

Supervisory Board Report

Honored Shareholders,

Despite challenging political and economic conditions, Jenoptik closed 2019 with results marking another year of excellent growth. Key drivers of this growth were the contributions to revenue from the semiconductor equipment industry and the Automation & Integration area including the companies acquired in 2018. The Supervisory Board closely supported the Executive Board in the consistent implementation of our strategy with a greater focus on photonic technologies and continuously monitored its work.

In the year covered by the report, the Supervisory Board diligently fulfilled its duties as stipulated in law, the Articles of Association, the Rules of Procedure, and the German Corporate Governance Code (the "Code"). The Executive Board fully involved the Supervisory Board in all decisions of fundamental importance to the company at an early stage. The Supervisory Board was also regularly presented with comprehensive information by the Executive Board, both verbally and in written form, on issues pertaining to corporate planning, on business development and profitability trends, on matters involving risk and risk management, on compliance issues, and on the general economic position of the company. Based on reports submitted by the Executive Board, business events of importance to Jenoptik were presented and discussed in detail in both the committees and the meetings of the Supervisory Board. The members of the Supervisory Board fully engaged with the submitted reports and were entitled to put forward their own proposals and suggestions at any time. When convening to discuss topics of particular importance to the Jenoptik Group, the shareholder and employee representatives on the Supervisory Board separately prepared for the meetings, partly in the presence of individual Executive Board members.

On occasions where, in accordance with the provisions of the German Stock Corporation Act (AktG), the Articles of Association, and its Rules of Procedure, the Executive Board required the agreement of the Supervisory Board before undertaking certain actions; approval was granted after thorough examination and consultation. In the event that the business development deviated from the established plans, the Executive Board notified the Supervisory Board, explaining the reasons in detail. The Executive Board completely fulfilled its reporting obligations as stipulated in § 90 AktG and the Code.

During the past fiscal year, the Supervisory Board focused on work to implement the corporate strategy presented in 2018 and supported by the Supervisory Board. This included the launch of a project to potentially sell the VINCORION division in order to streamline business activities to focus on the competence fields of optics and photonics. Regrettably, the sales process had to be stopped in January 2020. Following a successful 2019 fiscal year, VINCORION will continue to operate as an independent investment in the Jenoptik Group, with good prospects for 2020.

The Supervisory Board convened five regular meetings and two extraordinary meetings during the reporting year. One extraordinary meeting was held as a mixture of a telephone and in-person meeting. In one instance, decisions were made through the exchange of written correspondence. Individual

agenda items relating to personnel matters on the Executive Board were addressed without the presence of the members of the Executive Board. No active members of the Supervisory Board, the Audit Committee or the Personnel Committee attended half or fewer than half of the meetings in 2019. On average, attendance at Supervisory Board meetings was 96 percent. There were also five meetings of the Audit Committee (one by conference call), four meetings of the Personnel Committee (two by conference call), and two meetings of the Investment Committee (one by conference call). Attendance at Audit Committee and Personnel Committee meetings was 100 percent, at the Investment Committee meetings 92 percent. Members who were unable to attend a meeting participated in the resolutions by means of voting messages. Detailed information on members' attendance at meetings can be found in the chart on pages 22 and 23.

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 in between the meetings of the Supervisory Board and the committees. The Chairman of the Supervisory Board consulted with the Executive Board on current business performance, in particular, but also on planning, the risk situation, risk management, and compliance measures within the company. In addition, the Executive Board promptly informed the Chairman of the Supervisory Board, either verbally or in writing, about important issues of key relevance to assessing the situation, development, and management of Jenoptik. It informed the Supervisory Board of these issues without delay and at the next meeting by the very latest.

Particular Subjects discussed by the Supervisory Board

At all of its regular meetings, the Supervisory Board dealt with the detailed reports of the Executive Board on the progress of business, particularly with regard to the current development of revenue and earnings, the position of the company, and the financial and risk situations. This included a comprehensive examination and discussion of the corresponding quarterly and monthly reports. M&A projects were set out and discussed at several meetings.

In February 2019, the Supervisory Board approved the Corporate Governance Statement and the Corporate Governance Report by written circulation procedure, and also adopted its report for the 2019 Annual General Meeting. In addition, the CVs of Supervisory Board members were compared against the competency profile adopted by the Supervisory Board, updated, and published on the JENOPTIK AG website.

