

# Management

» In short «

The Executive Management Committee  
has been expanded to

**11**

members.

Below the Jenoptik Executive Board, the Executive Management Committee (EMC) is the extended management body of the Group. Jenoptik brought more global diversity to the EMC with the appointment of three new members. In addition to the two members of the Executive Board, the Committee comprises the heads of Human Resources, Group Controlling, Corporate Development and M&A, the heads of the divisions, and now also the heads of the North America and Asia regions.



Dr. Stefan Traeger  
President & CEO

*Dear Shareholders,  
dear clients, partners, and friends of our company,*

2018 was an extremely successful year for Jenoptik. We have achieved all our targets, and actually exceeded our original financial targets for revenue, profit, order intake and free cash flow. With revenue of 834.6 million euros, we have grown by 11.6 percent in the past year. On the bottom line, EBITDA was significantly improved to around 127.8 million euros with a margin of 15.3 percent. All in all, an outstanding team performance by our more than 4,000 employees, who have made 2018 a new record year with record figures, thereby continuing the Jenoptik success story.

At the beginning of 2018 we launched our new "Strategy 2022" and began to implement it. The goal of our strategic development for the next five years is clear. We will concentrate on what we do best: In line with the motto "More Light", we want to transform Jenoptik into a modern high-tech group focused on photonics. Our aim is to provide the right technological responses to the rapidly changing markets and to the major issues of the future – digitization, mobility and security. To do this, Jenoptik must become faster and more efficient, flexible and courageous. But this is not the only reason why we have renewed our structures as well as changed our mindset and the way we approach things.

We have set very specific targets for 2022: Jenoptik is to grow at an accelerated rate of, on average, a mid- to high-single-digit percentage range per year. Profitability is also to increase further. Today, we are in an ideal position to lead Jenoptik into a new stage of development. In addition to the increased focus on photonic technologies, internationalization and innovation are the core of our planned business expansion. This means: Jenoptik's overall R + D output is to rise to around 10 percent of revenue by 2022. International diversity should shape Jenoptik more strongly than before, i. e. international teams and more decisions are taken abroad. There will be production and local R + D teams in all major regions and markets. And at least one division is to be headquartered abroad by 2022.

Based on our Strategy 2022, we identified and successfully implemented three priorities for the 2018 fiscal year: the reorganization of the corporate structure, the realignment of our Asian business, and the launch of a new brand for our mechatronics business.

With a new group structure in place since the beginning of January 2019, we have positioned our business so that it can better meet market needs. The reorganization of the corporate structure has resulted not only in new divisions, but existing companies will be merged too. More than that: We are able to reduce bureaucracy and significantly increase our attractiveness for all stakeholders.

The second priority for 2018 was Asia. Here we have established a new organizational structure where responsibilities are clearly defined. This helps to make the customer approach more effective and facilitates cooperation.

Thirdly, we achieved a strategic milestone in 2018 with our new VINCORION brand for the mechatronics business. We are firmly convinced that with the new flag and a simpler structure we can better serve the specific market requirements, and that we can prioritize future growth initiatives more clearly, leading them to success.

However: a strategy is only successful when the corporate culture supports the achievement of the set targets. Therefore, we also started an extensive cultural change at Jenoptik last year. Because we need more speed and agility, more emotions and not least a common understanding of ourselves and our company. By focusing on "More Light",

we aim not only to imbue Jenoptik with more color and hopefully both pleasure and motivation, but are also pooling the activities and initiatives that will serve to create a common spirit. We are striving for long-term, sustainable growth and are also applying our new corporate values as a yardstick for our work.

The basis for our new corporate values, the positioning of our brand and further measures in the sense of modern personnel work was an intensive exchange with our employees and customers. In particular, we sought the answers to the questions "Who is Jenoptik?", "What does Jenoptik stand for?" and "What must we change?". To this end, we have conducted a large number of surveys, interviews and workshops worldwide in recent months. Just one result of our employee survey to begin with: more than two thirds of our employees would recommend Jenoptik as a good employer. This is a figure slightly above the global benchmark, but naturally we want to improve even further.

In 2018, we did not rely solely on the economic momentum in our markets. With Prodomax in Canada and the OTTO Group in Jena, we successfully acquired extremely interesting companies. The product ranges as well as the market and customer access are an ideal complement for Jenoptik. These acquisitions have enabled us to significantly strengthen our position as a turnkey supplier of automated production solutions, sophisticated measuring tasks and efficient production processes, especially for the automotive industry.

Another highlight of 2018 was the 20th anniversary of our share. On June 13, 2018, almost exactly 20 years to the day after its stock market launch, Jenoptik closed the day at a high of 39.48 euros. With a market capitalization of 2.26 billion euros, our company had never been worth more. Irrespective of this, we have further intensified communication with our shareholders over the course of the year, held more roadshows and participated in more capital market conferences than ever before. In 2018, Jenoptik's share certificates were converted from bearer shares to registered shares in order to keep a firm focus on our shareholders and to communicate with them even more effectively in the future. It is very important to us that Jenoptik's shareholders continue to benefit from the positive development of their company. Overall, we will distribute 20 million euros to our shareholders if approved by the Annual General Meeting.

At the beginning of 2019 there is general agreement that the global economic climate is becoming harsher. Nevertheless, we are in a positive mood due to the strength achieved by the Group and the excellent order situation. Therefore, we expect the Jenoptik success story to continue in the present fiscal year. In concrete figures, we are expecting revenue growth in the mid single-digit percentage range. We also anticipate a further improvement in the EBITDA margin. With a range of 15.5 to 16.0 percent, we are already focusing on the degree of profitability that we originally set ourselves as a target for 2022 as part of our medium-term planning. This also indicates our strength and proves that we remain on course.

Dear shareholders, customers, partners and friends of Jenoptik. We thank you for the trust you have placed in our company. We strongly believe that we still have many more successes ahead of us, both large and small. We cordially invite you to stay committed to Jenoptik and to accompany us on our journey. We look forward to sharing a successful future with you.



Dr. Stefan Traeger  
President & CEO



Hans-Dieter Schumacher  
Chief Financial Officer



Hans Dieter Schumacher  
Chief Financial Officer

## Supervisory Board Report

*Honored Shareholders,*

Following a very successful fiscal year, Jenoptik remains clearly on course for growth. All of our segments, as well as the entities we acquired in 2018 – Prodomax Automation Ltd. in Canada and the OTTO Group – contributed to this encouraging performance with record figures for revenue, earnings, and free cash flow. The Supervisory Board provided significant support to the Executive Board throughout the fiscal year. By consistently implementing our new strategy with a stronger focus on photonic technologies and further internationalization we were able to meet challenges together. This gives us cause to look forward with confidence to the present fiscal year.

In the 2018 fiscal year, the Supervisory Board diligently performed the duties imposed on it by law, by the Articles of Association, and by the rules of procedure, regularly provided advice on the management of the company to the Executive Board, and continuously monitored the latter's work. The Executive Board directly involved the Supervisory Board in all decisions of fundamental importance to Jenoptik and notified it regularly, in good time and in full, both verbally and in writing, of the current status of business, the course of business and the economic situation, the risk position, risk management, and issues relating to compliance, strategy, and corporate planning. The members of the Supervisory Board fully engaged with the reports submitted by the Executive Board at committee and Supervisory Board meetings. In the event that the business development deviated from the established plans and targets, the Executive Board notified the Supervisory Board of this, explaining the reasons in detail. It further maintained full compliance with the professional duties set out in § 90 of the Stock Corporation Act (AktG) and the German Corporate Governance Code ("Code").

The Supervisory Board agreed to business transactions requiring approval following due review and discussion. Over the course of the 2018 fiscal year, it met for five ordinary meetings and one extraordinary meeting, at which members of the Executive Board were also present. Individual agenda items relating to personnel matters on the Executive Board were addressed without the presence of the members of the Executive Board. In addition, resolutions were adopted by unanimous written consent. Over the past fiscal year, the Supervisory Board saw a consistently high participation rate: all members of the Supervisory Board attended considerably more than half of the meetings convened by the Board and the committees on which they sit. On average, attendance at Supervisory Board meetings was 97 percent. There were also five meetings of the Audit Committee (one by conference call), two meetings of the Personnel Committee (one by conference call), and two meetings of the new Investment Committee. Attendance at Audit Committee meetings was 95 percent, at the other committee meetings 100 percent.

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The Executive Board and the Supervisory Board worked together in an atmosphere of mutual trust and understanding at all times. The Chairman of the Supervisory Board and the chairmen of the committees maintained ongoing contact with the Executive Board between the meetings of the Supervisory Board and the committees. Detailed monthly reports on the company's position were regularly sent to all members of the Supervisory Board between meetings.

## 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 business situation of JENOPTIK AG and the Group, in particular current revenue and earnings performance and the financial and asset position. This included a comprehensive examination and discussion of the monthly and quarterly reports. Recurring issues at several meetings further included in-depth explanations and discussions on a range of M & A transactions, in particular relating to the acquisition of Prodomax Automation Ltd. and the OTTO Group.

At an **extraordinary Supervisory Board meeting on January 26, 2018**, the Executive Board presented the Supervisory Board with its proposals for communicating the long-term strategic trajectory of the Jenoptik Group, which was first published at the New Year's Reception on February 6, 2018.

The members of the Supervisory Board adopted their report for the 2018 Annual General Meeting and approved the Corporate Governance Statement and the Corporate Governance Report for the 2017 Annual Report by **unanimous written consent in February 2018**. In addition, and in accordance with the recommendation in Point 5.4.1(5)(2) of the German Corporate Governance Code, 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.

At its **meeting on March 21, 2018**, the Supervisory Board discussed the audit of JENOPTIK AG's Annual Financial Statements, the Consolidated Financial Statements, the Combined Management Report, the Non-financial Report, and the appropriation of accumulated profits at length in the presence of the auditor. 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, to 0.30 euros per no-par value share, and also approved the Annual Financial Statements of JENOPTIK AG and the Consolidated Financial Statements. The Annual Financial Statements were thus adopted. Another core issue was the approval of the agenda for the Annual General Meeting on June 5, 2018. The meeting also dealt with the settlement of the target agreements for the members of the Executive Board in the 2017 fiscal year, the resolution on a new target metric starting in 2018, and the conclusion of new target agreements for both members of the Executive Board in 2018. The Supervisory Board also

considered a range of potential acquisition targets and approved the establishment of an Investment Committee, which was set up to deal with investments requiring approval under the Executive Board's rules of procedure, focusing in particular on the preparation and execution of M & A transactions. The Supervisory Board also adopted a comprehensive revision of the rules of procedure for the Executive Board.

In addition to the recurring topics, the Supervisory Board also used its **meeting on June 4, 2018** to discuss the company's current business and financial situation following the end of the first quarter and Group projects to adjust the organizational structures in two divisions and the corporate center. The Supervisory Board looked in detail at issues relating to the Annual General Meeting to be held on the following day and approved a planned investment at the Automotive division's location in Villingen-Schwenningen. Following further analysis and a full and frank discussion on the Supervisory Board, in combination with preparatory work carried out by the Investment Committee, the Supervisory Board approved the acquisition of all shares in the Canadian company Prodomax Automation Ltd.

The **meeting on September 12, 2018**, was held at the Wedel site of JENOPTIK Advanced Systems GmbH. After a tour of the premises, the Supervisory Board discussed the Group's current Risk and Opportunity Report with the Executive Board in addition to the regular submissions. Other items on the agenda again included information on current M & A issues. The Group's HR Manager presented projects and initiatives from the Human Resources department.

During the two-day **strategy meeting in November**, the Supervisory Board 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 as part of the new long-term corporate strategy presented at the beginning of the year, from the perspective of the market, the competition, and customers.

