5%
Aviation and traffic	131.8	22.0%	136.7	23.4%
Security and defense technology	129.9	21.6%	116.3	19.9%
Semiconductor industry	74.1	12.3%	72.5	12.4%
Medical technology	39.3	6.5%	31.9	5.5%
Others	57.9	9.6%	66.9	11.4%
Total	**600.3**	**100.0%**	**585.0**	**100.0%**

T 20
ROCE (RETURN ON CAPITAL EMPLOYED) (in million euros)

	2013	2012
EBIT	52.7	54.8
Long-term, average tied capital in non-current assets	236.8	228.9
Short-term, average tied capital in current assets	291.3	284.0
Less non-interest-bearing borrowings	152.2	161.7
Average operating capital	**376.0**	**351.2**
ROCE in %	14.0	15.6

Group earnings before interest, taxes, depreciation and amortization (Group EBITDA) totaled 74.8 million euros (prior year 77.7 million euros). T 22

The **financial result** improved to minus 5.5 million euros (prior year minus 8.7 million euros). This is attributable to both the first positive investment income and a better interest result. Interest income, at 1.0 million euros, was down slightly year-on-year (prior year 1.3 million euros). Interest expenses, however, fell by 15.3 percent to 6.8 million euros (prior year 8.0 million euros). This was mainly due to reduced financial liabilities and improved financing terms. At 0.3 million euros, investment result showed a positive trend (prior year minus 2.0 million euros). In 2012, the investment result was partially influenced by the start-up costs for a subsidiary which was first consolidated in 2013 and its EBIT was included in the Group EBIT.

Page 139

More detailed information on the taxes can be found in the Notes under 4.10.

Earnings before tax. The improvement in the financial result was also reflected in the earnings before tax (Group EBT), which increased by 2.4 percent. At 47.2 million euros it was higher than in the prior year (prior year 46.1 million euros).

Income tax expense amounted to 4.6 million euros (prior year 5.4 million euros), with 92 percent of this being levied in Germany and 8 percent abroad. In Germany, JENOPTIK AG's tax loss carried forward had the effect of reducing the tax burden within the framework of the minimum taxation. The tax burden abroad was also reduced by using the existing tax losses carries forward.

The non-cash deferred tax income came to 4.5 million euros (prior year 9.6 million euros).

The Jenoptik Group's cash-effective tax quota was therefore 9.7 percent (prior year 12.0 percent).

As a result of the improved financial result and deferred tax income, **earnings after tax** totaled 47.2 million euros (prior year 50.2 million euros). With non-controlling interests having a minus EUR 24 thousand share of profits, the result for shareholders was also 47.2 million euros (prior year 50.2 million euros). Earnings per share were therefore 0.82 euros (prior year 0.88 euros).

Explanation of key items in the statement of comprehensive income

The items in the statement of comprehensive income essentially developed in line with the expansion of business and both sales and R+D activities. T 23

Cost of sales rose by 3.4 percent to 394.6 million euros and thus at a slightly stronger rate than revenue. The cost of sales includes expenses arising from developments directly on behalf of customers which totaled 12.2 million euros (prior year 13.3 million euros).

T 21

EBIT (in million euros)

	2013	2012	Change in %
Group	52.7	54.8	–3.9
Lasers & Optical Systems	24.6	27.1	–9.2
Metrology	22.6	25.6	–11.6
Defense & Civil Systems	11.6	7.8	48.5
Others	–6.0	–5.7	–5.4

T 22

EBITDA (in million euros)

	2013	2012	Change in %
Group	74.8	77.7	–3.6
Lasers & Optical Systems	34.0	36.4	–6.7
Metrology	25.2	28.6	–12.1
Defense & Civil Systems	16.7	13.3	25.0
Others	–1.0	–0.6	–61.8

Gross profit was 205.7 million euros (prior year 203.4 million euros), rising 1.1 percent and thus at a lower rate than revenue. Dwindling margins in the revenue mix and start-up costs for new customer projects were among the determinants here. The **gross margin** reduced slightly to 34.3 percent (prior year 34.8 percent). G 20

Research and development expenses increased to 39.8 million euros. This was a rise of 10.6 percent and, as planned, significantly stronger than revenue. The share of R+D expenses as a proportion of revenue rose from 6.2 percent last year to 6.6 percent.

Jenoptik is systematically pushing ahead with its internationalization strategy and developing and expanding its own presence in key regions of the world. In the course of expanding these international activities, selling expenses rose by 2.4 percent to 66.6 million euros in the 2013 fiscal year. The selling expenses mainly comprise marketing costs, sales commissions, publicity work and advertising. At 11.1 percent, the ratio of selling expenses remained at the same level as the prior year.

General and administrative expenses came to 46.4 million euros. In the fiscal year just past, Jenoptik expanded key Group functions to help drive growth. The company primarily develops new or expands existing infrastructures which are then made available to all areas of the Group.

Other operating income came to at 15.7 million euros (prior year 16.5 million euros). Currency gains were the key item at 4.8 million euros (prior year 5.5 million euros). **Other operating expenses,** at 18.8 million euros, were significantly below the level of the prior year (prior year 26.0 million euros). These were mainly characterized by currency losses in the sum of 5.5 million euros (prior year 5.1 million euros) and costs for Group development projects, e.g. JOE and HCM, totaling 4.5 million euros (prior year 4.1 million euros). In 2012, this item also included expenses for reorganization and restructuring. The provisions which had been set up for this which were either used or reversed in 2013. Detailed information on the composition of the other operating income and expenses can be found from page 137 on in the Notes.

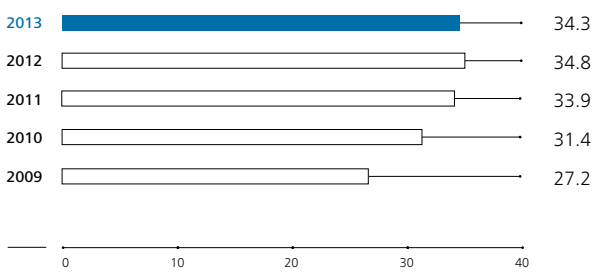
The full statement of comprehensive income can be found in the Notes on page 118 of this report.

Page 61 ff.
More detailed information on research and development in the Jenoptik Group.

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

	2013	2012	Change in %
Cost of sales	394.6	381.6	3.4
R+D expenses	39.8	36.0	10.6
Selling expenses	66.6	65.1	2.4
Administrative expenses	46.4	42.6	8.8
Other operating income	15.7	16.5	–4.5
Other operating expenses	18.8	26.0	–27.9

G 20
DEVELOPMENT OF THE GROSS MARGIN
(in %)



Order situation

In the 2013 fiscal year, the **order intake** amounted to 575.3 million euros. This was 11.9 million euros below the high level in prior year of 587.2 million euros, characterized by several major orders in the Metrology and Lasers & Optical Systems segments. Due to a weaker economic trend, 2013 also saw orders being postponed to subsequent periods. T 24

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Further information on the order intake of the segments can be found in the Segment Reporting.

Order backlog. The book-to-bill ratio was 0.96 (prior year 1.00). Together with a modified order structure, particularly in the Defense & Civil Systems segment, this resulted in an order backlog of 411.4 million euros, below the high level achieved in the prior year. Approximately 58 percent of this order backlog, amounting to 239.4 million euros, will be turned into revenue in the current 2014 fiscal year (prior year 56 percent); some 42 percent will accordingly be converted into revenue beyond the year 2014 (prior year 44 percent). T 25

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Further information can be found in the Notes.

FINANCIAL SITUATION

Principles and targets of finance management

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

Our cash pooling also ensures the liquidity supply to the German companies and limits their liquidity risk. There are also plans to gradually include the foreign companies in the cash pool. Due to these measures as well as the conclusion of a syndicated loan in April 2013, the Group's liquidity for the coming years has been sufficiently secured.

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

Capital structure and financing analysis

with an equity ratio of 53.0 percent at December 31, 2013, debenture loans as well as a syndicated loan, Jenoptik has a resilient and long-term financing structure.

Over recent years, Jenoptik has been able to successfully strengthen its financial position through a consistent reduction in net debt and a gradual expansion of the equity base. The debenture loans in the sum of 90.0 million euros issued in 2011 with terms of five or seven years provide the solid foundation for the capital structure of the Jenoptik Group.

T 24

ORDER INTAKE (in million euros)

	2013	2012	Change in %
Group	575.3	587.2	–2.0
Lasers & Optical Systems	221.4	219.9	0.7
Metrology	172.5	198.7	–13.2
Defense & Civil Systems	179.2	165.0	8.6
Others	2.2	3.6	–39.6

T 25

ORDER BACKLOG (in million euros)

	2013	2012	Change in %
Group	411.4	446.8	–7.9
Lasers & Optical Systems	94.3	105.2	–10.4
Metrology	72.8	87.4	–16.8
Defense & Civil Systems	246.9	255.8	–3.5
Others	–2.6	–1.6	–57.7

In April 2013, Jenoptik successfully concluded a syndicated loan agreement in the sum of 120.0 million euros. With the new financing structure, the Group has established an international core group of banks which is oriented towards the Group's future, securing a line of credit for itself at attractive terms for the next five years. It can be flexibly used for the financing of general business purposes and will provide support for Jenoptik's future international growth.

In addition to cash on hand, Jenoptik has available liquidity from overdraft facilities and unused capacity from the named syndicated loan in the amount of 104.7 million euros. Of this, 103.3 million euros is allotted to the syndicated loan.

Jenoptik's **non-current financial liabilities** remained almost constant in 2013 and totaled 115.2 million euros at year-end (31/12/2012: 115.8 million euros). These included financial liabilities to banks in the amount of 115.1 million euros (31/12/2012: 115.8 million euros). At the end of 2013, non-current financial liabilities accounted for more than 99 percent of Jenoptik's financial liabilities.

The **current financial liabilities** fell due to the repayment of loans to 1.2 million euros (31/12/2012: 4.7 million euros).

Due to the earnings after tax achieved in 2013, the equity increased by 36.7 million euros. At the same time, borrowings fell in comparison to the prior year by 13.9 million euros. Defined as the ratio between borrowings (325.4 million euros) and equity (367.1 million euros), the **debt to equity ratio** improved clearly during the reporting period, amounting to 0.89 (31/12/2012: 1.03). T 26

The company's current solvency is expressed by **the net cash position.** At year-end this amounted to 71.1 million euros (31/12/2012: 41.3 million euros). It is defined as the total cash and cash equivalents and securities in the sum of 72.2 million euros (31/12/2012: 46.0 million euros) less current financial liabilities.

In the 2013 fiscal year Jenoptik reduced the **net debt** significantly. This success was attributable to a good free cash flow, particularly in the 4th quarter. As at December 31, 2013, the net debt had been reduced to 44.1million euros. During the year, up to the end of the 3rd quarter, it had initially increased slightly as expected due to the dividend payment as well as the expansion in the working capital during the year, among other things in preparation for new customer projects. T 27

T 26
DEBT TO EQUITY RATIO

	2013	2012	2011	2010	2019
Group	0.89	1.03	1.15	1.23	1.53

T 27
NET AND GROSS DEBT (in million euros)

	2013	2012	2011	2010	2009
Non-current financial liabilities	115.2	115.8	123.1	125.9	158.2
Current financial liabilities	1.2	4.7	4.1	19.5	13.6
Gross debt	116.4	120.5	127.2	145.4	171.8
less securities	0.7	0.6	1.3	0.8	1.1
less cash and cash equivalents	71.6	45.4	48.8	65.3	11.2
Net debt	44.1	74.5	77.1	79.3	159.5

Silent investors. As a result of payments made to two silent real estate investors during 2012, the overall claims have reduced significantly, amounting to only 12.5 million euros as of December 31, 2013. The silent investor in the remaining third Jenoptik real estate fund may not end its investment before the end of 2014 at the earliest. It is therefore shown in the balance sheet as a non-current liability. There are no other silent investments.

Analysis of capital expenditure

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

In 2013, Jenoptik invested in the continued expansion of its sales structures and optimized its internal procedures. In the past fiscal year, the Group invested 24.4 million euros in property, plant and equipment and intangible assets.

Of this, 18.7 million euros went on investment in expansion, which will secure future growth, and the remaining 5.7 million euros were used for replacement and rationalization investment. Capital expenditure focused on projects for Group development, forward integration in Optical Systems as well as the expansion of production capacities, primarily in the Lasers & Optical Systems segments.

Property, plant and equipment accounted for the largest share of capital expenditure at 17.6 million euros. Development costs amounted to 0.2 million euros, and therefore, as in prior years, were capitalized only to a very minimal extent (prior year 1.2 million euros). Scheduled depreciation remained constant at 22.1 million euros (prior year 22.2 million euros). Impairments were reduced to 0.1 million euros (prior year 0.6 million euros).

The **capital expenditure on intangible assets** of 6.8 million euros remained at the same level as in the prior year (prior year 6.7 million euros). Although the advance payments made of 4.7 million euros exceeded the prior year's level (prior year 1.9 million euros), the capital expenditure on patents and software of 2.0 million euros (prior year 3.6 million euros) and the development costs of 0.2 million euros (prior year 1.2 million euros) remained less than the prior year's figures.

T 28

CAPITAL EXPENDITURE BY SEGMENT (Intangible and property, plant and equipment) (in million euros)

	2013	2012	Change in %
Group	24.4	31.2	–22.0
Lasers & Optical Systems	8.3	15.3	–45.8
Metrology	3.9	3.3	19.4
Defense & Civil Systems	4.7	6.3	–24.7
Others	7.5	6.4	16.1

T 29

CAPITAL EXPENDITURE AND DEPRECIATION (in million euros)

	2013	2012	Change in %
Capital expenditure	24.4	31.2	–22.0
Intangible assets	6.8	6.7	1.4
Property, plant and equipment	17.6	24.5	–28.4
Depreciation/impairments	22.1	22.7	–2.7
Intangible assets	4.4	4.5	–2.3
Property, plant and equipment	17.3	17.8	–2.9
Investment properties	0.5	0.5	0.2

For further information on capital expenditure by segment, refer to the Segment Reporting from page 91 or for future investment projects to the Forecast Report from page 111. T 28

Amortization and depreciation on intangible assets amounted to 4.2 million euros (prior year 3.9 million euros) and, as in the prior year, primarily included depreciation/amortization on patents, trademarks and software, capitalized development costs and regular customers. The necessary impairments on intangible assets within the scope of the impairment test were, at 0.2 million euros, of little significance (prior year 0.5 million euros).

Greater **capital expenditure on property, plant and equipment and investment properties** went towards manufacturing capacities for the future business with the semiconductor industry. At 17.6 million euros, the total capital expenditure was noticeably less than that of the prior year (prior year 24.5 million euros), due among other things to postponements into 2014. In particular, capital expenditure on assets under construction of 4.5 million euros remained below the prior year's figure (prior year 10.8 million euros).

The **depreciation on property, plant and equipment and investment properties** totaled 17.8 million euros (prior year 18.3 million euros) and was therefore at the same level as capital expenditure on property, plant and equipment. T 29

Analysis of cash flows

The **cash flows from operating activities** remained at 60.6 million euros in spite of a strong 4th quarter, below the level in the prior year (prior year 66.6 million euros). The cash flows were influenced by the change in provisions and by active working capital management.

The **cash flows from investing activities** reflect the reduced expenditure by the Group on intangible assets as well as property, plant and equipment compared with the previous year. The receipts from disposals of financial assets totaled 8.2 million euros and they were attributable to the repayment of a loan. In 2012, the issue of a loan to a real estate fund affected payments for financial assets. The outflow of funds for investment activities in 2013 amounted to 16.4 million euros, significantly below the figure for the prior year (prior year 33.8 million euros).

The **free cash flow** arises from the cash flows from operating activities before interest and taxes in the amount of 67.2 million euros (prior year 73.7 million euros) less the expenditure for operating investment activities in the amount of 21.0 million euros (prior year 30.0 million euros) plus receipts from the liquidation of a subsidiary in the amount of 0.9 million euros. During the reporting period, the free cash flow improved to 47.0 million euros (prior year 43.7 million euros).

The dividend payment in the amount of 10.3 million euros, payments for the repayment of loans as well as lower interest payments influenced the **cash flows from financing activities.** They improved in the 2013 fiscal year to minus 19.1 million euros (prior year minus 36.1 million euros). In 2012, the cash flows from financing activities were characterized above all by changes in the Group financing as the result of the payment to a silent investor in one of the real estate funds. T 30

T 30

CASH FLOWS (in million euros)

	2013	2012	2011	2010*	2009
Cash flows from operating activities	60.6	66.6	65.6	41.6	53.3
Cash flows from investing activities	–16.4	–33.8	–29.3	31.1	–12.5
Cash flows from financing activities	–19.1	–36.1	–53.7	–19.0	–42.0
Cash-effective change in cash and cash equivalents	25.1	–3.4	–17.4	53.7	–1.2
Non-cash change in cash and cash equivalents	1.1	–0.1	0.9	0.4	–0.1
Change in cash and cash equivalents	26.2	–3.5	–16.5	54.1	–1.3
Cash and cash equivalents at the end of the period	71.6	45.5	48.8	65.3	11.2

* Continuing operations

ASSET POSITION

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You may find further information in the changes in the group of entities consolidated in the Notes to the Annual Report.

The balance sheet items as at December 31, 2012 and December 31, 2013 can be compared with each other. The effects of the initial consolidations did not essentially affect the comparability.

Compared with the year end 2012, the **balance sheet total** of the Jenoptik Group as at December 31, 2013 increased to 692.4 million euros in line with the expansion of business (31/12/2012: 669.6 million euros). The increase by 22.8 million euros is primarily attributable to higher cash and cash equivalents on the assets side as well as a rise in equity on the liabilities side.

The **non-current assets** fell to 329.8 million euros. The increase in intangible assets to 75.3 million euros, in part as the result of investments in the JOE project (Jenoptik One ERP), was offset by a fall in property, plant and equipment and financial assets. There were only minor changes in the other items.

At 57.5 million euros, the largest item in intangible assets was goodwill (31/12/2012: 55.8 million euros).

Property, plant and equipment fell to 140.6 million euros (31/12/2012: 143.2 million euros).

The fall in financial assets to 20.1 million euros is primarily attributable to the redemption of a loan (31/12/2012: 27.2 million euros). The other items showed a slight increase.

At 19.1 million euros (31/12/2012: 19.6 million euros), the investment property showed virtually no changes compared with the previous year. T 31

Primarily, the marked increase in the cash and cash equivalents, in particular in the 4th quarter, to 71.6 million euros (31/12/2012: 45.4 million euros) led to an increase in the **current assets** of 26.8 million euros to 362.6 million euros (31/12/2012: 335.8 million euros). In the last three months of 2013, the inventories in particularly were noticeably reduced, ending the year at 165.1 million euros (30/9/2013: 184.8 million euros, 31/12/2012: 169.2 million euros). Trade and other receivables increased slightly to 125.3 million euros (31/12/2012: 120.7 million euros).

At 195.6 million euros the **working capital** as at December 31, 2013 remained less than that of the prior year (31/12/2012: 202.8 million euros) despite the continued business expansion. The working capital ratio, the proportion of working capital to revenue, improved slightly compared with the previous year to 32.6 percent (31/12/2012: 34.7 percent).

As a result of the earnings after tax achieved in the 2013 fiscal year, the' **equity** including non-controlling interests rose by 36.7 million euros to 367.1 million euros (31/12/2012: 330.3 million euros). At 53.0 percent, the **equity ratio**, the proportion of equity to balance sheet total, improved as at December 2013. Consequently, the equity ratio was able for the first time to remain above the 50 percent mark throughout the entire year covered by the report. G 21

At the end of 2013, the **non-current liabilities** amounted to 173.1 million euros (31/12/2012: 177.6 million euros). The reduction by 4.5 million euros is attributable among

T 31

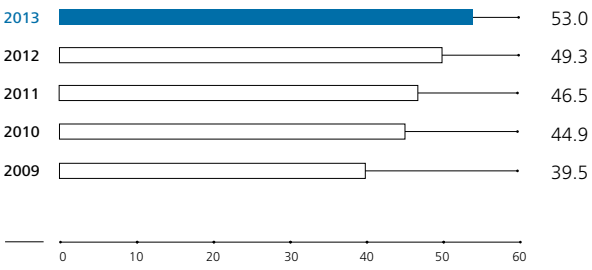
COMPOSITION OF NON-CURRENT ASSETS (in million euros and as %)

		2013		2012	Change in %
Intangible assets	75.3	22.8%	70.6	21.2%	6.7
Property, plant and equipment incl. investment properties	159.7	48.4%	162.8	48.8%	–1.9
Financial assets	20.1	6.1%	27.2	8.1%	–26.3
Other non-current assets	4.4	1.3%	4.8	1.4%	–8.0
Deferred taxes	70.3	21.3%	68.4	20.5%	2.8
Total	**329.8**	**100.0%**	**333.8**	**100.0%**	**–1.2**

other things to pension obligations, which were reduced to 28.2 million euros (31/12/2012: 31.2 million euros). At 115.2 million euros (31/12/2012: 115.8 million euros) the non-current financial liabilities remained at the same level as in the previous year.

The debenture loans are an important element of the non-current liabilities. Jenoptik had successfully placed these loans on the market in October 2011 in the total sum of 90.0 million euros and with terms of five or seven years, consequently placing the Group's financing on a long-term footing.

G 21
EQUITY RATIO (in %)



The current liabilities fell by 9.4 million euros to 152.3 million euros (31/12/2012: 161.7 million euros). This is primarily attributable to the reduction in other current provisions by 14.6 million euros to 37.4 million euros (31/12/2012: 52.0 million euros). The reduction was primarily caused by the utilization or reversal of the provision for the site relocations. In contrast, higher trade accounts payable as well as higher advance payments received led to an increase in the other current liabilities to 109.0 million euros (31/12/2012: 99.0 million euros). T 32 T 33

Clauses in JENOPTIK AG contracts which apply in the event of a change in control within the ownership structure of JENOPTIK AG following a takeover bid exist in connection with a joint venture which has since been terminated as well as for various financing agreements with a total utilized volume of approximately 106.6 million euros (prior year 97.5 million euros). Further details can be found in the Corporate Governance Report from page 36 as well as under Information on takeover law from page 42.

T 32
FINANCIAL LIABILITIES BY DUE DATE (in million euros)

	Up to 1 year		1 to 5 years		More than 5 years		31/12/2013	
	2013	2012	2013	2012	2013	2012	2013	2012
Liabilities to banks	1.1	4.7	93.4	65.2	21.8	50.6	116.3	120.5
Liabilities from finance leasing	0	0	0.1	0	0	0	0.1	0
Total	**1.2**	**4.7**	**93.4**	**65.2**	**21.8**	**50.6**	**116.4**	**120.5**

T 33
ELEMENTS OF INTEREST-BEARING LIABILITIES (in million euros)

	2013	2012	Change in %
Current	1.2	4.7	–75.4
Liabilities to banks	1.1	4.7	–76.0
Liabilities from finance leasing	0	0	–10.5
Non-current	115.2	115.8	–0.5
Liabilities to banks	115.1	115.8	–0.5
Liabilities from finance leasing	0.1	0	0

Assets and liabilities not included in the balance sheet

Jenoptik brand. The main assets not included in the balance sheet include the value of the Jenoptik brand. According to calculations made by semion-brand broker GmbH, Munich, in October 2013, the value of the brand remains unchanged at 86 million euros. This placed the brand at number 41 (prior year 40) among the 50 leading German brands in 2013.

Non capitalized tax losses carried forward. Tax losses carried forward arise from losses in the past which have not yet been offset against taxable profits. They represent potential future cash flow benefits, since actual tax payments can be reduced by these losses being offset against taxable profits.

For the remaining losses carried forward, no deferred tax asset has been accounted for the amount of 226.2 million euros (prior year 260.6 million euros) for purposes of corporate income tax and 394.0 million euros (prior year 427.4 million euros) for purposes of trade tax as they will probably not be used within a determined planning time frame.

Relevance of off-balance sheet financing instruments to the financial and asset position. Jenoptik does not utilize any off-balance sheet financing instruments such as sales of accounts receivable or asset-backed securities. For details on operating leases we refer to the Notes from page 145 on.

Contingent receivables and liabilities. Information on contingent assets and liabilities can be found in the Notes from page 165 on.

General statement by the Executive Board on the development of business

Jenoptik can look back on a positive track record in the 2013 fiscal year. In the opinion of the Executive Board, the Group's business as a whole developed favorably. Despite only moderate demand in Europe and a weakening of growth in parts of Asia, the Group has grown organically. We managed to achieve key objectives without having to compromise on expenses for investment in Jenoptik's future.

Thanks to positive cash flows, we were able to finance both our organic growth as well as capital expenditure from our own resources. The equity ratio, our balance sheet total and other financial and balance sheet key indicators reflect our size and business models.

Jenoptik also has in place a long-term and sutainable financing structure which provides the Group with room for maneuver to secure our future growth and the implementation of our strategy. The syndicated loan agreement concluded in April 2013 allows us to increase our financial flexibility and stability, thereby ensuring the future international growth of the Jenoptik Group.

Segment Reporting

For information on the range of services and the competitive positioning of the segments, we refer to the Annual Report from page 54 on.

Information on the various markets can be found in the Market Report from page 76 on, and on future developments in the Forecast Report from page 108 on.

Lasers & Optical Systems segment

DEVELOPMENT OF REVENUE, EARNINGS AND ORDERS

In the Lasers & Optical Systems segment, the Jenoptik Group further expanded its position as a leading supplier of optical and optoelectronic system solutions in 2013 and stepped up cooperation arrangements as a development and production partner to numerous international market-leading companies. In the field of micro-optics, for example, the segment made significant progress in the latest generation of manufacturing facilities for semiconductor production. The rapidly growing healthcare and life sciences markets also increasingly gained in importance for Jenoptik in the fiscal year just past. Here, too, we succeeded in securing further international key customers with an innovative range of cutting-edge system solutions. In addition, successful progress was made in the expansion of business for energy-saving LED lighting solutions and components and modules for use in driver assistance systems. In the Lasers & Material Processing division, Jenoptik sold its 200th laser machine for airbag perforation in areas such as the automotive industry.

In 2013, the Lasers & Optical Systems segment posted a 5.8 percent rise in **revenue**, equivalent to 12.4 million euros, to 224.7 million euros. It recorded particular growth in the field of micro-optics for the semiconductor equipment and flat panel industries and in optoelectronic systems for medical applications.

Overall, the segment once again generated almost 69 percent of revenue abroad in 2013, the majority in Europe and America (prior year just under 69 percent).

The segment generated an **EBIT** totaling 24.6 million euros, 9.2 percent less than in the prior year (prior year 27.1 million euros). This is attributable to dwindling margins in the revenue mix, especially in the semiconductor equipment industry, capital expenditure in new products and the global expansion of sales. The EBIT margin consequently fell to 10.9 percent (prior year 12.8 percent).

At 221.4 million euros, the **order intake** just exceeded the high level of last year (prior year 219.9 million euros). Despite an investment backlog in the semiconductor industry due to cyclical phenomena and numerous project postponements primarily relating to customers in the automotive industry, the high order intake was a key driver of the segment's excellent course of business in the reporting year just past. As revenue increased at a higher rate than the order intake, the book-to-bill ratio fell slightly to 0.99 (prior year 1.04).

The segment's **order backlog** at year-end was 94.3 million euros (31/12/2012: 105.2 million euros).

T 34

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

	2013	2012	Change in %
Revenue	224.7	212.3	5.8
EBIT	24.6	27.1	–9.2
EBIT margin in %	10.9	12.8	
Order intake	221.4	219.9	0.7
Order backlog	94.3	105.2	–10.4
Employees	1.391	1.349	3.1

OTHER INDICATORS AND NON-FINANCIAL PERFORMANCE INDICATORS

Employees. The Lasers & Optical Systems segment employed a total of 1,391 personnel as of December 31, 2013, an increase of 42 or 3.1 percent compared with the prior year. As at year-end 2013, the segment had 49 young people in trainee positions.

Research and development. R+D expenses in 2013 totaled 15.7 million euros (prior year 14.7 million euros). Including development services on behalf of customers, the segment's costs for R+D totaled 19.4 million euros, an increase on the same period in the prior year of 2.0 percent (prior year 19.0 million euros).

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

The segment's **capital expenditure** in property, plant and equipment and intangible assets came to 8.3 million euros in 2013 (prior year 15.3 million euros). This was offset by depreciation in the sum of 9.4 million euros (prior year 9.3 million euros). In the prior year, capital expenditure was primarily characterized by the expansion of the high-power diode laser manufacturing facility in Berlin. Capital projects in the 2013 fiscal year included the expansion of manufacturing facilities for system integration in the micro-optics field in Jena and Dresden as well as the expansion of capacities for optoelectronics at the Triptis site. We view these projects as sustainable efforts to improve our market position in the systems business, for example in the areas of digital imaging and semiconductor equipment. In addition, the segment also invested in a new, partially automated production line for a high-volume product in the healthcare and life sciences market at the Triptis and Jena sites.

With a **free cash flow** of 18.6 million euros (before interest and income taxes), the segment even exceeded the excellent level of the prior year (prior year 17.6 million euros).

Metrology segment

DEVELOPMENT OF SALES, EARNINGS AND ORDERS

Revenue in the Metrology segment increased by 2.6 percent to 187.4 million euros in 2013 (prior year 182.7 million euros). The growth was split evenly between Industrial Metrology and Traffic Solutions. Demand from the automotive industry, the key customer sector for industrial metrology, was at a satisfactory level as a whole, despite the fact that the different economic regions developed at very different rates. While business showed a marked decline in Asia/Pacific, revenues on the German market and in America increased. Major orders for traffic safety technology in Australia, the Netherlands, Qatar and Poland also helped to raise revenue figures in the segment. At around 72 percent, the segment continued to generate most of its revenue abroad (prior year approximately 74 percent).

At 22.6 million euros, the **segment's EBIT** fell by around 3 million euros compared to the prior year (prior year 25.6 million euros). The main causes of this were increased expenses for new product developments and the expansion of the international sales and service network.

The **order intake** in the segment fell by 13.2 percent to 172.5 million euros in 2013 (prior year 198.7 million euros). The order intake last year included various major projects in Malaysia and Oman; they could only be partially compensated for with the new major orders announced in the year covered by the report. As one example, in 2013 Jenoptik's Traffic Solutions division began delivery of over 100 stationary measuring systems for a new traffic monitoring program in Poland. The company received another major order for the delivery of mobile speed monitoring systems from Australia's Roads and Maritime Services government authority.

T 35
METROLOGY SEGMENT AT A GLANCE (in million euros)

	2013	2012	Change in %
Revenue	187.4	182.7	2.6
EBIT	22.6	25.6	–12.0
EBIT margin in %	12.0	14.1	
Order intake	172.5	198.7	–13.2
Order backlog	72.8	87.4	–16.8
Employees	907	814	11.4

In addition, the Traffic Solutions division is responsible for the long-term operation and maintenance of more than 130 supplied stationary systems for speed measurement in the Netherlands.

The segment's order intake did not come up to the level of revenue in the year covered by the report, resulting in a book-to-bill ratio of 0.92 (prior year 1.09). The **order backlog** as at year-end fell from the high figure in the prior year, by 16.8 percent to 72.8 million euros (31/12/2012: 87.4 million euros).

OTHER INDICATORS AND NON-FINANCIAL PERFORMANCE INDICATORS

Employees. As of December 31, 2013, the number of employees in the segment rose by 11.4 percent or 93 personnel net, to 907 (31/12/2012: 814 employees). The rise in employees coincided with an increase in the number of training positions. As of the reporting date, the segment had 32 young people in trainee positions (31/12/2012: 24 trainees).

Foreign companies. In the context of the major traffic safety order in Australia, the local team was expanded to ensure the level of service remained excellent. Furthermore, DCD Systems, the company acquired in early 2013, was renamed Jenoptik Australia.

Research & development. The segment's R+D output totaled 19.4 million euros (prior year 16.9 million euros). This figure includes developments on behalf of customers in the sum of 2.6 million euros (prior year 2.8 million euros), which are shown under the cost of sales. The segment's R+D costs came to 16.8 million euros (prior year 14.2 million euros).

The segment's **capital expenditure** in property, plant and equipment and intangible assets totaled 3.9 million euros in 2013 (prior year 3.3 million euros). This was offset by depreciation and impairments in the sum of 2.6 million euros (prior year 3.0 million euros). For the Group-wide JOE program, the conditions for an optimum system start and stable operation were put in place in the Industrial Metrology division in 2013. Following successful test runs and extensive training for all affected employees, the ERP system was implemented on schedule in January 2014.