The focus of the **balance sheet meeting on March 20, 2019** was the audit of JENOPTIK AG's Annual Financial Statements, the Consolidated Financial Statements, and both the Combined Management Report for JENOPTIK AG and the Group and the Non-Financial Report for the prior 2018 fiscal year. Two representatives of the auditor reported on the results of the audit. After a thorough review, and on the recommendation of the Audit Committee, the Supervisory Board approved the Annual and Consolidated Financial Statements. The Annual Financial Statements were thus adopted. Following in-depth discussions, the Supervisory Board also approved the Executive Board's proposal for the

appropriation of profits, providing for an increase of 5 cents in the dividend, to 0.35 euros per qualifying no-par value share. Another issue at this meeting was the approval of the agenda for the Annual General Meeting on June 12, 2019. The Supervisory Board approved the settlement of the 2018 target agreements for the members of the Executive Board and adopted the new target agreements for 2019. The Executive Board also provided information on a range of potential acquisition and divestiture projects.

At its **meeting on June 11, 2019**, the Supervisory Board, in addition to dealing with recurring topics, was given updated information and guidance on the Annual General Meeting to be held the following day, as well as on ongoing M&A projects. The new head of the Light & Production division, Mr. Martin Kuhnhen, introduced himself to the Board and provided some initial insights into what he would be focusing on in his work.

At an **extraordinary meeting on July 29, 2019**, the Supervisory Board, following preparatory work by the Personnel Committee, discussed the further development of the Executive Board’s remuneration system and adopted a new target metric for one part of the variable remuneration for members of the Executive Board starting in the 2020 fiscal year. It reappointed Dr. Traeger as a member of the Executive Board earlier than scheduled, with effect from July 1, 2020 through June 30, 2025, and appointed him President & CEO. The existing Executive Board service contract with Dr. Traeger was slightly amended with effect from July 1, 2020. The Supervisory Board also discussed the strategic project to potentially sell all shares in the VINCORION division and approved the formal start of the project to address potential buyers.

The **meeting on September 11, 2019** was held at the home of the strategic business unit Biophotonics in Berlin-Adlershof. Following a tour of the plant, the Supervisory Board discussed the regular submissions with the Executive Board, as well as the current Group Risk and Opportunity Report and the planning assumptions for the 2020 fiscal year. The Executive Board informed the Supervisory Board about the “Global Business Excellence” strategic IT project (“GLOBE”). The Supervisory Board

T01 Participation of the individual Supervisory Board members in meetings

	Astrid Biesterfeldt	Evert Dudok	Michael Ebenau	Elke Eckstein	Thomas Klippstein	Dörthe Knips
7 Supervisory Board Meetings	●●●●●●● ○	●●●●●●● ○	●●●●●●●	●●●●●●●	●●●●●●●	●●●●●●●
5 meetings of the Audit Committee (of which one by phone)	●●●●●	–	–	–	●●●●●	–
4 meetings of the Personnel Committee (of which one by phone)	–	–	●●●●	–	●●●●	–
2 meetings of the Investment Committee (of which one by phone)	–	–	●●	●○	–	●●

● Participation ○ No participation

examined further developments in the field of corporate governance, in particular the amendments to the German Stock Corporation Act resulting from the Act Implementing the Second Shareholder Rights Directive (ARUG II), and the planned amendments to the Code in the version dated May 9, 2019. It then adopted an addendum to the service contract for Mr. Hans-Dieter Schumacher, which ensured that the remuneration arrangements for the two members of the Executive Board would run in parallel from July 1, 2020 on. A further subject of the meeting was an update on current M & A projects.

At its **extraordinary meeting on October 14, 2019**, the Supervisory Board discussed the current status of the project to potentially sell the VINCORION division.

One of the Supervisory Board's priorities in the final quarter of the fiscal year was the implementation of the new group strategy presented by the Executive Board in 2018. To this end, it was joined by the Executive Board and other members of the Executive Management Committee to discuss the strategic positions of the separate divisions, which were developed from the group strategy, from the perspective of the market, the competition, and customers at a two-day **strategy meeting on November 13 and 14, 2019**. The Executive Board provided the Supervisory Board with in-depth information on the current status of the Jenoptik Group's three top priorities in the 2019 fiscal year: operational excellence, more innovation, and growth in Asia.

At the final **meeting** in the year covered by the report on **December 11, 2019**, the Supervisory Board approved the corporate planning for the 2020 fiscal year following in-depth discussion, and also addressed the medium-term planning. After reviewing a corporate governance checklist, the Supervisory Board and the Executive Board approved the declaration of conformity in accordance with § 161(1) AktG for the 2019 fiscal year and dealt repeatedly with the new recommendations of the Code to obtain information on the status of implementation at the time of its entry into force. The Supervisory Board also approved the acquisition of all shares in the Spanish company INTEROB which is set to complement the portfolio of the Light & Production division in the field of automation & integration. It dealt with the current status of the process to sell the VINCORION division and discussed the efficiency of its work over the past year.