## T01 Participation of the individual Supervisory Board members in meetings

	Astrid Biesterfeldt	Evert Dudok	Michael Ebenau	Elke Eckstein	Thomas Klippstein	Dörthe Knips
6 Supervisory Board Meetings	●●●●●●	●●●●●●	●●●●●●	●●●●●●	●●●●●●	●●●●●●
5 meetings of the Audit Committee (of which one by phone)	●●●●● ○	–	–	–	●●●●●	–
2 meetings of the Personnel Committee (of which one by phone)	–	–	●●	–	●●	–
2 meetings of the Investment Committee (of which one by phone)	–	–	●● (since 22/3/2018)	●● (since 22/3/2018)	–	●● (since 22/3/2018)

● Participation ○ No participation



At the year's final meeting on December 11, 2018, the Supervisory Board dealt with the recurring topics and the financial statements for the third quarter, as well as with the medium-term planning and the corporate planning for the 2019 fiscal year, which it approved. After reviewing a corporate governance checklist, the Supervisory Board and the Executive Board approved the declaration of conformity in accordance with § 161 (1) of the Stock Corporation Act (AktG) for the 2018 fiscal year. The former also decided to have the separate Non-Financial Report in the Annual Report examined externally by means of an audit review, commissioning an auditing firm for this purpose, and delegated this task to the Audit Committee for the future. Finally, it was informed about changes to the D & O insurance for the Group.

## Work in the Committees

The Supervisory Board has established four committees to help perform its tasks with greater efficiency. To the extent permissible by law, these committees make decisions in individual cases in place of the Supervisory Board and prepare topics that are then addressed by the Supervisory Board. The chairmen or their deputies on the committees provided in-depth information on the content and outcomes of each committee meeting at the following meetings of the Supervisory Board. Information on the individual members of each committee can be found in the Group Notes appended to the Annual Report, from page 202 on.

The Audit Committee headed by Mr. Heinrich Reimitz convened four meetings and one conference call in the period covered by the report. Both members of the Executive Board, the Head of Group Controlling, and the Head of Group Accounting and Taxes were present at all meetings; the heads of relevant departments attended as required for individual topics. In addition to the monthly, quarterly, and half-year financial statements, and the Annual and Consolidated Financial Statements, the Audit

Dieter Kröhn	Doreen Nowotne	Heinrich Reimitz	Stefan Schaumburg	Andreas Tünnermann	Matthias Wierlacher	Total attendance in percent
●●●●●●	●●●●●●	●●●●●●	●●●● ○	●●●●●●	●●●●●●	97%
-	●●●●●●	●●●●●●	-	-	-	95%
-	-	●●	●●	●●	●●	100%
●● (since 22/3/2018)	●● (since 22/3/2018)	-	-	-	-	100%

Committee paid particular attention to the effectiveness and ongoing development of the risk management, internal control, and compliance management systems. The Audit Committee also dealt regularly with current analyst assessments and the performance of the Jenoptik share.

During a **conference call in February 2018** prior to publication of the preliminary figures, the Audit Committee discussed together with the Executive Board the key indicators in the 2017 fiscal year as well as the progress made in preparing the Financial Statements and Consolidated Financial Statements.

In the presence of two of the auditor's representatives, the **balance sheet meeting in March** focused on the audit of the Combined Management Report, JENOPTIK AG's Annual Financial Statements, the Consolidated Financial Statements, and the Executive Board's proposal for the appropriation of profits. In addition, a representative of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PWC") was present to discuss the very first Non-Financial Report and the results of his audit review. The Chief Compliance & Risk Officer elucidated the current Group Risk and Opportunity Report. 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 2018 fiscal year. EY confirmed that there are no circumstances that might compromise its independence as auditor.

At the **meeting in May**, the Audit Committee closely examined the financial statements for the first quarter of 2018 and was informed about audits completed by Internal Audit and the new accounting standard IFRS 16.

Alongside the half-year financial statements, the key matters **discussed in August** included the determination of the main points for audit, a review of the fee agreement, and the subsequent appointment of EY as auditor for the 2018 fiscal year. The committee also 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 its approved catalog of permissible non-audit services. The Audit Committee was also informed that the targets for preparing the Non-financial Report had been specified.

At its last **meeting** of the year **in November**, the Audit Committee examined the financial statements for the third quarter. The Head of Internal Audit reported on scheduled changes to the audit process of Internal Audit and on audit plans through March 2020. At the end of the meeting, the Head of Investor Relations presented the process for monitoring the defined targets and actions within the reporting on sustainability issues in the Non-Financial Report.

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The **Personnel Committee** headed by Matthias Wierlacher, the Chairman of the Supervisory Board, convened twice in the past fiscal year; one of the meetings took the form of a conference call. Topics at the meetings included settlement of the 2017 target agreement for Mr. Schumacher, recommendations regarding the target metric for the new remuneration system applicable to members of the Executive Board, and long-term succession planning for the Executive Board.

The new **Investment Committee** is also headed by the Chairman of the Supervisory Board, Matthias Wierlacher. It convened twice in the past fiscal year, dealing with a range of acquisition projects, in particular the acquisition of the Canadian company Prodomax Automation Ltd.

The **Nomination Committee** and the **Mediation Committee** did not meet in the past fiscal year. These two committees are also headed by Mr. Wierlacher.

## Corporate Governance

Over the past fiscal year, the Supervisory Board engaged with corporate governance issues and, in particular at its meeting in June, was updated on current legislative proposals in this area. In December, following comprehensive examination of a corporate governance checklist, and in conjunction with the Executive Board, the Supervisory Board adopted the declaration of conformity according to § 161 (1) of the Stock Corporation Act (AktG). The current declaration of conformity, together with declarations from prior years, are permanently available to shareholders on the company's website. The latest declaration of conformity can also be found on page 36 of the Annual Report.

Following the efficiency review carried out using a questionnaire and in-depth interviews with the help of an independent external expert in December 2017, the Supervisory Board undertook an internal self-assessment in December 2018. 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 of JENOPTIK AG exercise an executive role at companies with which Jenoptik has a business relationship. Jenoptik does not consider any of these business transactions to be of significance, especially as they are conducted under the same conditions as would have been maintained with third-party companies. Consequently, it is the belief of the Supervisory Board that they do not affect the independence of the members. Information on business transactions with related persons or companies can be found on page 198 f. in chapter 8.6 of the Notes.

In the past fiscal year, there were no conflicts of interest subject to reporting requirements which could have called the independence of the Supervisory Board members into question under the directives of the Corporate Governance Code.

Detailed information on corporate governance at Jenoptik can be found in the Corporate Governance Report beginning from page 36 on of the Annual Report and from page 45 on of the Remuneration Report.

## Annual Financial Statements and Consolidated Financial Statements

In accordance with the decision of the Annual General Meeting, EY in Stuttgart was appointed to audit the Annual Financial Statements of JENOPTIK AG and the Consolidated Financial Statements for the third time in succession. The lead audit partner was Mr. Michael Blesch. 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 of the German Commercial Code and on the basis of International Financial Reporting Standards (IFRS), and the Combined Management Report, and issued its unqualified approval. The audit review of the Non-Financial Report was also issued with unqualified approval by PWC. Within the scope of its duties, the auditor 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 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]). On completion, the audit reports, the Annual Financial Statements, the Consolidated Financial Statements, the Executive Board's proposal for the appropriation of profits, and the Combined Management Report including 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 in person at the meetings on the key outcomes of their audits. They were also available to answer further questions and provide information. The auditor 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.

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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 on the audits of the Annual Financial Statements and the Consolidated Financial Statements made by the Audit Committee.

Following the final outcomes of the preliminary audit by the Audit Committee and its own review and discussion, the Supervisory Board raised no objections to the outcomes of the audit at its meeting on Wednesday, March 20, 2019 and approved the Annual Financial Statements and Consolidated Financial Statements prepared by the Executive Board. The Annual Financial Statements for 2018 are thus adopted according to § 172 (1) of the Stock Corporation Act (AktG). The Supervisory Board discussed in detail the Executive Board's resolution on the appropriation of profits, which provides for an increased dividend payment of 0.35 euros per no-par value share, and approved it following an internal review.

## 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 extend our thanks to the members of the Executive Board and to all employees for their outstanding personal dedication, and to our shareholders for the trust they place in us.

Jena, March 2019

On behalf of the Supervisory Board

  
Matthias Wierlacher  
Chairman

## Jenoptik Highlights 2018

### Metrology business expanded

With the acquisition of the Jena-based companies OTTO Vision Technology GmbH and OVITEC GmbH, Jenoptik is expanding its position as a systems supplier for production metrology and industrial imaging applications. The two companies specialize in optical 2D and 3D inspection systems for quality assurance and process optimization.

### Increased production capacity

With an additional production area near the Rochester Hills location, Jenoptik has almost tripled its available footprint for automation projects in North America. Production is also being expanded with a new assembly building at the Jupiter, Florida, location to meet demand for optical systems.

### New location on the western coast of the US

With a new site in Fremont, located in California's Silicon Valley, Jenoptik has had a direct presence near its customers in this region since early 2018 and is in a position to respond specifically to their needs, particularly in engineering and product development.

### New brand for the mechatronics business

Jenoptik is now marketing its mechatronics business under the new, independent VINCORION brand, thus focusing its competencies in the aviation, security, defense, and railway markets. The new brand is publicly launched at Berlin's Inno-Trans trade fair in September 2018

### Traffic safety technology for the Middle East

Several orders for Jenoptik products from the Middle East and North Africa confirm the need for greater traffic safety. Qatar, Algeria, and a further key customer in the MENA region each order over 100 radar installations for traffic monitoring.

### Industry standard for optical shaft metrology

The new Opticline CS product line makes Jenoptik technology for quality control of turned parts competitive for standard industrial applications. The CS series is systematically designed for production-related use and specifically optimized for the manufacture and quality control of turned parts.

### More international top management

With the appointment of three international members, Jenoptik is bringing more global diversity to its operative management body below the Group Executive Board. In addition to the head of the "Light & Safety" division from Great Britain, the regional managers for North America and Asia are now also represented on the Executive Management Committee.





### Jenoptik acquires Canadian company

With the acquisition of Prodomax Automation Ltd., Jenoptik is tapping further potential for growth in the field of advanced manufacturing. The Canadian company specializes in machine integration and process automation for the automotive industry.

### Investment in Berlin site

Jenoptik is ensuring its preparedness to meet rising demand for high-power laser diodes with technical modernization and an expansion of the workforce at the Berlin-Adlershof Technology Park.

### Approvals for speed control systems

Jenoptik is the first company to receive an approval from the Physikalische-Technische Bundesanstalt (PTB) for average speed control systems in Germany. The technology is being used on a pilot project in Lower Saxony. In the Netherlands, Jenoptik's VECTOR P2P product is approved for use in monitoring average speeds.

### 300th laser machine delivered to China

The airbag safety solutions in many Chinese cars will continue to be produced using laser technology from Jenoptik in the future. The 300th JENOPTIK-VOTAN® A laser machine is delivered to a longstanding partner in China, as is the latest airbag perforation technology, JENOPTIK-VOTAN® A Scan.

### New headquarters in Great Britain

Jenoptik Traffic Solutions UK has opened a new head office. The former two offices have been combined at the Camberley site in Surrey since October 2018.

### Expertise in Lidar systems

At the end of the year, Jenoptik presents a broad range of components and basic technologies for complex Lidar systems at trade fairs for the first time. The company primarily possesses expertise in high-precision optics, coatings, semiconductor lasers, and modules for laser rangefinding.

### New building for industrial metrology

Jenoptik launches a project to build a new company building at the Villingen-Schwenningen site. More than 13 million euros are being invested in state-of-the-art development, production, and office areas for the metrology business.

### Focus on investors

In its 20th year as a publicly listed company, the Jenoptik share reaches a multi-year high. With a new strategy and targeted capital market communication, international investor relations activities are stepped up. At the same time, the Group converted its shares to registered shares.

## The Jenoptik Share

### Stock Markets

For the international capital markets 2018 was a turbulent year, impacted by political events. The mood at the beginning of the year was positive, with good economic data and an optimistic outlook initially continuing to bolster share prices across the board. Dwindling momentum in the global economy, international trade conflicts, rising inflation rates, tighter monetary policies, and the forthcoming Brexit were key issues over the course of the year, producing significant fluctuations on the capital markets as early as the second quarter of 2018. A sharp rise in global risk also impacted on previously good growth forecasts. Ultimately, 2018 ended with losses for many share indices.



For the latest information on the Jenoptik share and the development of the Jenoptik Group see [www.jenoptik.com](http://www.jenoptik.com) or on Twitter. Our financial reports can also be viewed using the "Jenoptik App for Corporate Publications".