The **free cash flow** (before interest and income taxes) of the segment largely improved due to the considerable decrease in working capital to 27.1 million euros (prior year 24.3 million euros).

Production and organization. The Metrology segment continued to work on optimizing its structures and internal processes in 2013. As part of integral process implementation, for example, the entire logistics chain in Industrial Metrology was optimized. With the help of improved processes and supporting software, it is now in an even better position to address its customers' requirements. A number of standard products are now always ready for delivery within 48 hours. In the Traffic Solutions division, work continued on the expansion of international project management expertise and a range of initiatives for more efficient production were put in place. Embracing a lean approach, the production processes for traffic safety products were switched over to cell manufacturing with Kanban control in the year covered by the report, to name one example

Defense & Civil Systems segment

DEVELOPMENT OF SALES, EARNINGS AND ORDERS

Despite a challenging economic environment and falling defense budgets, **revenue** in the Defense & Civil segment in 2013 at 185.1 million euros corresponded to the level of the previous year (prior year 186.4 million euros). The energy systems business unit was one unit which developed positively during the year covered by the report. At around 45 percent (prior year approx. 52 percent), the Defense & Civil Systems segment's foreign share of revenue is markedly lower than in the other two segments since a significant proportion of its products is supplied to German customers. However, the target in the future is to strongly expand sales of civil products as well as the foreign share.

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For further information on the key development topics in the Metrology segment, we refer to the Research and Development section of the Annual Report.

The **segment EBIT** improved to 11.6 million euros (prior year 7.8 million euros). This is due primarily to positive one-off effects resulting from the scheduled site optimization in the energy systems unit in Germany in the reporting year. In the prior year the EBIT was burdened by recording a corresponding provision. The EBIT margin of the segment increased to 6.2 percent (prior year 4.2 percent).

In 2013, the **order intake** of the segment surpassed the level of the prior year. At 179.2 million euros (prior year 165.0 million euros), it was an increase of 8.6 percent. 2013 was primarily characterized by major orders for the delivery of stabilized targeting devices for the Leopard 2 tank as well as of optronic monitoring systems and laser range finders for a German systems company. On the civil systems side, one of the major orders received by the segment during the year covered by the report was for the delivery of energy systems for the ground power supply of airplanes at Munich Airport.

The **book-to-bill ratio** was at 0.97 above that of the prior year (prior year 0.89).

The **order backlog** fell by 3.5 percent to 246.9 million euros as at December 31, 2013 (31/12/2012: 255.8 million euros). However, the time scopes and the order structure are changing in this segment with increasing focus on civil products. A falling number of long-term military projects in contrast with more short-term private sector projects will have a greater influence in the future on the exact extent of the order backlog.

Page 61 ff.

For further information on key development themes in the Defense & Civil Systems segment, please refer to the section on Research & Development.

OTHER INDICATORS AND NON-FINANCIAL PERFORMANCE INDICATORS

Employees. With a total of 907 personnel, the number of employees working for the Defense & Civil Systems segment at the end of the year has changed only marginally (31/12/2012: 913 employees). At the year end, the segment had a total of 52 trainees in trainee positions (31/12/2012: 57 trainees).

Information on site optimization. In the 2013 fiscal year, the plan was to relocate the Essen site to Wedel. The objective of this planned amalgamation was to strengthen the earnings capacity and increase flexibility. During the negotiations, the works council, IG Metall union and Jenoptik jointly worked out an alternative concept. This proposed other structural measures as a possible alternative to the company relocation, as a means of achieving the desired economic targets. Consequently, at the end of August 2013, a collective wage agreement for securing the future was concluded with IG Metall. It contained an improved costs structure for both locations. The result of these negotiations was an economically and socially acceptable solution which offers Jenoptik employees in Essen and Wedel good prospects over the coming years.

Research & development. The segment's R+D in 2013 totaled 12.2 million euros (prior year 13.1 million euros). Developments directly on behalf of customers amounted to 5.6 million euros (prior year 5.8 million euros). Due to the joint developments with systems companies, this proportion is normally higher than in the other two segments. The segment's R+D expenses totaled 7.3 million euros (prior year 7.1 million euros).

Capital expenditure. The segment invested 4.7 million euros in property, plant and equipment and intangible assets (prior year 6.4 million euros). The level of investment was therefore 25.9 percent lower than in the previous year which had been characterized in particular by the modernization of plant at the Wedel and Altenstadt sites as well as construction of a warehouse in Altenstadt. The capital expenditure was offset by depreciation and impairments amounting to 5.1 million euros (pior year 5.4 million euros).

T 36

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

	2013	2012	Change in %
Revenue	185.1	186.4	–0.7
EBIT	11.6	7.8	48.5
EBIT margin in %	6.2	4.2	
Order intake	179.2	165.0	8.6
Order backlog	246.9	255.8	–3.5
Employees	907	913	–0.7

The **free cash flow** (before interest and income taxes) improved disproportionately due to the increased operating profit and the lower working capital from 5.5 million euros in the previous year to 9.7 million euros in 2013.

Production and organization. The segment has implemented the measures of the Go-Lean program in the mass production units at the Essen and Wedel sites. In addition, the lean-management approach was consistently pursued at these sites, and a whole package of measures for increasing efficiency and quality in production and adjacent logistics areas was introduced with the aid of so-called shop floor management. The employees use indicators to analyze deviations from the standard process on their own and are responsible for correcting them. At the Jena and Altenstadt sites, the lean-management approach was also expanded, beginning on the basis of the experiences gained from the shop floor management.

General statement by the Executive Board on the development of the segments

Due to their varying levels of internationalization and fluctuating demand patterns among customers, the three segments of the Jenoptik Group developed at different rates in 2013. In a challenging economic environment, the two segments Lasers & Optical Systems and Metrology again set new revenue records, while revenue in the Defense & Civil Systems segment remained virtually unchanged. In the course of the year the development of business and earnings was significantly supported by measures to optimize internal processes and the success achieved in implementing the internationalization strategy. All three segments reported a positive EBIT, also in 2013, two two of them achieved an EBIT margin of again more than 10 percent. In addition, all three segments contributed to the improvement of the free cash flow. In the past fiscal year, we again invested a significant portion of our financial resources in the development of cutting-edge products. This allowed us to establish a broader range of systems in new markets and secure major international projects, impressively testifying to our customers' confidence in Jenoptik's performance capability.

Events after the reporting date

The Executive Board authorized the consolidated financial statements for review and approval by the Supervisory Board on March 11, 2014.

The Executive Board proposes to the Supervisory Board to transfer an amount of 30,000,000.00 euros from the 2013 net profit of JENOPTIK AG of 43,492,266.90 euros to other revenue reserves.

The Executive Board also recommends to the Supervisory Board to propose to the Annual General Meeting 2014 that a dividend of 0.20 euros per qualifying no-par value share be paid. Thus, an amount of 11,447,623.00 euros from the balance sheet profit of 25,851,264.10 euros shall be distributed and an amount of 14,403,641.10 euros be carried forward.

There were no other events of significant importance occurring after December 31, 2013.

Risk and Opportunity Report

Principles of risk and opportunity management at Jenoptik

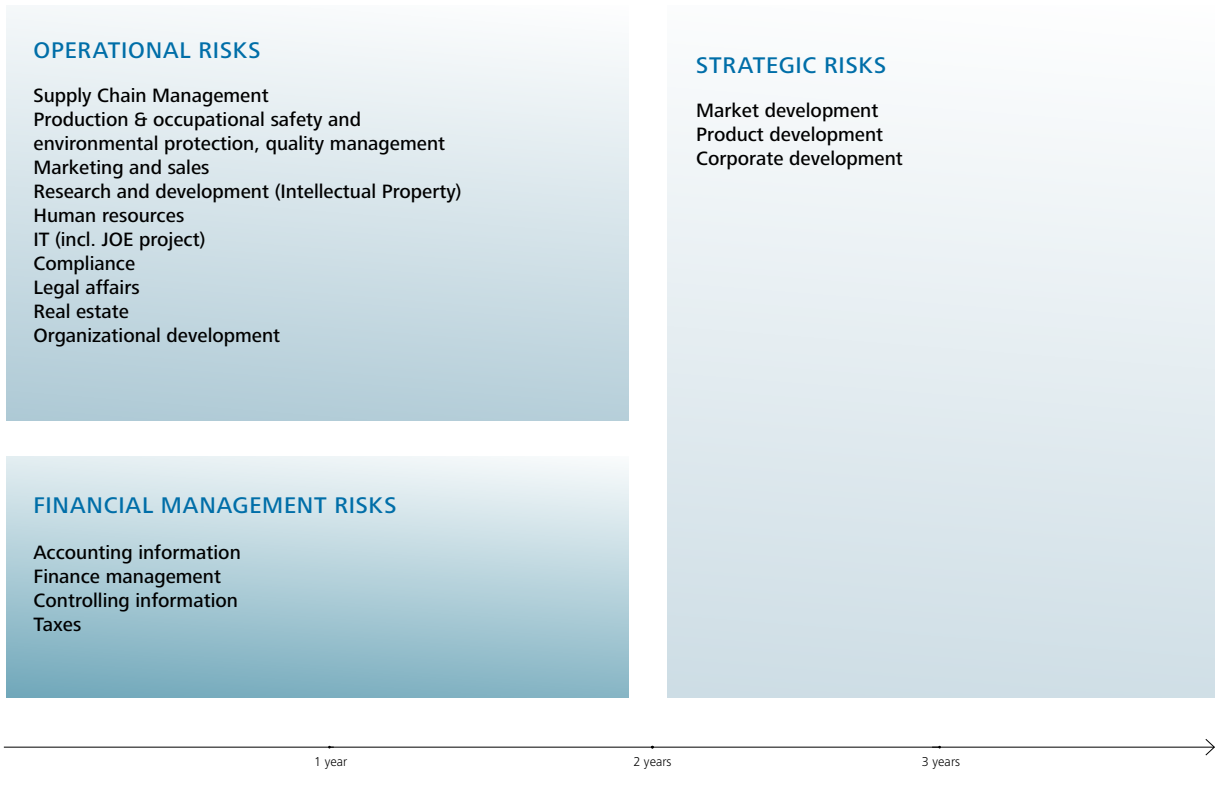
Jenoptik sees the basic principles of responsible corporate management as including the constant, responsible evaluation of risks and opportunities which can result from entrepreneurial activity. The goal of risk and opportunity management is to formulate a strategy and define objectives for creating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

A fundamental revision of the risk and opportunity management system was begun in 2013. Despite increased internationality and complexity, we are now able to guarantee effective risk and opportunity management.

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

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

G 22
RISK CATEGORIES



ORGANIZATIONAL INTEGRATION OF THE RISK AND OPPORTUNITY MANAGEMENT

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

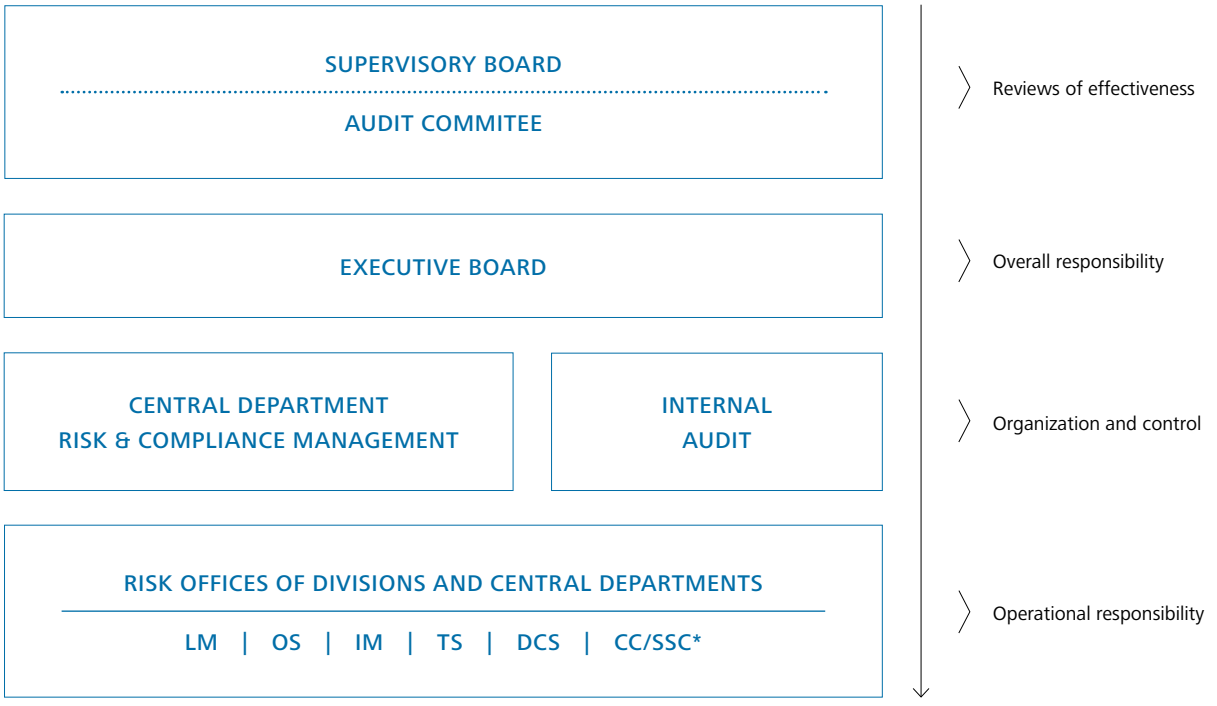
The central Risk and Compliance Management department organizes and manages the system in close collaboration with the risk officers of the divisions and central departments who are responsible for implementing the risk and opportunity management in the risk reporting units, i.e. the operational business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

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

In addition, at least twice a year, a Risk & Compliance Committee reviews the effectiveness of the risk management system and the corresponding processes, initiates changes where appropriate and, following analysis of the aggregated reporting results, recommends to the Executive Board a comprehensive evaluation of the Group's risk situation (see G 25 for reporting). The Risk & Compliance Committee comprises the members of the Executive Board and the heads of the central Finance, Legal, Internal Audit and Risk & Compliance Management departments.

The consolidated companies exposed to risk correspond essentially to those included in the group of entities consolidated (see page 126 in the Group Notes).

G 23
ORGANIZATION OF RISK AND OPPORTUNITY MANAGEMENT



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

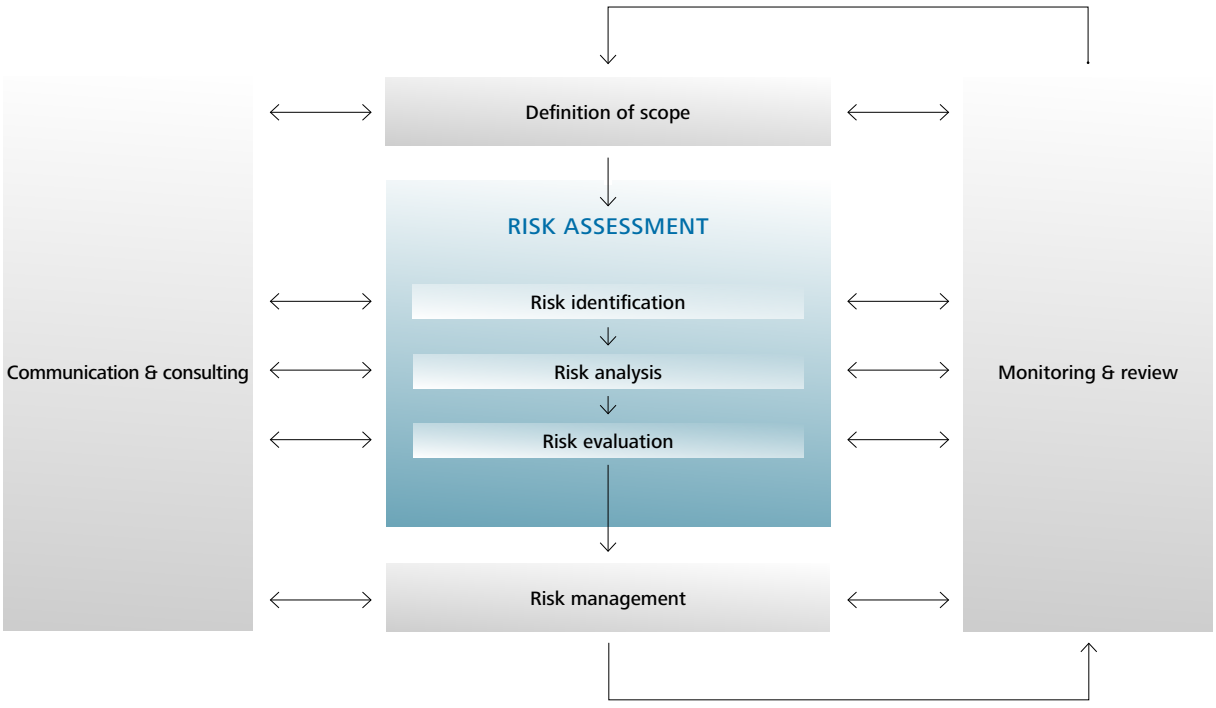
STRUCTURE AND PROCESSES OF THE RISK AND OPPORTUNITY MANAGEMENT SYSTEM

The Jenoptik risk management system is based on the ISO 31000 standard. G 24

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

One core process of risk management is the risk assessment. This takes place in a combination of top-down and bottom-up elements. In order to ensure the most in-depth risk identification possible, a minimum risk register was developed which contains several specified risk categories, to which potential risks are allocated by the risk reporting units. This is to ensure that each risk reporting unit deals with the entire risk landscape and that, simultaneously, an aggregation of the results is guaranteed across the specified categories. Within the scope of the risk analysis, the risk reporting units investigate the risks, in order to be able to undertake a valid risk assessment in the next stage regarding the methods of assessment (qualitative or quantitative), their temporal dimension (operative or strategic) and the measures already taken or still required (risk management). This takes place in accordance with the net method, i.e. mitigating measures are already included in the assessment so that only the assessed residual risk is reported and aggregated. The assessment of a risk is the product of the probability of occurrence and the possible consequences or the extent of damage. The opportunities are evaluated in the same way. T 37

G 24
JENOPTIK'S RISK MANAGEMENT SYSTEM



There is a scale of 1 to 5 for both the assessment factors mentioned, with 1 being the smallest possible risk indicator and 25 the greatest possible risk indicator. T 38

Every six months, the results of the risk assessments are requested by the central Risk & Compliance Management department via the Chief Risk & Compliance Officer at the risk reporting units and aggregated to the Group Risk Report. The central departments then have the opportunity for a comprehensive evaluation before the results are discussed at the Risk & Compliance Committee and a comprehensive evaluation is recommended to the Executive Board along with other measures if necessary. Once the Executive Board has officially approved the Group Risk Report, it is presented and discussed at the Audit Committee before being submitted to the Supervisory Board. G 25

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

The above mentioned reporting instruments also form the basis for the risk early warning system. This is reviewed within the framework of the audit by the auditor in order to ensure that the system is appropriate for promptly recording, evaluating and communicating all risks that could potentially jeopardize the Group's existence.

T 37

RISK ASSESSMENT

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

T 38

OVERVIEW OF THE RISK INDICATORS

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

Consequences or extent of damage

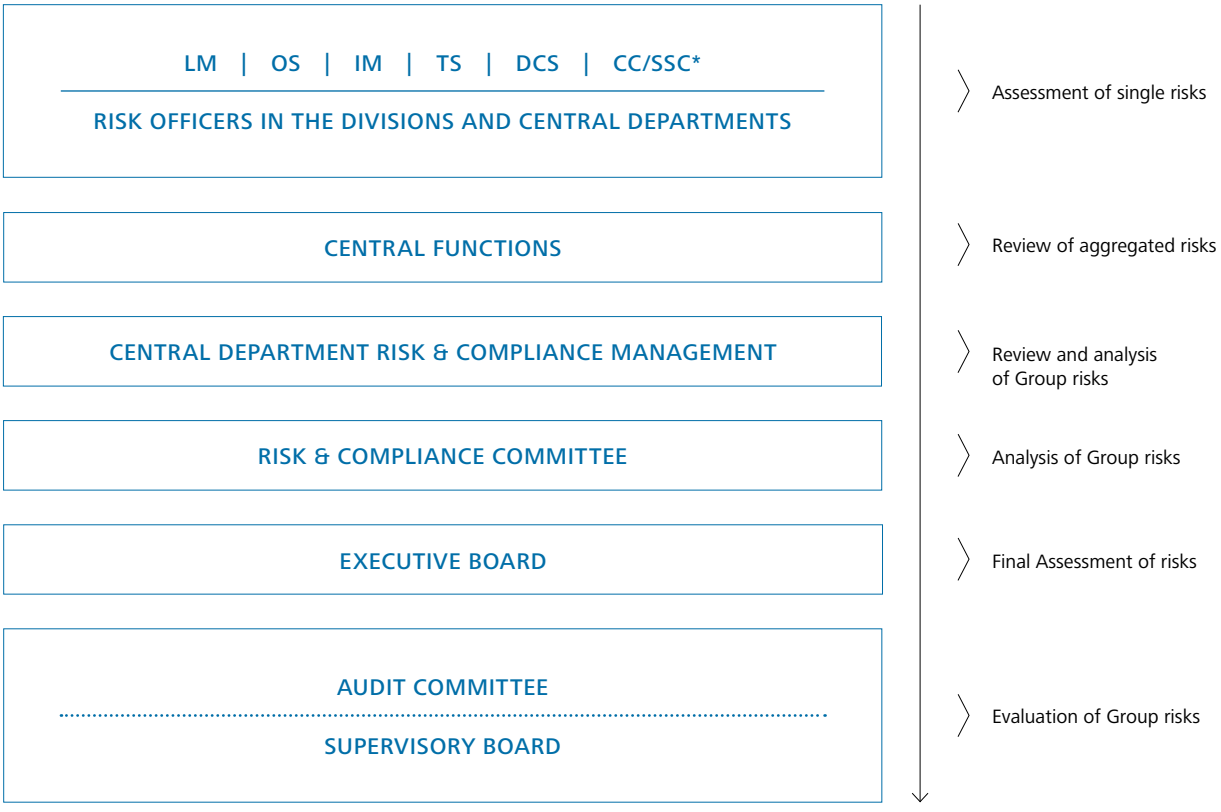
RISK PREVENTION AND ENSURING COMPLIANCE

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

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

Compliance with national and internationally recognized compliance requirements is an integral part of risk prevention and the processes of Jenoptik's risk management system. In order to improve employee awareness, and to achieve company-wide uniform understanding of our compliance standards, special training courses on subjects relevant to compliance, such as anti-corruption and

G 25
THE PROCESS OF RISK REPORTING



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

anti-trust law, are regularly held at both the German and foreign business units. The beginning of 2014 also saw the introduction of a web-based online compliance training course for all employees. It will gradually be rolled out in all business units around the world.

A new supplier code of conduct also came into force at the beginning of 2014, requiring suppliers of Jenoptik in accordance with international standards, to comply with various compliance requirements, such as the prohibition of child labor or the use of minerals from conflict regions, in accordance with the US Dodd Frank Act.

During the past fiscal year, the anti-corruption guideline adopted in 2012 was revised, with a number of its measures being clarified and expanded. For instance, the process of business partner screening, so-called third-party due diligence, has been centralized and its scope expanded. The purpose of this is to ensure that Jenoptik only cooperates with business partners which comply with and guarantee all of its compliance requirements.

A special section of the Group-wide intranet features a help desk which has been set up to help employees with all questions relating to risk or compliance issues at Jenoptik. Using specific practical examples, it enables employees to familiarize themselves with the compliance requirements and any risks resulting from them. It also advises employees on relevant issues.

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

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

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

KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE CONSOLIDATED ACCOUNTING PROCESS (§ 289 (5) AND § 315 (2) (5) OF THE GERMAN COMMERCIAL CODE (HGB))

The accounting-related internal control system is part of the overall Internal Control System (ICS) of the Jenoptik Group. Its purpose is to ensure compliance with statutory regulations, accounting rules and internal guidelines for uniform accounting and measurement principles, which are binding for all companies included in the consolidated financial statements. The aim of the ICS is to ensure a proper process for the preparation of the consolidated financial statements. New regulations and changes to existing rules are analyzed promptly and implemented. All employees involved in the accounting process receive regular training.

Access restrictions in the respective IT systems protect the financial systems against abuse. Centralized control and regular backup of the IT systems reduce the risk of data loss.

From the technical aspect, the Finance department is responsible for preparing the consolidated financial statements. In this context, clear divisions of responsibility and function, in adherence to the cross-check principle, are characteristic features of the financial reporting process in the Group.

In order to prepare the consolidated financial statements, the IFRS data of the companies is recorded directly by them in the consolidation tool SAP Business Objects Financial Consolidation. The transferred data from the statements and financial statements of consolidated companies is verified by technical system inspections. All the consolidation processes required for the preparation of the consolidated financial statements are documented. These processes, systems and controls enable Jenoptik to ensure with sufficient certainty a reliable Group accounting process which complies with both the IFRS and statutory requirements. Independent auditors audit the financial statements of the companies in accordance with the IFRS regulations, as adopted by the EU, or the data relevant to the Group accounting regulations.

RISK MANAGEMENT IN RELATION TO FINANCIAL INSTRUMENTS

Jenoptik has a centralized financial management. The central Treasury department coordinates the financing needs of the Group, ensuring liquidity and monitors the currency, interest rate and liquidity risks on the basis of Group-wide guidelines.

The purpose of financial risk management is to limit financial risks arising from changes in market prices, exchange rates and interest rates through operational and finance-oriented activities. Derivative financial instruments are used exclusively for the purpose of securing underlying transactions and only concluded with first-class banks. In this context, the most important task is to ensure that the necessary cash resources are available at all times.

Currency-related risks arise from the Group's international activities. The central Treasury department identifies these risks in collaboration with the Group companies and controls them with appropriate measures such as hedging. As a basic principle, all group companies must hedge foreign currency positions on the date they are created. A foreign currency guideline regulates the permitted hedging instruments and permissible deviations.

The purpose of the liquidity planning is to identify liquidity risks at any early stage and to systematically minimize them on a Group-wide basis. A monthly rolling liquidity forecast and a weekly treasury report first introduced in 2012 are used for liquidity control and monitoring.

The Group's risk and opportunity profile

The current Jenoptik risk profile for 2013/2014 was based on the 2013 risk and opportunity assessment in accordance with the methodology described. T 39

The **strategic risks** were assessed as the highest with risk indicators in the medium range compared with the operational and finance management risks, which also reflects the corporate focus on sustainable, economically successful development. These risks are discussed in both the six-monthly risk assessment and the six-monthly strategy meetings along with the strategic opportunities.

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

In order to be able to guarantee this on the different markets, it is necessary to shape **corporate development** accordingly. This relates to both the organizational structures that are constantly undergoing development to fulfill the respective requirements and the provision of qualified resources. In times of rising skills shortages in Germany and increased competition for qualified employees, particularly in Asia, this is a latent risk for all market participants, which Jenoptik is countering with a series of different HR and incentivization measures.

The **operational risks** were assessed predominantly with low risk indicators. Within these assessments, the areas of **supply chain management,** marketing and sales and real estate are valued at 'medium'. In the area of supply chain management, this is due to the particularly stringent requirements regarding the technical expertise of suppliers. Single sourcing is currently unavoidable for individual products, although by strengthening strategic purchasing in the medium term, an increasing number of suitably qualified suppliers should be ensured.

In the **marketing and sales** area, it is necessary to be able to service local demand and the growth targets derived from it via an appropriate sales and service network. To the extent by which qualified resources and systems in Germany and abroad can continue to be provided and expanded, the corresponding opportunities from the increasing internationalization are also realizable.

As Jenoptik historically has a comparatively extensive real estate portfolio, the 'medium' risk comprises impairments. Furthermore, both risks and opportunities can arise from fluctuating occupancy rates for real estate which is not needed for operations. These are managed through ongoing real estate controlling.

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

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

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

T 39

JENOPTIK RISK ROFILE 2013/2014

	Group risk assessment
Strategic risks	
Market development	Medium
Product development	Medium
Corporate development	Low
Operational risks	
Supply chain management	Medium
Production & occupational safety and environmental protection, quality management	Low
Marketing & sales	Medium
Research and development (Intellectual Property)	Low
Human resources	Low
IT (incl. JOE project)	Low
Compliance	Low
Legal affairs	Low
Real estate	Medium
Organizational development	Low
Financial management risks	
Accounting information	Low
Finance management	Medium
Controlling information	Low
Taxes	Low
Total risk	Low to medium

One Group-wide operating risk is **compliance** with respect to various legal and ethical requirements. As a company with customers and business partners in numerous countries, clients in the public sector and involvement with the US defense market, Jenoptik must address a great many compliance requirements. This is also demonstrated by an overview of the inquiries from the divisions on the subject of compliance. These have been systematically recorded and processed in the new help desk function introduced from the 2nd quarter of 2013. G 26 G 27

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

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

RISK AND OPPORTUNITY PROFILES OF THE SEGMENTS

The risk and opportunity profile of the Jenoptik Group was derived from the various risk profiles of the segments. T 40

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

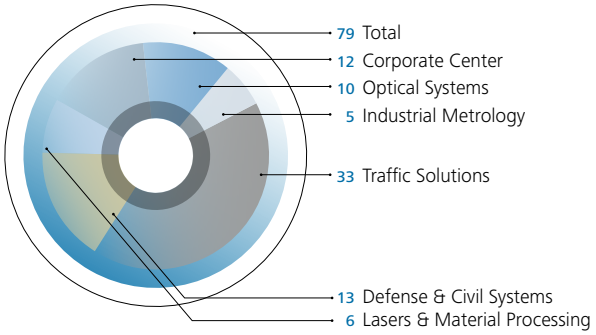
Lasers & Optical Systems Segment

The volatility of the **market development** is very high, especially the semiconductor market which is currently experiencing lateral movement, which can have both a negative and positive direct impact on the segment results. Moreover, the focus on large customers does also pose the risk that the loss of one such customer may have a significant effect on results. However, the noticeably larger number of these customers puts the risk of default into perspective statistically. At the same time, the loyalty of such customers due to the larger economies of scale brings the prospects of a profitable growth in revenue.

As an innovative technology company, it is of great strategic importance for Jenoptik that new **product developments** become market-ready quickly and efficiently. However, this is associated with various technological and organizational

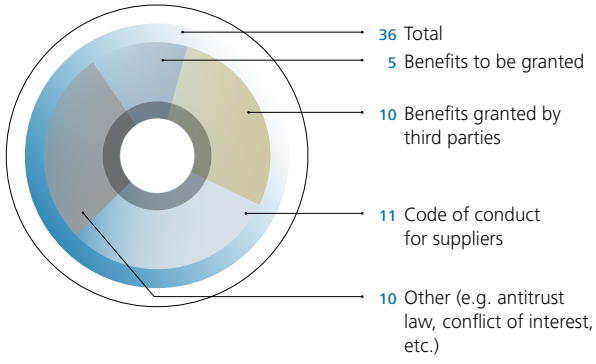
G 26

DIVISION-SPECIFIC INQUIRIES INCLUDING SCREENING OF BUSINESS PARTNERS IN 2013



G 27

MAIN TOPICS OF RISK AND COMPLIANCE HELP DESK



Without business partner screening from 2nd quarter 2013

risks, especially because with an increasing number of products very specific customer requirements must be taken into account. This is being addressed both with the expansion of efficient organizational structures as well as with the continuous optimization of the necessary resources. Accordingly, the development of new products and technologies give rise to opportunities resulting from the competitive advantages and the transfer of new developments into mass production.

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

In the area of **corporate development** and in **marketing and sales,** the rapid expansion of international service and sales structures is key to achieving the growth targets. Using new incentivization concepts, efforts are being made to expand the required base of qualified resources in Germany and abroad.

Metrology Segment

Market development in the metrology segment poses both a significant risk and a significant opportunity at the same time. Achieving sales targets in the field of industrial metrology is strongly linked to the automotive market, with the volatility of this market representing both a risk and an opportunity. Through continuous optimization of the product portfolio, strategic opportunities will be able to compensate for these fluctuations in demand within a defined scope.