Dieter Kröhn	Doreen Nowotne	Heinrich Reimitz	Stefan Schaumburg	Andreas Tünnermann	Matthias Wierlacher	Total attendance in percent
●●●●●●●●	●●●●●●●●	●●●●●●●●	●●●●●●●●	●●●●●●●● ○	●●●●●●●●	96%
-	●●●●●●	●●●●●●	-	-	-	100%
-	-	●●●●	●●●●	●●●●	●●●●	100%
●●	●●	-	-	-	●●	92%

Work in the Committees

The Supervisory Board has established five committees to help perform its tasks with greater efficiency. The committee chairs reported on the content and results of the committee meetings at each following meeting of the Supervisory Board. With the exception of the Audit Committee, chaired by Mr. Heinrich Reimitz, the committees are led by myself as the Chairman of the Supervisory Board. An overview of the composition of the individual committees can be found on pages 206/207 of the Annual Report.

During the reporting period, the Audit Committee met four times and held one conference call. The auditor's representatives attended the first face-to-face meeting of the year. The primary duties of the Audit Committee were in-depth audits of the Annual and Consolidated Financial Statements, the Combined Management Report for JENOPTIK AG and the Group, the Non-Financial Report, and detailed discussions of the 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 system, the internal control and compliance management system, and current topics and projects of relevance to Internal Audit. Other recurring issues at all meetings of the Audit Committee were the development of the Jenoptik share and recent analyst assessments. The heads of central departments were also present as guests for individual agenda items at the committee meetings.

During a **conference call on February 12, 2019**, the Executive Board presented the committee members with the preliminary figures in the 2018 Consolidated Financial Statements, which were published the day after.

The main issue at the **balance sheet meeting on March 7, 2019**, held in the presence of the auditor, was an in-depth discussion of the Annual and Consolidated Financial Statements, the Combined Management Report, and the Executive Board's proposed appropriation of profits. The Non-Financial Report and the results of the audit were discussed with a representative from auditing firm Price-waterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PWC") in the form of a limited assurance engagement. As a result of these discussions, the Audit Committee recommended to the Supervisory Board that the Annual Financial Statements be adopted. Another issue at the meeting was the recommendation by the Audit Committee to the Supervisory Board that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart ("EY"), be proposed to the Annual General Meeting as the auditor for the 2019 fiscal year. EY had previously confirmed the absence of circumstances that could compromise its independence as auditor. In addition to recurring issues, the committee also dealt with the current Group Risk and Opportunity Report.

The Financial Statements for the first quarter and a current forecast for the 2019 fiscal year were the priorities at the Audit Committee's **meeting on May 8, 2019**. The Audit Committee was notified of a project to revise the Group Guidelines system and of current issues in Internal Audit.

At its **meeting on August 7, 2019**, the Audit Committee discussed the half-year financial statements with the Chief Financial Officer prior to their publication. The Audit Committee set out the main points for the audit of the Annual Financial Statements in the 2019 fiscal year, reviewed the fee agreement with EY, and addressed the issue of monitoring the independence of the auditor. To this end, it reviewed the non-audit services provided in the past year and updated the catalog of permissible non-audit services it approved in the prior year. The Audit Committee then appointed EY to audit the Annual and Consolidated Financial Statements for the 2019 fiscal year in accordance with the shareholder resolution at the Annual General Meeting. A further matter at the meeting was an update on

the sustainability reporting within the Non-Financial Report, following which the Audit Committee resolved to again appoint auditing firm PWC to conduct an audit review of the Non-Financial Report for the 2019 fiscal year. The Audit Committee also familiarized itself with the group-wide "GLOBE" IT project to harmonize IT processes.

At its last **meeting** of the year on **November 11, 2019**, the Audit Committee examined the Interim Financial Statements for the third quarter and the current forecast. Other priorities at the meeting included a presentation of key internal audit findings in the 2019 fiscal year, given by the head of Internal Audit, and an update on sustainability reporting.

The [Personnel Committee](#) met four times in the past fiscal year. The purpose of the discussions in February was the settlement of the target agreements with the members of the Executive Board for 2018, in particular defining the multiplier for calculating the variable remuneration, and the target agreements for 2019. At the July meeting, the Personnel Committee recommended that the Supervisory Board approve the early extension of Dr. Stefan Traeger's appointment as a member of the Executive Board and as Chairman of the Executive Board with effect from July 1, 2020 for the period until June 30, 2025. In addition, it engaged in preliminary discussion of a revised target metric for short-term variable remuneration in the Executive Board service contracts starting in the 2020 fiscal year. At the last meeting of the year, the Personnel Committee discussed the long-term succession planning for the Executive Board.