The German Dax share index began the year at 12,871 points and reached its highest level of 13,560 on January 23. Germany's benchmark index recorded its lowest point of 10,382 on the penultimate day of trading in 2018: the Dax closed at 10,559 points on December 28, 2018, to end the year down approximately 18 percent. The German technology index performed somewhat better: the TecDax started the year with a closing quotation of 2,555 points. Following highly volatile and erratic performance, the index recorded its annual high of 3,039 points on August 28. The TecDax closed at 2,450 points on December 28, equating to a loss of some 4 percent since the start of the year.

### Jenoptik Share Trends

In the first nine months, the Jenoptik share saw volatile, broadly positive, performance. Following initial fluctuation, its price rose toward the mid-year point, reaching its highest level of 39.48 euros on June 13. The share price then lost ground and initially moved sideways. In the final quarter of 2018, it then fell sharply due to a generally poor overall market situation and reduced growth expectations in a number of industries. By the end of trading on December 28, 2018, the share had fallen in value to 22.78 euros. The Jenoptik share thus ended the

trading year down some 18 percent. Jenoptik's total shareholder return, i. e. taking into account the share price performance and the dividends paid in the fiscal year, came to minus 17.0 percent in 2018 (prior year: 65.8 percent).

The mood on the international capital markets remained subdued into January and February 2019. Major uncertainties put a strain on prices, with investors around the world turning to alternative investment opportunities. The Jenoptik share was able to escape this trend. In the first two months of 2019 the share price rose to end trading at 32.02 euros on February 28. All figures are Xetra closing prices. G01 G02

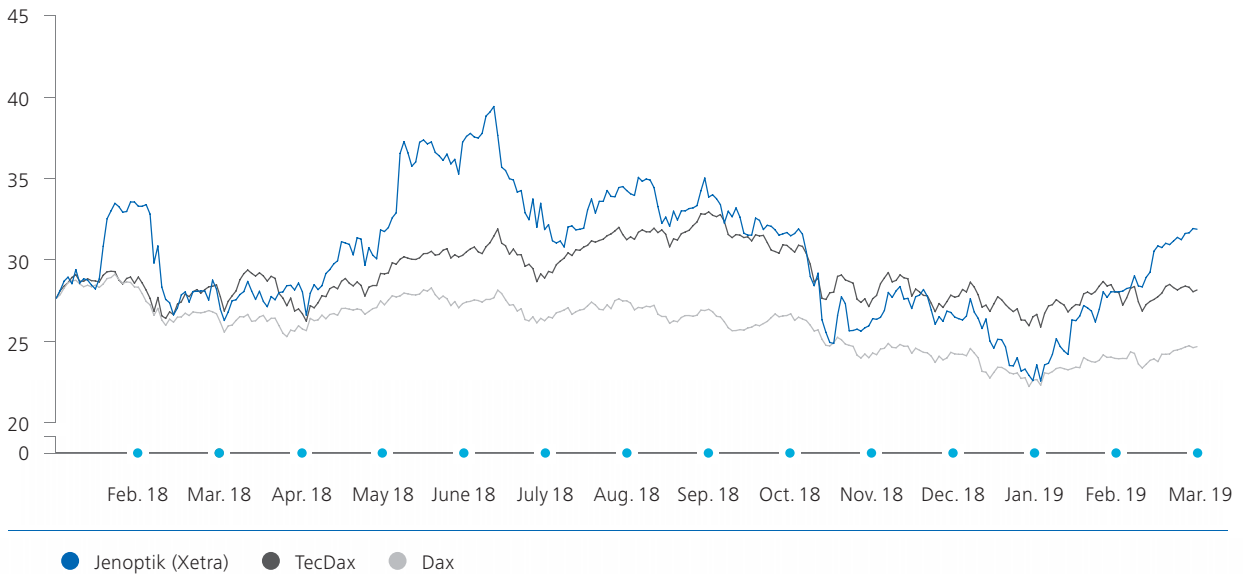
In 2018, weakened share price performance resulted in a concomitant drop in market capitalization based on the 57,238,115 issued shares, which came to 1,303.9 million euros at the end of the year (prior year: 1,576.9 million euros). Through February 28, market capitalization recovered substantially to 1,832.8 million euros.

Compared to the prior year, trading activities of our investors saw a further upturn. The average number of Jenoptik shares traded per day on the Xetra, in floor trading, and on Tradegate in 2018 was 167,748 (prior year: 152,928). Trading volumes thus rose 9.7 percent.

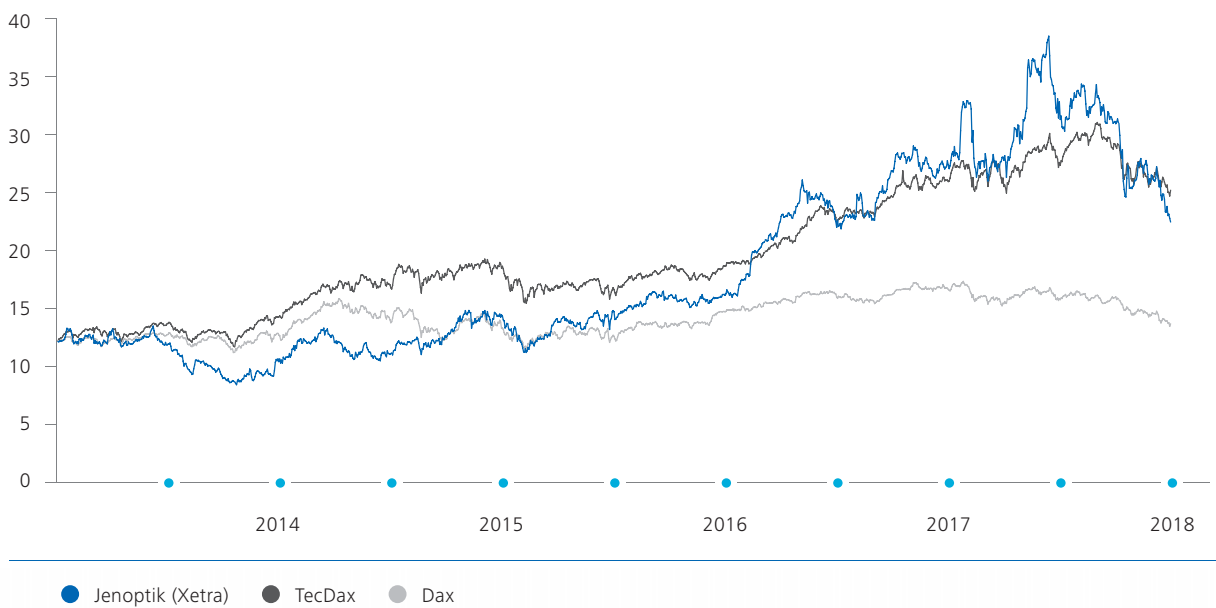
In September 2018, Deutsche Börse introduced changes to its index methodology, eliminating the strict separation into classic and tech segments. From now on, Dax, MDax, or SDax companies that are in technology sectors can now also be included in the TecDax index. The number of stocks on the MDax rose from 50 to 60, the number of stocks on the SDax from 50 to 70. In part, the changes had a significant influence on company rankings measured by market capitalization and trading volumes in the respective indices. As a technology stock, Jenoptik remains in the TecDax and, following the rule changes, is also listed on the SDax. In the TecDax ranking compiled by Deutsche Börse, the Jenoptik share was 25th in terms of stock turnover (prior year: 19th). In terms of free float market capitalization, the company held 20th place (prior year: 15th). Of the 70 stocks on the SDax, JENOPTIK AG occupied 10th place in market capitalization and 19th in trading volume.



## G01 Share performance January 2, 2018 through February 28, 2019 (indexed in euros)



## G02 Share performance 2014 to 2018 (indexed in euros)



## Shareholder Structure



At the end of the fiscal year, the company's free float was unchanged at 89 percent.

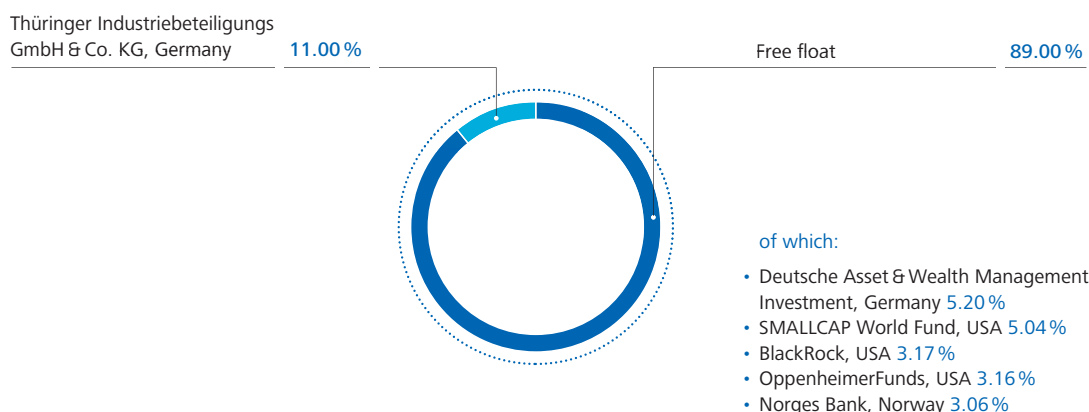
Throughout 2018, we received several voting right notifications from institutional investors on the purchase or sale of larger stock positions, these were published by the company.

For more information see the Notes in the Equity chapter and the Investors/Share/Voting rights announcements section at [www.jenoptik.com](http://www.jenoptik.com).

## Dividend

The Jenoptik management aspires to a policy of dividend reliability and continuity in which shareholders – as in recent years – receive payment of a dividend in line with the company's success. At the same time, sufficient cash and cash equivalents to finance the operating business, a robust equity position, and the use of acquisition opportunities to secure the lasting growth of the company are also in the interests of the shareholders. The Executive and Supervisory Boards of JENOPTIK AG therefore review their dividend recommendation with considerable prudence every year. In the past fiscal year, Jenoptik paid a dividend of 0.30 euros per share (prior year 0.25 euros) to its shareholders for 2017. In the current year, too, the Executive Board and Supervisory Board will maintain their dividend policy. Particularly in view of very successful growth in 2018, the two boards will propose an increased payment of 0.35 euros per share to the 2019 Annual General Meeting. Subject to approval there, the payout ratio in relation to earnings attributable to shareholders will be 22.9 percent for a dividend payment of 20.0 million euros (prior year: 23.7 percent). Group earnings include a non-cash deferred tax income of 7.0 million euros, which had a correspondingly positive impact on earnings after tax and earnings per share.

### G03 Shareholder structure (as of February 28, 2019)



## Capital Market Communications

We are committed to making sure our communication with shareholders, analysts, and institutional investors is open, transparent, and reliable. We publish comprehensive and up-to-date information on the development of our business, while also seeking an active exchange with others. We believe it is important to increase transparency and boost trust in Jenoptik by engaging in ongoing dialog.

In its 20th year as a publicly traded company, the Jenoptik Group converted its share capital from bearer to registered shares on

a 1:1 basis. This class of shares has been traded under a new international securities identification number (ISIN) DE000A2NB601 since September 2018. The Group thus has a better understanding of its shareholder structure and can identify changes in shareholdings earlier than before. Jenoptik now also has the opportunity to improve its direct, target-group-oriented communication with investors. As of the balance sheet date, the company had a total of 42,745 shareholders, of which 457 were institutional investors and 42,288 private investors. Institutional investors held 79.83 percent of the company's share capital, private investors 20.17 percent. On a regional level, 47 percent of the Jenoptik share capital is held in Germany. In the rest of

### T02 Jenoptik share key figures

	2018	2017	2016	2015	2014
Closing price (Xetra end-year) in euros	22.78	27.55	16.43	14.39	10.37
Highest/lowest price (Xetra) in euros	39.48/22.78	29.68/16.11	16.65/11.14	15.01/10.22	13.61/8.26
Absolute performance in euros/relative in percent	-5.02/-18.1	10.78/64.28	1.84/12.6	3.79/35.8	-1.83/-15.0
Issued no-par value bearer shares (31/12) in millions	57.24	57.24	57.24	57.24	57.24
Market capitalization (Xetra end-year) in million euros	1,303.9	1,576.9	940.1	823.7	593.6
Average daily trading volume <sup>1)</sup>	167,748	152,928	107,183	224,488	167,876
P/E ratio (based on highest price/based on lowest price)	25.8/14.9	23.4/12.7	16.7/11.1	17.3/11.8	18.6/11.3
Operating cash flow per share in euros	2.61	1.84	1.91	1.60	0.90
Group earnings per share in euros	1.53	1.27	1.00	0.87	0.73

<sup>1)</sup> Source: Deutsche Börse; includes trading on the Xetra, in Frankfurt, Munich, Berlin, Düsseldorf, Hamburg, Hannover, Stuttgart and on Tradegate

### T03 Dividend key figures

	2018	2017	2016	2015	2014
Dividend per share in euros	0.35	0.30	0.25	0.22	0.20
Payout amount in million euros	20.0	17.2	14.3	12.6	11.4
Dividend yield <sup>1)</sup> in %	1.5	1.1	1.5	1.5	1.9
Payout ratio <sup>2)</sup> in %	22.9	23.7	24.9	25.4	27.5
Total shareholder return in %	-17.0	65.8	14.1	37.6	-13.4

<sup>1)</sup> based on year-end closing price

<sup>2)</sup> based on earnings attributable to shareholders

Europe, investors hold around 29 percent of Jenoptik's shares, with Great Britain accounting for some 15 percent. American investors own a stake of around 14 percent in Jenoptik.