T 40
RISK AND OPPORTUNITY PROFILES OF THE SEGMENTS

	Group risk assessment		
	Lasers & Optical Systems	Metrology	Defense & Civil Systems
Strategic risks			
Market development	Medium	Medium	Medium
Product development	Medium	Low	Medium
Corporate development	Medium	Medium	Low
Operational risks			
Supply chain management	Medium	Low	Low
Production and occupational safety and environmental protection, quality management	Low	Low	Low
Marketing and sales	Medium	Medium	Medium
Research and development (Intellectual Property)	Low	Low	Low
Human resources	Low	Low	Low
IT (incl. JOE project)	Low	Medium	Low
Compliance	Low	Low	Low
Legal affairs	Low	Medium	Low
Real estate	Low	Medium	Low
Organizational development	Low	Low	Low
Financial management risks			
Accounting information	Low	Low	Low
Finance management	Medium	Medium	Medium
Controlling information	Low	Low	Low
Taxes	Low	Low	Low
Total risk	Low to medium	Low to medium	Low to medium

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

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

With the necessary successive replacement of the old systems and the introduction of the new Group-wide ERP system, unforeseen problems may arise both with respect to the implementation and the data migration, so these inherent risks in the project are taken into account in the IT area with a medium rating. However, with the integration of external support and permanent project controlling, this should be minimized.

There are currently still open **legal** cases within the segment, such as the termination of an authorized dealer with the consequence of a possible bad debt, but in which a positive outcome is expected in the medium term.

In addition, the **real estate** area requires more replacement and expansion investment measures in order to also be able to fulfill the increasing demand for modern production sites in the future.

Defense & Civil Systems Segment

Market development in the Defense & Civil Systems segment is heavily reliant on the state of public finances within the client countries. These are currently stable but may develop negatively in the absence of the necessary economic upturn or as a result of policy decisions regarding future export approvals. This is counteracted by the development of international activities and the expansion of the product portfolio. Accordingly, **marketing and sales** activities will also be intensified or refocused in order to also be able to implement this operationally.

Since a large proportion of revenue in the segment is the result of project business, the **product development** and product launches pose both the greatest risk and the greatest opportunity at the same time. There are currently several major development projects, such as the further development of the laser range finder, or the expansion of railway engineering projects, which offer great potential for the generation of future revenue. However, there are also technological and organizational risks inherent in project business which may jeopardize the timely development success. In order to also be able to fulfill the required high technological demands of product developments in the long term, we are investing accordingly in the expansion of the necessary resources. By doing so, it will continue to be possible to realize and expand corresponding competitive advantages.

Risks across all Segments ("Other" Segment)

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

General Statement by the Executive Board on the Group's Risk and Opportunity Situation

Overall, the Jenoptik Group has a low to medium risk exposure in terms of strategic, operational and financial management risks; a direct year-on-year comparison is not possible due to the new assessment methodology. The **strategic** risks that were assessed as 'medium' are offset by adequate opportunities or were met by measures which offer sustainable, beneficial strategic positioning. This is particularly the case for the risks in the subcategory 'Product development', as the risks in the subcategory 'Market development' stem mostly from external sources of risk which can only partially be forecast or mitigated.

In the area of **operational** risk, the continued successful development and expansion of the sales structures is of crucial importance in the achievement of defined strategic goals and was correspondingly identified as a risk which is countered by appropriate measures. The same applies for the area of supply chain management, to which special attention must be paid due to the high technological requirements and a resulting single sourcing inherent in the product.

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

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

Forecast Report

Future development of the Jenoptik Group

FUTURE FRAMEWORK CONDITIONS

Future development of the economy as a whole. The International Monetary Fund (IMF) expects dynamic **global trade** in 2014, which will be driven less by the emerging economies than by the US. In Europe, further recovery is anticipated in Spain, and in Portugal and Ireland, too, the situation is no longer as precarious as in early 2013. There is concern, however, about some core European countries such as France, the Netherlands and Belgium. A manageable risk is the turbulence on the currency markets in the emerging economies at the start of the year, for example in Turkey, India and Argentina. If China remains unaffected and these upheavals in the money markets are temporary, they are likely to have little impact on the global economy. T 41

It is not yet possible to asses the effects of the geopolitical uncertainties on the Black Sea. A possible military conflict between Russia and the Ukraine could affect the global economic development and damage the political relationship between Russia and the EU, economists warn. In the event of a war also the IMF and the EU could do not do much. But so far the IMF expects that the threat of Ukraine's state bankruptcy can be prevented at least in the short term as both the US and the EU have signaled quick support.

Despite a weakening of the real estate market and a renewed rise in unemployment, the IMF expects strong economic growth in the **US** because the budget dispute has been resolved and fiscal austerity extended to 2015. The decision by the US Federal Reserve to curb expansive monetary policies will also contribute to this positive development. A free trade agreement between the US and the EU could create the world's largest free trade area by 2015 and stimulate foreign trade.

T 41

GROSS DOMESTIC PRODUCT GROWTH FORECAST (in %)

	2014*	2015*
World	3.7	3.9
US	2.8	3.0
Euro zone	1.0	1.4
Germany	1.6	1.4
Emerging economies	5.1	5.4
China	7.5	7.3

*Forecast / Source: IMF, World Economic Outlook, January 2014

Economic recovery in the **euro zone** continued at the start of 2014: the Purchasing Manager Index compiled by London-based Markit Institute remained above the 50 point mark, an indication of growth. After two years of recession, experts are predicting growth for the current year.

In its Annual Economic Report the German Federal Government stated that the steady recovery in the **German economy** will continue in 2014. The Ifo Business Climate Index, an early indicator, rose to its highest level for two and a half years in January 2014. Both the current situation and future prospects were assessed as more positive. The economy will be primarily bolstered by the domestic market and a renewed rise in capital expenditure on equipment.

In **China**, growth is expected to stabilize at the level achieved in 2012 and 2013. Reforms in the economic structure are due to give market forces more leeway in the future and result in greater capital expenditure in infrastructure.

Future development of the individual Jenoptik sectors. **Photonics** has become established as a key technology with considerable leverage effect on other industries and services, especially in the electronics, medical technology, automotive and defense industries. The "Photonics Industry Report" published in 2013 forecasts a global rise in revenue of an average 6.5 percent annually, allowing the market to grow to approximately 615 billion euros by 2020. In the German photonics industry, domestic production worth just under 44 billion euros is expected by 2020. Factors driving the market in the industry primarily include the increasing automation of production, innovative medical procedures and the requirements placed on electromobility, environmental analysis and energy management. The industry also expects a substantial contribution to research and innovation from the new "Horizon 2020" EU framework program, which aims to inject approximately 137 million US dollars of funding into photonics programs every year to 2020. G 28

In the **laser** market, global revenues will rise by almost 5 percent annually to 2017, according to the market researchers from Strategies Unlimited, bolstered by double-digit growth rates for lasers in communications technology.

In terms of revenue, the greatest potential is seen in fiber lasers, ultra-short pulse lasers and high-power diode lasers. Global laser revenue is due to rise by around 6 percent to 9.3 billion US dollars in 2014.

Following the trend reversal last year, the SIA industry association sees the global **semiconductor industry** growing also in the years ahead, driven by developments in North America and Asia. The recovery seen in late 2013 will also continue in Europe and Japan, however. G 29

After a weak 2013, the **semiconductor equipment industry** will return to growth in all major regions, making possible an overall increase of almost one quarter on the low figure in the prior year, according to the SEMI industry association. At approximately 39.5 billion US dollars, the market would again slightly exceed the level for 2012. Key industry trends remain the manufacture of larger wafers and Extreme Ultraviolet Lithography (EUV), which will enable smaller, more powerful chips to be produced for smartphones and tablets. SEMI puts the estimated spending on R+D over the next few years at up to 40 billion US dollars to get the 450 millimeter wafer ready for use. G 30

G 28

DEVELOPMENT OF THE PHOTONICS INDUSTRY (in %)

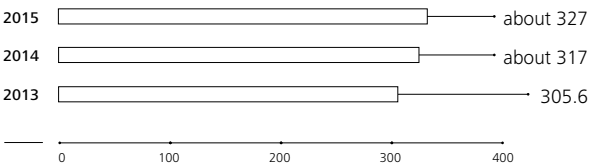
2011
350 billion euros

2020
615 billion euros

Source: VDMA, ZVEI, Spectaris: Photonics Industry Report

G 29

SEMICONDUCTOR INDUSTRY: GLOBAL REVENUE FORECAST (in billion US dollars)

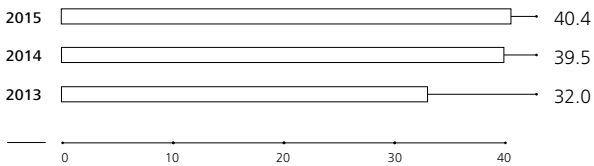


Change in %
2014 4.1 / **2015** 3.4

Source: Semiconductor Industry Association

G 30

SEMICONDUCTOR EQUIPMENT: GLOBAL REVENUE FORECAST (in billion US dollars)



Change in %
2014 23.2 / **2015** 2.4

Source: Semiconductor Equipment and Materials International (SEMI)

In 2014, the **German machine contruction industry** forecasts a 3 percent rise in production to a record figure of 203 billion euros. The VDMA expects the established markets in Europe to again contribute more strongly to growth. Other key export markets are the US, South America and Africa. For the German **machine tool industry**, the VDW industry association anticipates a 4 percent increase in production to approximately 15 billion euros in 2014. America and Asia remain the drivers of growth, but impetus is also expected, albeit to a lesser extent, in Europe. G 31

According to the VDA association, the prospects for the **automotive industry** will be good if the political framework is favorable and, for example, a rise in energy costs can be prevented. The global market could increase to almost 75 million new vehicles in 2014, and to around 108 million by 2025. The market is expected to stabilize in Europe at pre-crisis levels of 2007. The association is cautiously optimistic about the situation in Germany, because currently high rates of growth must be seen in the context of weak figures in prior years. According to the VDA, the global positioning and flexibility of automakers is a crucial factor in being able to compensate for regional fluctuations and rapidly adjust production, models and technologies.

Traffic safety will remain one of the focal areas of the United Nations (UN) over the coming years. The "Decade of Traffic Safety" initiative which was started up in 2011 is aimed at achieving significant reductions in the numbers of road traffic accidents and fatalities worldwide by 2020. Alongside a trend toward major projects, Jenoptik primarily sees potential for growth in Asia/Pacific and the Middle East. In addition, Jenoptik believes the importance of Traffic Service Providing, a business model entailing a comprehensive range of services relating to traffic monitoring, is increasing in established markets.

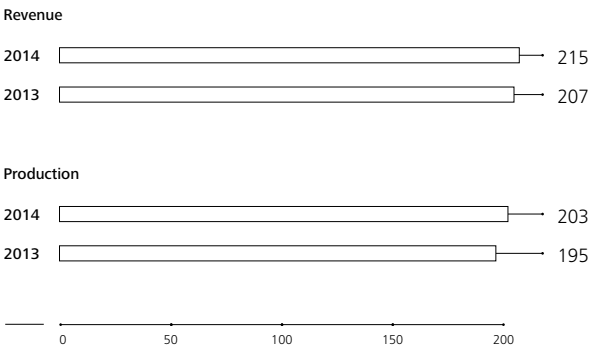
IATA, the sector association of the international **aviation** industry, forecasts a rise in the industry's profits to 19.7 billion US dollars by 2014, thereby exceeding the previous record in 2010. The association also expects an average increase in civilian passenger numbers of 5.4 percent by 2017. The greatest growth is forecast in the Asia/Pacific region, where aircraft manufacturer Airbus predicts a demand for around 11,000 new aircraft in the next 20 years, with global demand reaching 29,000. Boeing is anticipating demand for more than 35,000 aircraft around the world.

According to market research company SCI Verkehr, the global market for **railway technology** will increase to 168 billion euros by 2016. Great opportunities will result from growing liberalization in the South American markets and the Commonwealth of Independent States (CIS), as well as from increasingly strict emissions requirements. The railway industry is meeting the trend toward greater energy efficiency with electric locomotives. According to a study by SCI Verkehr, global demand will rise by around 3.5 percent annually to 2018; the key target markets are Asia, CIS and Europe. Global growth segments are "dual-mode" and "last-mile-diesel" locomotives which help to reduce pollutants and fuel consumption while increasing energy efficiency.

The **security and defense technology** market remains in a phase of consolidation. Given the cuts in defense budgets in Europe and the US, companies in the industry have increasingly been reliant on growth in the emerging economies, particularly in Southeast Asia, India and the Middle East. According to analysts IHS Jane's, defense budgets in Asia will rise by over 30 percent to 2017. In Europe, dwindling demand could result in closer cooperation between EU nations, as experts see the national markets as too small, hampering international defense projects.

G 31

MACHINE CONSTRUCTION: REVENUE FORECAST FOR GERMAN INDUSTRY (in billion euros)



Revenue 2014 4.0 / **Production 2014** 3.0

Source: German Engineering Federation (VDMA)

Expected development of the business situation

PLANNING ASSUMPTIONS

Group. The forecast for the future business development is drawn up on the basis of the Group planning undertaken in the fall of 2013. The planning was carried out using the so-called "counter flow method" (bottom up – top down). The starting point for this planning are the strategic plans from the segments and operational business units which are coordinated together and integrated in the Group planning.

The projects for Group development, in particular for the establishment of harmonized and excellent processes, will also be continued as planned throughout the Group during the course of the 2014 fiscal year. One of these projects is the JOE program. At the beginning of 2014, Industrial Metrology saw the commissioning of the ERP system for the first units in Germany. Two further rollouts will take place during the year in the Optical Systems and Lasers & Material Processing divisions in Germany. The costs for these projects will also be in the mid single digit million euro range in 2014 and were taken into account in the forecast. The Jenoptik Excellence Program (JEP) will be continued in 2014 in its sixth consecutive year, with the focus on Go-Lean and purchasing. The principles of Go-Lean management will consistently be embedded within all operating areas. This is expected to produce annual savings in the low double digit million euro range, resulting from the continual optimization of both the expertise in procurement as well as of the production processes. These are increasingly having an ongoing effect in many areas and are included in the current planning.

With respect to HR, the topics described in the section on employees will also be continued in 2014, in particular to better address the internationalization of the Group. The main focus of this will also be on the Group-wide harmonization of processes and regulations as well as on the development of an international employer's brand. The planned Group-wide introduction of the secondment guideline at the beginning of 2014 will also contribute to internationally integrated processes and regulations.

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You may find further information on employees in the section Employees.

In the **Lasers & Optical Systems segment**, the Jenoptik Group is expecting a more positive market environment than in the previous year. Restrained but stable demand is expected for the semiconductor equipment market in 2014. The segment may profit from its position as one of the leading suppliers of optical and micro-optical system solutions, which was further expanded in 2013. Jenoptik has also established itself as a development and production partner to numerous international market leaders. The health care & life sciences market should become another growth area for the segment. In 2013, we succeeded in acquiring another international key customer from this market, and as a development and production partner we supplied it with optoelectronic systems solutions. In 2014, the segment will continue to focus on the acquisition of key customers. Due to a larger range of integrated system solutions, the Optical Systems division is succeeding in achieving a higher share of added value. Jenoptik is continuing to invest in the expansion of its semiconductor equipment business, primarily through comprehensive R+D activities as well as through intensive contact with customers aimed at joint preparations for future production methods. With respect to Lasers, the segment is concentrating on 3D metals processing and plastics welding in addition to established products in the area of plastics processing.

The Metrology segment expects stable global development in the automotive industry during 2014. Additional impetus could come in particular from the growing automotive industry in the BRIC countries. On the product side, the trend continues to be towards production-related metrology. This plays a particularly important role when precision parts are manufactured, such as those required by the automotive industry for the development of energy-saving drive units. In order to take into account this trend for production-related metrology, the segment is continuing to invest in the development of tactile, pneumatic, and particularly optical technologies. New major orders are expected in Traffic Solutions. Traffic Service Providing will also be further expanded into established markets, including Germany, where there is increasing demand for it in conjunction with the equipment business.

The **Defense & Civil Systems segment** expects stable development. The focus will continue to be on internationalization in 2014. Following successful development of its own structures, the segment expects an expansion of its business abroad, particularly in North America. The cutbacks in defense budgets, mainly in the USA and the European countries, are not expected to have any major impact in the short term. In 2014, the segment is continuing to expand activities in the area of civil products, and will carry on with the internal reorganization.

FORECAST FOR THE EARNINGS SITUATION IN 2014 AND 2015

Important note. The actual results may differ significantly from the following expectations of the anticipated development. This may arise, in particular, if one of the uncertainties mentioned in this report were to materialize or if the assumptions upon which the statements are based prove to be inaccurate in relation to the economic development.

Forecast Group revenue. The Jenoptik Group expects growth in revenue of 5 to 10 percent for 2014. All three of the Group's segments should contribute towards this growth in revenue during the current year. Although at the time of reporting there are no plans for larger acquisitions, smaller takeovers are not ruled out. In accordance with our medium-term objective, revenue should grow more strongly in 2015 than in 2014. We expect regional growth to occur primarily in Americas and Asia/Pacific.

Forecast for the Group earnings position. The gross margin should show slight improvement in 2014 and 2015 if market shows a good development.

In terms of functional costs, for 2014 and 2015 Jenoptik is planning a stronger increase in selling costs in proportion to the growth in revenue. This will primarily be attributable to the continued development and expansion of the Group's own structures in North America and Asia. The research and development expenses are also expected to increase at a stronger rate than revenue. By contrast, general administrative expenses as a proportion of future revenue should remain almost constant in both years.

Forecast Group earnings. Jenoptik is currently anticipating an EBIT of between 55 and 62 million euros for the 2014 fiscal year. The costs for the projects for Group development are once again expected to be in the mid single digit million euro range; they are already included in the EBIT range referred to above. The EBIT should show a higher increase than revenue in 2015.

Following the significant improvement in the 2013 financial result, Jenoptik expects the financial result over the next two years to essentially remain stable or improve slightly. The development of the EBIT will therefore also be directly reflected in the development of earnings before tax and depending on the future tax burden also in earnings after tax.

In 2014, the Group's ROCE should remain around the same level as in 2013.

The **Lasers & Optical Systems segment** anticipates growth in revenue in 2014 of up to 10 percent. This increase will be supported by more stable development in the semiconductor equipment business and expansion in the health care and life sciences market. The result should therefore show a stronger rate of growth than revenue. The contributions to revenue and earnings by this segment are expected to show another marked increase in 2015. In addition to the greater demand from the semiconductor supplier industry in comparison with 2013, we also anticipate increasing contributions to revenue and earnings from other industries.

The **Metrology segment** expects a slight positive development in revenue. The EBIT should show a stronger rate of growth than revenue. The timing of project settlements in Traffic Solutions plays an important role in this segment. In the 2015 fiscal year, we anticipate that there will be a slight positive development in revenue and a stronger rise in EBIT in comparison with the revenue growth.

For the **Defense & Civil Systems segment** we are predicting an increase in revenue in the upper single digit percentage range in 2014 and 2015. International business and sales from civil systems should also make a greater contribution here. The revenue growth and the changes in the revenue mix should also be reflected in the segment EBIT. In both years, the EBIT should show an increase in the upper single digit percentage range. The segment should also profit from the cost reduction initiatives which have already been introduced.

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SUMMARY OF TARGETS FOR GROUP AND SEGMENTS

	Actual 2013 in million euros	Outlook 2014	Trend 2015 compared with 2014
Revenue	600.3	Increase of 5 to 10%	Increase stronger than 2014
Lasers & Optical Systems	224.7	Increase of up to 10%	Marked rise
Metrology	187.4	Slight positive development	Slight positive development
Defense & Civil Systems	185.1	Increase in upper single digit percentage range	Increase in upper single digit percentage range
Group EBIT	52.7	55 to 62 million euros	Increase higher than revenue
Lasers & Optical Systems	24.6	Stronger rise than revenue	Marked rise
Metrology	22.6	Stronger rise than revenue	Stronger rise than revenue
Defense & Civil Systems	11.6	Increase in upper single digit percentage range	Increase in upper single digit percentage range
EBT	47.2	Such as Group EBIT	Such as Group EBITT
Order intake	575.3	Significantly more than 2013	–
Net debt	44.1	Stable	Slight reduction
Free cash flow	47.0	Stable positive, fluctuations related to the reporting dates	Stable positive, fluctuations related to the reporting dates
ROCE	14.0%	Around the 2013 level	–
Employees	3,433	Slight rise	Slight rise
R+D expenses	39.8	Somewhat stronger rise than revenue	Somewhat stronger rise than revenue
Capital expenditure*	24.4	35 to 40 million euros	35 to 40 million euros

* without capital expenditure on financial assets

Forecast of the Group order situation. The order intake within a period is affected by major orders, particularly in the Defense & Civil Systems and Traffic Solutions divisions. Overall, Jenoptik expects that the 2014 order intake will be significantly up on the 2013 value. Growth is expected in all three segments. Around 58 percent of the order backlog as at the end of December 2013 will impact on sales in 2014.

Employee development and HR work. In essence, Jenoptik is planning to increase the size of its workforce at a disproportionately lower rate than the expansion of its business. The aim is to continually increase revenue per employee over the medium term. The number of employees should increase slightly in 2014 and 2015. The focus of HR work in 2014 and 2015 will be derived from the strategic targets (from page 57 on).

In 2014, one of the central themes of education and further training will be the development of a Lean Campus in support of the Group-wide Go-Lean program. The emphasis here will be on teaching comprehensive lean method expertise and the associated tools.

The academy concept will be further expanded in 2014. The areas of emphasis here will be on the Group-wide rollout of the Purchasing Academy established in 2012, as well as the establishing of an IT Academy, the purpose of which is to ensure the long-term development and qualification of employees from the IT area.

FORECAST OF THE GROUP ASSET POSITION AND FINANCIAL SITUATION

A moderate increase in **equity** is expected in line with the anticipated surpluses in the periods and despite any dividends to be paid in 2014 and 2015. As a result, the equity ratio is likely to show a further moderate increase over the next two years, with a small rise in the balance sheet total.

Forecast for the financing. Operational financing of the Jenoptik Group has, among other things, been secured through the debenture loans with terms of five or seven years respectively from October 2011.

Consequently, only a few current loans have maturity dates in the years 2014 and 2015. The syndicated loan agreement signed in April 2013 has also enabled Jenoptik to secure a credit line for 120.0 million euros which can be used for the financing of general business purposes.

Forecast for cash flows. In 2014 and 2015 we expect to continue to generate stable positive cash flows from operating activities (before income taxes). These, however, might fluctuate due to receipts and payments on the reporting dates. This will also be reflected in the development of the free cash flow (before income taxes).

Forecast for capital expenditure. With the level of capital expenditure in 2013 was down on the originally planned total of 35 to 40 million euros, Jenoptik now anticipates an increase to 35 to 40 million euros for the next two fiscal years. The capital expenditure on property, plant and equipment will focus on the growth areas within the segments or take place within the scope of new customer projects. The capital expenditure should expand capacities, thereby ensuring future growth. Capital expenditure at the Group level will continue to focus on the project designed to harmonize processes and systems (JOE). Capital expenditure should be covered by the operating cash flow or with available cash.

Future dividend policy. In 2013, Jenoptik paid out a dividend in the amount of 0.18 euros per share to the shareholders. The future aim of the Executive Board is not only to finance the continued growth of the company but to also maintain the continuity of its dividend policy. In the view of the Executive Board, a stable provision of equity for sustainable organic growth for the increase in the enterprise value as well as the exploitation of opportunities for acquisitions is also of crucial importance, also in the interests of the shareholders.

The **net debt** continues to be dependent upon the financial indicators mentioned above. For the operating business Jenoptik expects to be able to meet all interest and tax payments out of the free cash flow despite increasing capital expenditure and the possibility of a small rise in working capital as a result of growth. After the very sharp reduction in the 2013 fiscal year, Jenoptik expects a stable net debt for 2014, due among other things to the higher capital expenditure. This should then reduce somewhat in 2015 in comparison with 2014. In addition, we expect a payment to the remaining silent real estate investor (claim of 12.5 million euros as at 31/12/2013) in 2015.

General statement by the Executive Board on future development

Jenoptik will continue to pursue its strategic agenda rigorously and sustainably. The Executive Board's main focus is now on profitable growth in all segments. In addition to revenue growth, economies of scale, cost discipline and increased margins from the increasing systems business should lead to an increase in results.

In 2014, the Jenoptik Group also wants to invest a significant portion of its funds in the expansion of the international sales structures and in the development of innovative products. In addition, the measures for internal process optimization and the projects for Group development will also be continued as scheduled.

For the current fiscal year, we expect an increase in revenue of between 5 and 10 percent as well as growth in EBIT of 55 to 62 million euros. Achieving these targets is dependent on economic conditions. With respect to the development of our key sectors such as the semiconductor equipment and automotive industry, as of the editorial closing date, we expect a stable to slightly positive trend for the coming months. Consequently, we expect an overall positive corporate development of the Jenoptik Group during the 2014 fiscal year.

Jena, March 11, 2014

Michael Mertin
President & CEO

Rüdiger Andreas Günther
Chief Financial Officer

47.0

million euros free cash flow

CONSOLIDATED FINANCIAL STATEMENTS

In the fiscal year just past, too, the Jenoptik Group enjoyed a very stable financial and asset situation. With a balance sheet total at the same level as last year, the equity ratio rose to 53.0 percent, while the debt equity ratio fell to 0.89. Free cash flow improved to 47.0 million euros.

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Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

in thousand euros	Note No.	1/1–31/12/2013	1/1–31/12/2012
Revenue	4.1	600,300	585,025
Cost of sales	4.2	394,555	381,638
Gross profit		**205,745**	**203,387**
Research and development expenses	4.3	39,842	36,035
Selling expenses	4.4	66,635	65,077
General and administrative expenses	4.5	46,352	42,585
Other operating income	4.6	15,738	16,476
Other operating expenses	4.7	18,760	26,004
EBIT – continuing operations		**49,895**	**50,162**
EBIT – discontinued operations		2,831	4,678
EBIT – Group		**52,726**	**54,840**
Investment result	4.8	281	–2,042
Interest income	4.9	1,009	1,324
Interest expenses	4.9	6,784	8,009
Financial result		**–5,493**	**–8,727**
Earnings before tax – continuing operations		**44,401**	**41,435**
Earnings before tax – discontinued operations		2,831	4,678
Earnings before tax – Group		**47,232**	**46,113**
Income tax expense	4.10	4,578	5,540
Deferred taxes	4.10	–4,518	–9,644
Earnings after tax – continuing operations		**44,341**	**45,539**
Earnings after tax – discontinued operations	4.12	2,831	4,678
Earnings after tax – Group		**47,172**	**50,217**
Results from non-controlling interests	4.11	–24	–19
Earnings attributable to shareholders		47,197	50,236
Earnings per share in euros – continuing operations	4.13	0.77	0.80
Earnings per share in euros – Group (undiluted = diluted)	4.13	0.82	0.88

Other comprehensive income

in thousand euros	1/1–31/12/2013	1/1–31/12/2012
Earnings after tax	**47,172**	**50,217**
Items that will never be reclassified to profit or loss	2,683	–8,918
Remeasurements	4,011	–12,113
Deferred taxes	–1,328	3,195
Items that are or may be reclassified to profit or loss	–2,325	876
Available-for-sale financial assets	351	–89
Cash flow hedges	–16	2,254
Foreign currency exchange differences	–2,886	–754
Deferred taxes	226	–535
Total of the profit/loss recognized in equity	**358**	**–8,041**
Total other comprehensive income	**47,530**	**42,176**
Thereof attributable to:		
Non-controlling interests	–24	–19
Shareholders	47,554	42,195

Consolidated Statement of Financial Position

Assets in thousand euros	Note No.	31/12/2013	31/12/2012	Change
Non-current assets		**329,799**	**333,778**	**–3,979**
Intangible assets	5.1	75,346	70,622	4,724
Property, plant and equipment	5.2	140,632	143,240	–2,608
Investment property	5.3	19,107	19,580	–473
Financial assets	5.5	20,058	27,205	–7,146
Other non-current assets	5.6	4,398	4,780	–382
Deferred tax assets	5.7	70,259	68,351	1,908
Current assets		**362,642**	**335,846**	**26,796**
Inventories	5.8	165,058	169,270	–4,212
Trade and other receivables	5.9	125,338	120,660	4,677
Securities	5.10	681	561	120
Cash and cash equivalents	5.11	71,565	45,355	26,209
Total assets		**692,441**	**669,624**	**22,817**
Equity and liabilities in thousand euros				
Equity	5.12	**367,056**	**330,325**	**36,730**
Share capital		148,819	148,819	0
Capital reserve		194,286	194,286	0
Other reserves		23,702	–13,053	36,754
Non-controlling interests	5.13	249	273	–24
Non-current liabilities		**173,067**	**177,567**	**–4,500**
Pension provisions	5.14	28,227	31,238	–3,011
Other provisions	5.16	10,972	12,064	–1,092
Non-current financial liabilities	5.18	115,235	115,776	–541
Other non-current liabilities	5.19	16,865	15,417	1,448
Deferred tax liabilities	5.15	1,769	3,072	–1,303
Current liabilities		**152,318**	**161,732**	**–9,414**
Tax provisions	5.15	4,762	6,059	–1,296
Other provisions	5.16	37,426	52,053	–14,627
Current financial liabilities	5.18	1,154	4,692	–3,538
Other current liabilities	5.20	108,976	98,928	10,047
Total equity and liabilities		**692,441**	**669,624**	**22,817**

Statement of Changes in Equity

in thousand euros	Share capital	Capital reserve	Cumulative profit	
Restated balance at 1/1/2012	**148,819**	**194,286**	**–27,799**	
Dividends			–8,585	
Remeasurements of financial instruments				
Remeasurement loss				
Foreign currency exchange differences			–509	
Net profit for the period			50,236	
Other adjustments			–1,708	
Balance at 30/6/2012	**148,819**	**194,286**	**11,635**	
Balance at 1/1/2013	**148,819**	**194,286**	**11,635**	
Dividends			–10,303	
Remeasurements of financial instruments				
Remeasurement profit				
Foreign currency exchange differences				
Net profit for the period			47,197	
Other adjustments			–855	
Balance at 30/6/2013	**148,819**	**194,286**	**47,674**	

	Available-for-sale financial assets	Cash flow hedges	Cumulative exchange differences	Remeasurements	Non-controlling interests	Total
	208	**–1,603**	**770**	**–16,530**	**292**	**298,443**
						–8,585
	–89	1,581				1,492
				–8,918		–8,918
			–107			–616
					–19	50,219
						–1,708
	119	**–22**	**663**	**–25,448**	**273**	**330,325**
	119	**–22**	**663**	**–25,448**	**273**	**330,325**
						–10,303
	351	–20				331
				2,683		2,683
			–2,684	28		–2,656
					–24	47,172
			358			–496
	470	**–42**	**–1,663**	**–22,737**	**249**	**367,056**

Consolidated Statement of Cash Flows

In thousand euros	1/1–31/12/2013	1/1–31/12/2012
Earnings before tax	47,232	46,113
Interest income	5,774	6,684
Depreciation, amortization and reversals of impairment losses	22,066	22,254
Impairment losses	357	3,920
Profit/loss from asset disposals	–176	–421
Other non-cash income/expenses	427	647
Operating profit before adjusting working capital	75,681	79,197
Change in provisions	–15,642	3,948
Change in working capital	6,393	–12,334
Change in other assets and liabilities	737	2,857
Cash flows from operating activities before income tax	**67,169**	**73,668**
Income tax expense	–6,585	–7,090
Cash flows from operating activities	**60,584**	**66,578**
Proceeds from sale of intangible assets	58	421
Capital expenditure for intangible assets	–6,807	–6,716
Proceeds from sale of property, plant and equipment	3,257	839
Capital expenditure for property, plant and equipment	–17,555	–24,511
Proceeds from sale of investment property	0	1,188
Proceeds from sale of financial assets	8,182	2,706
Capital expenditure for financial assets	–1,779	–9,079
Acquisition of consolidated entities	–2,772	0
Interest received	1,010	1,335
Cash flows from investing activities	**–16,406**	**–33,817**
Dividends paid	–10,303	–8,585
Proceeds from issuing bonds and loans	4	407
Repayments of bonds and loans	–4,247	–4,581
Payments for finance leases	0	–2,181
Change in Group financing	814	–13,953
Interest paid	–5,328	–7,248
Cash flows from financing activities	**–19,060**	**–36,141**
Change in cash and cash equivalents	**25,118**	**–3,380**
Effect of movements in exchange rate on cash held	–692	–93
Change in cash and cash equivalents due to first time consolidation	1,783	0
Cash and cash equivalents at the beginning of the period	45,355	48,828
Cash and cash equivalents at the end of the period	**71,565**	**45,355**

Notes

1 Presentation of the Group Structure

PARENT COMPANY

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

ACCOUNTING PRINCIPLES

The consolidated financial statements of JENOPTIK AG were prepared for the 2013 fiscal year in accordance with the International Financial Reporting Standards (IFRS) and the binding interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in force at the reporting date and adopted by the European Commission for use in the European Union.