The [Investment Committee](#) met twice in the past fiscal year to discuss various acquisition and divestiture projects, in particular the project to potentially sell the shares in the VINCORION division. Ms. Elke Eckstein was excused from attending one meeting of the Investment Committee; she therefore attended half of the Investment Committee meetings.

The [Nomination Committee](#) and the [Mediation Committee](#) established on the basis of § 27(3) of the Codetermination Act (MitbestG) did not meet in the year covered by the report, as there was no reason for them to do so.

Corporate Governance

The Supervisory Board continued to focus on the principles of good corporate governance and regulatory changes in corporate governance over the past fiscal year. At its meetings in June and September, the Supervisory Board was informed about the current status of the Act Implementing the Second Shareholder Rights Directive (ARUG II). At its September and December meetings, the Supervisory Board discussed the changes to the Code in its version of May 9, 2019. The December meeting also saw the Supervisory Board review its checklist on the Code (in its version of February 7, 2017) and, together with the Executive Board, adopt the declaration of conformity in accordance with § 161(1) AktG. This and prior declarations extending back to 2004 are permanently available to shareholders on the company's website.

The Supervisory Board regularly reviews the efficiency of its work in accordance with the Code's recommendations. Following the efficiency review carried out with the assistance of an external expert in 2017, the Supervisory Board undertook an internal self-assessment in December 2018 and 2019. The review gave a positive picture of the work of the Supervisory Board and its committees. No efficiency shortcomings were identified. The next external efficiency review is scheduled to take place in 2020.

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 relevance to Jenoptik, were conducted under the same conditions as would have been maintained with third-party companies. Detailed information on business transactions with related companies or persons can be found on page 201 in chapter 8.9.5 of the Notes. In the past fiscal year, there were no conflicts of interest that would have required reporting to the Annual General Meeting with this report.

Members of the Supervisory Board are independently responsible for undergoing the training and professional development measures necessary for their tasks. They are given targeted support by the company in the form of an appropriate reimbursement of costs and forwarding of invitations to selected events. New members are supported by the company during their inductions.

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

Annual Financial Statements and Consolidated Financial Statements

Following delegation by the Supervisory Board to the Audit Committee, the latter, after an in-depth preliminary review and on the basis of the resolution at the Annual General Meeting on June 12, 2019, appointed EY auditor for the 2019 fiscal year at its meeting of August 7, 2019. EY has acted as the JENOPTIK AG and Group auditor since 2016. For the first time, the lead audit partner is Mr. Steffen Maurer. EY audited the Annual Financial Statements prepared by the Executive Board according to the provisions of the German Commercial Code (HGB), the Consolidated Financial Statements prepared according to § 315e HGB and on the basis of International Financial Reporting Standards (IFRS), and the Combined Management Report, and issued its unqualified approval. The audit of the Non-Financial Report in the form of a limited assurance engagement was also issued with unqualified approval by PWC. Within the scope of its duties, EY also checked whether the Executive Board had adopted suitable measures to ensure that developments that may endanger the continued existence of the company are identified in good time. The auditor undertook its audit according to § 317 HGB, giving consideration to the generally accepted German audit principles defined by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer [IDW]). On completion, the audit reports, the Annual Financial Statements, the Consolidated Financial Statements, the Executive Board's proposal for the appropriation of profits, the Combined Management Report, and the Non-Financial Report were dispatched to all members without delay and, together with the documents submitted by the Executive Board, discussed in great detail by the Audit Committee and the Supervisory Board at their March meetings. Both also dealt extensively with the key audit matters. Representatives of auditor EY and of audit firm PWC, which was appointed by the Audit Committee to conduct an audit review of the Non-Financial Report, reported on the key outcomes of their audits at the meetings and were also available to respond to any further queries. EY also provided information on services rendered in addition to the financial statement audit services. According to the auditor, there were no circumstances that gave rise to a concern of impartiality. No major weaknesses in the risk early warning system or the accounting-related internal control system were reported. 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 findings submitted by the auditor and the Audit Committee's recommendation, and raised no reservations about the results of the audit. It approved the Annual Financial Statements and Consolidated Financial Statements submitted by the Executive Board, thus adopting the Annual Financial Statement in accordance with § 172 (1) AktG. The Supervisory Board discussed in detail with the Executive Board the proposal for the appropriation of accumulated profit, providing for payment of a dividend of 0.35 euros per qualifying no-par value share and also agreed to this following its own review and consideration of the company's financial position.

Changes in the Supervisory Board and the Executive Board

Over the past fiscal year, there were no personnel changes on the Executive Board or the Supervisory Board. We are very pleased that Dr. Stefan Traeger will be working to successfully implement Jenoptik's new growth and profitability strategy as President & CEO for a further five years.

The Supervisory Board 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 2020

On behalf of the Supervisory Board



Matthias Wierlacher
Chairman