Jenoptik was awarded a silver medal for its capital marketing communication in the TecDax index at the annual "Investors' Darling" competition run jointly by HHL Leipzig Graduate School of Management and the business journal "manager magazin". The company's explanation of its strategy, the quality of its digital investor relations activities, and its above-average share price performance were the key factors contributing to its strong ranking. As a result, Jenoptik moved up from fifth place in 2017 to second in the TecDax index.

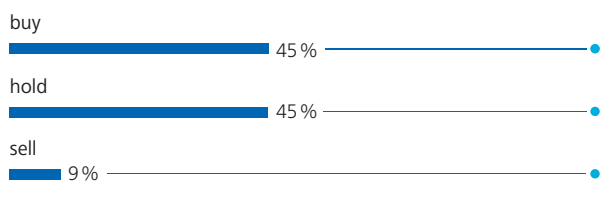
The company again stepped up its investor relations activities in the 2018 fiscal year, particularly addressing investors outside Germany. The Group attended ten (prior year: nine) capital market conferences, a number of them at international financial centers such as Berlin, Frankfurt/Main, London, Lyon, New York, and Warsaw. Jenoptik also held 23 (prior year: 21) roadshows in Austria, Belgium, Finland, France, Germany, Great Britain, Italy, Luxembourg, Spain, Switzerland, and the US. Jenoptik held

two analyst conferences in Frankfurt/Main to mark the reporting of its annual and half-year figures. During conference calls on the publication of the annual and quarterly financial statements and in numerous individual conversations, the Executive Board and the investor relations team explained the development of business, key figures and strategy to institutional investors, analysts and journalists. Investors also took the opportunity to tour Jenoptik's sites. In addition, we used our 6th Capital Market Day in Jena at the beginning of the year to set out our new strategy and the Group's medium-term objectives.

Over the course of 2018, 11 (prior year: 14) analysts published recommendations on the Jenoptik share: Baader Helvea, Bankhaus Lampe, Deutsche Bank, DZ Bank, Hauck & Aufhäuser, HSBC, Independent Research, Kepler Cheuvreux, LBBW, Bankhaus Metzler, and M. M. Warburg. On December 31, 2018, the average target price of the Jenoptik share as assessed by analysts was 31.91 euros (prior year: 24.43 euros). G04

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## G04 Analyst recommendations (as of February 28, 2019)



# Corporate Governance

» In short «

Current Declaration of Conformity in accordance with

# § 161

Stock Corporation Act was issued jointly by the Executive Board and Supervisory Board in December 2018.

Information and Notes relating to Takeover Law and the Remuneration Report are part of the Combined Management Report.

## Corporate Governance Report

In the following Corporate Governance Report, the Executive Board and Supervisory Board give their opinions in accordance with Point 3.10 of the German Corporate Governance Code ("Code") in its version dated February 7, 2017. We also consider the "Remuneration Report" (from page 45 on) to be a part of the Corporate Governance Report.



### Corporate Governance

The Executive Board and Supervisory Board of JENOPTIK AG affirm their commitment to responsible corporate management and control aimed at long-term value creation. They see good corporate governance as the foundation for a sustained increase in the company value. This also strengthens trust in Jenoptik on the part of shareholders, business partners, employees, and the general public.

The Executive and Supervisory Boards structure their policies to adhere to the recognized standards and support the recommendations of the "Governmental Commission on the German Corporate Governance Code" ("Code").

In the year covered by the report, the management and supervisory bodies of JENOPTIK AG have again dealt in depth with compliance with the requirements of the Code. The Executive and Supervisory Boards issued the current Declaration of Conformity in adherence with § 161 of the German Stock Corporation Act (AktG) in December 2018. It is permanently available to shareholders on the company's website. Jenoptik has also followed the suggestions contained in the Code – with one exception. If changes should arise in the future, the declaration of conformity will be updated during the year.

The Corporate Governance Statement as well as the current Declaration of Conformity, and those of previous years, are permanently accessible on our website at [www.jenoptik.com/investors/corporate-governance](http://www.jenoptik.com/investors/corporate-governance).

### Declaration of Conformity by the Executive Board and Supervisory Board of JENOPTIK AG in the 2018 Fiscal Year

According to § 161, Para. 1, Sent. 1 of the German Stock Corporation Act (AktG) the Executive Board and the Supervisory Board of a listed company are required to declare annually that the recommendations of the "Governmental 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 being complied with or to indicate which recommendations have not been or are not being applied and why not.

The Executive Board and Supervisory Board of JENOPTIK AG support the recommendations of the "Governmental Commission on the German Corporate Governance Code" and state pursuant to § 161, Para. 1, Sent. 1 of the German Stock Corporation Act:

Since the last declaration of conformity as of December 2017, the recommendations of the "Governmental Commission on the German Corporate Governance Code" ("Code") in the version dated February 7, 2017 have been complied with and will be complied with in future with the following exception:

In accordance with Point 5.4.1 Para. 2 Sent. 2 of the Code the Supervisory Board shall specify a regular limit to the Supervisory Board members' term of office when naming concrete objectives regarding its composition.

This recommendation has not been complied with and will not be complied with in the future. The Supervisory Board has decided not to specify a regular limit regarding the Supervisory Board members' term of office. Such limit is not consistently compatible with the procedure for elections of employee representatives to the Supervisory Board as stipulated in the German Co-Determination Act.

December 11, 2018 | JENOPTIK AG

On behalf  
of the Executive Board

On behalf  
of the Supervisory Board

Dr. Stefan Traeger


Matthias Wierlacher

## 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. Each JENOPTIK AG share is accorded one vote. There are no special voting rights. Since September 2018, the shares of JENOPTIK AG have been registered shares and no longer bearer shares. The holders of the shares must register their shares in the share register of JENOPTIK AG and disclose the information required by law and the Articles of Association. Only shareholders recorded in the share register are entitled to vote at the Annual General Meeting. 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. The reports as well as other documents and information required by law for the Annual General Meeting are available for inspection on our website [www.jenoptik.com](http://www.jenoptik.com) in the Investors/Annual General Meeting category or at the company's premises. Following the Annual General Meeting, the attendance figures, voting results and the speech by a representative of the Executive Board will also be published on the Internet.

## Transparent Information


As part of our investor relations work, we report comprehensively on developments within the company. In doing so, we follow the principle of providing the participants in the capital market as well as the general public with equal, continual, prompt, and comprehensive information in order to guarantee as much transparency as possible. Together with the Executive Board, the investor relations team is in regular and intensive contact with participants in the capital market at roadshows, capital market conferences, and other events.

We use the annual and interim reports to provide extensive information about the Group's earnings, assets, and finances four times a year. In addition, important events and current developments are reported in press releases and, where necessary, ad-hoc announcements. These documents, the financial calendar, the Articles of Association and further information are also available in German and English on the Jenoptik website at [www.jenoptik.com](http://www.jenoptik.com). 

In accordance with the statutory requirements of the Regulation on Market Abuse, inside information is published immediately insofar as JENOPTIK AG is not, in individual cases, exempt from this obligation. The use of electronic distribution channels ensures that the reports are published worldwide simultaneously in German and English.

Jenoptik immediately publishes major changes to its shareholder structure when it is informed that reportable voting rights targets have been reached, fallen below or exceeded. All publications are available on our website under the category Investors/Share/Voting rights announcements. Further information can also be found in the Notes in the section on Equity.

## Directors' Dealings

In the 2018 fiscal year, none of the members of the Executive Board or the Supervisory Board or persons closely related to them disclosed any reportable securities transactions pursuant to Article 19 of the EU Market Abuse Regulation. 

## Executive Board and Supervisory Board Remuneration

As of December 31, 2018, as in prior years, the Jenoptik Group maintained securities-oriented incentive plans in the form of so-called performance shares for the members of the Executive Board and long-term incentives based on virtual shares for parts of senior management. 



For further information on the investor relations activities see the section "The Jenoptik share".



Directors' Dealings reports from prior years can be found at [www.jenoptik.com](http://www.jenoptik.com) under the category Investors/Corporate Governance/Directors' Dealings.



For further information on the remuneration system for the Executive Board and Supervisory Board see the Remuneration Report and Notes.

## Accounting and Auditing

The Consolidated Financial Statements as well as all Consolidated Interim Financial Statements are compiled in accordance with the International Financial Reporting Standards (IFRS) and the additional requirements of commercial law according to § 315e (1) of the German Commercial Code (HGB), as they are to be used in the European Union. JENOPTIK AG's Financial Statements, which are decisive for the dividend payment, are compiled in accordance with the requirements of the German Commercial Code (HGB). The Consolidated Financial Statements and the Annual Financial Statements, including the Combined Management Report, are examined by the auditor. On June 5, 2018, the Annual General Meeting selected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart ("EY") as the auditor for the 2018 fiscal year on the recommendation of the Supervisory Board. It was initially appointed in the 2016 fiscal year following an external tender. The position of responsible auditor for the auditing of the Consolidated Financial Statements and the Annual Financial Statements as well as the Combined Management Report was held by Michael Blesch (since the 2016 fiscal year).



For detailed information on opportunity and risk management and on internal audit see in Risk and Opportunity Report

The Supervisory Board has agreed with the auditor that he shall 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 inaccuracies are established during the audit in the declaration of conformity submitted by the Executive Board and Supervisory Board in accordance with § 161 of the German Stock Corporation Act (AktG).

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, stating that there were no employment, financial, personal or other links between EY, its board members and audit managers on the one side and the company and its board members on the other, that could give rise to doubts about the independence of the auditor. EY also reported in its declaration on the degree to which non-audit services have been provided for Jenoptik over the past fiscal year or which have been contractually agreed for the current year. In the summer of 2018, the Audit Committee reviewed EY's non-audit services provided in the past year and updated the catalog of approved, predefined non-audit services.

## Internal Audit

With the objective of improving business processes and thereby strengthening compliance and corporate governance within the company, Internal Audit at Jenoptik undertakes independent and objective auditing and consulting services for the Executive and Supervisory Boards. Internal Audit serves to safeguard operational practices and, in particular, monitors compliance with the principles of correctness and legality.

## Risk and Opportunity Management

For Jenoptik, continuously and responsibly evaluating the opportunities and risks which may result from entrepreneurial activity is one of the principles of responsible corporate management. The goal of our risk and opportunity management is to support the formulation of the strategy and to define measures which create an optimum balance between growth and return targets on the one side and the associated risks on the other.

## Compliance



For Jenoptik, responsible corporate management also includes compliance with statutory provisions and internal rules and regulations. Nationally and internationally recognized compliance requirements are therefore an integral part of our risk prevention and the processes of the compliance management system (CMS). The CMS is based on the Jenoptik values, the Code of Conduct for Jenoptik employees, and various guidelines, compliance with which is a fundamental requirement for maintaining the trust of our business partners, shareholders and the public in the performance and integrity of Jenoptik. For us, essential factors for responsible conduct with all stakeholders include respect, fairness, and openness. Dr. Traeger, President & CEO, is responsible for Compliance & Risk Management within the Executive Board. In order to even better meet the globally increasing requirements Jenoptik is expanding its current compliance organization. We will establish a competence center in Germany and strengthen our activities in the growth markets North America and Asia/Pacific.