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

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

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

The following IFRS were applied for the first time:

Amendments to IAS 1 "Presentation of Financial Statements". These amendments concern the presentation of other comprehensive income in the consolidated statement of comprehensive income. The items of other comprehensive income, which were later reclassified in the statement of profit and loss (recycling) are, in future, to be presented separately from the items of other comprehensive income that will never be reclassified. In as far as these items are disclosed in gross, without being netted with effects arising from deferred taxes, deferred taxes are no longer to be disclosed in one amount but are to be classified to both groups of items.

The effects of the initial application are readily apparent in the way the presentation of other comprehensive income has been changed.

IFRS 13 "Fair Value Measurement". This standard uniformly regulates fair value measurements in IFRS financial statements. All other standards are required to use the fair value measurements given in IFRS 13; there will only be further regulations for IAS 17 and IFRS 2.

Fair value as defined in IFRS 13 is an exit price, meaning that it is the price that would be achieved to sell an asset or paid to transfer a liability. A three-level hierarchical input system based on observable market prices has been introduced and is similar to that known from fair value measurement.

In compliance with transition procedures given in IFRS 13, the Group has prospectively applied the new fair value measurement rules, and consequently, no comparative information from the prior year is available for the new disclosures.

Nevertheless, this change has no material effect on the measurement of the assets and liabilities of Jenoptik.

Amendment to IAS 32 "Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures". The amendment to the standard IAS 32 (first application is as of 2014) clarifies the requirements necessary for netting financial instruments. The meaning of the present legal right to offset has been emphasized. It clearly defines which procedures for gross settlement and for net settlement are permitted in order to comply with the standard. Along with these clarifications, the explanatory note disclosure regulations defined in IFRS 7 have also been expanded and are already to be applied in 2013.

The amendments to IFRS 7 have no material effects on the consolidated financial statements of Jenoptik.

Amendment to IAS 12 "Recovery of underlying assets". Investment property is often difficult to measure depending on whether existing temporary differences regarding use or disposal have to be reversed. The amendment to IAS 12 clarifies that deferred taxes estimated on the basis of a rebuttable presumption must be reversed by a disposal.

This change has no material impact on the consolidated financial statements of Jenoptik.

Improvements to IFRS 2009–2011. The purpose of the annual improvement project was to amend five standards. Adjusting formulations in individual IFRS should modify existing rules in order to gain more clarity. However, a consequence may be that amendments affect accounting, recognition, measurement as well as explanatory note disclosures. The standards concerned are IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1.

The amendments to these standards did not have any material effects on the consolidated financial statements of Jenoptik.

IFRS TO BE APPLIED AFTER 2013

The application of financial reporting pronouncements published by the IASB and not yet adopted by the EU is not mandatory, and Jenoptik has up until now not applied any such pronouncements.

Except for the following new standards and interpretations that could have an impact on the consolidated financial statements of Jenoptik, a number of other standards and interpretations have been adopted that are not expected to have any material impacts on the consolidated financial statements.

If not otherwise disclosed, we are presently in the process of analyzing if there are any effects.

IFRS 10 "Consolidated Financial Statements". With this standard the concept of control has been newly and comprehensively defined. If an entity controls another entity, the parent company is to consolidate the subsidiary. According to this new concept, control exists if a potential parent company has power over a potential subsidiary on the basis of voting rights or other rights that have positive or negative variable returns from its involvement with the subsidiary and these returns can influence its power.

This new standard is initially to be applied in fiscal years beginning on or after January 1, 2014. IFRS 10 is to be applied retrospectively except in the case of specific exceptions.

Jenoptik has already analyzed if there are any effects stemming from this amendment and has concluded that there are none.

IFRS 11 "Joint Arrangements". With IFRS 11 the accounting for joint arrangements has been newly regulated. According to this new concept, it needs to be determined if a joint operation or a joint venture exists. A joint operation exists if the parties having joint control have direct rights to the assets, liabilities and obligations. The individual rights and obligations are accounted for proportionately in the consolidated financial statements. In contrast, the parties having joint control in a joint venture have the right to net assets. This right is shown by using the equity method in preparing the consolidated financial statements; consequently the option of a proportionate inclusion has thus been eliminated.

The new standard is initially to be applied in fiscal years beginning on or after January 1, 2014. There are specific transitional regulations e.g. for converting from a proportionate consolidation to the equity method.

Jenoptik has already analyzed if there are any effects stemming from this amendment and has concluded that there are none.

IFRS 12 "Disclosures of Interests in Other Entities". This standard regulates the disclosure obligations regarding interests held in other entities. The disclosures required are considerably more comprehensive than those that had been required by IAS 27, IAS 28 and IAS 31 up to now.

The new standard is initially to be applied in the fiscal years beginning on or after January 1, 2014

Amendments to IFRS 10, IFRS 11 und IFRS 12 "Transitional Provisions". These amendments clarify and simplify the transition of applying IFRS 10, IFRS 11 and IFRS 12. Thus adjusted comparative information is only required for the prior comparative period.

The amendments to IFRS 10, IFRS 11 and IFRS 12 are initially to be applied in the fiscal years beginning on or after January 1, 2014.

Amendment to IAS 28 "Investments in Associates and Joint Ventures". In the course of adopting IFRS 11 Joint Arrangements, adjustments were also made to IAS 28, which had up until now regulated the application of the equity method. In contrast, the adoption of IFRS 11 has considerably expanded the scope of application since in the future not only investments in associates but also in joint ventures are to be measured by using the equity method (see IFRS 11). Thus it is no longer possible to consolidate joint ventures proportionately.

A further amendment involves the accounting treatment under IFRS 5 when only a portion of a share in an associate or a joint venture is to be sold: IFRS 5 is to be applied to the portion that is sold while the other (remaining) portion is still to be accounted for by using the equity method until the first portion is actually sold.

The amendment is initially to be applied in fiscal years beginning on or after January 1. 2014.

Jenoptik has already analyzed if there are any effects stemming from this amendment and has concluded that there are none.

Amendment to IAS 36 "Disclosure of the recoverable amount of non-financial assets". In the course of developing a consequential amendment to IFRS 13 Fair Value Measurement, a new mandatory disclosure on goodwill impairment testing as defined in IAS 36 was introduced: to disclose the recoverable amount of a cash-generating unit, independent of whether an impairment is actually performed. Since this mandatory disclosure was unintentionally introduced, it was eliminated in the amendment issued in May 2013.

On the other hand, there are additional disclosures in this amendment when an impairment actually is performed and the recoverable amount has been determined on the basis of fair value.

These amendments are initially to be applied in fiscal years beginning on or after January 1, 2014.

Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting". This amendment will allow hedge accounting to continue for derivatives designated as hedging instruments if they are novated to affect clearing with a central counterparty as a result of laws or regulations and only if specific conditions have been met.

These amendments are initially to be applied in fiscal years beginning on or after January 1, 2014.

ESTIMATES

The preparation of the consolidated financial statements in accordance with IFRS, as to be applied in the EU, requires that assumptions be made for certain items that may affect how revenue is recognized in the consolidated statement of financial position or in the consolidated statement of comprehensive income as well as how contingent assets and contingent liabilities are to be disclosed. All assumptions and estimates are made with sound business judgment in order to present the actual circumstances reflecting the net assets, the financial position and the results of operations of the Group.

The underlying assumptions and estimates are continually reviewed. The preparer of a set of consolidated financial statements has certain discretionary ranges, which primarily concerns the following:

- Judging the goodwill impairment test,
- Valuing intangible assets, property, plant and equipment and investment property,
- Inventories,
- Recognition and measurement of pension provisions and similar obligations as well as those held in trust,
- Recognition and measurement of other provisions and
- Feasibility of future tax relief.

For further information, we refer to section Disclosures on Statement of Financial Position from page 142 on.

2 Consolidation principles

2.1 THE GROUP OF ENTITIES CONSOLIDATED

All significant entities, over which JENOPTIK AG directly or indirectly exercises a controlling influence (control concept), have been included in the consolidated financial statements. Control in the meaning of IAS 27 Consolidated and Separate Financial Statements then exists if there is an ability to determine financial and economic policies of an entity in order to enjoy economic benefits from such activities. Inclusion in the consolidated financial statements is required at that point in time when control, as defined in the control concept, exists. It ceases when this ability no longer exists.

The consolidated financial statements of JENOPTIK AG contain 29 fully consolidated subsidiaries (prior year: 24). Thereof 14 (prior year: 14) have their legal seat in Germany and 15 (prior year: 10) have theirs abroad. The Jenoptik Group has proportionately consolidated one joint venture (prior year: 1).

As of March 13, 2013, DCD Systems Pty. Ltd., Sydney, Australia, which had been purchased in the first quarter of 2013 and has since then been operating under the name JENOPTIK Australia Pty. Ltd. (JO Australia), and JENOPTIK Asia-Pacific Pte. Ltd., Singapore, which had been founded at the end of 2012, have been consolidated for the first time. As of June 30, 2013, the American subsidiaries JENOPTIK Defense, Inc., Jupiter, Florida, USA, JENOPTIK Laser Technologies LLC, Brighton, Michigan, USA, and LECHMOTOREN US, Inc., El Paso, Texas, USA, which has now been rebranded with the name JENOPTIK Advanced Systems LLC., El Paso, Texas, USA, have also been included in the consolidated financial statements. Jenoptik holds 100 percent of the shares in each of the newly consolidated entities. Thus the following additions to assets and liabilities were made at the time of first consolidation:

in thousand euros	Total
Non-current assets	3,414
Current assets	4,660
Non-current liabilities	70
Current liabilities	3,298

The consolidated financial statements contain the revenues of the newly consolidated entities, which totaled EUR 11,159 thousand and earnings after tax amounting to minus EUR 5 thousand. There were no impacts on the earnings before tax. The effects on the revenue of the consolidated base amounted to EUR 5,477 thousand.

Hillos GmbH, located in Jena, has proportionately been consolidated with a shareholding of 50 percent in accordance with IAS 31. Owing to this proportional consolidation, the following assets and liabilities have been allocated to the Group:

in thousand euros	2013	2012
Non-current assets	814	1,145
Current assets	6,045	6,676
Non-current liabilities	47	43
Current liabilities	3,914	4,371
Income	16,718	17,434
Expenses	16,349	17,018

26 subsidiaries have not been consolidated, thereof 15 are non-operating entities whose influence on the net assets, the financial position and the results of operations of Jenoptik is of minor significance. The total of the operating results amounted to around minus 3.0 percent of the Group's EBIT. The estimated effect of consolidating all of the entities in the Group's total assets is approximately 0.8 percent of the Group's total assets.

The shareholdings in these entities as well as all other shareholdings have been accounted for at fair value in accordance with IAS 39. If a reliable fair value cannot be determined, then the acquisition costs are considered.

The list of the shareholding of Jenoptik (see page 173) has been published in the Federal Gazette as stipulated by § 313 (2) (Nos. 1 to 4) of the German Commercial Code [Handelsgesetzbuch (HGB)]. The entities that had made use of simplification relief regulations as stated in § 264 (3) or § 264b of the HGB are listed in the HGB section dealing with mandatory and supplementary disclosures.

2.2 CONSOLIDATION PROCEDURES

The assets and liabilities of domestic and foreign entities included fully or proportionately in the consolidated financial statements have been recognized uniformly in accordance with the accounting policies and measurement methods valid throughout the entire Jenoptik Group.

At the time of acquisition the capital of a newly acquired entity is to be included in the consolidation. The assets and liabilities of the subsidiaries are thereby to be measured at fair value. Furthermore, identified intangible assets are to be capitalized, and contingent liabilities as defined in IFRS 3.23 are to be classified as liabilities. The remaining difference is goodwill, which is not amortized under a regular schedule over the following accounting periods, but is to undergo an annual impairment test as stipulated in IAS 36.

Receivables and payables as well as income and expenses between the consolidated entities are to be eliminated. The Group's intercompany receivables and payables are measured on the basis of market prices, and transfer prices are determined on the basis of the arm´s length principle. The inventories contain assets from intercompany deliveries, thus unrealized profit has to be eliminated. Consolidation procedures that effect profit or loss lead to deferred taxes, whereby deferred tax assets and deferred tax liabilities are netted if there is a legally enforceable right to offset current tax assets against current tax liabilities and only if they concern income taxes levied by the same tax authorities.

The consolidation methods applied in this fiscal year have not been changed and thus are the same as those applied in the prior year.

2.3 FOREIGN CURRENCY EXCHANGE EFFECTS

Annual financial statements prepared by subsidiaries in foreign currencies are translated on the basis of the functional currency concept as defined in IAS 21 "The Effects of Changes in Foreign Exchange Rates" by using the modified reporting date exchange rate method. Since the subsidiaries conduct their business activities independently in view of financial, economic and organizational concerns, the functional currency is generally identical to that of the currency of the country in which the subsidiary is located.

Assets and liabilities are translated by using the exchange rate at the reporting date, whereas income and expenses are, for practical purposes, translated at the average exchange rate for the year being reported. The resulting foreign currency exchange effects are offset outside of profit or loss and presented in equity as a special item called foreign currency exchange effects.

If a consolidated entity leaves the Group of consolidated entities, the corresponding foreign currency exchange effects are reversed through profit or loss.

Separate financial statements of consolidated entities prepared in a local currency are to have receivables and payables, which are not in the functional currency of the subsidiary, translated at the exchange rate at the reporting date in accordance with IAS 21. Foreign currency exchange effects are to be recognized through profit or loss in the items other operating income and expenses (see Disclosures on Statement of Income from page 136 on).

The exchange rates used are listed in the following table:

		Average exchange rate		Reporting date	
	1 EUR =	2013	2012	2013	2012
USA	USD	1.3299	1.2946	1.3791	1.3194
Switzerland	CHF	1.2306	1.2041	1.2276	1.2072
China	CNY	8.2152	8.0930	8.3491	8.2207
Malaysia	MYR	4.2709	4.0347	4.5221	4.0347
Australia	AUD	1.3978	–	1.5423	–
Singapore	SGD	1.7414	–	1.7414	–

2.4 ENTITIES ACQUIRED

Jenoptik acquired 100 percent of the shares in DCD Systems Pty. Ltd., Sydney, Australia, which has meanwhile been renamed JENOPTIK Australia Pty Ltd. (JO Australia), upon signing the purchase agreement dated December 21, 2012, which had become legally binding as of January 29, 2013. The entity is a provider of traffic safety solutions. Jenoptik is further strengthens its presence in Asia/Pacific with this acquisition.

The purchase price (AUD 4,968 thousand, EUR 3,881 thousand) comprises a fixed cash component in the amount of AUD 3,685 thousand (EUR 2,876 thousand) and an earn-out component based on defined profitability targets for 2013 and 2014. We measured the fair value of the earn-out component at the date of purchase.

In return we purchased the following net assets at the time of the first-time consolidation:

in thousand euros	Total
Non-current assets	1,135
Current assets	1,326
Non-current liabilities	69
Current liabilities	1,789

In conjunction with the purchase of the shares in JO Australia we identified a client base which will be amortized within three years. Furthermore, goodwill was capitalized owing to the advantage of an easier market entry. Due to currency fluctuations, the value of the goodwill has changed. No unscheduled amortization was charged. Goodwill is not deductible for tax purposes.

No entities were disposed.

2.5 DISCONTINUED OPERATIONS

An income disclosure amounting to EUR 2,831 thousand (prior year EUR 4,678 thousand) was made concerning operations that had been discontinued in previous years.

The 2013 income resulted from partially reversing a provision that had been set up in connection with the sale of M+W Zander Holding AG in 2005.

In the fiscal year 2012 a provision, which had been set up in connection with the sale of Jena-Optronik GmbH in 2010, was completely reversed.

3 Accounting Policies and Measurement Methods

3.1 GOODWILL

The accounting rules of IFRS 3 are to be used for all business combinations.

Goodwill as stated in IFRS 3 corresponds to the positive excess of the consideration transferred for business combination over the value of the acquired revalued assets and liabilities including contingent liabilities that remained after performing a purchase price allocation and thus the identification of intangible assets. The assets and liabilities identified for such a purchase price allocation are not to be accounted for at their present carrying amounts but at fair value. In connection with an acquisition of control, non-controlling interests were measured in proportion to the net assets identified.

Goodwill is to be recognized as an asset and is to undergo an impairment test at a specific date at a minimum of once a year or if there is any indication that the cash-generating unit could be impaired. An impairment is to be recognized immediately as an expense through profit or loss and is not to be reversed in later reporting periods.

In accordance with IFRS 3 negative differences are to be recognized immediately through profit or loss in the item other operating income.

3.2 INTANGIBLE ASSETS

Purchased intangible assets, primarily software, patents and customer relationships, are to be capitalized at their acquisition costs. Intangible assets with finite useful lives are to be amortized in scheduled amounts over their economic useful lives. Generally this is a period of between three and ten years. The Group is to review whether its intangible assets with finite useful lives should undergo impairment testing (see section 3.4 “Impairment of Property, Plant and Equipment and Intangible Assets”).

Intangible assets with indefinite useful lives are to undergo impairment testing at a minimum of once a year and if necessary their values are to be adjusted in line with the generation of expected future cash flows.

Internally generated intangible assets are capitalized if the recognition criteria given in IAS 38 “Intangible Assets” have been fulfilled.

Development costs are capitalized if a newly developed product or procedure can be clearly identified and technically realized and if the production as well as the internal use or marketing are foreseeable. Furthermore, it is assumed that if capitalized, there is a reasonable probability that the development costs will be covered by future financial cash inflows and can be reliably determined. Finally there must be adequate resources available to finish the development and to be able to use or sell the asset.

Capitalized development costs are to be amortized in scheduled amounts over the selling period of the products. Such amortizations are to be presented in research and development expenses. Thereby the acquisition and production costs include all of the costs directly attributable to the development process as well as appropriate portions of the general and administrative expenses related to the development. If the requirements for capitalization have not been fulfilled, the expenditures are to be recognized through profit or loss in the year they occurred.

IAS 38 requires research costs to be recognized as current expenses.

The amortization of intangible assets is to be classified to the appropriate item in the consolidated statement of comprehensive income.

3.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are to be measured at acquisition cost less scheduled straight-line depreciation. The depreciation method is to reflect the expected period of use for gaining future economic benefits. As far as required, impairment reduces the acquisition and production costs carried. In principle, grants from public institutions (government grants) are to be deducted from the acquisition and production costs as specified in IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" (see section "Government Grants"). Production costs are to be recognized on the basis of directly attributable specific costs as well as in the proportion that they are directly attributable to the cost of materials and production overheads including depreciation. In accordance with IAS 23 "Borrowing Costs", borrowing costs directly attributable to acquisition and production costs of a qualifying asset are to be capitalized as a portion of the acquisition and production costs.

Costs incurred for repairing property, plant and equipment are generally to be recognized as an expense. Acquisition costs can be capitalized retrospectively for any components of property, plant or equipment that are replaced at regular intervals and in as far as future economic benefits can be reasonably expected and the costs can be reliably measured.

In general, scheduled depreciation is based on the following useful lives:

	Useful life
Buildings	25 – 50 years
Machines and technical equipment	4 – 20 years
Other equipment, operating and office equipment	3 – 10 years

If any items of property, plant and equipment are decommissioned, shut down, sold or become obsolete, the gain or loss from the difference between the proceeds of the sale and the residual value are recorded in other operating income or other operating expenses.

3.4 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets with finite useful lives are to be assessed at the reporting date to see if there are any indications for possible impairments as specified in IAS 36 "Impairment of Assets". If any such indications for specific assets or cash-generating units are identified, impairment tests are to be performed on these assets.

The demarcation between cash-generating units is primarily based on the structure of the divisions or business units constituting divisions.

An impairment test is performed by first determining the recoverable amount of an asset or cash-generating unit and then comparing it with the carrying amount in order to identify if there is any need for performing an impairment test.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An amount is designated as at fair value less costs to sell if the sale of an asset can be transacted at arm's length between knowledgeable and willing parties.

Value in use is determined on the basis of discounted expected future cash inflows. This is based on a fair value interest rate before taxes that reflects the risks of using the asset that do not fall under the estimated future cash inflows.

If the recoverable amount of an asset is estimated to be less than the carrying amount, it is then written down to the recoverable amount. An impairment loss is recognized immediately through profit or loss.

If an impairment loss is reversed in a subsequent accounting period, then the carrying amount of the asset is to be adjusted to the recoverable amount determined. The maximum limit of the impairment loss reversal is determined by taking the amount of the depreciated acquisition and production costs that would have been recorded if an impairment loss had not been recognized in prior periods. An impairment loss reversal is immediately recorded through profit or loss.

3.5 GOVERNMENT GRANTS

IAS 20 distinguishes between grants related to acquiring non-current assets and grants related to income.

In general, IAS 20 states that grants are to be accounted for through profit or loss in the same period as the relevant expenses.

In the Jenoptik Group a grant for a non-current asset is deducted from the purchase price. Correspondingly, the amount to be depreciated is determined on the basis of the reduced purchase price.

3.6 LEASES

When property, plant and equipment is leased, the conditions for finance leases as defined in IAS 17 "Leases" are fulfilled if all significant risks and rewards incidental to ownership have been transferred to the respective consolidated entity of the Group. All other leases are classified as operating leases.

Finance leases. The Group, as a lessee of a finance lease, is to capitalize the assets leased at the inception of the lease at the amount equal to their fair value, or if lower, the present value of the minimum lease payments. The straight-line depreciation method is to be used to depreciate the asset over the period of its economic useful life or the shorter term of the lease agreement if it is unlikely that an option to purchase the asset will be exercised. Liabilities from finance lease agreements are to be shown at the present value of the minimum lease payments.

If the Group is a lessor, the amount equal to the net investment in the lease is to be capitalized as a receivable. Financial income is to be recognized through profit or loss in the reporting period, so that there is a constant periodic return on the net investment over the term of the lease.

Operating leases. Lease payments from operating lease agreements are to be recognized in profit or loss on a straight-line basis over the lease term.

Any incentives for entering into an operating lease agreement received or outstanding are also to be recognized on a straight-line basis over the lease term.

3.7 INVESTMENT PROPERTY

Investment property comprises plots of land and buildings held for gaining rental income or for the purpose of their value increasing. These properties are not held for the Group's own production, for supplying goods or rendering services, for administration purposes or for any sales in the ordinary course of business activities.

In accordance with IAS 40 "Investment Property", such assets are to be accounted for at depreciated acquisition or construction costs (see page 145). The basis for determining fair value was standard land values or applying the discounted cash flow method.

The straight-line depreciation method provides for a useful life between 25 to 50 years.

In accordance with IAS 36, depreciation resulting from impairment losses of investment property is charged if the value in use or fair value less costs to sell the respective asset is less than the carrying amount. If the reasons for an impairment loss from a prior period cease to exist, corresponding write ups are to be recorded.

3.8 FINANCIAL INSTRUMENTS

Financial instruments are contracts giving rise to a financial asset of one entity and to a financial liability or an equity instrument of another entity. As defined in IAS 32, such instruments are either primary financial instruments such as trade receivables and trade payables or financial receivables and financial payables. On the other hand, derivative financial instruments are used for hedging risks arising from fluctuations in interest and foreign currency exchange rates.

Financial assets and financial liabilities are to be recognized in the consolidated statement of financial position as soon as the Group becomes a contractual party in a financial instrument agreement. In principle, financial assets are to be accounted for at the settlement amount.

The accounting treatment of financial instruments presently held depends on their classification: those classified as receivables and loans are recognized at amortized cost or those classified as available-for-sale assets are recognized at fair value.

The amortized cost of a financial asset or a financial liability is the amount at which the financial asset or financial liability was measured at initial recognition:

- minus any repayments and
- minus any reduction for impairment or uncollectability as well as
- plus/minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount (e.g. premiums). Under the effective interest method, premiums are spread over the full contractual term of the financial asset or financial liability.

Amortized cost for current receivables and payables generally reflects the nominal amount or the repayment value.

Fair value generally corresponds to the market or stock market value. If no active market exists, the fair value is determined by using financial mathematical methods such as by discounting estimated future cash flows at market interest rates or by applying standard option price models and by checking confirmations issued by the banks that sold the instruments.

A) PRIMARY FINANCIAL INSTRUMENTS
SHARES IN ENTITIES

Initial recognition of shares in entities in the statement of financial position is recorded at acquisition costs including transaction costs.

Within the Jenoptik Group all shares in publicly listed subsidiaries and shareholdings in publicly listed stock corporations, which have not been fully or partially consolidated or accounted for at equity in the consolidated financial statements, are classified available for sale and are measured at fair value in subsequent reporting periods. Value adjustments of available-for-sale financial assets are recognized not through profit or loss but in other comprehensive income. In the case of permanent impairment, this is to be recognized through profit or loss.

Shareholdings in subsidiaries not publicly listed and other investments are also generally to be classified as available-for-sale financial assets. They are, however, to be shown at their respective acquisition costs since there is no active market for such entities and fair value cannot reliably be determined with a reasonable amount of effort. In as far as there are any indications of being lower than fair value, this is to be recognized.

LOANS

Loans concern loan commitments granted by the Jenoptik Group, and they are to be measured at amortized cost in accordance with IAS 39.

Non-current non-interest-bearing loans or low interest-bearing loans are to be accounted for at present value. If any objective, substantial evidence of impairment can be identified, then unscheduled impairment losses are accounted for. The carrying amounts are to be reduced by using an impairment loss account.

SECURITIES

Securities belong to the category available-for-sale financial assets and are measured at fair value. Measurement is continued until sale by accounting for deferred taxes not through profit or loss but in other comprehensive income. When securities are sold or if a permanent impairment occurs, the cumulative gains or losses that had been accounted for directly in equity are reclassified in profit or loss of the current reporting period. Initial measurement is recorded at acquisition costs at the settlement date and reflects its fair value.

TRADE RECEIVABLES

Trade receivables are not interest bearing owing to their being short term and are recognized at nominal value less impairments because of their probable uncollectability. Both individual default risks as well as general default risks statistically derived from past events have been taken into account.

OTHER RECEIVABLES AND ASSETS

Other receivables and assets are recognized at amortized cost. All default risks identified are accounted for by a corresponding impairment.

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are liquid assets comprising cash on hand, checks, bank balances and demand deposits with an original maturity of up to three months. All are accounted for at their nominal value.

RESTRICTED CASH

Restricted cash is disclosed separately.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

In principle, financial liabilities are measured at amortized cost by applying the effective interest method. Those not affected are financial liabilities accounted for at fair value through profit or loss.

Liabilities from finance lease agreements are disclosed at present value of the minimum lease payments.

An equity instrument is any contractual agreement containing a residual interest in the assets of the Group after all liabilities have been deducted. Share capital is classified as equity, whereby the costs (less related income tax benefits) attributable to issuing treasury shares have been deducted from equity.

LIABILITIES TO BANKS

Interest-bearing bank loans and overdraft lines of credit are accounted for at the amounts received less any directly attributable disbursement expenses. Financing costs, including repayments or premiums due to be paid on redemption, are accounted for on an accrual basis by applying the effective interest method and by increasing the carrying amount of the instrument in as far as it has not been settled at the date of its inception.

B) DERIVATIVE FINANCIAL INSTRUMENTS

Within the Jenoptik Group derivative financial instruments are used for hedging risks from fluctuations in interest and foreign currency exchange rates. They serve to reduce earnings volatility resulting from interest and foreign currency exchange rate risks. Fair value is determined by taking the market conditions – interest rates, foreign currency exchange rates – at the reporting date into account and by using the measurement methods presented in the following.

Derivative financial instruments are not used for speculation purposes. The use of derivative financial instruments is governed by Group guidelines authorized by the Executive Board, which give fixed written guidelines on how to transact derivative financial instruments. In order to hedge risks from fluctuations in interest and foreign currency exchange rates, the Group primarily uses cash flow hedges.

Cash flow hedging is defined as a transaction for fixing future variable cash flows. By using such a procedure, the Jenoptik Group hedges risks stemming from changes in interest and foreign currency exchange rates. Currency derivative agreements, which can unequivocally be allocated to hedging future cash flows from foreign currency exchange transactions and servicing debt capital and which fulfill the requirements given in IAS 39 with respect to documentation and to being effective, are concluded directly with banks.

Changes in the fair value of derivative financial instruments serving to hedge cash flow risks are documented. If hedge accounting has been classified as effective, the changes in fair value are recognized outside of profit or loss in other comprehensive income. Reclassifications from equity to profit or loss are to be performed in the period, in which a hedged underlying transaction affects income. Value fluctuations from financial instruments classified as not effective are to be recorded directly through profit or loss.

3.9 INVENTORIES

Inventories are recognized at the lower of acquisition and production costs and the net realizable value.

The net realizable value is the estimated selling price less the estimated production costs and any costs incurred until sale.

The acquisition costs include all costs incurred in acquiring inventories as well as any other costs incurred to convert them to their present condition. Thereby any measures for reducing purchase prices such as rebates, bonuses or trade discounts are to be considered.

Production costs include all costs related to production that have been determined on the basis of normal production capacity utilization. In addition to direct costs, these also include the appropriate portion of the necessary material and production overheads as well as production related write-downs in as far as they can be directly attributable to the production process. In particular, costs are considered that are allocated to specific production cost centers. Administrative expenses are also considered in as far as they can be allocated to production. If carrying amounts at the reporting date have decreased owing to lower prices on the sales market, they are recognized. In principle, similar inventory asset items are measured by using the weighted average cost formula. If the reasons that led to a write-down of inventories cease to exist and in turn result in an increase of the net realizable value, reversals of write-downs are to be recognized as a reduction in the amount of material expenses recognized as an expense in the periods in which the write-downs have occurred.

3.10 BORROWING COSTS

Borrowing costs that can directly be attributed to the construction or production of a qualifying asset are capitalized as a portion of the acquisition and production costs of the asset.

3.11 ADVANCES RECEIVED

Advance payments received from customers are carried as liabilities in as far as such payments do not deal with any construction contracts.

3.12 CONSTRUCTION CONTRACTS

In accordance with IAS 11 "Construction Contracts", revenue and income from construction contracts are recognized by using the percentage of completion method. The percentage of completion is derived from the proportion of the actual construction costs incurred for work performed by the end of the fiscal year in ratio to the currently estimated total contract costs (cost-to-cost method). Independent of the level of completion, losses from construction contracts are immediately and fully recognized in the fiscal year they are identified.

Construction contracts measured by the percentage of completion method are recognized as receivables or payables depending on the amount of the progress payments received or progress billings outstanding. They are measured at the construction costs plus any proportion of income received corresponding to the percentage completed. As far as the cumulative services rendered (construction costs and construction outcome) are more than the progress payments and advances received in individual cases, construction contracts are to be disclosed in assets under receivables from construction contracts. If after deducting progress payments and advances received, there is a negative balance, this is to be disclosed as a payable under liabilities from construction contracts. Any contract losses expected are impaired and recorded in a provision for impaired construction contracts. They are determined by considering all identifiable risks.

3.13 DEFERRED TAXES

The accounting for and measurement of deferred taxes is performed in accordance with IAS 12 "Income Taxes". Deferred taxes are computed on the basis of the liability method, which is an internationally recognized standard oriented to the statement of financial position. Deferred tax assets and deferred tax liabilities are presented in separate items in the statement of financial position in order to take into account future tax effects stemming from timing differences between the measurement of assets and liabilities and tax losses carried forward.

Deferred tax assets and deferred tax liabilities are computed in the amount of expected tax burdens or tax relief in following fiscal years on the basis of the valid tax rate at the date of realization. Impacts from changes in tax rates affecting deferred taxes are recognized in the reporting period when the legislative procedures creating the change in the tax law have been completed and enacted.

Deferred tax assets resulting from differences between the commercial and tax balance sheets and from utilizing tax losses carried forward are only then recognized if there is a high likelihood of gaining any tax advantages.

Deferred tax assets and deferred tax liabilities are offset against each other in as far as there is any congruence between the tax creditor and the tax deadlines. Any discounting of deferred tax assets and liabilities is not to be performed as the regulations stipulated in IAS 12 do not permit it.

3.14 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Pensions and similar obligations comprised not only the pension obligations of the Jenoptik Group but also of defined benefit plans as well as at defined contribution plans.

In the 2012 fiscal year IAS 19R (IAS 19 Revised) was applied earlier than required.

In accordance with IAS 19R, pension obligations for defined benefit plans are determined by using the so-called projected unit credit method. Actuarial expert opinions are annually obtained for this procedure.

Mortality rates are determined by using the Mortality Tables 2005 G for Germany computed by Heubeck Richttafeln and the Federal Law on Occupational Retirement [Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge (BVG)] 2010 in compliance with the Occupational Pensions Act in Switzerland. Actuarial gains and losses are not recognized through profit or loss but in other comprehensive income. Company service expenses are disclosed in personnel expenses and the interest portion of the provision increase is recorded in the financial result.

For defined contribution plans (e.g. direct insurance schemes), the contributions payable are recognized immediately as an expense.

3.15 TAX PROVISIONS

Tax provisions contain obligations for current income tax payables. Deferred taxes are disclosed in separate items in the statement of financial position and in the statement of comprehensive income.

Tax provisions for trade tax, corporate income tax and other similar taxes on income are determined on the basis of

taxable income of the entities consolidated less any prepayments paid. Any other taxes to be assessed are considered in the same manner.

3.16 OTHER PROVISIONS

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are set up in as far as any liability to a third party exists from a past event that is likely to lead to an outflow of resources in the future and whose amount can be reliably estimated. Other provisions are only set up for legal or de facto obligations to third parties that are likely to be utilized at the reporting date.

Provisions are recognized at the discounted present value of the expenditures expected to settle the obligations at the reporting date only if the interest effect is material. The present value of the expenditures expected to settle the obligation includes expected price or cost increases. Discounting is based on interest rates before taxes that reflect current market expectations with regard to the interest effect and to risks specific to the liability and that depend on the corresponding term of the obligation. The interest portion of the compounded interest in a provision is recorded in the financial result.

Provisions are measured on the basis of values derived from past events taking the circumstances at the reporting date into consideration. Provisions for warranties and guarantees are set up on the date of sale of the goods affected or of services rendered. The amount of the provision is based on the historical development of such guarantees and warranties as well as on considering all future possibilities of the probability of their occurrence weighted by such cases of guarantee or warranty claims.

Provisions are only offset against any claims to the right of recourse if the claims are highly likely.

3.17 SHARE-BASED PAYMENT

The long-term incentive components (LTI) for the current members of the Executive Board as well as for parts of the top management are accounted for as cash-settled share-based payments as defined in IFRS 2 "Share-based Payment". At the reporting date a long-term liability is set up as a payment obligation either at fair value pro rata temporis or at fair value of the total payment obligation depending on the respective contracts. Allocations to share-based payments are made on the basis of annual targets agreed upon. Changes in fair value are recognized through profit or loss.

3.18 CONTINGENT LIABILITIES

Contingent liabilities are obligations that may possibly occur based on past events, and their existence may only be confirmed by one or more uncertain future events, which are, however, beyond the area of influence of the Jenoptik Group. Moreover, present obligations can be presented as contingent liabilities if the likelihood of outflows of resources is too uncertain to set up a provision and/or the amount of the obligation cannot be reliably estimated. The carrying amount of each contingent liability corresponds with the existing scope of the liability at the reporting date. In principle, they are not accounted for in the statement of financial position but are explained in the Notes.

3.19 REVENUE

Revenue generated from the sale of goods is recognized through profit or loss as soon as all significant risks and rewards related to the ownership of the goods have fully been transferred to the buyer by having agreed upon or set a price and the payment thereof can be assumed. The item revenue shows the calculations of charges to customers for the deliveries of goods and services minus sales reductions, penalties and trade discounts.

Revenue from services is recognized according to the percentage of completion of the contract at the reporting date, which is determined by assessing services rendered. Income is only then recognized if there is a reasonable likelihood that the entity shall receive an economic benefit from the contract. Otherwise income is only recognized to the extent that expenses incurred can be refunded.

Rental income received from investment property is recognized on a straight-line basis over the term of the corresponding rental contract and is disclosed in the item revenue.

3.20 COST OF SALES

All costs incurred in generating revenue are disclosed in the item cost of sales, which also includes costs allocated to the provisions for warranties and guarantees. The scheduled amortization of intangible assets and the scheduled depreciation of property, plant and equipment are recognized as they arise and are shown in the production costs, selling expenses or general and administrative expenses. Research and development expenses that do not qualify for being capitalized and amortized as capitalized development costs are disclosed under the item research and development expenses.

3.21 SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

Along with personnel expenses and cost of materials, selling expenses comprise expenses for distribution, advertising, promotional materials, market research, and customer service.

General and administrative expenses consist of personnel expenses and the cost of materials as well as administration-related depreciation and amortization.

3.22 OTHER OPERATING INCOME AND EXPENSES

As prescribed by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", income from the reversal of provisions is recognized through profit or loss. In as far as the underlying provisions are set by using the function of expense method, the provision reversals are also allocated to functional expenses. If a provision is set up in other operating expenses, then the provision reversal is also shown in other operating expenses, unless such a provision reversal is higher than the item other operating expenses was before the reversal. In such cases the disclosure of the provision reversal is presented in other operating income.

Other taxes are allocated to other operating expenses.

4 Disclosures on Statement of Income

4.1 REVENUE

In contrast to 2012, revenue increased overall by EUR 15,276 thousand or 2.6 percent to EUR 600,300 TEUR thousand and chiefly resulted from sales of goods and services.

The item revenue comprises revenue from construction contracts which are accounted for at the degree of production progress at the reporting date amounting to EUR 4,412 thousand for fiscal year 2013. The revenue from construction contracts includes progress billings to customers of EUR 3,960 thousand (prior year: EUR 3,113 thousand).

Expenses for construction contracts that have not been finished on the reporting date amounted to EUR 11,777 thousand (prior year: EUR 7,365 thousand).

Detailed disclosures on revenue according to segments and regions are presented in Segment Reporting from page 160 on.

4.2 COST OF SALES

in thousand euros	2013	2012
Cost of materials	229,192	223,783
Personnel expenses	111,997	109,100
Depreciation and amortization	16,137	16,336
Other cost of sales	37,229	32,419
Total	**394,555**	**381,638**

In contrast to 2012, cost of sales had an overall increase of EUR 12,917 thousand or 3.4 percent totaling EUR 394,555 thousand. Cost of sales comprised all costs incurred to generate revenue. Costs for setting up provisions for sales-related items were also recorded in this item.

As in the prior year, cost of sales did not contain any unscheduled impairment costs for intangible assets nor for property, plant and equipment.

Construction contracts which are accounted for at the degree of production progress at the reporting date resulted in cost of sales amounting to EUR 3,954 thousand for fiscal year 2013.

Total cost of sales for construction contracts that have not been finished on the reporting date amounted to EUR 11,241 thousand (prior year: EUR 7,287 thousand). The profit realized from these contracts for the 2013 fiscal year totaled EUR 536 thousand (prior year: EUR 78 thousand), and a loss amounting to EUR 574 thousand (prior year: EUR 453 thousand) was recorded.

4.3 RESEARCH AND DEVELOPMENT EXPENSES

In contrast to 2012, research and development expenses had an overall increase of EUR 3,808 thousand or 10.6 percent totaling EUR 39,842 thousand.

Research and development expenses consisted of all costs allocable to research and development. Research and development expenses did not contain any expenditures covered by customers amounting to EUR 12,248 thousand (prior year: EUR 13,300 thousand); such expenditures were allocated to cost of sales.

Research and development expenses had no impairments (prior year: EUR 567 thousand).

4.4 SELLING EXPENSES

When compared to the figures for the 2012 fiscal year, selling expenses increased overall by EUR 1,558 thousand or 2.4 percent to EUR 66,635 TEUR thousand.

Selling expenses primarily comprised marketing costs, sales commissions, public relations work and advertizing.

4.5 GENERAL AND ADMINISTRATIVE EXPENSES

When compared to the prior year, general and administrative expenses rose by EUR 3,767 thousand or 8.8 percent to EUR 46,352 thousand.

General and administrative expenses consisted of personnel expenses and cost of materials as well as any depreciation and amortization related to the administration activities.

Included in the general and administrative expenses were fees for the auditors amounting to EUR 1,198 thousand (prior year: EUR 2,156 thousand); thereof EUR 970 thousand (prior year: EUR 868 thousand) for financial statement audit services, EUR 46 thousand (prior year: 1.098 thousand) fees for other services performed by auditors, EUR 155 thousand (prior year: EUR 49 thousand) for other assurance services as well as EUR 27 thousand (prior year: EUR 140 thousand) for tax consulting services.

4.6 OTHER OPERATING INCOME

in thousand euros	2013	2012
Foreign currency exchange gains	4,820	5,535
Income from services, offsets and rentals	3,053	3,096
Income from government grants	1,863	1,108
Gains from property, plant and equipment disposals	1,048	600
Income from reversed bad debt allowances	815	2,103
Income from damage claims/ insurance benefits	335	470
Miscellaneous	3,804	3,564
Total	**15,738**	**16,476**

Other operating income decreased by EUR 738 TEUR thousand and thus by 4.5 percent to EUR 15,738 thousand.

Income from gains resulting from foreign currency exchange effects mainly contained gains resulting from fluctuations in exchange rates between transaction date and payment date of receivables and payables in foreign currencies as well as gains from exchange rate measurements taken at the reporting date. Losses from foreign currency exchange effects for these items were disclosed in other operating expenses.

The item miscellaneous primarily contained income from non-cash contributions as well as recharges.

4.7 OTHER OPERATING EXPENSES

in thousand euros	2013	2012
Foreign currency exchange losses	5,507	5,053
Expenses for group projects	4,509	4,141
Additions/reversals of provisions and bad debt allowances for receivables	1,626	116
Amortization of intangible assets from a first-time consolidation	1,177	561
Other taxes	528	1,060
Losses from non-current asset disposals	364	180
Impairment of property, plant and equipment and investment property	152	0
Expenses incurred for services and rentals	109	819
Reorganization and restructuring expenses	35	5,857
Contractual penalty expenses	0	2,872
Miscellaneous	4,752	5,345
Total	**18,760**	**26,004**

Other operating expenses fell by EUR 7,245 thousand or 27.9 percent to EUR 18,760 thousand in comparison to those of the prior year.

The expenses incurred for foreign currency exchange losses primarily contained losses from foreign currency exchange transactions between the transaction date and the date of payment of a receivable or a payable as well as any exchange rate losses incurred from the valuation of the spot exchange rate at the end of the reporting period. Any gains from foreign currency exchange transactions stemming from these items were recognized in other operating expenses. In taking a net view, foreign currency gains and losses resulted in a net loss of minus EUR 687 thousand (prior year: net gain of EUR 482 thousand).

The expenses for the group projects were mainly for the HCM and the JOE projects (Jenoptik One ERP).

In the fiscal year the additions to bad debt allowances for receivables totaled EUR 4,272 thousand. The item containing additions to and reversals of provisions had additions to provisions amounting to EUR 2,577 thousand and provision reversals of EUR 5,223 thousand. More detailed information on these items can be found in section Disclosures on Balance Sheet starting from page 142.

The prior year item for reorganization and restructuring expenses were related to optimizing locations in Germany and in the USA.

The item miscellaneous is chiefly for recharges and expenses for running canteens.

4.8 INVESTMENT RESULT

in thousand euros	2013	2012
Impairments of non-current financial assets	–122	–1,939
Earnings from shareholdings	403	–103
Total	**281**	**-2,042**

Earnings from investments increased in total by EUR 2,323 thousand to EUR 281 thousand.

The impairments of non-current financial assets and securities chiefly contained write downs of available-for-sale assets.

In the prior year this item contained write downs on loans to unconsolidated entities.

4.9 INTEREST RESULT

in thousand euros	2013	2012
Income from securities and financial asset loans	401	409
Income from fixed-term deposits	84	266
Other interest and similar income	525	649
Total interest income	**1,009**	**1,324**
Interest expenses for debenture loans	3,010	3,297
Net interest expenses for pension provisions	776	743
Other interest and similar expenses	2,997	3,969
Total interest expenses	**6,784**	**8,009**
Interest result	**–5,774**	**–6,685**

The interest result improved by EUR 911 thousand or 13.6 percent to minus EUR 5,774 thousand (prior year: minus EUR 6,685 thousand).

The item other interest and similar income comprises mainly interest from bank deposits as well as from addition of accrued interest of non-current loans. The item other interest and similar expenses contains guaranty and bank charges as well as interest expenses from accrued interest of non-current liabilities and other provisions.

4.10 INCOME TAXES

Income taxes disclosed the income tax paid or owing on income generated in the respective countries as well as deferred tax assets and liabilities. The calculation of current income taxes of the Jenoptik Group was performed by using the tax rates valid at the reporting date.

A tax rate of 29.3 percent (prior year: 29.3 percent) was used to calculate domestic deferred taxes. Along with a corporate income tax rate of 15 percent (prior year: 15 percent) and a solidarity surcharge of 5.5 percent (prior year: 5.5 percent) levied on the corporate income tax burden, an effective trade tax rate of 13.48 percent (prior year: 13.48 percent) was calculated. The calculation of deferred taxes for foreign companies was based on the tax rates applicable in the respective country where each entity was located.

Deferred taxes were recognized as either tax income or expense in the statement of comprehensive income unless they directly affect items outside of profit or loss in other comprehensive income. In this event, deferred taxes were then also recognized outside of profit or loss in other comprehensive income.

Tax expenses attributable to the results of continuing operations were classified according to origin as follows:

in thousand euros	2013	2012
Current income taxes		
Domestic	4,196	3,879
Foreign	382	1,661
Total	**4,578**	**5,540**
Deferred taxes		
Domestic	–1,042	–6,361
Foreign	–3,476	–3,283
Total	**–4,518**	**–9,644**
Total income taxes	**61**	**–4,104**

In current income taxes there is income from tax refunds of EUR 1,554 thousand (prior year expense: EUR 235 thousand) was included for current taxes from prior fiscal periods. Deferred tax income contained an expense from other accounting periods amounting to EUR 1,408 thousand (prior year expense: EUR 1,373 thousand).

Contained in the item deferred tax income was an expense of EUR 2,570 thousand (prior year expense: EUR 4,967 thousand) as a result of the development of timing differences.

As at the reporting date, the Jenoptik Group had the following unused tax losses carried forward at its disposal for offsetting against future profits:

in thousand euros	2013	2012
Corporate income tax	400,977	424,698
Trade tax	566,615	591,675

The reduction in tax losses carried forward mainly resulted from their being used in the reporting period. Taking into consideration all currently known positive and negative factors influencing future tax results of the Jenoptik Group, the use of the corporate income tax losses carried forward of EUR 174,744 thousand (prior year: EUR 164,086 thousand) and of the trade tax losses carried forward of EUR 172,659 thousand (prior year: EUR 164,299 thousand) has been anticipated.

With regard to usable tax losses carried forward, a deferred tax asset of EUR 53,011 thousand (prior year: EUR 48,991 thousand) was recognized. Thereof EUR 23,266 thousand (prior year: EUR 22,139 thousand) was allocated to trade tax losses carried forward.

With regard to the remaining losses carried forward for corporate income tax purposes in the amount of EUR 226,233 thousand (prior year: 260,612 thousand) and for trade tax purposes in the amount of EUR 393,956 thousand (prior year: EUR 427,376 thousand), no deferred tax assets were recognized. Tax losses carried forward in the amount of EUR 11,764 thousand (prior year: EUR 13,526 thousand) are subject to a limited period of time in which they can be carried forward.

In addition, no deferred tax assets were recognized for deductible timing differences amounting to EUR 30,132 thousand (prior year: EUR 36,400 thousand).

The following recognized deferred tax assets and liabilities were attributed to recognition and measurement differences in individual balance sheet items and to tax losses carried forward:

	Deferred tax assets		Deferred tax liabilities	
in thousand euros	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Intangible assets	1,782	1,899	1,988	2,530
Property, plant and equipment	914	712	3,119	2,939
Financial assets	8,166	11,265	1,022	1,217
Inventories	6,270	5,496	120	185
Receivables and other assets	4,730	3,899	1,970	1,681
Provisions	10,872	13,522	574	398
Liabilities	1,941	1,210	2,034	2,006
Tax loss carried forward and tax refunds	53,361	48,991	0	0
Gross value	**88,036**	**86,994**	**10,827**	**10,956**
(thereof non-current)	(62,994)	(66,253)	(7,078)	(7,487)
Impairments	–8,719	–10,759	0	0
Offsets	–9,058	–7,884	–9,058	–7,884
Value presented on the statement of financial position	**70,259**	**68,351**	**1,769**	**3,072**

The balance of the excess deferred tax assets increased by EUR 3,211 thousand. Taking into consideration the deferred taxes (EUR 1,100 thousand) recognized outside of profit or loss when offset in the reporting year as well as the foreign currency exchange effects (EUR 207 thousand), deferred tax income as shown in the statement of comprehensive income came to a total of EUR 4,518 thousand.

The following table shows the tax reconciliation between the tax expense expected in the respective fiscal year and the actual tax expense recognized. In order to calculate the expected tax expense, the Group tax rate of 29.3 percent (prior year: 29.3 percent) for the 2013 fiscal year was multiplied by earnings before tax.

in thousand euros	2013	2012
Earnings before tax	47,232	46,113
Thereof earnings before tax – discontinued operations	2,831	4,678
Earnings before tax – continuing operations	44,401	41,435
Corporate income tax rate for the Jenoptik Group in %	29.3	29.3
Expected tax expense	**13,010**	**12,140**
Following tax effects led to the difference between actual tax expense and the expected:		
Non-deductible expenses, tax-free income and permanent differences	1,717	–588
Changes in impaired deferred taxes and unrecognized deferred taxes	–14,797	–17,413
Effects resulting from tax differences	466	–467
Effects of tax rate changes	–98	638
Taxes of prior years	–162	1,608
Other tax effects	–75	-22
Total adjustments	**–12,949**	**–16,244**
Actual tax expense	**61**	**–4,104**

4.11 EARNINGS FROM NON-CONTROLLING INTERESTS

The results from non-controlling interests in Group earnings amounted to minus EUR 24 thousand (prior year: minus EUR 19 thousand) and concerned non-controlling interests in a consolidated entity.

4.12 EARNINGS FROM DISCONTINUED OPERATION

Earnings in fiscal year 2013 resulted from a partial reversal of a provision, which was set up in conjunction with the sale of M+W Zander Holding AG in 2005.

In 2012 fiscal year a provision was reversed in association with the sale of Jena-Optronik GmbH in the 2010 fiscal year.

An insignificant amount of income tax fell on income generated by discontinued operations. The reversal of provisions in 2012 and in 2013 had no influence on cash flows.

4.13 EARNINGS PER SHARE

Earnings per share corresponded to shareholder earnings divided by the weighted average of outstanding shares.

	2013	2012
Shareholder earnings in thousand euros	47,197	50,236
Weighted average of outstanding shares	57,238,115	57,238,115
Earnings per share in euros – continuing operations	0.77	0.80
Earnings per share in euros (undiluted = diluted)	**0.82**	**0.88**

5 Disclosures on Statement of Financial Position

5.1 INTANGIBLE ASSETS

in thousand euros	Development costs from internal development projects	Patents, trademarks, software licenses, customer relationships	Goodwill	Other intangible assets	Total
Acquisition or production costs Balance at 1/1/2013	**16,162 (16,073)**	**47,619 (44,723)**	**65,685 (65,758)**	**2,928 (1,129)**	**132,394 (127,683)**
Foreign currency exchange effects	–2 (1)	–227 (–65)	–344 (–73)	–3 (–6)	–576 (–143)
Changes in the group of entities consolidated	0 (0)	925 (0)	2,030 (0)	0 (0)	2,956 (0)
Additions	173 (1,240)	1,983 (3,607)	0 (0)	4,651 (1,868)	6,807 (6,716)
Disposals	372 (1,152)	1,358 (824)	0 (0)	245 (91)	1,975 (2,067)
Reclassifications (+/-)	0 (0)	876 (177)	0 (0)	–804 (28)	72 (205)
Acquisition or production costs Balance at 31/12/2013	**15,961 (16,162)**	**49,819 (47,619)**	**67,371 (65,685)**	**6,528 (2,928)**	**139,678 (132,394)**
Amortization and impairments Balance at 1/1/2013	**12,255 (11,990)**	**39,626 (36,919)**	**9,892 (9,889)**	**0 (0)**	**61,773 (58,798)**
Foreign currency exchange effects	–2 (1)	–134 (–55)	1 (2)	0 (0)	–136 (–52)
Changes in the group of entities consolidated	0 (0)	8 (0)	0 (0)	0 (0)	8 (0)
Additions	1,150 (849)	3,079 (3,064)	0 (0)	0 (0)	4,229 (3,913)
Impairments	58 (567)	0 (0)	0 (0)	94 (0)	152 (567)
Disposals	372 (1,152)	1,293 (494)	0 (0)	94 (0)	1,759 (1,646)
Reclassifications (+/-)	0 (0)	68 (192)	0 (0)	0 (0)	68 (192)
Amortization and impairments Balance at 31/12/2013	**13,089 (12,255)**	**41,353 (39,626)**	**9,891 (9,892)**	**0 (0)**	**64,332 (61,773)**
Net carrying amount at 31/12/2013	**2,872 (3,907)**	**8,466 (7,993)**	**57,480 (55,793)**	**6,528 (2,928)**	**75,346 (70,621)**

Prior year figures are in parentheses.

Impairments were recorded in research and development expenses. Intangible assets were not subject to any disposal restrictions. Purchase commitments for intangible assets amounted to EUR 83 thousand (prior year: EUR 159 thousand).

Other than goodwill, there were no intangible assets with an indefinite useful life.

An impairment test for goodwill is performed at the level of the cash-generating unit, which benefits from the synergies of the respective business combination and which represents the lowest level at which goodwill is monitored for internal company management. If the carrying amount of a cash-generating unit exceeds its recoverable amount, the goodwill allocated is correspondingly reduced due to the impairment. Determinative for the impairment test is the recoverable amount, which is the higher of fair value less costs to sell or value in use.

Jenoptik computes the value in use by applying the discounted cash flow method and uses a five-year business plan approved by management and the Supervisory Board as the basis for the computation. It takes past experience into consideration and is based on the best estimates of management on future development. Cash flows considered during the detailed planning phase are forecasted on the basis of differentiated growth rates. These growth rates take the development and dynamics of the respective industries and target markets into consideration. A perpetual annuity without a growth component is assumed, the amount of which is individually derived by management from the fifth plan year of the planning horizon for each cash-generating unit. Non-recurring effects in the last year of the plan are eliminated prior to calculating the perpetual annuity.

For the 2013 fiscal year the impairment test used risk adjusted interest rates of between 6.35 percent and 8.76 percent (prior year: between 6.59 percent and 8.84 percent). The discount rates were based on a current study of the cost of capital for HDax companies and represented the weighted average cost of capital before tax of the Jenoptik Group taking into consideration the individual risks of the cash-generating units. The cash-generating units were allocated to three different classes of risk.

Goodwill amounted to EUR 57,480 thousand (prior year: EUR 55,793 thousand) as at December 31, 2013. As in the prior year, goodwill was not impaired in the 2013 fiscal year. The addition of goodwill amounting to EUR 2,030 thousand (prior year: 0) resulted from consolidating JENOPTIK Australia Pty Ltd for the first time. This goodwill is allocated to the cash-generating unit (CGU) "Business Unit Traffic Solutions Traffic Service Providing", which belongs to the segment Metrology. In addition, this triggered a change amounting to minus EUR 344 thousand from foreign currency exchange effects (prior year: minus EUR 73 thousand).

The following table summarizes the cash-generating units according to segment:

in thousand euros	2013	2012
Lasers & Optical Systems		
Optoelectronic Systems Business Unit	38,051	38,074
Optical Systems USA	1,270	1,328
Laser Business Unit	3,071	3,071
Metrology		
Industrial Metrology Business Unit	4,082	4,155
Traffic Solutions Equipment Business Unit	1,246	1,245
Traffic Solutions Service Providing Business Unit	1,840	0
Defense & Civil Systems		
Energy Systems Business Unit	7,920	7,920
Total	**57,480**	**55,793**

The following table represents the allocation of goodwill to the segments by percentage:

in percent	2013	2012
Lasers & Optical Systems	74	76
Metrology	12	10
Defense & Civil Systems	14	14
Total	**100**	**100**

A sensitivity analysis was performed for all cash-generating units to which goodwill was allocated as at December 31, 2013. Even a 15-percent reduction in cash flow and a simultaneous increase in the discount factor of 3 percent to between 9.35 percent and 11.76 percent would not have caused the recoverable amount to fall below the carrying amount.

5.2 PROPERTY, PLANT AND EQUIPMENT

in thousand euros	Land and buildings	Technical equipment and machines	Other equipment, operating and office equipment	Assets under construction	Total
Acquisition or production costs Balance at 1/1/2013	**133,723 (126,983)**	**142,886 (143,143)**	**82,728 (78,615)**	**13,369 (11,279)**	**372,706 (360,020)**
Foreign currency exchange effects	–292 (–145)	–673 (–331)	–213 (–62)	–2 (–1)	–1,179 (–539)
Changes in the group of entities consolidated	66 (0)	2,011 (0)	625 (0)	0 (0)	2,702 (0)
Additions	2,076 (2,727)	4,709 (4,340)	6,273 (7,932)	4,497 (10,831)	17,555 (25,831)
Disposals	2,614 (64)	4,372 (5,962)	4,652 (3,977)	516 (22)	12,153 (10,025)
Reclassifications (+/-)	1,668 (4,222)	9,889 (1,696)	1,921 (221)	–13,573 (–8,718)	–95 (–2,579)
Acquisition or production costs Balance at 31/12/2013	**134,627 (133,723)**	**154,450 (142,886)**	**86,683 (82,728)**	**3,776 (13,369)**	**379,535 (372,706)**
Amortization and impairments Balance at 1/1/2013	**52,219 (48,734)**	**114,006 (111,609)**	**63,241 (61,487)**	**0 (0)**	**229,466 (221,830)**
Foreign currency exchange effects	–175 (–80)	–526 (–251)	–142 (–40)	0 (0)	–842 (–370)
Changes in the group of entities consolidated	19 (0)	1,860 (0)	390 (0)	0 (0)	2,269 (0)
Additions	3,697 (4,194)	7,500 (7,826)	6,166 (5,850)	0 (0)	17,364 (17,870)
Impairments	0 (0)	–100 (0)	–2 (0)	0 (0)	–102 (0)
Disposals	785 (14)	3,893 (4,138)	4,493 (3,778)	0 (0)	9,172 (7,930)
Reclassifications (+/-)	–2 (–615)	–18 (–1,041)	–59 (–277)	0 (0)	–79 (–1,933)
Amortization and impairments Balance at 31/12/2013	**54,973 (52,219)**	**118,828 (114,005)**	**65,102 (63,242)**	**0 (0)**	**238,903 (229,466)**
Net carrying amount at 31/12/2013	**79,654 (81,505)**	**35,621 (28,881)**	**21,581 (19,486)**	**3,776 (13,369)**	**140,632 (143,240)**

Prior year figures are in parentheses.

At the reporting date there were no restrictions on disposing property, plant and equipment (prior year: EUR 42 thousand). Purchase order commitments for property, plant and equipment amounted to EUR 1,841 thousand (prior year: EUR 5,692 thousand).

Investment subsidies in the amount of EUR 3,801 thousand (prior year: EUR 443 thousand) were deducted from the acquisition costs of property, plant and equipment.

Land and buildings of the Group in the amount of EUR 79,654 thousand (prior year: EUR 81,505 thousand), in particular, contained the production and administration buildings in Jena, Triptis, Villingen-Schwenningen and Altenstadt.

5.3 INVESTMENT PROPERTY

in thousand euros	Investment Property
Acquisition or production costs	**33,086**
Balance at 1/1/2013	**(34,260)**
Disposals	0
	(1,975)
Reclassifications (+/-)	0
	(801)
Acquisition or production costs	**33,086**
Balance at 31/12/2013	**(33,086)**
Depreciation	**13,506**
Balance at 1/1/2013	**(13,659)**
Additions	473
	(472)
Disposals	0
	(787)
Reclassifications (+/-)	0
	(162)
Depreciation	**13,979**
Balance at 31/12/2013	**(13,506)**
Net carrying amount	**19,107**
at 31/12/2013	**(19,580)**

Prior year figures are in parentheses.

Investment property held at December 31, 2013 primarily included a real estate fund containing largely commercial property in Jena-Göschwitz. This real estate fund was consolidated in the consolidated financial statements in accordance with IAS 27 in association with SIC-12.

In the 2013 fiscal year there were no reclassifications from property, plant and equipment to investment property (prior year: EUR 801 thousand).

The measurement of investment property is made at amortized costs at the amount of EUR 19,107 thousand (prior year: EUR 19,580 thousand). As in the prior year, there were neither impairments nor reversals of impairments.

For lack of current market data, fair value was determined on the basis of the discounted cash flow method. Thereby the net rent without utilities was estimated for the entire remaining useful lives of the real properties and was discounted over the remaining useful lives. Risk-adjusted interest rates were used as the discount rate. Fair value was allocated to level 3 of the hierarchy of fair values because of the use of non-observable parameters such as the interest rate, rent without utilities as well as maintenance and ancillary expenses. A more detailed disclosure can be found in the section Financial Instruments.

In total, the fair value of the item investment property was determined to be EUR 21,462 thousand (prior year: EUR 22,828 thousand).

Rental income from investment property held at the end of the fiscal year amounted to EUR 2,453 thousand (prior year: EUR 2,258 thousand).

The direct operating expenses of real property and movable property recognized at year end of the 2013 fiscal year amounted to EUR 949 thousand (prior year: EUR 1,219 thousand) for leased space and to EUR 67 thousand (prior year: EUR 129 thousand) for unleased space.

5.4 LEASES

FINANCE LEASES

The Group as lessee. he item finance leases included technical equipment and machinery. There was one lease involving a lease-purchase agreement based on an incremental borrowing rate of interest of 5.4 percent.

The assets contained in finance lease agreements were recognized in property, plant and equipment at EUR 704 thousand (prior year: EUR 718 thousand). At the reporting date, the original acquisition costs and production costs of the assets in the finance leases amounted to EUR 5,302 thousand (prior year: EUR 5,031 thousand).

In the 2013 fiscal year, EUR 6 thousand (prior year: EUR 20 thousand) of the total lease payments amounting to EUR 93 thousand (prior year: EUR 433 thousand) were recognized through profit or loss.

Future lease payments are shown in the following table:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	Total
Minimum lease payments	43	95	0	137
Interest portion included in payments	5	4	0	9
Present value	38	91	0	128

The Group as lessor. One entity of the Group concluded finance lease contracts as lessor in 2009.

The outstanding minimum lease payments are as follows:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	Total
Minimum lease payments	856	649	0	1,505
Interest portion included in payments	21	58	0	79
Present value	835	591	0	1,426

Unrecognized finance lease income amounted to EUR 79 thousand (prior year: EUR 686 thousand).

OPERATING LEASES

The Group as lessee. Operating leases chiefly included lease agreements for commercial space as well as for office and data processing equipment.

Payments made under finance leases amounting to EUR 9,146 thousand (prior year: EUR 8,618 thousand) were recorded through profit or loss.

At the reporting date, open obligations from non-terminable operating leases existed with the following maturities:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	Total
Minimum lease payments	8,627	23,520	25,283	57,430

The Group as lessor. Within the framework of operating leases, the Group leases commercial property. Rental income from the leasing of property, plant and equipment and from investment property amounted to EUR 3,998 thousand (prior year: EUR 4,271 thousand) during the reporting period.

At the reporting date the following minimum lease payments had been contractually agreed upon with tenants:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	Total
Minimum lease payments	3,087	5,635	1,642	10,364

Lease agreements without a termination date were recorded in rental income only up until the date of the earliest possible termination. The probability of leasing the space further or of granting extensions on the lease agreements was not included in the calculation.