Our Code of Conduct summarizes the most important principles of conduct and is equally binding on all employees of the Jenoptik Group. It sets out minimum standards and serves as an orientation framework to establish maximum integrity as well as ethical and legal standards in Jenoptik.

In the event of questions regarding the Code of Conduct or suspected illegal or unlawful matters, all Jenoptik employees may speak in confidence to the respective executive or the contact persons named in the Code. All employees may also use the reporting system on the Jenoptik intranet, by telephone or via email to report significant violations that must be handled confidentially.


With the corporate guidelines implemented for key business processes, the Jenoptik Group has a system of processes and controls to identify possible deficits in the company at an early stage and to be able to minimize or eliminate them with appropriate measures. The corporate guidelines are continuously being reexamined, expanded, updated, and made accessible to employees via the intranet.

In order to familiarize employees with these topics and to improve employee awareness, regular online training courses and classroom events on subjects relevant to compliance, such as anti-corruption, anti-trust law as well as data protection, are regularly held at both the German and foreign business units. The aim of this is to create company-wide uniform understanding of our compliance standards. In addition to the main training courses offered as part of onboarding training for new employees, employees are also required to participate in mandatory e-learning refresher courses. The aim is to provide the employees with the content of important compliance topics on a continuous basis, but at least once a year, and to then verify this with a test. In addition, employees can contact the central Compliance & Risk Management department with any questions relating to compliance or risk issues at Jenoptik as well as use a help desk on the intranet or an app on their smartphones.  

## Corporate Governance and Supervision

As a globally operating stock corporation with its registered office in Germany, JENOPTIK AG is subject to the German Stock Corporation Act. It therefore has a dual management system consisting of an Executive Board and a Supervisory Board. The Executive Board is responsible for running the business in the interests of the company and with the aim of achieving sound corporate development. It takes into account the concerns of all stakeholders, in particular shareholders and the Group's employees. The Supervisory Board orders, advises, and monitors the Executive Board in its leadership of the company. Information, including information on important methods of corporate governance as well as a description of the working methods of the Executive Board and Supervisory Board, can be found in the Corporate Governance Statement.

## Corporate Governance Statement

The Corporate Governance Statement in accordance with §§ 289 f, 315 d of the German Commercial Code (HGB) is an unaudited part of the Combined Management Report. In addition to the methods of corporate governance mentioned above as well as the description of the function of the Executive Board and Supervisory Board, it contains the Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG), a description of the structure and function of the committees of the Supervisory Board, the specification of the target figures for the proportion of women in the company as well as a description of the diversity concept followed for composition of the Executive and Supervisory Boards. 

## Objectives for the Composition and Skills Profile of the Supervisory Board

In accordance with Point 5.4.1 of the German Corporate Governance Code, the Supervisory Board of JENOPTIK AG is composed in such a way that, as a whole, its members are endowed with the knowledge, ability and experience necessary to carry out their tasks in an orderly manner. Taking into consideration the size and purpose of the company as well as the international orientation of the Jenoptik Group, the Supervisory Board has laid down objectives for its composition which take into consideration the idea of diversity. In addition, the Supervisory



The Corporate Governance Statement as well as the current Declaration of Conformity and those of previous years, are permanently accessible at [www.jenoptik.com](http://www.jenoptik.com) under the category Investors/Corporate Governance.



For further information on compliance and supplier management see the chapter "Non-financial Report".




For the Code of Conduct see [www.jenoptik.com](http://www.jenoptik.com) in the category Investors/Corporate Governance

Board has developed a requirements and skills profile. This is intended to ensure that the Supervisory Board has all the skills and experience deemed essential for the activities of the Jenoptik Group. In addition, members should have sufficient time to exercise their mandate. It is the opinion of the Supervisory Board that the required skills include, in particular:

- in-depth experience of supervising a stock-listed company,
- financial and business skills, personnel expertise, experience in distribution and sales as well as
- company-related competence in the following areas: digitalization, technology, strategy and growth/M & A, markets and internationality, entrepreneurship/management and capital markets,
- CEO experience, also in a stock-listed company.

It is the opinion of the Supervisory Board that the above-mentioned requirements are largely fulfilled by the abilities, experiences and skills that are for the most part available in the Supervisory Board. The skills, abilities and experiences of the individual members of the Supervisory Board can be found in the CVs, which are published on our website at [www.jenoptik.com](http://www.jenoptik.com) under the category Investors/Corporate Governance/Supervisory Board.

In accordance with its Diversity Statement, the Supervisory Board will ensure that at all times it comprises members who fulfill the criterion of internationality.

Furthermore, the Supervisory Board should include at least four women. Thus, the quota of at least 30 percent required by the German Stock Corporation Act is met. 

With regard to the length of service, the Supervisory Board has decided not to specify a limit applicable to all members as it is not consistently compatible with the process provided by the Co-Determination Act for election of employee representatives to the Supervisory Board.

In addition, the members of the Supervisory Board will play neither an advisory nor an executive role with customers, suppliers, creditors or other business partners of JENOPTIK AG, if this leads to a significant and not merely temporary conflict of interest.

One of the objectives for the composition of the Supervisory Board is also that at least half of the shareholder representatives must be of independent status. No persons are to be considered for nominations who, at the time of election, have already reached the age of 70.

In its elections to the Supervisory Board, the Supervisory Board shall recommend to the Annual General Meeting the candidates it considers to be the most suitable for election, taking into account their expertise and personal integrity.

Further information on the Executive Board and the Supervisory Board, in particular on their working methods, including the work in the committees, participation in the meetings, on other mandates exercised by the members, on implementation of the objectives regarding composition of the Supervisory Board as well as on D & O liability insurance, can be found in the Report of the Supervisory Board and in the Group Notes to this Annual Report as well as the Corporate Governance Statement under [www.jenoptik.com](http://www.jenoptik.com) in the category Investors/Corporate Governance.



More detailed information on the specification of target figures for the quota of women can be found at [www.jenoptik.com](http://www.jenoptik.com) in the Corporate Governance Statement in the category Investors/Corporate Governance.

## Information and Notes Relating to Takeover Law

### Explanatory report in accordance with § 176(1)(1) of the German Stock Corporation Act (AktG) and reporting on § 289 a and § 315 a of the German Commercial Code (HGB) in accordance with the Takeover Directive Implementation Act

This information is part of the Combined Management Report.

#### 1. Composition of the share capital

As of the balance sheet date on December 31, 2018, the share capital totaled 148,819 thousand euros (prior year: 148,819 thousand euros). It is divided into 57,238,115 no-par value registered shares (prior year: 57,238,115). Each share is therefore worth 2.60 euros of the nominal capital.

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

#### 2. Restrictions relating to voting rights or the transfer of shares

In accordance with § 136 (1) of the German Stock Corporation Act, 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. Violations of reporting obligations as specified in § 33 (1) or (2) and § 38 (1) or § 39 (1) of the German Securities Trading Act may nullify voting rights, at least temporarily, in accordance with § 44 of this Act.

Pursuant to § 67 (2) of the German Stock Corporation Act (AktG), only shareholders registered in the share register are deemed to be shareholders in relation to JENOPTIK AG. To be recorded in the share register, shareholders must provide JENOPTIK AG with the information required by law (name or company name, address, registered office if applicable, date of birth and number of shares they hold); email addresses and their changes are to be provided in accordance with the Articles of Association to facilitate communication. Also to be disclosed in accordance with the Articles of Association is the extent to which the shares belong to the person who is registered as the holder in the share register. Shareholders who do not comply with these disclosure obligations may not exercise their voting rights pursuant to § 67 (2) (2) and (3) of the German Stock Corporation Act.

#### 3. Direct or indirect holdings of the capital exceeding 10 percent of the voting rights

Information on direct or indirect holdings in capital which exceed ten percent of the voting rights can be found in the Group Notes under item 5.16, "Equity", from page 176 on.

#### 4. Holders of shares with special rights conferring controlling powers

There are no shares in JENOPTIK AG that 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 and § 85 of the Stock Corporation Act and § 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, 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).

§ 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 party involved (§ 85 (1) (1) of the Stock Corporation Act). The Supervisory Board can appoint a Chairman or Spokesperson for the Executive Board (§ 84 (2) of the Stock Corporation Act, § 6 (2) (2) of the Articles of Association).

In accordance with § 119 (1) (5), § 179 (1) (1) of the Stock Corporation Act, changes to the content of the Articles of Association are passed by the Annual General Meeting. However, changes relating purely to the wording of the Articles of Association may be passed by the Supervisory Board in accordance with § 179 (1) (2) of the Stock Corporation Act in conjunction with § 13 (3) of the Articles of Association. This also includes the corresponding change to the Articles of Association following the utilization of the Authorized Capital 2015 and of the Conditional Capital 2017. According to § 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

In accordance with § 4 (5) of the Articles of Association, the Executive Board is authorized until June 2, 2020, with the consent of the Supervisory Board, to increase the nominal capital of the company by up to 44.0 million euros through one or multiple issues of new, no-par value registered shares against cash and/or contribution in kind ("Authorized Capital 2015"). 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 (including an increase in existing investment holdings) or other depositable assets related to such an acquisition project, including receivables from the company; (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 since the date on which such authorization became 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.

All aforementioned authorizations to exclude subscription rights are limited to a total of 20 percent of the nominal capital available at the time this authorization became effective – or, if this value is lower – to 20 percent of the nominal capital at the time this authorization is exercised. This limit of 20 percent includes shares that (i) are sold for the purpose of servicing option and/or convertible bonds that were or could still be issued during the period of validity of the authorized capital to the exclusion of subscription rights or (ii) are sold by the company as treasury shares during the period of validity of the authorized capital to the exclusion of subscription rights. 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.

A shareholder resolution passed at the Annual General Meeting on June 7, 2017 empowered the Executive Board, with the consent of the Supervisory Board, to issue option and/or convertible bonds with a maximum total nominal value of 250 million euros. In order to grant shares to the holders/creditors of such option and/or convertible bonds, the company's nominal capital is conditionally increased by up to 28.6 million euros through the issue of up to 11 million new shares ("Conditional Capital 2017") in accordance with § 4 (6) of the Articles of Association. The conditional capital increase will be implemented only to the extent that

- creditors or holders of option and/or conversion rights arising from option and/or convertible bonds 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 6, 2022 as resolved by the Annual General Meeting dated June 7, 2017, and/or
- the creditors of the issued convertible bonds obliged to exercise their conversion rights 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 7, 2017, fulfill their conversion rights by June 6, 2022 and/or the shares are tendered

and neither treasury shares are used nor is payment made in cash. The new shares participate in profits from the start of the fiscal year for which, on the date of their issue, no resolution has yet been passed by the Annual General Meeting in respect of the appropriation of profits.

The Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders to the bonds under certain circumstances. Authorization to exclude subscription rights is, however, limited in the sense that the pro rata amount of nominal capital corresponding to those shares that must be issued after exercising conversion and/or option rights/obligations may not account for more than 20 percent of the nominal capital existing at the time this authorization takes effect or – if the figure is lower – at the time use is made of the authorization. This 20 percent limit also applies to the sale of treasury shares that are excluded from subscription rights during the period of this authorization, and to shares excluded from subscription rights that are issued under authorized capital during the period of this authorization.

The Executive Board is authorized to set out the further details relating to the increase in conditional capital (e.g. terms of the bonds, interest rate, form of interest, specific term, denomination, issue price, option/conversion price, option/conversion period) in the bond terms and conditions.

Further details regarding the resolved authorization can be found in agenda item 8 in the invitation to the 2017 Annual General Meeting, accessible on our website at [www.jenoptik.com](http://www.jenoptik.com) in the category Investors/Annual General Meeting.

According to a resolution passed by the Annual General Meeting on June 5, 2018, the Executive Board is authorized up to June 4, 2023 to purchase treasury no-par value shares not exceeding a proportion of ten percent of the nominal capital existing at the time the resolution is adopted or – if this amount is lower – at the time of exercising the resolution for purposes other than trading in its own shares. 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 German Stock Corporation Act) may not exceed 10 percent of the share capital of the entity. The authorization may be exercised in whole or in part, on a one-off or repeat basis and for one or more authorized purposes. The purchase and sales of treasury shares may be exercised by the company or, for specific authorized purposes, by dependent companies, by companies in which the company holds a majority interest, or by third parties for its or their account. At the decision of the Executive Board, purchase is, subject to compliance with the principle of equal treatment (§ 53a of the Stock Corporation Act), by purchase via the stock

exchange or by means of a public offering or a public invitation to the shareholders to submit an offer for sale. For the purpose of protecting shareholders against dilution of their shares, the proposed resolution expressly provides for a restriction of the use of acquired treasury shares in such a way that the total of the acquired shares together with shares issued or sold by the Company during the term of this authorization under another authorization to the exclusion of shareholders' subscription rights or which enable or oblige the subscription of shares is limited to a notional interest in the nominal capital of no more than a total of 20 percent of the nominal capital at the time the authorization becomes effective or – if the following value is lower – at the time this authorization is exercised.

Further details regarding the buyback of shares are described in the invitation to the Annual General Meeting 2018 in agenda item 9, accessible on our website at [www.jenoptik.com](http://www.jenoptik.com) in the category Investors/Annual General Meeting. As of December 31, 2018, the company had no treasury shares.

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

Clauses in contracts concluded by JENOPTIK AG, which apply in the event of a change in control within the ownership structure of JENOPTIK AG following a change of control, exist for various financing agreements with a total utilized volume of approximately 120.0 million euros (prior year: 122.7 million euros).

The conditions for accepting a change in control are formulated differently in each of the loan agreements. For the debenture loans with a total utilized volume of 103 million euros, a change in control gives the lenders the right to special termination of the loan in the amount corresponding to their share of the total volume and to demand the immediate repayment of this sum plus the interest accumulated 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 50 percent of the outstanding nominal capital or more than 50 percent of the voting rights, directly or indirectly at any time.

Under the revolving syndicated loan arranged in 2015, any 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 immediately terminate loan commitments in full or in part within up to 15 banking days following notification of the change of control and any disbursements executed becoming due, in full or in part, with an execution period of 16 banking days, including subsidiary credit lines and accrued interest. The syndicated loan has a total volume of 230 million euros, of which 17.0 million euros had been utilized by December 31, 2018 (prior year: 8.7 million euros).

#### 9. Compensation agreements by the Company with Executive Board members or employees in the event of a change of control

No right to give notice of termination in the event of a change of control, i. e. the acquisition of at least 30 percent of voting rights by a third party, has been agreed with the members of the Executive Board. In such cases, they also have no claim to any severance payment. If the premature termination of an Executive Board role is agreed with an Executive Board member due to a change of control, the amount of the agreed severance payment is limited to a maximum of three years' annual compensation. Under no circumstances, however, the severance payment may be higher than the compensation due for the remaining term of the service contract.

# 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. This information is part of the Combined Management Report.

With the entry of Dr. Stefan Traeger with effect from May 1, 2017, and for Hans-Dieter Schumacher with effect from January 1, 2018, the system of performance-related remuneration of the Executive Board has been restructured by the Supervisory Board with the assistance of an independent external remuneration expert advisor and made identical for both members of the Executive Board.

## Executive Board Remuneration System

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 criteria for defining the appropriateness of the remuneration for the Executive Board of Jenoptik are primarily the respective tasks and areas of responsibility of the members of the Executive Board, their personal performance, as well as 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.

For Hans-Dieter Schumacher, the remuneration system applicable until 2017 will have consequences, as the virtual shares allocated to him from 2015 to 2017 will be paid out in the years 2020 to 2022. Further details can be found in the 2017 Annual Report from page 46 on.

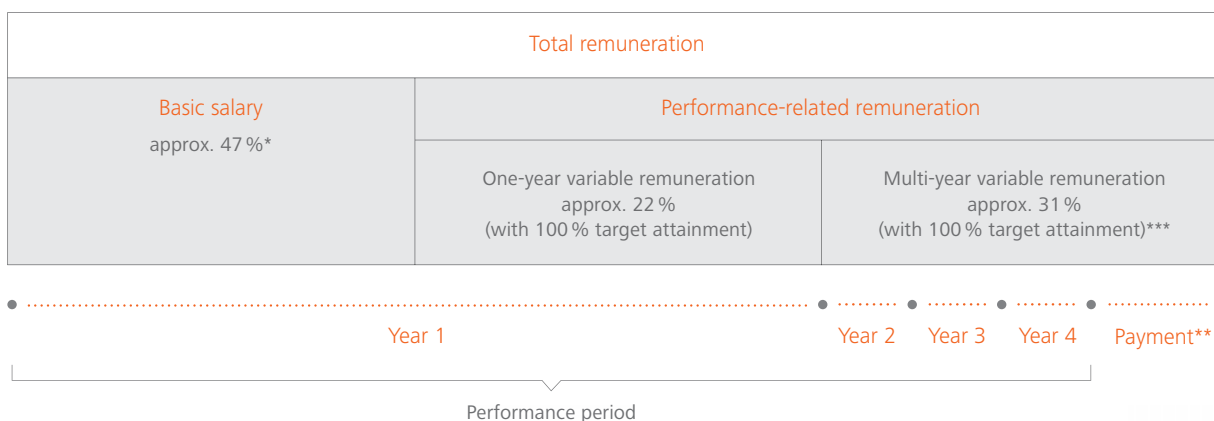
In 2016, an agreement was concluded with the former Executive Board member Dr. Michael Mertin regarding the details of his departure. In accordance with this agreement, the company has paid bridging payments amounting to 80 percent of his annual salary and the pension contributions attributable to this period from July 2017 to June 2018. For details, refer to pages 49 f. of the 2017 Annual Report.

The remuneration for the Executive Board of Jenoptik consists of non-performance-related and performance-related components.

### I. Non-performance-related remuneration

**Fixed remuneration.** The non-performance-related basic salary is paid on a pro rata basis each month. In 2018, it totaled 600 thousand euros for Dr. Stefan Traeger and 400 thousand euros p. a. for Hans-Dieter Schumacher until March 31, 2018 and 450 thousand euros p.a. since April 1, 2018.

## G05 The new Remuneration System of the Executive Board Members



\* without fringe benefits  
\*\* payment of multi-year variable remuneration  
\*\*\* based on constant share price

**Retirement benefits and fringe benefits.** Agreements relating to occupational retirement benefits were concluded with the members of the Executive Board. 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 and the long-term costs for Jenoptik are clearly defined.

On reaching retirement age, the payments will no longer affect Jenoptik – with the exception of a possible subsidiary liability. In 2018, the pension contributions amounted to 200 thousand euros for Dr. Stefan Traeger and 160 thousand euros for Hans-Dieter Schumacher.

There is accident insurance and third-party financial loss liability insurance for the members of the Executive Board. The latter comprises the contractual obligation to pay a deductible amounting to 10 percent of the loss per claim, however up to a maximum sum of 150 percent of the fixed remuneration of the Executive Board member in question. Executive Board members are also entitled to the private use of a company vehicle.

**Non-competition clause.** A post-contractual non-competition clause was agreed with Dr. Stefan Traeger for a period of one year following the end of his contract of employment. An amount equaling 50 percent of one annual salary is agreed as compensation for the non-competition clause. Prior to the termination of the employment relationship, Jenoptik may also waive the post-contractual non-competition clause by means of a written declaration.

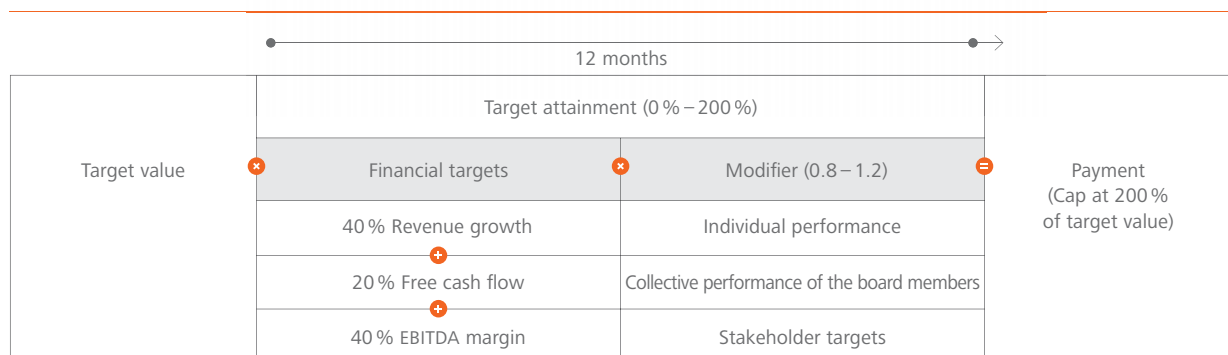
## II. Performance-rated remuneration components

The **variable remuneration** of the Executive Board is based on personal target agreements concluded with the respective member of the Executive Board in the first quarter of each calendar year. The objectives are oriented towards the company's sustainable business development.

The performance-related variable remuneration comprises two components: The (one-year) **bonus** (approx. 40 percent of the variable remuneration) is based on the achievement of certain targets within a twelve-month period and is paid in cash in the subsequent year. The second part of the performance-related variable remuneration (approx. 60 percent of the variable remuneration) is based on the level of target attainment after the end of a four-year performance period. The allocation of so-called **performance shares** in the form of virtual shares takes place annually. For each installment of performance shares granted, the target attainment is determined at the end of the four-year performance period and the amount resulting from a predefined calculation method is paid out in cash.

The performance-related variable remuneration can be between 0 euros and a maximum of 1,400 thousand euros for Dr. Stefan Traeger and between 0 euros and a maximum of 1,000 thousand euros for Hans-Dieter Schumacher. The value is 0 euros when less than 50 percent of all targets are achieved. For the respective maximum amount, 200 percent of all targets must be achieved.

## G06 One-year variable remuneration





**Bonus.** After the end of the fiscal year, the Supervisory Board determines the degree to which the financial targets for this component have been reached. The financial targets and their weighting are shown in chart G06. G06

The yardstick for determining the degree of target attainment need not be linear, i.e. a target attainment of 200 percent does not necessarily require a doubling of the initial value of the financial key indicator. In the same way, a 50 percent target attainment does not necessarily have to be achieved at half of the originally defined financial baseline for 100 percent. The precise calibration of the targets is based on historical experience and future expectations, as well as the adopted budget of the respective year.

In the event that less than 50 percent of target attainment is achieved, there is no entitlement to a bonus, so the bonus can also be completely eliminated. The financial targets agreed in 2018 are shown in chart T04. T04

To take account of non-financial aspects, the bonus amount for the respective Board member resulting from the target attainment is then multiplied by a performance factor, the so-called modifier. The value for this can be between 0.8 and 1.2. The mod-

ifier is determined on the basis of defined criteria for assessing the individual performance of the Executive Board member, the collective performance of the entire Executive Board, e.g. successfully executed acquisition projects, and certain stakeholder targets such as sustainability/corporate social responsibility, employee satisfaction or diversity. Even if the financial targets have been well achieved, the Supervisory Board can use this multiplier to reduce the variable remuneration in the sense of a malus regulation by up to 20 percent even if the financial targets are met or exceeded, if, for example, the behavior of the Executive Board member strongly warrants it, but is not serious enough to justify termination or liability due to breach of duty or if a reduction in remuneration in accordance with § 87 (2) of the German Stock Corporation Act (AktG) is not possible.

With 100 percent target attainment and a multiplier of 1.0, Dr. Stefan Traeger receives variable remuneration of 300 thousand euros and Hans-Dieter Schumacher 200 thousand euros. In each case, the bonus for Dr. Stefan Traeger is limited to a maximum of 600 thousand euros and for Hans-Dieter Schumacher to 400 thousand euros. This part of the performance-related variable remuneration is paid in cash after the target settlement and adoption of the annual financial statements.