5.5 FINANCIAL ASSETS

in thousand euros	31/12/2013	31/12/2012
Shares in unconsolidated associates	2,718	3,020
Investments	14,352	15,137
Loans to unconsolidated associates and investments	1,274	1,288
Long-term securities	1,708	1,353
Other loans	6	6,407
Total	**20,058**	**27,205**

In the 2013 fiscal year financial assets were impaired in the amount of EUR 307 thousand (prior year: EUR 3,351 thousand).

Disposals in the item other loans resulted from a loan being repaid within the framework of a co-financing obligation.

5.6 OTHER NON-CURRENT ASSETS

Other non-current assets included the following:

in thousand euros	31/12/2013	31/12/2012
Reinsurance policies	1,556	1,521
Receivables from lease agreements	1,426	2,223
Derivatives	32	167
Miscellaneous	1,384	869
Total	**4,398**	**4,780**

Further details on the aggregated item of derivative financial instruments are provided in Note 8.2 from page 161 on.

5.7 DEFERRED TAXES

The development of deferred taxes shown as an item in the statement of financial position is presented in Note 4.10 from page 139 on.

5.8 INVENTORIES

in thousand euros	31/12/2013	31/12/2012
Raw materials, consumables and supplies	60,239	64,442
Unfinished goods and work in progress	85,262	87,856
Finished goods and merchandise	19,557	16,972
Total	**165,058**	**169,270**

The carrying amount was the lower of net realizable value and cost.

At the end of the fiscal year, cumulative write-downs of EUR 38,059 thousand (prior year: EUR 34,017 thousand) were included in the net realizable value. A reversal of write-downs amounting to EUR 357 thousand (prior year: EUR 826 thousand) was taken because the reasons for write-downs in previous years no longer applied.

The consumption of inventories primarily influenced the cost of sales.

At the reporting date there were no restrictions on inventories.

5.9 CURRENT RECEIVABLES AND OTHER ASSETS

in thousand euros	31/12/2013	31/12/2012
Trade receivables	104,944	100,110
Receivables from unconsolidated associates	3,483	4,413
Receivables from entities in which investments are held	565	1,959
Other assets	12,778	11,160
Receivables from construction contracts	3,568	3,018
Total	**125,338**	**120,660**

The fair value of trade receivables corresponded to their carrying amounts.

With regard to receivables from construction contracts less progress payments, construction contracts satisfying specific customer requirements were recognized as assets if the construction costs incurred plus the portion of profit exceeded the progress payments. In the 2013 fiscal year, progress payments totaling EUR 672 thousand (prior year: EUR 781 thousand) were applied against receivables from construction contracts.

No other restrictions applied to other assets except those explained in Note 8.3 on page 165.

The current other receivables largely bore no interest.

Default risks were taken into account when impairments were performed. The following table shows the changes in bad debt allowances for impaired trade receivables:

in thousand euros	2013	2012
Bad debt allowances at the beginning of the fiscal year	**6,353**	**3,156**
Additions	5,531	3,729
Utilizations	376	306
Reversals/write offs	815	208
Foreign currency exchange effects	–247	–18
Bad debt allowances at the end of the fiscal year	**10,446**	**6,353**

The gross carrying amounts of trade receivables amounted to EUR 115,390 thousand (prior year: EUR 106,463 thousand). Thereof receivables amounting to EUR 13,160 thousand (prior year: EUR 8,409 thousand) were subject to impairments. The age structure of unimpaired trade receivables is as follows:

in thousand euros	2013	2012
Not due	71,000	68,128
Overdue	31,230	29,926
Less than 30 days	13,581	18,708
Between 30 and 60 days	4,430	8,255
More than 60 days	13,219	2,964
Total	**102,230**	**98,054**

There was an increase in overdue but unimpaired receivables compared to the prior year. This increase reflected the increase in gross receivables. Overdue but unimpaired receivables were owed primarily by public contractors and companies in the automobile industry as well as their suppliers. There was no need to impair them at the reporting date because full payment is expected.

Other assets contained the following:

in thousand euros	31/12/2013	31/12/2012
Accruals	2,935	3,153
Receivables from the tax authorities	2,934	3,680
Receivables from government grants	1,656	991
Receivables from Pension Trust	1,462	1,363
Derivatives	830	715
Other current assets	2,960	1,258
Total	**12,778**	**11,160**

The aggregated item derivative financial instruments are explained in greater detail in Note 8.2 from page 161 on.

5.10 SHORT-TERM SECURITIES

Information on securities held for sale is provided below:

in thousand euros	31/12/2013	31/12/2012
Fair value	681	561

Short-term securities largely involved shares and money market funds.

5.11 CASH AND CASH EQUIVALENTS

in thousand euros	31/12/2013	31/12/2012
Checks, cash on hand, bank balances and demand deposits with a maturity of less than 3 months	71,565	45,355

Changes in cash and cash equivalents are presented in Note 6 from page 157 on.

5.12 EQUITY

The development of the equity of Jenoptik is shown in the consolidated statement of changes in equity.

5.12.1 SHARE CAPITAL

Share capital amounted to EUR 148,819 thousand and was divided into 57,238,115 no-par value shares.

At the beginning of July 2011, Thüringer Industriebeteiligungs GmbH & Co. KG, Erfurt, Thüringer Industriebeteiligungsgeschäftsführungs GmbH, Erfurt, bm-t beteiligungsmanagement thüringen GmbH, Erfurt, Stiftung für Unternehmensbeteiligungen und -förderungen in der gewerblichen Wirtschaft Thüringens (StUWT), Erfurt, Thüringer Aufbaubank Erfurt and the Freistaat Thüringen, Erfurt, disclosed that they had exceeded the thresholds of 3, 5 and 10 percent of the voting rights in JENOPTIK AG on June 30, 2011, and that they had held 11 percent of the voting rights (6,296,193 shares) on that day. Thüringer Industriebeteiligungs GmbH & Co. KG acquired the voting rights from ECE Industriebeteiligungen GmbH.

ECE Industriebeteiligungen GmbH, Vienna, Austria, informed us on July 5, 2011 that it had fallen below the thresholds of 25 percent, of 20 percent, and of 15 percent of the voting rights in JENOPTIK AG on June 30, 2011. Accordingly, ECE Industriebeteiligungen GmbH held 14.01 percent of the voting rights (8,021,886 shares) on that day. Thereof 1.97 percent of the voting rights (1,125,000 shares) were attributed to ECE Industriebeteiligungen GmbH in accordance with § 22 (1) (1) (No. 6) of the German Securities Trading Act [Wertpapierhandelsgesetz (WpHG)]. Alpha Holding GmbH, Hinterbrühl, ECE European City Estates GmbH, Hinterbrühl, HPS Holding GmbH, Hinterbrühl, and Humer Privatstiftung indirectly hold shares via ECE Industriebeteiligungen GmbH. They are attributed 12.05 percent of the voting rights (6,896,886 shares) in accordance with § 22 (1) (1) (No. 1) of the WpHG and 1.97 percent of the voting rights (1,125,000 shares) in accordance with § 22 (1) (1) (No. 6) of the WpHG in association with § 22 (1) (2) of the WpHG.

ERGO Lebensversicherung Aktiengesellschaft notified us that it had exceeded the thresholds of 3 percent and 5 percent of the voting rights in JENOPTIK AG on June 16, 2011. Accordingly, ERGO Lebensversicherung Aktiengesellschaft held 5.75 percent of the voting rights (3,288,872 shares) on that day. MEAG Munich Ergo AssetManagement GmbH and MEAG Munich Ergo Kapitalanlagegesellschaft mbH notified us that they had exceeded the thresholds of 3 percent and 5 percent of the voting rights in JENOPTIK AG on June 16, 2011. Both held 6.62 percent of the voting rights (3,790,528 shares) on that day which were attributed to MEAG Munich Ergo AssetManagement GmbH in accordance with § 22 (1) (1) (No. 6) in association with § 22 (1) (2) of the WpHG and to MEAG Munich Ergo Kapitalanlagegesellschaft mbH in accordance with § 22 (1) (1) (No. 6) of the WpHG via ERGO Lebensversicherung Aktiengesellschaft.

ODDO Asset Management, Paris, France, informed the company on January 25, 2013 that it had exceeded the threshold of 3 percent of the voting rights in JENOPTIK AG on January 24, 2013. Thus ODDO Asset Management held 3.05 percent of the voting rights. Thereof, 3.05 percent of the voting rights (1,747,653 shares) were attributed to ODDO Asset Management in accordance with § 22 (1) (1) (No. 6) of the WpHG. ODDO & CIE, Paris, France, holds shares indirectly through ODDO Asset Management. Accordingly, 3.05 percent of the voting rights (1,747,653 shares) are attributed to ODDO & CIE in accordance with § 22 (1) (1) (No. 6) of the WpHG in association with § 22 (1) (2) of the WpHG.

Templeton Investment Counsel LLC., Fort Lauderdale, USA, informed the company on August 2, 2013 that it had fallen below the threshold of 3 percent of the voting rights in JENOPTIK AG on July 31, 2013. Templeton Investment Counsel LLC. held 2.99 percent of the voting rights (1,714,928 shares) on this day. All of these voting rights were attributed to Templeton Investment Counsel LLC. in accordance with § 22 (1) (1) (No. 6) of the WpHG.

The voting right notifications of recent years and the notifications of shareholders that had closed out their investments have been published on our internet page: www.jenoptik.com under Investors/Share/Voting rights announcements.

5.12.2 AUTHORIZED CAPITAL

At the annual general meeting (AGM) held on June 9, 2010, the shareholders resolved to revoke the resolution "Authorized Capital 2009", which was subject to a time limit until May 30, 2014 and reformulated it as follows. With the consent of the Supervisory Board, the Executive Board is authorized to increase the share capital of the entity by up to EUR 35,000 thousand through single or multiple issuances of new no-par value bearer shares for cash and/or in-kind contributions ("Authorized Capital 2010") by May 30, 2015. The new shares may be taken on by a bank or by several banks with the obligation to offer them to shareholders (indirect subscription rights). With the consent of the Supervisory Board, the Executive Board is authorized to preclude subscription rights for shareholders in certain cases. A preclusion is possible for fractional amounts, for capital increases against contributions in-kind, in particular within the framework of business combinations or the acquisition of companies, units of companies or investments in companies, for capital increases against cash contributions to the extent that the percentage of new shares in the share capital does not in total exceed 10 percent of the share capital at the time the authorized shares are registered or in total 10 percent of the share capital at the time the new shares are issued, taking into consideration resolutions of the AGM or the use of other authorizations to preclude subscription rights in a direct or corresponding application of § 186 (3) (4) of the Stock Corporation Act [Aktiengesetz (AktG)] since the effective date of this authorization and the issuance price of the new shares is not significantly lower than the stock market price, as well as for issuance to employees of JENOPTIK AG and to associates in which it holds a majority interest.

With the consent of the Supervisory Board, the Executive Board is to decide on the details for the issuance of new shares, in particular with regard to their conditions as well as the substance of the rights of the new shares.

5.12.3 CONDITIONAL CAPITAL

The shareholder resolution resolved at the AGM held on June 4, 2013, to conditionally raise the share capital of the entity by up to EUR 28,600 thousand through issuance of up to 11,000,000 new no-par value bearer shares ("Conditional Capital 2013"). The conditional capital increase will be implemented only to the extent that

- creditors or holders of option certificates or conversion rights issued by the entity, or by a domestic and/or foreign corporation in which the entity either directly or indirectly holds a majority interest, make use of their option or conversion rights by June 3, 2018 as resolved by the shareholders in their AGM resolution dated June 4, 2013,
- and/or the creditors of the entity or of a domestic and/or foreign corporation in which the entity either indirectly or directly holds a majority interest, and which are obligated to convert, satisfy the conversion obligation no later than June 3, 2018, on convertible bonds issued on the basis of the AGM shareholder resolution dated June 4, 2013, and no treasury shares are to be used or no settlement is made in cash. The new shares are to participate in profits from the commencement of the fiscal year for which there is not yet an AGM resolution on appropriating net profits retained at the time of their issuance. The Executive Board is authorized to determine additional details on the issuance of the conditional capital increase.

5.12.4 RESERVES

Capital reserve. The capital reserve contained the adjustments recognized within the framework of the first-time adoption of IFRS as well as the difference resulting from the capital consolidation being offset against reserves up to December 31, 2002.

Other reserves. A component of other reserves is undistributed past profits realized by companies included in the consolidated financial statements less dividends paid.

In addition, changes in the value of securities held for sale amounting to EUR 351 thousand (prior year: minus EUR 89 thousand) were recognized in other reserves outside of profit or loss. Within the framework of hedge accounting, the effective part of the change in the value of derivatives amounting to minus EUR 16 thousand (prior year: EUR 2,254 thousand), which served to hedge cash flows, was also recognized outside of profit or loss.

In addition, actuarial losses from the measurement of pensions in the amount of EUR 4,005 thousand (prior year: minus EUR 12,113 thousand) were recognized.

The changes in deferred taxes recognized outside of profit or loss decreased the reserves by EUR 1,100 thousand (prior year increase: EUR 2,660 thousand) in the 2013 fiscal year. The amount of deferred tax assets in equity totaled EUR 3,471 thousand (prior year: EUR 4,571 thousand).

Additionally, payments were made to one atypical silent investor in the fiscal year.

5.12.5 TREASURY SHARES

In accordance with the shareholder resolution made at the AGM held on June 9, 2010, the Executive Board was authorized to purchase up to 10 percent of the share capital as treasury shares for purposes other than trade in treasury shares no later than May 31, 2015. The purchased treasury shares together with treasury shares that the entity had already purchased and still holds (including the attributable shares in accordance with §§ 71a et seq. of the Stock Corporation Act) may not be more than 10 percent of the share capital. The authorization may be fully or partially exercised, on a single occasion or several times, for the purpose of one or several permissible purposes by the entity or by Group entities or for its or their account by third parties. It is the option of the Executive Board to perform the purchase by buying on the stock exchange or by means of a public share purchase offer. Other details about the repurchase of treasury shares are described in the publically accessible invitation to the 2010 AGM of the shareholders on our internet site under www.jenoptik.com under Investors/Annual General Meeting.

5.13 NON-CONTROLLING INTERESTS

This balance sheet item contained reconciliation items from the capital consolidation for shares of other shareholders held in the capital to be consolidated as well as the profits and losses allocated to them. The shares are attributed to a foreign entity.

5.14 PENSIONS PROVISIONS

Pension provisions are set up on the basis of funding schemes for retirement, as well as disability and survivor benefit commitments. The benefits provided by the Group vary according to the legal, tax and economic circumstances of the respective country and, as a rule, depend on the duration of employment and on the compensation of the employee at the commencement of retirement. Within the Group, company pension plans are provided both on the basis of defined contribution plans as well as on the basis of defined benefit plans. In the case of defined contribution plans, the company pays contributions in accordance with statutory or contractual provisions or voluntarily makes contributions to public or private pension insurers. Upon payment of the contributions, the company has no further benefit obligations.

Most pension benefit schemes are based on defined benefit plans, wherein a distinction is made between pension schemes financed through provisions or externally financed pension schemes.

In accordance with IAS 19R, pension provisions for benefit obligations are computed by using the projected unit credit method, which requires that future obligations be measured on the basis of acquired benefit claims at the reporting date as well as on trend assumptions for measurement parameters that have an effect on the amount of benefits. All benefit schemes require actuarial calculations.

Jenoptik determines the net interest expense (net interest income) by multiplying the net liability (net asset) at the commencement of the period by the underlying interest rate, discounting the benefit-oriented gross pension obligation.

The revaluation component includes both the actuarial profits and losses from the measurement of the gross defined benefit pension obligation and the difference between the actual yield realized on plan assets and the typical yield assumed at the commencement of the period.

The benefit obligations of the Group included 934 entitled persons, including 421 active employees, 85 former employees as well as 428 retirees and survivors.

In compliance with IAS 19R, the assets held by the Mitarbeitertreuhand e.V., Jena, are offset as plan assets against the pension obligations. The pension obligations of Hommel-Movomatic Suisse SA are also covered by means of plan assets and are accordingly shown as a net amount.

The change in the defined benefit obligations (DBO) is shown as follows:

in thousand euros	2013	2012
DBO at 1/1	**62,492**	**50,323**
Foreign currency exchange effects	–157	65
Contributions to the plan	900	580
Thereof by employer	760	580
Thereof by plan participants	140	0
Interest expenses	1,543	1,991
Actuarial gains (-) and losses (+)	–3,306	11,831
Thereof due to demographic assumptions	–608	–439
Thereof due to financial assumptions	–2,698	12,270
Changes in the group of entities consolidated	16	0
Pension benefits	–2,688	–2,298
DBO at 31/12	**58,799**	**62,492**

The effects of the expense recognized through profit or loss are summarized as follows:

in thousand euros	2013	2012
Current service cost	760	580
Net interest expense	776	743
Total expenses	**1,536**	**1,323**

The amounts shown above were generally contained in the personnel expenses of the departments. The interest expense of the obligation as well as the interest yield on plan assets were recorded in the interest result.

Changes in plan assets were shown as follows:

in thousand euros	2013	2012
Plan assets at 1/1	**31,254**	**31,901**
Foreign currency exchange effects	–126	58
Interest income	767	1,248
Difference between interest income and return on plan asset	700	–302
Contributions	287	349
Other changes	–26	–26
Transfers	0	0
Pension benefits	–2,283	–1,974
Plan asset at 31/12	**30,573**	**31,254**

The net obligation at the reporting date was as follows:

in thousand euros	2013	2012
Present value of the obligation covered by plan assets	50,195	53,152
Plan assets	-30,573	-31,254
Net liability of the obligation covered by plan assets	19,621	21,898
Net liability of the obligation not covered by plan assets	8,606	9,340
Total	**28,227**	**31,238**

The portfolio structure of the plan assets was composed as follows:

in thousand euros	2013	2012
Shares and other securities	4,670	4,122
Investments	4,089	3,475
Insurance policies	6,896	7,527
Loans rendered (loans and receivables)	8,128	13,117
Other assets and liabilities	–1,436	–1,363
Cash equivalents	8,226	4,376
Total	**30,573**	**31,254**

There is an active market for the shares and other securities held in plan assets.

Actuarial assumptions were reached as follows:

in percent	2013	2012
Discount rate at 31/12	between 2.15 and 2.89	between 1.85 and 2.83
Inflation rate	between 1.2 and 1.4	2.0
Expected salary increase	2.75	2.75
Expected pension increase	between 1.2 and 1.4	between 0 and 2.0

Corresponding to the discount factor used in calculating the defined benefit obligation, a yield of 2.74 percent (prior year: 4.37 percent) on plan assets was assumed. The actual yield on plan assets in the 2013 fiscal year amounted to EUR 674 thousand (prior year: EUR 946 thousand).

A change in the referenced actuarial assumptions of one percent at the reporting date at December 31, 2013 would influence the defined benefit obligation as follows:

	Changes in DBO	
in thousand euros	Increase	Decrease
Discount rate at 31/12	–7,035	8,783
Expected salary increase	56	–55
Expected pension increase	12,383	–4,802

A sensitivity analysis shows the changes in a defined benefit obligation upon a change in an assumption. The cumulative change in the defined benefit obligation stemming from changes in several assumptions cannot be directly derived because the changes do not have a straight-line effect on the calculation of defined benefit obligations due to actuarial effects.

Actuarial gains or losses resulted from changes in pension beneficiaries and deviations from actual trends such as increases in income or pensions vis á vis calculation assumptions. In accordance with the regulations stated in IAS 19R, this amount was offset against other comprehensive income in equity.

The weighted average of the remaining company service time is seven years as at December 31, 2013. The weighted average of the remaining obligation term is 14 years as at December 31, 2013.

The financing of the pension plans of ESW GmbH, Wedel, and of JENOPTIK SSC GmbH, Jena, is performed by using a CTA model. The pension plan of Hommel-Movomatic Suisse SA, Peseux, provides for risk participation of the beneficiaries. Thus the pension plan is financed by contributions made by both the employer and the employees.

The expected pension payments from the pension plans as at December 31, 2013, are shown as follows (not discounted):

in thousand euros	
2014	2,721
2015 up to 2018	8,908
From 2019	18,664

5.15 TAX PROVISIONS

Details on tax provisions are provided in Note 4.10 from page 139 on.

5.16 OTHER PROVISIONS

The development of other provisions is as follows:

in thousand euros	Balance at 1/1/2013	Foreign currency exchange effects	Additions to Group of consolidated entities	Additions	Compound interest	Utilization	Reversals	Balance at 31/12/2013
Personnel	17,360	–36	25	10,835	9	–11,368	–1,373	15,453
Guarantee and warranty obligations	18,034	–20	0	9,660	–88	–8,895	–2,696	15,995
Provisions for disposal	7,357	–13	0	208	0	–207	–2,863	4,481
Trademark and license fees	1,700	0	0	89	0	–17	0	1,772
Restructuring	6,731	7	0	303	2	–2,090	–4,297	656
Onerous contracts	3,033	–6	629	808	0	–4,009	–176	279
Other	9,902	–105	15	7,022	–4	–4,741	–2,327	9,761
Total	**64,117**	**–173**	**670**	**28,924**	**–81**	**–31,327**	**–13,731**	**48,398**

Personnel provisions contained, amongst others untaken vacation days, performance bonuses, profit sharing, and similar obligations. Significant items in personnel provisions involved partial retirement obligations in the amount of EUR 1,478 thousand (prior year: EUR 2,709 thousand) and for employees´ anniversary bonuses of EUR 2,307 thousand (prior year: EUR 2,160 thousand). Actuarial reports were prepared on partial retirement obligations assuming an increase in income of 2.0 percent (prior year: 2.0 percent). The amount of the liability for already earned top-up payments amounted to EUR 454 thousand as at December 31, 2013 (prior year: EUR 763 thousand). Top-up payments in the amount of EUR 305 thousand are payable in the coming fiscal year (prior year: EUR 478 thousand), and in the following years top-up payments in the amount of EUR 149 thousand are to be paid (prior year: EUR 285 thousand).

The provision for guarantee obligations contained expenses for individual guarantee cases as well as for general guarantees. The calculation was largely based on past experience.

Provisions for disposals mainly contained expenses from the sale of discontinued operations and of related contractual obligations as well as legal and advisory costs. Reversals were predominantly for a partial use of one provision that was set up in 2005 for the sale of M+W Zander Holding AG.

The provision for trademark and license fees remained unchanged from the prior year and involved risks in connection with possible patent violations.

The 2012 provision for restructuring included expenses for improving business locations in Germany and in the USA. The measures planned for increasing efficiency of the Defense & Civil Systems segment by changing the business location will be achieved by other optimization measures. The measures initiated in December 2012 for optimizing business locations in the USA were successfully implemented in the first half year of 2013. The provisions for restructuring in Germany and and in the USA reduced in total by EUR 5.8 million. The effect on earnings after tax was EUR 3.8 million.

The 2012 provision for onerous contracts primarily contained the obligation surplus for a development contract.

The other provisions included provisions for price review risks as well as for possible contractual penalties and damage claims. In addition, they involved numerous identified specific risks as well as contingent liabilities that were accounted for in the amount expected for their probable settlement.

The timing of expected outflows of economic benefits is shown in the following:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	31/12/2013
Personnel	11,956	1,865	1,631	15,453
Guarantee and warranty obligations	13,147	2,848	0	15,995
Provisions for disposal	4,009	472	0	4,481
Trademark and license fees	0	1,772	0	1,772
Restructuring	656	0	0	656
Onerous contracts	279	0	0	279
Other	7,378	2,368	16	9,762
Total	**37,426**	**9,325**	**1,647**	**48,398**

5.17 SHARE-BASED PAYMENTS

At December 31, 2013 the Jenoptik Group held share-based payment instruments in the form of virtual shares for the two current members of the Executive Board as well as for parts of the top management.

In association with share-based payments, the following effects were recognized through profit or loss as well as in the statement of financial position in the 2013 fiscal year:

	Profit or loss		Balance Sheet	
in thousand euros	2013	2012	2013	2012
Virtual shares	–1,776	–1,460	3,413	2,273

The measurement basis for determining the fair value ist the volume-weighted daily share price of JENOPTIK AG of the last twelve months.

At the end of their four-year contractual term or in the event of premature termination of contract, the virtual shares are to be settled in cash. Subject to the approval of the Supervisory Board, the members of the Executive Board will be granted a total of 113,921 virtual shares in the 2013 fiscal year. The virtual shares allocated in the fiscal years from 2009 to 2013 were measured at the 2013 reporting date at a fair value of EUR 7.25 per virtual share and were recognized in provisions.

The development of the virtual shares of the Executive Board is shown in the following table:

Number of shares	Number 2013	Number 2012
Dr. Michael Mertin		
At 1/1	196,607	117,544
Granted	82,877	75,572
Dividends on outstanding LTI tranche	3,703	3,491
Paid out	0	0
At 31/12	283,187	196,607
Rüdiger Andreas Günther (Board member since 1/4/2012)		
At 1/1	21,694	0
Granted	26,932	21,694
Dividends on outstanding LTI tranche	409	0
Paid out	0	0
At 31/12	49,035	21,694
Frank Einhellinger (Board member until 31/3/2012)		
At 1/1	68,602	60,622
Granted	0	6,000
Dividends on outstanding LTI tranche	0	1,980
Paid out	68,602	0
At 31/12	0	68,602

For further disclosures, we refer to the Remuneration Report in the section Corporate Governance.

Virtual shares have been granted to parts of the top management. The system of allocation and payment of the virtual shares essentially follows procedures to those described for the Executive Board.

The development of those virtual shares is shown in the following table:

Number of shares	Number 2013	Number 2012
At 1/1	30,399	12,878
Granted	34,987	17,521
At 31/12	65,386	30,399

5.18 FINANCIAL LIABILITIES

Details of current and non-current financial liabilities are shown in the following table:

in thousand euros	Up to 1 year	1 to 5 years	More than 5 years	31/12/2013
Liabilities to banks	1,116 (4,650)	93,352 (65,158)	21,792 (50,618)	116,260 (120,426)
Liabilities from finance leases	38 (42)	91 (0)	0 (0)	128 (42)
Total	**1,154 (4,692)**	**93,443 (65,158)**	**21,792 (50,618)**	**116,389 (120,468)**

Prior year figures are in parentheses.

The 2013 fiscal year was characterized by further stabilization and improvement in the liquidity of the Group.

Interest rates ranging from 3.55 percent to 8.05 percent were agreed upon for current financial liabilities consisting only of the current portions of long-term loans in the amount of EUR 1,116 thousand and of finance leases amounting to EUR 38 thousand.

Debenture loans as well as property loans in the amount of EUR 25,247 thousand (prior year: EUR 25,922 thousand) were included in non-current liabilities to banks. They are secured by encumbrances on property. Interest rates ranging from 2.04 percent to 4.39 percent have been agreed upon for non-current financial liabilities.

As of December 31, 2013 Jenoptik had a syndicated loan amounting to EUR 120,000 thousand and current accounts amounting to EUR 1,363 thousand. The syndicated loan signed in April 2013 has a duration of five years and constitutes along with the debenture loans the long-term finance structure of Jenoptik. Due to the strong finance position based on a high equity ratio and the low net debt Jenoptik was able to negotiate attractive conditions which will positively influence the commissions on bank guarantee and loan utilization. As of December 31, 2013 current accounts at the amount of EUR 104,721 thousand were unused.

5.19 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities included:

in thousand euros	31/12/2013	31/12/2012
Terminable financial instruments	12,484	11,832
Other non-current liabilities	3,926	2,887
Derivatives	455	698
Total	**16,865**	**15,417**

In previous years the Jenoptik Group had founded real estate firms in the legal form of a GmbH & Co. KG, in which, amongst others, atypical silent shareholders had invested. As at December 31, 2013 one atypical silent investor still holds an interest in the real estate firms of Jenoptik. This atypical silent investor has an extraordinary termination right as at December 31, 2014. The extraordinary termination right represents a conditional purchase price obligation for the Jenoptik Group which was accounted for in the amount of the discounted present value of the expected settlement payment. Any required changes in value of the conditional purchase price obligation are to be recognized outside of profit or loss in equity. In accordance with the expected use, presentation was made in non-current liabilities since it is not expected to be settled before December 31, 2014.

Further disclosures on derivatives are to be found in Note 8.2 from page 161 on.

5.20 OTHER CURRENT LIABILITIES

This item contains:

in thousand euros	31/12/2013	31/12/2012
Trade payables	46,427	40,868
Liabilities from advanced payments received	31,048	28,693
Liabilities from construction contracts	537	0
Liabilities to unconsolidated associates	4,945	3,797
Liabilities to entities in which investments are held	98	37
Other current liabilities	25,921	25,533
Total	**108,976**	**98,928**

Trade payables increased by EUR 5,560 thousand, and liabilities related to advance payments received increased by EUR 2,354 thousand.

Liabilities from customer-specific construction contracts represent those construction contracts where cost of sales including the portions in profit is lower than progress payments received from customers. In fiscal year 2013 progress payments amounting to EUR 427 thousand (prior year: 0) were netted in this item.

Market interest rates were agreed upon for liabilities to unconsolidated associates. This item contained liabilities to a jointly controlled entity in the amount of EUR 4,161 thousand.

Other current liabilities are as follows:

in thousand euros	31/12/2013	31/12/2012
Liabilities to employees	9,430	9,792
Other tax liabilities	5,828	4,664
Liabilities to the shareholder of a jointly controlled entity	1,750	2,750
Liabilities to employers' insurance association	1,204	1,119
Accruals	1,063	1,591
Other social security liabilities	934	716
Purchase price liabilities	832	0
Interest liabilities from financial liabilities	548	519
Derivatives	35	242
Miscellaneous liabilities	4,297	4,140
Total	**25,921**	**25,533**

Liabilities to employees included, amongst others, vacation entitlements and flexi-time credits.

The aggregated item of financial instruments is explained in detail in Note 8.2 from page 161 on.

6 Disclosures on Cash Flows

Liquid funds comprised cash and cash equivalents recognized in the statement of financial position in the amount of EUR 71,565 thousand (prior year: EUR 45,355 thousand). Liquid funds are defined as the sum of cash on hand and demand deposits at banks with a maturity of less than three months.

The statement of cash flows explains the flow of payments, divided between the inflow and outflow of cash from operating activities as well as from investing and financing activities. Changes in the balance sheet items used for preparing the statement of cash flows cannot be directly derived from the balance sheet because the foreign currency exchange effects and changes in the Group of entities consolidated are non-cash transactions and are therefore eliminated. Starting with earnings before tax, cash flows from operating activities are indirectly derived. Non-cash income and expenses are eliminated from earnings before tax. Cash flows from operating activities result after taking changes in working capital, provisions and other operating balance sheet items into consideration.

The cash flows from operating activities amounted to EUR 60,584 thousand (prior year: EUR 66,578 thousand). The decrease is mainly based on the change of the other provisions which is affecting the cash flows negatively at the amount of minus EUR 15,642 thousand. Thereof EUR 13,731 thousand involved reversing provisions and thus did not lead to any payments. More information on provisions can be found in the Notes from page 153 on. Earnings before tax rose slightly by EUR 1,119 thousand which had a positive effect on the cash flows from operating activities. Through proactive customer and supplier management, liquid funds tied up in working capital were reduced by EUR 6,393 thousand despite the expansion of the business. In the prior year the expansion of the volume of business still led to a growth in working capital and thus led to a change of cash flows amounting to minus EUR 12,334 thousand.

The cash flows from operating activities were also affected by income tax payments, which were close to those of the prior year.

The cash flows from investing activities amounted to minus EUR 16,406 thousand (prior year: minus EUR 33,817 thousand) and were particularly affected by cash payments for investments in property, plant and equipment in the amount of minus EUR 17,555 thousand (prior year: minus EUR 24,511 thousand). The cash payments for investments

in intangible assets amounting to EUR 6,807 thousand (prior year: EUR 6,716 thousand) reflected the investments made within the framework of the Jenoptik harmonization project as well as the required software licenses.

From total investments EUR 18,690 thousand, a 77 percent portion, flowed into expansion investments, consequently in future growth. Investments amounting to EUR 5,672 thousand or 23 percent were for replacements and downsizing. The focus for investments in the reporting year followed strategic lines by investing in transformation and improvement projects by pushing integration forward in the areas of optic module as well as of expanding production capacities mainly in the Lasers & Optical Systems segment.