## T04 The financial targets agreed for 2018

Targets	Target attainment in %		
	100	50 (lower cap)	200 (upper cap)
Revenue growth in %	8.0	4.0	12.0
Free cash flow in million euros*	75.8	37.9	94.8
EBITDA margin in %	15.0	10.0	20.0

\*Adjusted for contributions and costs in connection with the acquisitions that have an impact on free cash flow

On the basis of its assessment of the individual performance of the members of the Executive Board, the cooperation in the bodies and the implementation of various stakeholder targets for the 2018 fiscal year, the Personnel Committee of the Supervisory Board has decided to propose to the Supervisory Board that a multiplier of 1.1 be used for both members of the Executive Board. T05

**Performance Shares.** Based on a value of 400 thousand euros for Dr. Stefan Traeger and 300 thousand euros for Hans-Dieter Schumacher, performance shares are to be allocated to the member of the Executive Board in the first quarter of each fiscal year. In order to calculate the provisional number of performance shares to be allocated, the initial value mentioned is divided by the volume-weighted average price (VWAP) of the Jenoptik

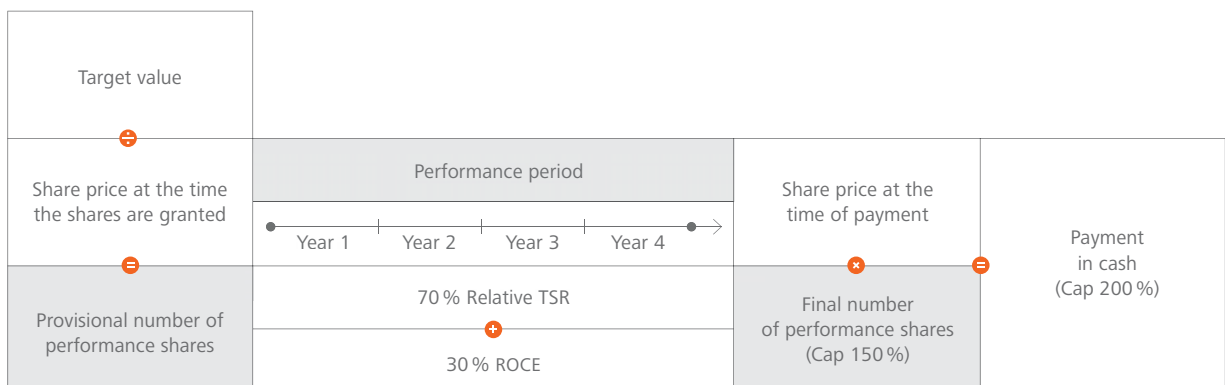
share on the twenty trading days following the announcement of the preliminary annual figures. The VWAP for the specified 2018 period was 28,165 euros. Consequently, Dr. Stefan Traeger was provisionally allocated a total of 14,202 performance shares and Hans-Dieter Schumacher 10,652 (2018 installment). Long-term performance targets are agreed for each installment, the achievement of which is measured at the end of each four-year "performance period". For the performance shares provisionally allocated in 2018, the performance targets will be measured at the beginning of 2022. G07

## T05 Actual target attainment of the one-year variable remuneration for 2018 and payment

Target value	Actually achieved in fiscal year 2018	Target attainment in %	Payment for Dr. Stefan Traeger	Payment for Hans-Dieter Schumacher
Revenue growth	11.6%	189.60%	227.52 thousand euros	151.68 thousand euros
Free cash flow*	104.2 million euros	200.00%	120.00 thousand euros	80.00 thousand euros
EBITDA margin	15.3%	105.60%	126.72 thousand euros	84.48 thousand euros
Multiplier	1.1		47.42 thousand euros	31.62 thousand euros
<b>Sum</b>			<b>521.66 thousand euros</b>	<b>347.78 thousand euros</b>

\*Adjusted for contributions and costs in connection with the acquisitions that have an impact on free cash flow

## G07 Multi-year variable remuneration



The ROCE and relative TSR are calculated using the method described in the glossary on page 220. Again, the yardstick for determining the degree of target attainment need not be linear here. T06

Depending on the level of target achievement, the number of performance shares to be finally allocated is determined at the end of the four-year performance period. Their quantity is limited to one and a half times the number of provisionally allocated performance shares ("allocation cap"). If the level of target attainment is less than 50 percent, the entitlement to final allocation of performance shares shall no longer apply.

The number of finally allocated performance shares is multiplied by the VWAP of the Jenoptik share on the twenty trading days following the announcement of the preliminary annual figures for the last fiscal year of the performance period. The resulting amount shall be paid in cash after the adoption of the annual financial statements. The payout amount is limited to a maximum of 200 percent of the initial value: Stefan Traeger to 800 thousand euros and Hans-Dieter Schumacher to 600 thousand euros ("Payout Cap").

The system of remuneration with performance shares is summarized as follows:

Year 1: Agreement of a performance target for the year 1 installment ("Installment 1") with the member of the Executive Board; provisional allocation of per-

formance shares for Installment 1; calculation of the provisional number by dividing the initial value by a VWAP determined in year 1.

Years 1–4: Performance period for Installment 1.

Year 5: Measurement of target attainment, based on this determination of the number of final performance shares to be allocated for Installment 1, taking into account the allocation cap; multiplication of this final number by a VWAP determined in year 5. Payment of this amount to the member of the Executive Board, taking into account the payout cap.

In the event of termination of the Executive Board mandate, performance shares which have not yet been allocated finally, but only provisionally, shall not be prematurely finally allocated and paid out, but evaluated, allocated and then paid out in accordance with the regular procedure at the end of the respective performance period. Should JENOPTIK AG terminate the employment relationship for a good reason for which the member of the Executive Board is responsible, all provisionally allocated performance shares for which the performance period has not yet expired shall be forfeited without substitution or compensation.

Dr. Stefan Traeger and Hans-Dieter Schumacher are not entitled to payment of bridging payments following their departures. Nor was any right of termination agreed with them in the event of a change of control.

## T06 Performance targets and their weighting for the 2018 installment:

Targets	100% target attainment	50% target attainment	150% target attainment	Weighting
Return on Capital Employed – ROCE	16% average over the performance period	11% average over the performance period	21% average over the performance period	30%
Relative total shareholder return – TSR	Outperformance of the Jenoptik share against the TecDax 5%	Underperformance of the Jenoptik share against the TecDax in the amount of 20%	Outperformance of the Jenoptik share against the TecDax 30%	70%

## T07 Remuneration of the Executive Board – Benefits granted

Dr. Stefan Traeger  
President & CEO since 01/05/2017

in euros	2017	2018			
		Actual	Minimum	100 %	Maximum
Fixed remuneration	400,000	600,000	600,000	600,000	600,000
Fringe benefits	9,784	14,956	14,956	14,956	14,956
<b>Total</b>	<b>409,784</b>	<b>614,956</b>	<b>614,956</b>	<b>614,956</b>	<b>614,956</b>
One-year variable remuneration	200,000	521,664	0	300,000	600,000
Multi-year variable remuneration*	266,667	324,274	0	400,000	800,000
Thereof LTI 2018/performance shares (term until 2023)*	0	324,274	0	400,000	800,000
LTI 2017/performance shares (term until 2022)*	266,667	0	0	0	0
For LTI dividends on LTI tranches outstanding	n. a.	n. a.	n. a.	n. a.	n. a.
<b>Total</b>	<b>876,451</b>	<b>1,460,894</b>	<b>614,956</b>	<b>1,314,956</b>	<b>2,014,956</b>
Pension contribution	116,667	200,000	200,000	200,000	200,000
<b>Total remuneration</b>	<b>1,009,784</b>	<b>1,660,894</b>	<b>814,956</b>	<b>1,514,956</b>	<b>2,214,956</b>

\*for LTI plus performance of the newly granted LTI compared with the share price on which allocation was based

### Total Remuneration for the Individual Members of the Executive Board

The tables T07 and T08 contain the remuneration components granted to the members of the Executive Board, Dr. Stefan Traeger and Hans-Dieter Schumacher, in the past fiscal year. The summaries differentiate between five components – fixed remuneration, fringe benefits, performance-related variable remuneration with one-year (bonus) and multi-year calculation base (performance shares) and pension contributions.

Based on the degree to which the target values for the bonus have been achieved (see table T05) and adopting the multiplier of 1.1 recommended by the Personnel Committee, the variable

remuneration for the 2018 fiscal year for Dr. Stefan Traeger will be 521.66 thousand euros in cash and for Hans-Dieter Schumacher 347.78 thousand euros in cash, subject to the consent of the Supervisory Board. For the 2018 installment, Dr. Stefan Traeger and Hans-Dieter Schumacher were provisionally allocated 14,202 and 10,652 performance shares respectively. Whether and to what extent the provisionally allocated performance shares can be finally allocated and paid out in cash will be decided at the beginning of 2023, depending on the achievement of the multi-year targets agreed in 2019 (see chart G07).

Further details on the share-based remuneration in the form of performance shares/virtual shares can be found in section 5.21 in the Notes from page 184 on. We consider this to also be an integral part of this Remuneration Report.

## T07 Remuneration of the Executive Board – Benefits granted

in euros	Hans-Dieter Schumacher Member of the Executive Board				
	2017	2018			
		Actual	Minimum	100%	Maximum
Fixed remuneration	400,000	437,500	437,500	437,500	437,500
Fringe benefits	13,831	18,337	18,337	18,337	18,337
<b>Total</b>	<b>413,831</b>	<b>455,837</b>	<b>455,837</b>	<b>455,837</b>	<b>455,837</b>
One-year variable remuneration	235,330	347,776	0	200,000	400,000
Multi-year variable remuneration*	245,278	257,868	14,651	314,651	614,651
Thereof LTI 2018/performance shares (term until 2023)*	0	243,217	0	300,000	600,000
LTI 2017/performance shares (term until 2022)*	235,330	0	0	0	0
For LTI dividends on LTI tranches outstanding	9,948	14,651	14,651	14,651	14,651
<b>Total</b>	<b>894,440</b>	<b>1,061,481</b>	<b>470,488</b>	<b>970,488</b>	<b>1,470,488</b>
Pension contribution	160,000	160,000	160,000	160,000	160,000
<b>Total remuneration</b>	<b>1,054,440</b>	<b>1,221,481</b>	<b>630,488</b>	<b>1,130,488</b>	<b>1,630,488</b>

\*for LTI plus performance of the newly granted LTI compared with the share price on which allocation was based

## T08 Remuneration of the Executive Board – Inflow

in euros	Dr. Stefan Traeger President & CEO since 01/05/2017		Hans-Dieter Schumacher Member of the Executive Board	
	2017	2018	2017	2018
Fixed remuneration	400,000	600,000	400,000	437,500
Fringe benefits	9,784	14,956	13,831	18,337
<b>Total</b>	<b>409,784</b>	<b>614,956</b>	<b>413,831</b>	<b>455,837</b>
One-year variable remuneration	0	200,000	256,018	235,330
Multi-year variable remuneration	0	0	0	0
Thereof LTI 2017 (term until 2022)	0	0	0	0
Thereof LTI 2016 (term until 2021)	0	0	0	0
Thereof LTI 2015 (term until 2020)	0	0	0	0
Thereof LTI 2014 (term until 2019)	0	0	0	0
Thereof LTI 2013 (term until 2018)	0	0	0	0
Thereof LTI 2012 (term until 2017)	0	0	0	0
<b>Total</b>	<b>409,784</b>	<b>814,956</b>	<b>669,849</b>	<b>691,167</b>
Pension contribution	133,333	200,000	160,000	160,000
<b>Total remuneration</b>	<b>543,117</b>	<b>1,014,956</b>	<b>829,849</b>	<b>851,167</b>

## Remuneration System for the Supervisory Board


Each member of the Supervisory Board receives a fixed annual remuneration of 40 thousand euros for their services. The Chairman of the Supervisory Board receives double and his deputy one-and-a-half times this amount.

In addition, each member of a committee receives an annual remuneration in the sum of 5 thousand euros per year. 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 10 thousand euros. The Chairman of the Audit Committee receives double and their deputy one-and-a-half times this amount. Members of committees which have not met during the fiscal year receive no remuneration. 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 temporis payment. All the aforementioned remuneration is payable on expiry of the fiscal year.

The members of the Supervisory Board are paid a meeting allowance of 1 thousand euros for attending a meeting. Half of this amount is paid for participation in conference calls. The same

applies from the second meeting on any day on which several meetings are convened. Verified expenses incurred in connection with a meeting are reimbursed in addition to the meeting allowance, but limited to an amount of 1 thousand euros for meetings held in Germany. JENOPTIK AG also reimburses the members of the Supervisory Board for any value added tax applicable to the payment of their expenses.