The changes in incoming and outgoing payments in financial assets primarily resulted from disbursing a loan to a silent investor in 2012 in order to severe the silent investor's participation in the CTA model. The loan was completely repaid by 2013.

The outgoing payment for the acquisition of a consolidated entity was for acquiring Jenoptik Australia in the first quarter of 2013 (more information is provided in section The Group of Entities Consolidated on page 126).

The cash flows from financing activities amounted to minus EUR 19,060 thousand (prior year: minus EUR 36,141 thousand). This decrease of EUR 17,081 thousand was essentially influenced by Group financing. In addition to the premature replacement of a finance lease for technical machinery and plants the prior year was affected by the repayment of an investment of a silent investor. The cash flows from financing activities also include the financing of non-consolidated subsidiaries, investments and joint ventures, interest payments als well as the dividend in fiscal year 2013 of minus EUR 10,303 thousand (prior year: minus EUR 8,585 thousand).

The change in Group financing contained payments from and to unconsolidated associates and investments as well as cash payments to an atypical silent investor of real estate firms.

The reduced interest payments were largely attributable to a reduction in interest expenses on loans.

Information regarding the allocation of free cash flows to the segments is provided in the Segment Reporting from page 160 on.

The total amount of cash flows from operating, investing and financing activities of the proportionately consolidated jointly controlled entities is immaterial for Jenoptik.

Additional information on the statement of cash flows is provided in the Group Management Report in section Financial Position.

7 Disclosures on Segment Reporting

The presentation of segments is made in accordance with IFRS 8 Operating Segments.

IFRS 8 follows the management approach. Therein, external reporting is made to the chief operating decision makers on the basis of internal Group organizational and management structures as well as the internal reporting structure. The Executive Board analyzes the financial information that serves as the basis for making decisions on allocating resources and for assessing performance. The accounting policies and principles for the segments are the same as those for the Group as described in the subsection on accounting principles. Important performance indicators of the company are the operating results before financial results and taxes (EBIT) and the free cash flow.

In the 2013 fiscal year, segment reporting was unchanged from the prior year and included the operating segments Lasers & Optical Systems, Metrology, Defense & Civil Systems and Other.

Business activities are classified into three operating segments and the segment Other, which are managed by the Executive Board and are supported by the Executive Management Board.

The three operating segments are also the reporting segments.

In the Lasers & Optical Systems segment, the Lasers & Material Processing division controls the entire value added chain of laser material processing – from semiconductor material, semiconductor lasers to complete laser machines. The product portfolio of the Optical Systems division contains polymer optics, conventional optics, micro optics, optoelectronic systems and digital imaging.

In the Metrology segment, the Industrial Metrology division is a manufacturer and system supplier for high precision, contact and non-contact production metrology. The Traffic Solutions division develops, produces and sells metrology components and systems for traffic safety.

The focus of the Defense & Civil Systems segment is on the fields of vehicle, rail and aircraft equipment, drive and stabilization technology, energy systems as well as optoelectronic systems.

Contained in the Other segment are JENOPTIK AG, JENOPTIK SSC GmbH, and the real estate firms, JENOPTIK North America Inc., JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd. with its SSC and General Administration business units as well as JENOPTIK Asia-Pacific Pte. Ltd., Singapore.

The consolidation item comprised the consolidation of the business relationships between the segments as well as required reconciliations and reclassifications.

As a matter of principle, the business relationships between the entities of the segments of the Jenoptik Group were based on prices set at arm's length.

Research and development output comprised development costs resulting from customer orders, capitalized development costs and their amortization, as well as research and development expenses.

Free cash flow was calculated from the cash flows from operating activities (before income taxes) less investments in intangible assets and in property, plant and equipment plus divestments. In addition, incoming payments generated from the liquidation of a subsidiary were allocated to free cash flow.

Working capital was calculated by taking inventories, trade receivables and receivables from construction contracts less liabilities from trade payables, liabilities from construction contracts as well as advances received into consideration.

There were no customer relationships with individual customers whose portion of revenue was material when measured against Group revenue.

7.1 SEGMENT REPORTING

in thousand euros	Lasers & Optical Systems	Metrology	Defense & Civil Systems	Other	Consolidation	Group
Revenue	224,711 (212,244)	187,431 (182,725)	185,055 (186,407)	28,862 (26,853)	–25,759 (–23,205)	600,300 (585,025)
Germany	70,446 (65,767)	53,412 (48,401)	101,414 (90,288)	28,531 (26,699)	–25,427 (–23,054)	228,375 (208,101)
Europe	60,985 (60,237)	31,625 (33,961)	58,201 (56,490)	92 (58)	–92 (– 58)	150,811 (150,688)
Americas	49,805 (40,211)	47,937 (40,251)	19,468 (29,525)	187 (82)	–190 (–79)	117,206 (109,990)
Middle East and Africa	15,788 (13,663)	24,403 (25,303)	3,908 (8,115)	0 0	0 0	44,099 (47,081)
Asia/Pacific	27,689 (32,365)	30,054 (34,809)	2,065 (1,990)	52 (14)	–50 (–14)	59,810 (69,165)
EBIT	24,604 (27,109)	22,575 (25,652)	11,564 (7,787)	–6,069 (–5,710)	51 (2)	52,726 (54,840)
EBITDA	33,991 (36,423)	25,169 (28,620)	16,665 (13,230)	–1,036 (–611)	51 (2)	74,841 (77,664)
Investment income	–165 (–1,392)	199 (148)	192 (–1,008)	55 (209)	0 (1)	281 (–2,042)
Research and development expenses	15,713 (14,679)	16,823 (14,158)	7,278 (7,056)	414 (370)	–385 (–228)	39,842 (36,035)
Free cash flow (before income taxes)	18,641 (17,558)	27,133 (24,259)	9,700 (5,453)	–8,604 (–3,625)	166 (58)	47,035 (43,703)
Working Capital	54,557 (51,095)	56,286 (63,171)	92,624 (98,113)	–7,864 (–9,489)	–44 (–53)	195,558 (202,837)
Order intake	221,433 (219,862)	172,500 (198,709)	179,228 (165,034)	28,862 (26,838)	–26,691 (–23,244)	575,332 (587,199)
Property, plant and equipment, investment property and intangible assets	83,949 (87,182)	18,947 (15,304)	35,913 (36,323)	96,277 (94,633)	0 (0)	235,085 (233,442)
Investments without acquisitions	8,259 (15,251)	3,912 (3,275)	4,709 (6,352)	7,482 (6,346)	0 (0)	24,362 (31,225)
Depreciation, amortization and impairments	9,387 (9,314)	2,594 (2,968)	5,101 (5,443)	5,033 (5,099)	0 (0)	22,116 (22,824)
Number of employees on average without trainees	1,326 (1,272)	843 (745)	857 (869)	208 (180)	0 (0)	3,233 (3,066)

EBIT = operating result
EBITDA = Earnings before interest, tax, depreciation and amortization
Prior year figures are in parentheses.

7.2 NON-CURRENT ASSETS BY REGIONS

in thousand euros	31/12/2013	31/12/2012
Group	235,085	233,442
Germany	218,448	218,100
Europe	2,067	2,101
Americas	10,658	12,157
Asia/Pacific	3,912	1,084

Non-current assets comprised intangible assets, property plant and equipment as well as investment property. The assets were allocated to the individual regions according to where the consolidated entities were legally seated.

8 Other Disclosures

8.1 FINANCIAL MANAGEMENT

The aim of the financial management is to maintain a strong capital basis in order to retain the trust of investors, creditors and the markets and to ensure the sustainable development of the company. The Executive Board monitors the equity ratio and net debt as part of the regular management reporting and implements appropriate actions based on this analysis.

8.2 FINANCIAL INSTRUMENTS

Within the framework of its operating activities, the Jenoptik Group is exposed to credit, liquidity and market risks in the financial area. Market risks, in particular, include the risks of interest rates and foreign currency exchange rates fluctuations.

Detailed disclosures on risk management and the control of risks are presented in the Group Management Report in the section Risk Report. Additional information on capital management disclosures is provided in the Group Management Report in section Financial Position.

The following information refers exclusively to the quantitative effects of risks in the fiscal year.

The risks described above impact the following financial assets and liabilities. The carrying amounts listed below for cash and cash equivalents, available-for-sale financial assets and financial assets measured at fair value, conditional obligations and derivatives held for hedging purposes corresponded to their fair value. The carrying amounts of the remaining items represented an appropriate approximation of their fair value.

in thousand euros	Carrying amount 31/12/2013	Carrying amount 31/12/2012
Financial assets	**191,865**	**168,572**
Cash and cash equivalents	71,565	45,355
Available for sale		
Measured at fair value	1,706	1,351
Measured at purchase price	683	563
Finance lease receivables	1,426	2,223
Loans granted and receivables	115,623	118,198
Hedged derivatives	862	882
Financial liabilities	**197,509**	**193,162**
Trade payables	46,427	40,868
Liabilities to banks and other financial liabilities	116,260	120,426
Finance lease liabilities	128	42
Other non-derivatve financial liabilities		
Contingent liabilities	832	0
Other	33,371	30,886
Hedged derivatives	490	940

The hierarchical classification of fair values resulted from the following overview of financial assets and liabilities measured at fair value:

in thousand euros	Carrying amount 31/12/2013	Level 1	Level 2	Level 3
Available for sale, measured at fair value	1,706	1,507	0	199
Hedged derivatives (assets)	862	0	862	0
Contingent liabilities	832	0	0	832
Hedged derivatives (liabilities)	490	0	490	0

Fair values available as quoted market prices at all times were allocated to level 1. Fair values determined on the basis of direct or indirect observable parameters were allocated to level 2. Level 3 is based on measurement parameters that are not based upon observable market data.

The fair value of available-for-sale financial assets was calculated on the basis of stock exchange prices (level 1) or discounted cash flows (level 3).

The fair value of hedged derivatives was, dependent on the primary instruments available, determined by using current observable market data and by applying recognized measurement models.

The fair value of contingent liabilities was measured by taking the expected and discounted payment outflows at the reporting date into consideration.

The development of assets and liabilities allocated to level 3 is shown in the following table:

in thousand euros	Available for sale, measured at fair value	Contingent liabilities
Balance at 1/1/2013	**159**	**0**
Additions	282	918
Disposals	–1	0
Gains and losses recognized in financial result	–241	0
Foreign currency exchange effects	0	–86
Balance at 31/12/2013	**199**	**832**

An explanation of the change in fair values is contained in corresponding comments on balance sheet items.

Gains and losses from the disposal of available-for-sale financial assets amounting to EUR 351 thousand (prior year: EUR 62 thousand) were recorded in other comprehensive income outside of profit or loss. No reclassification was made from other comprehensive income into profit or loss.

A credit or default risk is the risk that a customer or a contract partner of the Jenoptik Group does not fulfill its contractual obligations. This results in both the danger of an impairment of financial instruments due to reduced creditworthiness as well as the danger of a partial or a complete default on contractual payments.

Credit risks primarily exist for trade receivables. These risks are accounted for by setting up bad debt allowances. To a lesser extent, the Jenoptik Group is exposed to default risks from other financial assets, in particular from cash and cash equivalents, loans granted and derivatives. The maximum default risk corresponded to the carrying amount of all financial assets at the reporting date, which amounted to EUR 191,865 thousand (prior year: EUR 168,572 thousand) at the reporting date. The gross amount of trade receivables before impairments amounted to EUR 115,390 thousand (prior year: EUR 106,463 thousand). Impairments made in the fiscal year amounted to EUR 307 thousand for non-current loans and receivables (prior year: EUR 3,351 thousand), to EUR 5,531 thousand for current receivables (prior year: EUR 3,729 thousand) and to EUR 241 thousand for available-for-sale financial assets (prior year: EUR 228 thousand).

The Group liquidity risk involves the possibility that the Group may be unable to meet its financial obligations. In order to assure our ability to pay as well as our financial flexibility, credit facilities and cash are planned by means of a five-year financial plan as well as a monthly rolling five-month liquidity forecast. Although the liquidity risk has been further reduced, it however remains within the focus of the Group and is mitigated by effective cash and working capital management as well as through unused lines of credit in the amount of EUR 104,700 thousand.

By concluding a syndicated loan in the form of a revolving credit facility of EUR 120,000 thousand for a term of five years in April 2013, JENOPTIK AG has created further financial leeway for its growth strategy.

Due to the long-term financing which has been very stable since 2011 as a result of the issuance of debenture loans in the amount of EUR 90,000 thousand as well as through the positive cash flows of our operating entities in 2013, our liquidity risk has been further reduced. No liquidity burdens are expected from now and up to the end of 2015, because the outstanding long-term loans are repayable at final maturity.

The gross debt and net debt of the Group have been further reduced as a result of the positive cash flows.

in thousand euros	Carrying amount 31/12/2013	Cash outflows Total	Up to 1 year	1 to 5 years	2012
Variable interest-bearing liabilities to banks	35,878 (36,842)	38,503 (40,826)	756 (1,783)	37,747 (30,890)	0 (8,153)
Fixed interest-bearing liabilities to banks	80,382 (83,584)	92,979 (99,375)	4,245 (6,828)	66,942 (47,270)	21,792 (45,277)
Fixed interest finance lease liabilities	129 (42)	129 (42)	38 (42)	91 (0)	0 (0)
Total	**116,389 (120,468)**	**131,611 (140,243)**	**5,039 (8,653)**	**104,780 (78,160)**	**21,792 (53,430)**

Prior year figures are in parentheses.

For the period of 1 to 5 years cash outflows are mainly resulting from repayment of the debenture loans.

Cash outflows for variable interest-bearing liabilities to banks were based on an average interest rate of 2.1 percent (prior year: 2.1 percent). Fixed interest-bearing liabilities bore interest rates of between 3.5 and 8.0 percent.

Further disclosures are provided under Note 5.18 on page 155.

The Jenoptik Group is mainly exposed to the risk of interest rate fluctuations in the area of medium-term and long-term interest-bearing financial assets and liabilities as a consequence of fluctuations in market interest rates. Independent of market conditions, this risk is mitigated through the use of financial hedges.

in thousand euros	Carrying amount 31/12/2013	31/12/2012
Interest-bearing financial assets	72,845	53,050
Thereof with variable interest	71,565	45,355
Thereof with fixed interest	1,280	7,695
Interest-bearing financial liabilities	116,389	120,468
Thereof with variable interest	35,878	36,848
Thereof with fixed interest	80,511	83,620

A change in a market interest rate in a range of 100 basis points at December 31, 2013, would result in an opportunity loss or gain in the amount of EUR 13 thousand (prior year: EUR 77 thousand) for fixed interest financial assets.

For the same change in market interest rates for fixed interest financial liabilities an opportunity loss or gain in the amount of EUR 805 thousand (prior year: EUR 836 thousand) would occur.

A change of 100 basis points for variable interest-bearing assets would have an effect of EUR 716 thousand (prior year: EUR 454 thousand). An interest rate increase of 100 basis points would have an effect of EUR 359 thousand (prior year: EUR 368 thousand) on variable interest-bearing liabilities.

JENOPTIK AG counters these risks through interest rate hedging.

in thousand euros	Nominal volumes 31/12/2013	31/12/2012	Market volumes 31/12/2013	31/12/2012
Interest cap	12,000	12,000	24	30
Interest swap 1	8,000	8,000	–325	–501
Interest swap 2	4,000	4,000	–114	–159

At the reporting date, JENOPTIK AG hedged EUR 24,000 thousand of variable interest-bearing liabilities to banks through the use of interest derivatives. An interest rate cap was concluded for EUR 12,000 thousand, and two interest rate swaps were concluded for EUR 12,000 thousand.

The derivatives have the following structure:

Interest cap	EUR 12,000 thousand
Term	April 28, 2012 to October 28, 2016
Maximum interest rate	2.00 percent
Reference interest rate	6-month Euribor

Interest swap 1	EUR 8,000 thousand
Term	April 28, 2012 to October 28, 2018
Fixed interest rate	1.985 percent p.a.
Variable interest rate	6-month Euribor

Interest swap 2	EUR 4,000 thousand
Term	April 28, 2012 to October 28, 2016
Fixed interest rate	1.615 percent p.a.
Variable interest rate	6-month Euribor

The interest rate cap hedged EUR 12,000 thousand in liabilities against a 2.00 percent increase in the 6-month EURIBOR for 4.5 years. The underlying transaction and hedge form a single unit for measurement. The market value of the cap amounted to EUR 24 thousand at December 31, 2013. Because the derivative had no intrinsic value but rather only a fair value at the reporting date, the change in market value was recognized through profit or loss.

The two interest rate swaps resulted in converting an additional EUR 12,000 thousand in variable interest-bearing liabilities into fixed interest-bearing liabilities and thus the interest fluctuation risk was eliminated. As at December 31, 2013, the interest rate swap 1 had a market value of minus EUR 325 thousand, and interest rate swap 2 had a market value of minus EUR 114 thousand. The underlying transaction, together with the hedging transaction, was considered to be highly effective through the correlation of the organizational parameters. Market value changes were recognized as cash flow hedges in other comprehensive income outside of profit or loss.

The following payment streams are expected from the referenced interest rate swaps: EUR 184 thousand for up to one year, EUR 634 thousand for between two to five years.

Foreign currency exchange risks arise from fluctuations of foreign exchange rates for financial assets and liabilities held in foreign currencies.

Currency hedges are used to hedge foreign currency exchange risks. In the 2013 fiscal year, forward currency transactions and options with a nominal value of EUR 26,703 thousand were used and documented as a cash flow hedge for the hedging of underlying transactions. In the prior year forward exchange transactions and options were also concluded and accounted for as cash flow hedges. The total volume amounted to EUR 42,211 thousand in the prior year. These transactions were related to exchange rate hedging of material cash flows in foreign currencies from the operating business (in particular for revenue and for the procurement of materials).

The following positive market values resulted from derivative financial instruments:

in thousand euros	31/12/2013	31/12/2012
Cash flow hedges for mitigating foreign currency exchange rate risks: forward exchange contracts		
Long term	8	137
Short term	830	715
Interest cap	24	30
Total	**862**	**882**

The following negative market values resulted from derivative financial instruments:

in thousand euros	31/12/2013	31/12/2012
Cash flow hedges for mitigating foreign currency exchange rate risks: forward exchange contracts		
Long term	16	38
Short term	35	242
Interest cap	439	660
Total	**490**	**940**

The market values indicated were calculated and confirmed by banks.

Profits and losses from cash flow hedges amounting to minus EUR 16 thousand (prior year: EUR 2,254 thousand) were recognized in other comprehensive income outside of profit or loss. There was one reclassification in the amount of EUR 409 thousand (prior year: EUR 36 thousand) from other comprehensive income into profit or loss in fiscal year 2013.

Foreign currency hedges secured foreign currency exchange risks in the amount of EUR 25,185 thousand for the time period up to the end of 2014. Foreign currency exchange risks in the amount of EUR 1,518 thousand are also hedged for the time period up to the end of 2015 including January 2016.

Forward exchange transactions are grouped according to sales and purchases in foreign currencies as follows:

in thousand euros	31/12/2013	31/12/2012
USD/EUR sale	25,128	39,417
USD/EUR purchase	1,351	1,215
GBP/EUR sale	84	187
GBP/EUR purchase	140	333
CHF/EUR sale	0	1,061

The underlying transactions largely involved the sale of products. The risk hedged is the foreign currency exchange risk in each case.

Because forward exchange transactions were intended to hedge cash flows and the hedges were each classified as being effective, fair value adjustments were recognized in equity.

In accordance with the foreign currency hedging strategy of Jenoptik in 2013, 90 percent of the underlying transactions in foreign currencies within the Group were hedged.

The material foreign currency exchange transactions of the Jenoptik Group involved US dollars. The table shows the net foreign currency risk item in US dollars:

in thousand euros	31/12/2013	31/12/2012
Financial assets	22,605	24,326
Financial liabilities	7,076	6,228
Foreign currency exchange rate risks resulting from balance sheet items	**15,529**	**18,098**
Foreign currency exchange rate risks resulting from pending transactions	19,346	19,570
Transactions related to foreign currency exchange rate differences	**34,875**	**37,668**
Items effectively hedged by derivatives	31,515	38,202
Net item	**3,360**	**–534**

At the reporting date a net risk item in US dollars in the amount of EUR 3,360 thousand was reported. A change in the US dollar exchange rate of 5 percent at the reporting date would have had a positive or negative effect of EUR 122 thousand in the statement of financial position and a change of 10 percent would have had a positive or negative effect of EUR 246 thousand.

8.3 CONTINGENT LIABILITIES AND CONTINGENT PAYABLES

In comparison with the prior year, the volume of guarantees has slightly decreased and totaled EUR 9,469 thousand (prior year: EUR 10,662 thousand) as at December 31, 2013, thereof approximately 38 percent were secured with counter-guarantees.

in thousand euros	31/12/2013	31/12/2012*
Guarantees for unconsolidated associates	5,632	6,601
Guarantees for third parties	3,837	4,061
Contingent liabilities from guarantees	**9,469**	**10,662**

* Prior year reclassification from associates to third parties amounted to EUR 3,504 thousand.

Guarantees for unconsolidated associates amounting to EUR 5,632 thousand (prior year: EUR 6,601 thousand) dropped slightly.

With regard to a warranty in connection with Klinikum 2000, Jena, in the amount of EUR 5,500 thousand (prior year: EUR 5,500 thousand), a release from the liability through the Free State of Thuringia remained pending. From Jenoptik's perspective, there are no longer any potential warranty claims since any disputed claims are covered 100 percent by the subcontractor.

The obligations resulting from guarantees for third parties amounting to EUR 3,837 thousand (prior year: EUR 4,061 thousand) have continued to be reduced. This item contained a rent guarantee given in the amount of EUR 3,504 thousand (prior year: EUR 3,504 thousand) in conjunction with the sale of real property.

8.4 OTHER FINANCIAL OBLIGATIONS

The financial obligations resulting from rental contracts or lease agreements are presented in the explanations given in Note 5.4 from page 145 on.

Along with order commitments for purchasing intangible assets and property, plant and equipment, there were additional order commitments and other financial obligations amounting to EUR 62,442 thousand (prior year: EUR 55,928 thousand).

8.5 LEGAL DISPUTES

JENOPTIK AG and its Group entities are involved in court or arbitration proceedings.

In the context of the sale of M+W Zander Holding AG economic responsibility for some topics remained with JENOPTIK AG. Most of them were finished in the meantime. There is a risk remaining that is resulting from an ongoing arbitration proceeding against M+W Zander Holding AG. We consider the probability of being defeated to be low. In case Jenoptik will be able to enforce counterclaims there is a opportunity of a corresponding payment claim.

Provisions for litigation risks, respectively litigation expenses, were set up in the appropriate amount to meet any possible financial burdens resulting from any court decisions or arbitration proceedings.

Further legal disputes that may have significant influence on net assets, the financial position and the results of operations of the Group are either unknown or unlikely.

8.6 RELATED PARTY DISCLOSURES IN ACCORDANCE WITH IAS 24

Related parties are defined in IAS 24 "Related Party Disclosures" as being entities or persons that have control over or that are controlled by the Jenoptik Group to the extent that they have not already been included in the consolidated financial statements as consolidated entities as well as entities or persons that, on the basis of the Articles of Association or by contractual agreements, have the possibility of significantly influencing the financial and corporate policies of the management of JENOPTIK AG or that have joint control of JENOPTIK AG. Control exists if a shareholder holds more than half of the voting rights in JENOPTIK AG. The largest single shareholder of JENOPTIK AG is ECE Industriebeteiligungen GmbH, Hinterbrühl, Austria, which directly and indirectly holds in total less than 15 percent of the voting rights and thus does not have control over JENOPTIK AG.

Members of the Executive Board and of the Supervisory Board of JENOPTIK AG also qualify as being related parties. In the 2013 fiscal year no exchange of goods or services were transacted between the entity and the members of the Executive Board or of the Supervisory Board.

Two members of the Supervisory Board are members of the management of ECE Industriebeteiligungen GmbH and/or of entities controlling it and thus qualify as being regarded as related parties as defined in IAS 24. In the 2013 fiscal year no exchange of goods or services were transacted with these persons. Another member of the Supervisory Board is an Executive Board member of another company with which Jenoptik exchanged goods and services within the framework of normal business activity in fiscal year 2013. One member of the Supervisory Board left the Executive Board of another company with which Jenoptik exchanged goods and services within the framework of normal business activity in fiscal year 2013. All business transactions were thereby conducted under terms and conditions at arm's length.

The following table presents the composition of the business relationships with unconsolidated entities and with jointly controlled entities considered to be other related parties.

		Thereof with	
in thousand euros	Total	Unconsolidated associates	Jointly controlled associates
Revenue	5,493	5,103	390
Purchased services	2,162	1,793	369
Receivables from operations	4,048	3,494	554
Payables from operations	5,043	882	4,161
Loans	1,274	1,274	0

In addition, there are guarantees amounting to EUR 5,983 thousand within the Group to related parties.

Information on the remuneration of the members of the Executive Board and of the Supervisory Board, whose disclosure is required by IAS 24.9, has been published in the Remuneration Report in the section Corporate Governance from page 45 on as well as in the section Required and Supplementary Disclosures under HGB in the Notes on pages 169 and 172.

9 Events after the Reporting Date

On March 11, 2014 the Executive Board submitted the consolidated financial statements to the Supervisory Board for review and approval.

The Executive Board proposed to the Supervisory Board to transfer the amount of EUR 30,000,000.00 of the net profit of JENOPTIK AG amounting to EUR 43,492,266.90 for the 2013 fiscal year to the revenue reserves.

The Executive Board recommended to the Supervisory Board that approval be sought at the 2014 AGM for a dividend of EUR 0.20 to be paid for each share eligible for receiving a dividend. Thereby the amount of EUR 11,447,623.00 of the net profit for the reporting period, which totaled EUR 25,851,264.10, was earmarked for distribution, and the amount EUR 14,403,641.10 was to be carried forward.

No further events of significance occurred after December 31, 2013.

10 Required Disclosures under HGB

10.1 REQUIRED DISCLOSURES IN COMPLIANCE WITH § 315A OF THE HGB AND § 264 (3) OR § 264B OF THE HGB

The consolidated financial statements of JENOPTIK AG were prepared in accordance with § 315a of the HGB, which states if consolidated financial statements are prepared in accordance with the accounting standards issued by the IASB, the entity may be exempted from preparing consolidated financial statements in accordance with the HGB. Concurrently the consolidated financial statements and the Group Management Report are to be prepared in conformity with the Directive on Consolidated Accounting (Directive 83/349/EEC) of the European Union. The Accounting Standards Committee of Germany [Deutschen Rechnungslegungs Standards Committee e.V. (DRSC)] has accordingly interpreted this Directive to be in alignment with the German Accounting Standard No. 1 (GAS 1) "Exempting Consolidated Financial Statements in accordance with § 315a of the HGB". In order to achieve comparability with a set of consolidated financial statements prepared in accordance with the commercial regulations of the HGB, all of the required disclosures and explanations under the HGB as well any required disclosures above and beyond those needed to be in compliance with IFRS are to be published.

Through having been included in the consolidated financial statements of JENOPTIK AG, the following fully consolidated German associates have made use of the simplifications as defined in § 264 (3) or § 264b of the HGB:

- SAALEAUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach im Isartal
- LEUTRA SAALE Gewerbegrundstücksgesellschaft mbH & Co. Vermietungs KG, Grünwald
- JENOPTIK Robot GmbH, Monheim am Rhein
- 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

10.2 NUMBER OF EMPLOYEES

The breakdown of the average number of employees is presented in the following table:

in thousand euros	2013	2012
Employees	3,233	3,066
Trainees	121	116
Total	**3,354**	**3,182**

For the 2013 fiscal year the proportionately consolidated entities employed 33 employees (prior year: 33 employees) on average.

10.3 COST OF MATERIALS AND PERSONNEL EXPENSES

in thousand euros	2013	2012
Cost of materials		
Expenditures for raw materials, consumables and merchandise	195,778	184,577
Expenditures for services purchased	55,122	57,343
Total	**250,901**	**241,920**
Personnel expenses		
Wages and salaries	185,933	178,991
Social security, pension contributions and retirement benefits	25,015	22,224
Total	**210,948**	**201,215**

11 German Corporate Governance Code

On December 12, 2013 the Executive Board and the Supervisory Board of JENOPTIK AG submitted a declaration of conformity in accordance with § 161 of the German Stock Corporation Act as required by the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 13, 2013. The declaration has been made permanently available to shareholders on the JENOPTIK AG website under: www.jenoptik.de/Investors/Corporate Governance. The statements can also be viewed on site at the premises of JENOPTIK AG (Carl-Zeiss-Straße 1, 07743 Jena, Germany).

11.1 EXECUTIVE BOARD

The following persons were appointed as members of the Executive Board for the 2013 fiscal year:

	Positions held:
Dr. Michael Mertin President & CEO of JENOPTIK AG	None
Rüdiger Andreas Günther Member of the Executive Board of JENOPTIK AG	• Schmitz Cargobull AG (until September 30, 2013, Member of Supervisory Board) • LIS Orbotech GmbH (comparable control body)

Abbreviations: Ccb – Comparable controlling body

The following overview presents the remuneration of the Executive Board for the 2013 fiscal year. Along with direct and indirect remuneration components, this overview also comprises the fair value of share-based remuneration instruments used as long-term incentives (LTI).

Fringe benefits consisted of contributions to disability and accident insurances as well as to the provision of company cars.

A more detailed explanation of the Executive Board remuneration system is provided in the Remuneration Report in section Corporate Governance.

Retirement benefits paid to former Executive Board members amounted to EUR 286 thousand (prior year: EUR 283 thousand). The pension provisions for former Executive Board members totaled EUR 4,435 thousand (prior year: EUR 4,973 thousand) at the reporting date. In corresponding provisions for the 2013 fiscal year, interest expenses amounting to EUR 120 thousand (prior year: EUR 170 thousand) were recorded.

In the 2013 fiscal year – as well as in preceding years – no loans were granted nor any advances paid to the members of either the Executive Board or the Supervisory Board. Consequently, there were no loans to be redeemed.

The members of the Executive Board did not hold any shares at the reporting date.

	Dr. Michael Mertin (President & CEO)		Rüdiger Andreas Günther (Member of the Executive Board since 1/4/2012)		Frank Einhellinger (Member of the Executive Board until 31/3/2012)	
in thousand euros	2013	2012	2013	2012	2013	2012
Fixed renumeration	600,0	510,0	380,0	285,0	–	83,3
Variable renumeration	600,6	731,5	390,4	210,0	–	81,3
LTI of fiscal year – measured at issue price	600,6	365,8	195,2	105,0	–	29,0
LTI of fiscal year – price advance in fiscal year	222,7	192,0	72,4	55,1	–	4,6
Dividends on outstanding LTI tranches	50,3	17,6	8,8	–	–	10,0
Total renumeration	**2.074,2**	**1.816,9**	**1.046,7**	**655,1**	**0**	**208,1**
Retirement benefits	240,0	240,0	80,0	60,0	–	24,8
Fringe benefits	45,8	45,5	19,5	34,8	–	4,9
Total other benefits	**285,8**	**285,5**	**99,5**	**94,8**	**–**	**29,7**

11.2 SUPERVISORY BOARD

The following persons were appointed as members on the Supervisory Board for the 2013 fiscal year:

	Member of	Additional positions at
Rudolf Humer Entrepreneur (Chairman)	- Personnel Committee (Chairman) - Mediation Committee (Chairman) - Nomination Committee (Chairman)	- Baumax AG, Austria (SB member) - Baumax Anteilsverwaltung AG, Austria (SB member) - Ühinenud Farmid AS, Estonia (Ccb member) - K.A.M. ESSL Holding AG, Austria (SB member) - ECE Capital OÜ, Estonia (Ccb member)
Michael Ebenau[1] Trade union secretary, first authorized representative of IG Metall Jena-Saalfeld, first authorized representative of IG Metall Gera (Deputy Chairman)	- Personnel Committee - Mediation Committee	- Samag Saalfelder Werkzeugmaschinen GmbH (Ccb)
Brigitte Ederer Former member of the Executive Board of Siemens AG		- Boehringer Ingelheim RCV GmbH, Austria (SB member) - Österreichische Industrieholding AG (ÖIAG), Austria (SB member) - Siemens Holdings plc., Great Britain (ig, Ccb member, until September 30, 2013) - Siemens S.p.A., Italy (ig, Ccb Deputy Chairman, until September 30, 2013) - Siemens Nederland N.V. , Netherlands (ig, Ccb Chairman, until September 30, 2013) - Siemens AG, Austria (ig, SB Chairman, until September 30, 2013) - Siemens S.A., Spain (ig, Ccb Chairman, until September 30, 2013) - Infineon Technologies Austria AG, Austria (SB member since December 2, 2013) - Österreichische Bundesbahnen-Holding Aktiengesellschaft (SB member since February 28, 2014)
Christian Humer Merchant, Chairman of the Executive Board of ECE European City Estates GmbH, Austria	- Personnel Committee - Nomination Committee	- Ühinenud Farmid AS, Estonia (Ccb Chairman)
Thomas Klippstein[1] Chairman of Group Works' Council of Jenoptik	- Personnel Committee - Audit Committee	None
Ronald Krippendorf[1] Plant manager of JENOPTIK Katasorb GmbH		None

	Member of	Additional positions at
Dieter Kröhn[1] Process coordinator at ESW GmbH	- Audit Committee	None
Sabine Lötzsch[1] Graduate mathematician, manager IT Helpdesk at JENOPTIK SSC GmbH		None
Heinrich Reimitz Member of the Executive Board of ECE European City Estates GmbH, Austria	- Audit Committee (Chairman)	- Ühinenud Farmid AS, Estonia (Ccb member)
Stefan Schaumburg[1] Division chairman and trade union secretary of IG Metall Executive Board, Frankfurt	- Personnel Committee - Mediation Committee	- GKN Driveline Deutschland GmbH (SB member) - GKN Holdings Deutschland GmbH (SB member)
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 Institute for Applied Optics and Fine Mechanics Jena	- Personnel Committee - Mediation Committee - Nomination Commitee	- BioCentiv GmbH (SB Chairman) - Docter Optics GmbH (Ccb member)
Matthias Wierlacher Chairman of the Board of Thüringer Aufbaubank	- Audit Committee (Deputy Chairman)	- Analytik Jena AG (SB member) - Mittelständische Beteiligungsgesellschaft Thüringen mbH (SB member) - bm-t beteiligungsmanagement thüringen GmbH (ig, SB Chairman) - ThüringenForst – Anstalt öffentlichen Rechts – (SB member)

[1] Employee representative Abbreviations: SB – Supervisory Board, Ccb – Comparable controlling body, gi – Group internal appointment, Dep. – Deputy

SUPERVISORY BOARD REMUNERATION

For the 2013 fiscal year the members of the Supervisory Board received the following total remuneration:

in thousand euros	Total remuneration	Thereof			
		Fixed annual remuneration 2013	Variable remuneration 2013	Meeting fees (including reimbursement of expenses)	Value added tax[1]
Rudolf Humer (Chaiman)[2]	–	–	–	–	–
Michael Ebenau (Deputy Chairman)	66.6	41.7	17.9	7.1	10.6
Brigitte Ederer	32.4	20.0	10.0	2.4	0.4
Christian Humer	39.7	25.0	10.0	4.7	–
Thomas Klippstein	66.0	41.7	11.9	12.5	10.5
Ronald Krippendorf	39.7	23.8	11.9	4.0	5.7
Dieter Kröhn	57.7	35.7	11.9	10.1	9.2
Sabine Lötzsch	38.7	23.8	11.9	3.0	5.7
Heinrich Reimitz	60.3	40.0	10.0	10.3	–
Stefan Schaumburg	50.6	29.8	11.9	9.0	8.1
Prof. Dr. rer. nat. habil. Andreas Tünnermann	49.3	29.8	11.9	7.6	7.9
Matthias Wierlacher	61.1	41.7	11.9	7.5	8.6
Total	**562.2**	**352.8**	**131.2**	**78.3**	**66.7**

[1] Included in fixed annual remuneration, variable remuneration and meeting fees; the gentlemen Rudolf and Christian Humer and Mag. Heinrich Reimitz have a limited tax liability in Germany due to ther place of residence being abroad, thus no value added tax was incurred on their remuneration but rather withholding tax in accordance with § 50 a (1) No. 4 EStG was paid; the same applied for the remuneration of Brigitte Ederer since Dezember 1, 2013.

[2] By way of written declaration to the Executive Board the Supervisory Board Chaiman, Mr Rudolf Humer, waived all remuneration claims due to him for his activities as Supervisory Board Chairman and Committee member from April 1, 2011. This also applies to any meeting fees and a potential performance-related payment.

A more detailed explanation of the remuneration system of the Supervisory Board is provided in the Remuneration Report in the section Corporate Governance.

At the end of the 2013 fiscal year the members of the Supervisory Board together held 964,255 shares or thereto related financial instruments, consequently holding more than 1 percent of the share capital of JENOPTIK AG. This figure included the 675,000 shares held directly or indirectly by Mr. Rudolf Humer.

12 List of Shareholdings of the Jenoptik Group as at December 31, 2013 in Accordance with § 313 (2) of the German Commerical Code (HGB)

Nr.	Name and legal seat of entity	Shareholding of JENOPTIK or shareholder directly in %	Currency in thousands or otherwise specified	Equity 31/12/2013 in thousand euros or currency of country	Earnings for 2013 in thousand euros or currency of country
	1.1. Consolidated associates – direct shareholdings				
1	JENOPTIK Robot GmbH, Monheim am Rhein, Germany	100	TEUR		
2	JENOPTIK Industrial Metrology Germany GmbH (former: HOMMEL-ETAMIC GmbH), Villingen-Schwenningen, Germany	100	TEUR		
3	JENOPTIK Automatisierungstechnik GmbH, Jena, Germany	100	TEUR		
4	ESW GmbH, Wedel, Germany	100	TEUR		
5	JENOPTIK Optical Systems GmbH, Jena, Germany	100	TEUR		
6	JENOPTIK Laser GmbH, Jena, Germany	100	TEUR		
7	JENOPTIK Polymer Systems GmbH, Triptis, Germany	100	TEUR		
8	JORENT Techno GmbH, Jena, Germany	100	TEUR		
9	SAALEAUE Immobilien Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach im Isartal, Germany	100	TEUR		
10	LEUTRA SAALE Gewerbegrundstücksgesellschaft mbH & Co. KG, Grünwald, Germany	100	TEUR		
11	JENOPTIK SSC GmbH, Jena, Germany	100	TEUR		
12	JENOPTIK North America, Inc., Jupiter (FL), USA	100	TUSD		
13	JENOPTIK Asia-Pacific Pte. Ltd., Singapore, Singapore	100	TSGD		
	– indirect shareholdings				
14	Traffipax, LLC, Jupiter (FL), USA	100	TUSD		
15	Multanova AG, Uster, Switzerland	100	TCHF		
16	JENOPTIK ROBOT MALAYSIA SDN BHD, Kuala Lumpur, Malaysia	100	TMYR		
17	Hommel-Movomatic Suisse SA, Peseux, Switzerland	100	TCHF		
18	JENOPTIK Industrial Metrology France SA (former: Hommel-Etamic France SA), Bayeux, France	100	TEUR		
19	JENOPTIK Industrial Metrology North America, LLC (former: HOMMEL-ETAMIC America Corp.), Rochester Hills (MI), USA	100	TUSD		
20	JENOPTIK (Shanghai) Precision Instruments and Equipment Co., Ltd., Shanghai, China	100	TRMB		
21	JENOPTIK Australia Pty Ltd, Sydney, Australia	100	TAUSD		
22	Lechmotoren GmbH, Altenstadt, Germany	100	TEUR		
23	Electroop S.A., Madrid, Spain	75	TEUR		
24	PHOTONIC SENSE GmbH, Eisenach, Germany	100	TEUR		
25	JENOPTIK Diode Lab GmbH, Berlin, Germany	100	TEUR		
26	JENOPTIK Optical Systems, LLC, Jupiter (FL), USA	100	TUSD		
27	JENOPTIK Advanced Systems, LLC, El Paso (TX), USA	100	TUSD		
28	JENOPTIK Defense, Inc., Jupiter (FL), USA	100	TUSD		
29	JENOPTIK Laser Technologies, LLC, Brighton (MI), USA	100	TUSD		

Nr.	Name and legal seat of entity	Shareholding of JENOPTIK or shareholder directly in %	Currency in thousands or otherwise specified	Equity 31/12/2013 in thousand euros or currency of country	Earnings for 2013 in thousand euros or currency of country
	1.2 Unconsolidated associates – direct shareholdings				
30	JENOPTIK (UK) Ltd., Borehamwood, Great Britain, i.l. [9]	100	TGBP		[2]
31	JENOPTIK Asien GmbH, Triptis, Germany	100	TEUR	275	0
32	JENOPTIK Einundsiebzigste Verwaltungsgesellschaft mbH, Jena, Germany	100	TEUR	23	0
33	JENOPTIK Neunundsiebzigste Verwaltungsgesellschaft mbH, Jena, Germany, i.L. [8]	100	TEUR	21	0
34	JENOPTIK MedProjekt GmbH, Jena, Germany	100	TEUR	–4,037	–51
35	FIRMICUS Verwaltungsgesellschaft mbH, Jena, Germany	100	TEUR		[2]
36	JENOPTIK Korea Corporation, Ltd., Pyeongtaek, Korea	66.6	TKRW	169,634	337,051
37	LEUTRA SAALE Gewerbegrundstücksverwaltungsgesellschaft mbH, Grünwald, Germany	100	TEUR	26	0
	– indirect shareholdings				
38	AD-Beteiligungs GmbH, Monheim am Rhein, Germany	100	TEUR		[2]
39	RADARLUX Radar Systems GmbH, Leverkusen, Germany	100	TEUR	0	109
40	RADARLUX RADAR Systems (UK) Ltd., Stratford upon Avon, Great Britain	75[5]	TGBP		[2]
41	Traffipax do Brasil Ltda., Sao Paulo, Brazil	100	TBRL		[2]
42	JENOPTIK INDUSTRIAL METROLOGY DE MEXICO, S. DE R.L. DE C.V. (former: HOMMEL-ETAMIC America S. DE R.L. DE C.V.), Saltillo, Mexico	100[10]	TMXN		
43	JENOPTIK KATASORB GmbH, Jena, Germany	100	TEUR	319	[3]
44	PHOTONIC SENSE, INC., Nashua (NH), USA	100	TUSD	0	0
45	JENOPTIK Components, LLC, St. Petersburg, Russia	100	TRUB	24,700	–4,976
46	JENOPTIK Zweiundsiebzigste Verwaltungsgesellschaft mbH, Jena, Germany, i.L. [8]	100	TEUR	20	0
47	JENOPTIK Dreiundsiebzigste Verwaltungsgesellschaft mbH, Jena, Germany, i.L. [8]	100	TEUR	20	0
48	JENOPTIK Vierundsiebzigste Verwaltungsgesellschaft mbH, Jena, Germany, i.L. [8]	100	TEUR	20	0
49	JENOPTIK Fünfundsiebzigste Verwaltungsgesellschaft mbH, Jena, Germany, i.L. [8]	100	TEUR	20	0
50	JENOPTIK Sechsundsiebzigste Verwaltungsgesellschaft mbH, Jena, Germany, i.L. [8]	100	TEUR	20	0
51	JENOPTIK LDT GmbH, Jena, Germany, i.L. [8]	100	TEUR	–3,086	–1
52	JENOPTIK JAPAN CO., Ltd., Yokohama, Japan	66.58	TEUR	–209	–223
53	HOMMEL-ETAMIC Metrology India Pvt. Ltd., Bangalore, India	51[7]	TINR	2,053	–9,245
54	JENOPTIK do Brasil Instrumentos de Precisão e Equipamentos Ltda., Sao Paulo, Brazil	99	TBRL		[2]
55	JENOPTIK South East Asia Pte. Ltd., Singapore, Singapore	100	TSGD	–92	–447

Nr.	Name and legal seat of entity	Shareholding of JENOPTIK or shareholder directly in %	Currency in thousands or otherwise specified	Equity 31/12/2013 in thousand euros or currency of country	Earnings for 2013 in thousand euros or currency of country
	2. Joint ventures				
56	HILLOS GmbH, Jena, Germany	50[1)]	TEUR		
	3. Minority investments – direct shareholdings				
57	JENAER BILDUNGSZENTRUM gGmbH SCHOTT CARL ZEISS JENOPTIK, Jena, Germany	33.33	TEUR		[2)]
	– indirect shareholdings				
58	JT Optical Engine Verwaltungs GmbH, Jena, Germany	50[6)]	TEUR	20	0
59	JT Optical Engine GmbH + Co. KG, Jena, Germany, i.L. [8)]	50[6)]	TEUR	510	7
60	TELSTAR-HOMMEL CORPORATION, Ltd., Pyeongtaek, Korea	33.4	MWON		[2)]
61	HOMMEL CS s.r.o., Teplice, Czech Republic	40	TCZK	11,095	2,804
62	ROBOT Nederland B.V., Niel, Netherlands	30	TEUR	1,662	1,139
63	JENOPTIK Robot Algérie SARL, Alger, Algeria	49	TEUR		[2)]
64	Martec S.p.A., Vignate (MI), Italy	25	TEUR	9,269	1,537
65	Zenteris GmbH, Jena, Germany, i.I. [9)]	24.9[6)]	TEUR		[2)]
66	Dr. Teschauer AG, Chemnitz, Germany, i.I. [9)]	24.99[4)]	TEUR		[2)]
67	MAZeT Mikroelektronik Anwendungszentrum GmbH Thüringen, Jena, Germany	22.55	TEUR	2.532	15

1) Proportionately consolidated
2) No data is available.
3) Profit and loss transfer agreement (HGB) with the parent company
4) Fiscal year not the calendar year – as of October 31
5) Fiscal year not the calendar year – as of May 31
6) Fiscal year not the calendar year – as of June 30
7) Fiscal year not the calendar year – as of March 31
8) i.L. = in liquidation
9) i.I. = in insolvency
10) Included with HOMMEL-ETAMIC America Corp.

Assurance by the Legal Representatives

To the best of our knowledge, we assure that the consolidated financial statements prepared in accordance with the applicable accounting principles required for financial reporting present a true and fair view of the net assets, the financial position and the results of operations of the Group and that the Group Management Report provides a fair view of the development and performance of the business and the Group's position, together with a description of significant opportunities and risks associated with the expected development of the Group.

Jena, March 11, 2014

Dr.-Ing. Michael Mertin
President & CEO

Rüdiger Andreas Günther
Chief Financial Officer

Auditors´ Report

We have issued the unqualified audit opinion as follows:

"Auditors' Report

We have audited the consolidated financial statements prepared by JENOPTIK Aktiengesellschaft, Jena, comprising the consolidated statement of comprehensive income, the consolidated statement of financial position, the statement of changes in equity, the consolidated statement of cash flows, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (Handelsgesetzbuch "German Commercial Code") are the responsibility of the parent company`s Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, 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 (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Berlin, March 11, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

NEUMANN	BÜCHIN
Wirtschaftsprüfer	Wirtschaftsprüfer

12.6.

12/6/2014 JENOPTIK AG Annual General Meeting

INFORMATION

The extended management of the Jenoptik Group is the Executive Management Board. It is responsible for making strategic and operational decisions for the entire Group. The Jenoptik management is supported by the Scientific Advisory Board. Twelve scientists from companies, universities and institutions throughout Germany analyze technology trends and advise Jenoptik on innovations as well as the opportunities and risks of promising future market sectors.

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Executive Management Board

(as at January 2014)

BERNHARD DOHMANN
Metrology segment
Head of Traffic Solutions division

DR. THOMAS FEHN
Lasers & Optical Systems segment
Head of Lasers & Material Processing division

RÜDIGER ANDREAS GÜNTHER
Chief Financial Officer

VOLKMAR HAUSER
Metrology segment
Head of Industrial Metrology division

MELANIE JAKLIN
Head of Human Resources, Purchasing,
Supply Chain & Shared Services

DR. MICHAEL MERTIN
President & CEO and Employment Director

DR. DIRK MICHAEL ROTHWEILER
Lasers & Optical Systems segment
Head of Optical Systems divison

DR. STEFAN STENZEL
Defense & Civil Systems segment
Head of Defense & Civil Systems division

Scientific Advisory Council

(as at January 2014)

DR. MICHAEL MERTIN
JENOPTIK AG, Jena, President & CEO

PROF. DR. HARTMUT BARTELT
Leibniz-Institut für Photonische Technologien e. V. (IPHT), Jena

PROF. DR. KARLHEINZ BRANDENBURG
Ilmenau

PROF. DR. GERHARD FETTWEIS
Technische Universität Dresden,
Fakultät für Elektrotechnik
Vodafone Chair Mobile Communications Systems

PROF. DR. JOHANN LÖHN
Steinbeis-Hochschule Berlin

PROF. DR. RER. NAT. HABIL. JÜRGEN PETZOLDT
Technische Universität Ilmenau,
Fakultät für Elektrotechnik und Informationstechnik
Institut für Elektrische Energiewandlungen und Automatisierung

PROF. DR. RER. NAT. JÜRGEN POPP
Leibniz-Institut für Photonische Technologien e. V. (IPHT), Jena

PROF. DR. ROLAND SAUERBREY
Forschungszentrum Rossendorf, Dresden

PROF. DR. MICHAEL SCHENK
Fraunhofer-Institut für Fabrikbetrieb und -automatisierung IFF, Magdeburg

PROF. DR. HARTWIG STEFFENHAGEN
Rheinisch-Westfälische Technische Hochschule (RWTH), Aachen

PROF. DR. GÜNTHER TRÄNKLE
Ferdinand-Braun-Institut, Leibniz-Institut für Höchstfrequenztechnik, Berlin

PROF. DR. ANDREAS TÜNNERMANN
Fraunhofer-Institut für Angewandte Optik und Feinmechanik IOF, Jena

PROF. DR. BERND WILHELMI
Jena

Glossary

A

Associates – JENOPTIK AG and all its subsidiaries, whether or not they are included in the consolidated financial statements.

B

Book-to-bill ratio – Ratio of order intake to revenue for a fiscal year. A ratio of over 1.00 indicates that the order intake surpassed revenue for the fiscal year, likely leading to an increase in order backlog.

C

Cap – In a contractual agreement of this sort, the purchaser pays for a guaranteed interest rate cap for an agreed period of time. If the market interest rate rises above the cap on the specified interest determination rates for the next interest period, the cap seller must pay the difference.

Capital consolidation – Within the framework of the consolidated financial statements, the financial interrelationships between Group companies have to be consolidated. This entails offsetting the carrying amount of the investment against the apportionable share of the equity of the subsidiaries.

Consolidation – The incorporation of partial accounts into a total account, such as the incorporation of the individual balance sheets of group companies into a consolidated balance sheet and elimination of internal Group transactions.

Consolidated companies – Entities included in a consolidated financial statements.

Corporate governance (code) – This code sets the guidelines for the transparent management and supervision of a company. The recommendations of a corporate governance code provide for transparency and increase trust in responsible management. The recommendations protect the shareholders in particular.

D

Debenture loan – In addition to bank loans and bonds, another form of (long-term) external financing for companies. The borrower is granted a loan against a debenture by large financial intermediaries (in general credit institutions) without having to access the organized capital market.

Deferred taxes – Tax expenses or income from differences between a group's earnings and the tax result, which are inverted over time. They are a meaningful measure of the relationship between company results and tax expenses.

Derivatives – Derived financial instruments dependent on the price development of the underlying assets (e.g. shares, interest rates, currencies). The basic forms are futures and options.

Disinvestment – In this case, the effect of depreciation surpasses replacement capital.

E

EBIT – Income from operations – earnings before interest and taxes.

EBITDA – Earnings before interest, taxes, depreciation and amortization.

EBIT margin – Return on revenue – EBIT divided by revenue.

Equity ratio – Indicator used in capital structure analysis stating the relative proportion of equity in the balance sheet total (equity divided by the balance sheet total).

F

Financial liabilities – All current and non-current interest-bearing outside capital, e.g. bonds, bank liabilities and leasing liabilities.

Free cash flow – Available cash flow. The free cash flow is regarded by financing institutions as an indicator of the ability to repay loans and is therefore often used as a basis to calculate financing capacity. It is calculated from the cash flows from operating activities (before income taxes and interest) less capital expenditure in property, plant, equipment and intangible assets.

Free float – Scattered company shares held by a large number of different shareholders.

G

Goodwill – Difference between the purchase price of a newly acquired company and its equity (assets minus liabilities).

Go-Lean program – Internal Group program launched in 2013 with aim of end-to-end process improvements and an increase in operational performance. It will maximize far-reaching synergies thanks to a lean production system, consolidation of functions in areas such as purchasing and support for operational units from central bodies.

H

HCM system (Human Capital Management) – IT system for human resources planning.

Hedging – Through hedging, existing positions can be protected against negative price trends (e.g. interest or exchange rates) through the purchase or sale of derivatives (futures, options, swaps).

I

IFRS/IAS (International Financial Reporting Standards) – These internationally valid accounting standards ensure the comparability of consolidated financial statements and, with their higher degree of transparency, satisfy information requirements. The sections of the IFRS are known as the IAS (International Accounting Standards), while the newer sections are referred to as IFRS.

J

Jenoptik Excellence Program (JEP) – This internal Group program was launched in 2012. It is aimed at generating cost savings, primarily in production, development and logistical processes, as well as in supply chain management.

JOE program – The Group's largest program for efficient standardization of processes and settlement systems across all organizational units. The initiative was launched in 2011, continued on schedule in 2013 and will be rolled out in the Group by late 2017.

Joint venture – Economic cooperation between companies, usually limited in time and scope, which is run by the partner companies together.

L

Lean Academy – The establishment of a Lean Academy provides training for employees and management so that the Go-Lean program can essentially be implemented on an independent basis.

M

Market capitalization – Number of shares multiplied by the share price.

N

Net debt – Calculated by deducting cash and securities from the total of non-current and current financial assets.

O

Option – The right to purchase (call option) or sell (put option) the underlying object of an option (e.g. securities or currencies) to a counterparty (writer) at a previously agreed price (exercise price) at a specific time or within a specific period of time.

P

PoC Percentage of completion method – Procedure in accordance with IAS 11 which computes revenue, order costs and order results on a long-term customer-specific contract relative to the degree to which the project is completed.

Projected unit credit method – A method used to evaluate pension provisions in accordance with IAS 19, which includes the expected future increase of salaries and pensions in addition to the pension benefits secured before the cut-off date.

R

ROCE (return on capital employed) – Is calculated by dividing income from operations (EBIT) by the average tied operating capital The total tied operating capital is calculated on the basis of the non-finance related capital in the non-current assets (such as intangible assets including goodwill, property, plant and equipment and investment properties) plus the capital tied up in current assets (primarily inventories, receivables from the operating business activities and other current receivables). Non-interest-bearing borrowings (such as provisions – excluding pensions and taxes, liabilities from the operating business activities and other non-interest-bearing liabilities) are subtracted from this figure. The calculation of the average takes into account twelve month-end balances and the opening balance at the start of the year, which corresponds to the closing balance of the prior year.

S

Swap – An agreement between two companies to exchange cash flows. In the case of an interest swap, fixed interest payments are swapped for floating payments for a nominal fee.

T

Treasury management – Management of finances – is a major task of the corporate finance area. The aim of treasury management and its control instruments is to optimize liquidity and profitability of the company.

V

Value added – The growth in value that is created through company operations, in addition to goods and services purchased from outside the company. It is defined as the total of labor costs, taxes, interest, profits and dividends.

W

Working capital – The total of trade receivables and PoC as well as inventories minus trade payables and PoC as well as advance payments received.

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Historical Summary of Financial Data

in million euros	2007	2008	2009	2010[1]	2011[2]	2012	2013
Non-current assets	**387.7**	**376.3**	**336.9**	**310.7**	**312.4**	**333.8**	**329.8**
Intangible assets and property, plant and equipment	264.2	259.4	230.1	211.8	207.1	213.8	216.0
Investment property	36.0	34.8	24.5	22.1	20.6	19.6	19.1
Financial assets	24.8	20.1	19.2	16.8	22.8	27.2	20.1
Other non-current assets	10.8	10.6	11.0	9.1	4.9	4.8	4.4
Deferred taxes	51.9	51.4	52.1	50.9	57.0	68.4	70.3
Current assets	**309.6**	**312.8**	**270.2**	**318.2**	**331.1**	**335.8**	**362.6**
Inventories	174.1	179.5	154.7	148.8	169.1	169.2	165.1
Receivables and other assets	119.5	118.8	103.2	103.3	111.9	120.6	125.3
Securities and cash equivalents	16.0	14.5	12.3	66.1	50.1	46.0	72.2
Equity	**280.9**	**292.8**	**240.0**	**282.5**	**298.4**	**330.3**	**367.1**
Thereof share capital	135.3	135.3	135.3	148.8	148.8	148.8	148.8
Non-current liabilities	**208.8**	**133.1**	**205.8**	**165.3**	**173.7**	**177.6**	**173.1**
Pension provisions	6.4	6.4	6.4	6.4	18.4	31.2	28.2
Other non-current provisions	22.1	18.4	18.6	17.6	12.4	12.1	11.0
Non-current financial liabilities	161.7	92.4	158.2	125.9	123.1	115.8	115.2
Other non-current liabilities	15.2	13.0	20.1	11.7	15.8	15.4	16.9
Deferred taxes	3.4	2.9	2.5	3.7	4.0	3.1	1.8
Current liabilities	**207.6**	**263.2**	**161.3**	**181.1**	**171.3**	**161.7**	**152.3**
Tax provisions	1.1	2.9	2.6	2.4	6.8	6.0	4.8
Other current provisions	39.9	35.8	40.6	61.9	49.7	52.0	37.4
Current financial liabilities	45.9	113.7	13.6	19.5	4.1	4.7	1.2
Other current liabilities	120.7	110.8	104.5	97.3	110.7	99.0	109.0
Total for Statement of Financial Position	**697.3**	**689.1**	**607.1**	**628.9**	**643.5**	**669.6**	**692.4**
Equity ratio in %	40.3	42.5	39.5	44.9	46.5	49.3	53.0
Reserves ratio[3] in %	43.1	45.2	43.2	46.9	55.8	62.3	65.9
Structure of non-current liabilities %	50.1	33.6	56.0	47.7	50.4	52.3	53.2
Structure of current liabilities in %	49.9	66.4	44.0	52.3	49.6	47.7	46.8
Structure of non-current assets in %	55.6	54.6	55.5	49.4	48.5	49.9	47.6
Structure of current assets in %	44.4	45.4	44.5	50.6	51.5	50.1	52.4
Non-current assets financed by equity in %	72.5	77.8	71.2	90.9	95.5	99.0	111.3
Golden Balance Sheet rule[4]	1.26	1.13	1.32	1.44	1.51	1.52	1.64
Golden financing rule 1[5]	0.79	0.88	0.76	0.69	0.66	0.66	0.61
Golden financing rule 2[6]	1.49	1.19	1.67	1.76	1.93	2.08	2.38
Asset coverage[7] in %	159.7	171.7	157.8	202.6	216.0	230.7	261.0
Gross financing liabilities	207.6	206.1	171.8	145.3	127.2	120.5	116.4
Net financing liabilities	191.6	191.6	159.5	79.3	77.1	74.5	44.1
Debt to equity ratio in %	148.2	135.4	153.0	122.6	115.6	102.7	88.6
Ratio of net indebtedness to cash flow[8]	6.8	5.7	14.7	5.0	3.7	3.7	3.3
Ratio of net liquidity[9]	0.4	0.2	0.4	0.4	0.5	0.6	0.8
Working Capital	189.7	201.6	166.4	164.6	190.4	202.8	195.6
Working Capital ratio in %	36.4	36.8	35.1	34.4	35.0	34.7	32.6
Gearing[10]	0.74	0.70	0.72	0.51	0.43	0.36	0.32
Net investment coverage[11]	20.4	–16.7	–1.6	–6.8	28.9	9.9	257.8
Cash ratio 1[12] in %	7.7	5.5	7.6	36.5	29.3	28.5	47.4
Quick ratio 2[13] in %	65.3	50.6	71.6	93.6	94.6	103.0	129.7
Current ratio 3[14] in %	149.1	118.8	167.5	175.7	193.3	207.6	238.1

in million euros	2007	2008	2009	2010[1)]	2011[2)]	2012	2013
Revenue	521.7	548.3	473.6	478.8	543.3	585.0	600.3
Gross profit	159.9	161.9	128.7	150.2	184.0	203.4	205.7
in % of revenue	30.6	29.5	27.2	31.4	33.9	34.8	34.3
EBITDA[15)]	79.1	67.5	23.3	60.1	76.8	77.7	74.8
in % from revenue	15.2	12.3	4.9	12.6	14.1	13.3	12.5
Earnings from operations[16)]	35.3	37.1	–19.7	29.0	49.2	54.8	52.7
Return on revenue (EBIT in % from revenue)	6.8	6.8	–4.2	6.1	9.0	9.4	8.8
Total return on investment based on EBIT in %	5.1	5.4	–3.2	4.6	7.6	8.2	7.6
Earnings before tax	0.7	20.2	–34.3	15.0	36.2	46.1	47.2
in % from revenue	0.1	3.7	–7.2	3.1	6.7	7.9	7.9
Return on equity based on earnings before tax in %	0.2	6.9	–14.3	5.3	12.1	14.0	12.9
Earnings after tax	–4.6	16.6	–33.9	9.0	35.3	50.2	47.2
in % from revenue	–0.9	3.0	–7.2	1.9	6.5	8.6	7.9
Earnings per share in euros	–0.16	0.23	–0.73	0.16	0.62	0.88	0.82
Research and development costs	39.0	34.1	32.6	28.1	32.0	36.0	39.8
in % from revenue	7.5	6.2	6.9	5.9	5.9	6.2	6.6
Cost of materials (including services purchased)	252.2	252.5	206.6	207.6	230.5	242.0	250.9
Material intensity (in % of company performance[17)])	45.1	44.7	41.9	41.0	41.1	40.3	40.7
Personnel expenses (including pension benefits)	192.3	194.7	187.3	177.5	183.8	201.2	210.9
Personnel intensity (in % from revenue)	36.9	35.5	39.5	37.1	33.8	34.4	35.1
Employees on average	3,215	3,292	3,206	2,800	2,894	3,066	3,233
Revenue per employee (in thousand euros)	162.3	166.6	147.7	171.0	187.7	190.8	185.7
Cash flows from operating activities	73.8	46.5	53.3	41.6	65.6	66.6	60.6
Free cash flow (before income tax)	42.4	27.9	41.0	31.6	44.0	43.7	47.0
Cash flow margin[18)] in %	14.1	8.5	11.3	8.7	12.1	11.4	10.1
Total capital to equity ratio[19)]	0.75	0.80	0.78	0.76	0.84	0.87	0.87
Dividends	0	0	0	0	8.6	10.3	
per share	0	0	0	0	0.15	0.18	
in % of share capital	0.0	0.0	0.0	0.0	5.8	6.9	
Dividend yield based on stock exchange rate of 31/12 in %	0.0	0.0	0.0	0.0	2.0	1.5	

1) Continuing operations
2) Adjusted due to initial application of IAS 19R
3) Ratio of (capital reserve + revenue reserve) to equity
4) Ratio of non-current capital to non-current assets > target ≥ 1
5) Ratio of non-current assets to non-current capital > non-current matching maturities > target ≤ 1
6) Ratio of current assets to current capital > current matching maturities > target ≥ 1
7) Ratio of equity to plant and equipment without real property > Ratio through equity financed equipment, machines, operational equipment
8) Ratio of debt less cash/cash flows (= operating cash flows before working capital adjustments)
9) Ratio of cash flows from operating activities to current liabilities less cash
10) Ratio of gross financing debt to equity
11) Cash flows (= operating cash flows before working capital adjustments) to net investments in property, plant and equipment (= Additions less depreciation + impairments)
12) Ratio of cash to current liabilities
13) Ratio of cash + receivables and other assets to current liabilities
14) Ratio of cash + receivables and other assets + inventories to current liabilities
15) Ratio of EBIT before depreciation/amortization to appreciation of property, plant and equipment, intangible assets and investment property
16) EBIT = Earnings from ordinary operations before interest and investment results and tax
17) Revenue plus other operating income, investment income and gains from securities
18) Ratio of cash flows from operating activities to revenue
19) Ratio of revenue to total capital

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MAY 13, 2014

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The contents of this publication address men and women equally.
For better readibility, the masculine forms are used normally.
In case of differences of opinion the German text shall prevail.

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