The members of the Supervisory Board are covered by third-party financial loss-liability insurance. This comprises the contractual obligation to pay a deductible amounting to 10 percent of the loss per claim, however up to a maximum sum of 150 percent of the fixed remuneration per year of the Executive Board member in question.

In the 2018 fiscal year, a sum of 657.3 thousand euros (net) was established as a provision for the fixed remuneration of the Supervisory Board and its committees to be paid in January 2019 and 5 thousand euros (net) for outstanding meeting allowances and expenses in 2018. 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. 



For information on the total remuneration for individual members of the Supervisory Board see the Group Notes on page 204.

# Combined Non-financial Report

» In short «

In the past fiscal year  
Jenoptik invested

# 2.5 million euros

in the training and HR development  
of its employees.


The Combined Non-financial Report fulfils the requirements  
of the CSR Directive Implementation Act.

## Separate Combined Non-financial Report in Accordance with the CSR Directive Implementation Act

### Position and Business Model

Jenoptik sees its entrepreneurial activity as more than purely the realization of commercial objectives; it is also something that brings with it an obligation to society and the environment. Together with our customers, we create forward-looking trends in the fields of energy efficiency, healthcare, the environment, mobility, and safety. As an international technology company, innovation is our driving force and the basis of our success in business. Our innovative products allow us to make significant contributions to overcoming the societal challenges we face as well as to the conservation and efficient use of resources.

In 2018, the Jenoptik Group operated in the three segments Optics & Life Science, Mobility as well as Defense & Civil Systems, and the majority of its products and services was provided for the photonics market. With our high-quality capital goods – from standard components to modules to complex solutions – we are primarily partners to industrial companies and public-

sector clients. Since the beginning of 2019 Jenoptik has reported in its new organizational structure with the four divisions Light & Optics, Light & Production, Light & Safety as well as VINCORION. 

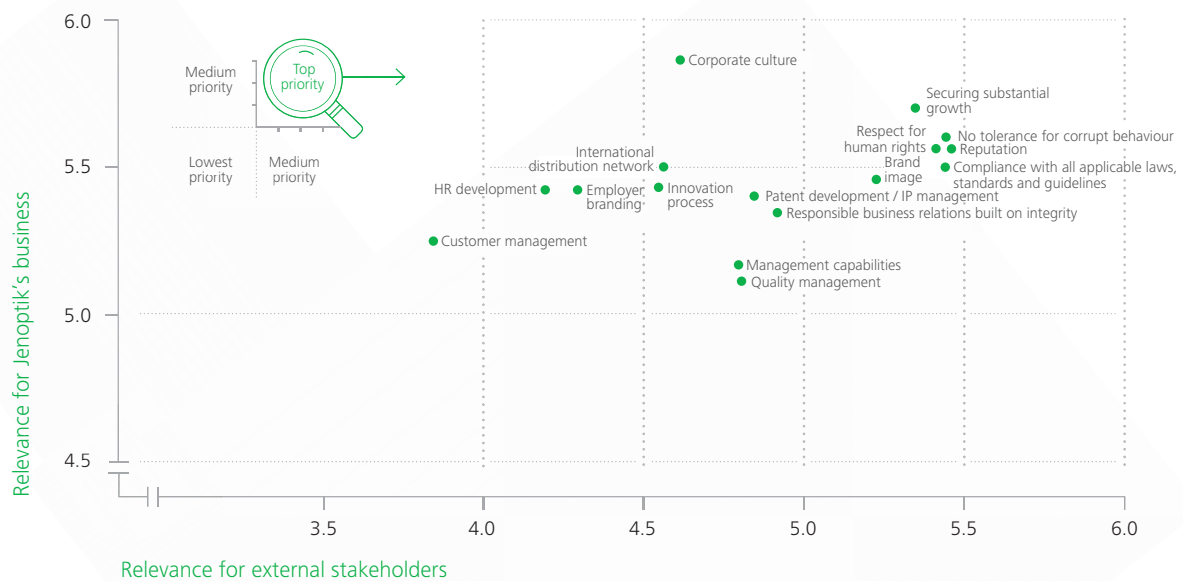
### Our Take on Sustainability

Our understanding of sustainability is based on the conviction that the best way to achieve our economic goals and lastingly profitable growth is to adopt a position of responsibility to the environment and society. To meet this requirement, the issue of sustainability (ESG – environment, social, governance) as well as CSR – social responsibility at Jenoptik is the responsibility of the President & CEO. A Sustainability Working Group, consisting of the heads of the Finance, Investor Relations, Communication & Marketing, HR, Environmental Management and Compliance & Risk Management departments, regularly reports to the Executive Board and the Supervisory Board on relevant issues.



For more information on the business model and markets see page 72.

### G08 Materiality matrix





In this report, we provide information on sustainability issues that are important for better understanding the course of business as well as the future development of the company.

The Separate Combined Non-financial Report published here serves the purpose of fulfilling the requirements of the CSR Directive Implementation Act (CSR-RLUG) in accordance with § 315b, 315c in conjunction with 289b to 289e of the German Commercial Code (HGB). The report covers the key topics issues in the areas of employees, the environment, social commitment, human rights and anti-corruption for both our external target groups and the company in the 2018 fiscal year. The description of the approaches set out here is guided by Standard 103 of the Global Reporting Initiative (GRI). This means that Jenoptik describes components such as goals, existing guidelines, responsibilities, but also specific measures such as projects, programs and initiatives. The GRI standard was used as a guide to determine key figures but not for further detailing. This applies to information on the number of employees, employees on parental leave or the fluctuation rate. The materiality analysis and risk assessment were prepared in accordance with the requirements of CSR-RL-UG. In accordance with § 315b (1) (3) of the German Commercial Code, reference is occasionally made to other information available in the Group Management Report. The list below shows all the relevant passages in the Management Report that are relevant to the Separate Combined Non-financial Report.

- Business model page 72
- Strategy from page 75 on
- R+D/Innovation management from page 81 on
- Risk & opportunities from page 113 on
- Diversity policy see Corporate Governance Statement, [www.jenoptik.com/investors/corporate-governance](http://www.jenoptik.com/investors/corporate-governance)

## Materiality Analysis

Jenoptik maintains ongoing dialog with all of its stakeholders. As part of an analysis carried out in 2017, an independent assessment was made of all non-financial aspects for Jenoptik which are essential for sustainable business development both from Jenoptik’s perspective and from the perspective of the respective external target groups (customers, business partners, employees, shareholders, suppliers and the general public). In doing so, we made assumptions about the significance and impact on the sustainability aspects mentioned on behalf of our external target groups. The results of the overall assessment are summarized in a materiality matrix and are also valid without restriction for 2018. Topics in the upper right quadrant are of major significance to the Group’s business development from the perspective of both Jenoptik and its stakeholders. G08 T09

The following overview reveals where Jenoptik sees its priorities in the value chain.



Our new Strategy 2022 also goes hand in hand with a change in corporate culture towards a more open, agile and less complex company whose employees are expected to contribute to its success with commitment and motivation. In addition, we must compete for the best workers and create a trustworthy and attractive working environment in which the best performance is possible. For this reason, our corporate culture, the development of our employees as well as our brand and reputation were given top priority in the prior fiscal year. These topics as well as the non-financial targets defined for them in the Sustainability Working Group together with Human Resources (HR) and Jenoptik management are described in detail on the following


## T09 Jenoptik's key topics

Employee Matters	Environmental Matters	Social Commitment	Human Rights	Anti-Corruption	Other Topics
Corporate culture	Environmental management	Commitment to science & education, art & culture as well as in social projects	Respect for human rights	No tolerance for corrupt behaviour	Brand & reputation
HR development	Waste management			Responsible business relations built on integrity	Quality management
	Processes to ensure compliance with regulations			Compliance with all applicable laws, standards and guidelines	Innovation & patent development
	Resource management				Corporate strategy

● Jenoptik's key topics    ● Topics reported on a voluntary basis

pages. In addition, we report on environmental matters and our corporate citizenship on a voluntary basis. Jenoptik pays particular attention also to topics such as innovation, quality management and compliance.


- Greater investment in research and development as well as the promotion of good framework conditions for more innovations ensure e. g. substantial growth and play a decisive role in our future performance. Innovation and IP management are thus indispensable to a technology company such as Jenoptik. 
- Our future success also depends crucially on a deep understanding of customer and market requirements as well as a functioning sales network. 
- We are equally as committed to law-abiding and compliant conduct with respect for human rights as we are to ensuring the above-average quality of our products and services.
- As a responsible and socially committed company, Jenoptik considers it its duty to play an active role in shaping its environment. Regional commitment is therefore another high priority.
- Our obligations to the environment are also close to our hearts, and environmental issues are of key concern to us in all our business decisions.

All key topics are reflected in our new corporate strategy and act as value drivers in our various areas of business. 

Our materiality matrix thus sets out the basis of all our long-term activities. These key topics are explained in detail in the sections below.

## Risks in Connection with Non-financial Aspects

Acting in conformity with rules and considering business risks and rewards – for Jenoptik, these are the principles of responsible corporate governance. The Group maintains a risk manual and a system of guidelines that document all relevant processes

throughout the Group and represent a reliable reference framework for all employees. Twice a year, Compliance & Risk Management identifies all risks within the Group and discusses the top issues – set in net terms – with the Executive Board. Our risk assessment system takes account of both financial and all relevant non-financial factors, such as health and safety, environmental protection, compliance, marketing and sales, HR and quality management. The net analysis did not identify any risks that are very likely, now or in the future, to have a serious negative impact on the specified key non-financial factors. 

## Employee Matters

Our employees, with their experience and abilities, are our greatest asset and absolutely essential to the Jenoptik Group's business success. Structured HR work and a responsible approach to working conditions are some of our major tasks, as consistently excellent business performance is only possible with dedicated employees.

HR work at Jenoptik covers all employee-related operating and strategic measures to realize the Group's objectives and is thus an essential component of the overall leadership and management process. HR positions internally as a globally active Business Partner that supports the operating and strategic business in all Jenoptik units. In doing this, HR fulfills three different requirements. It delivers a local service for all employees and managers, supports division-specific projects and offers expert knowledge in the areas of recruiting, employer branding, HR development, labor law and remuneration. HR reports directly to the President & CEO, who is also HR Director, via the function Head of Global HR.

The first point of contact for all HR-related issues in day-to-day business concerning the Group's employees and managers are the HR Service Partners. Each division has a permanent HR Business Partner who is part of the management team. Working with the division management, the HR Business Partners develop and implement HR strategic topics. Group-wide guidelines govern all relevant processes, workflows, and rights of employees internally and to outside parties.



See R + D chapter from page 81 on.



For further information see the chapter Targets and Strategies from page 75 on.



For detailed information on our risk management system and major risks, including in connection with non-financial factors, see the Risk and Opportunity Report from page 113 on.



For further information on the corporate strategy see the chapter Targets and Strategies and the Corporate Governance Statement.

Alongside an appealing corporate culture, we see our employees' efforts, expertise, experience, and commitment to the company as key values. This was also confirmed by the results of the materiality analysis, which in Human Resources in particular point to topics such as corporate culture, HR development and employee satisfaction. Jenoptik will dedicate even more attention to these points in the future. In the past fiscal year, the Sustainability Working Group therefore defined non-financial targets for 2019 and subsequent years together with HR and Jenoptik management as part of the corporate strategy.

Based on the defined targets, our activities will focus on the topic of "Employee Matters" in 2019. For monitoring purposes, an internal reporting system has been developed for special non-financial performance indicators (KPIs); it provides the Executive Board with regular reports. In order to achieve the defined goals Jenoptik is working on specific measures which are described in the following sections. T10

Detailed information on gender equality and targets for the proportion of women on the Executive Board and the two management levels below the Executive Board can be found in the Corporate Governance Report and in the Corporate Governance Statement.

An attractive corporate culture provides guidance to not only for employees, but also to customers, suppliers, and potential applicants. With the implementation of the Group strategy published in February 2018, the focus is also on establishing a dialog-based corporate culture characterized by initiative, respect for diversity and equal opportunities. An intensive exchange with employees, customers and management representatives in the form of surveys, workshops and interviews formed the basis for the three newly defined Jenoptik values – open, driving, confident. We believe that committed and curious people always perform outstandingly. We value new ideas and develop them further in an open dialog. In order to achieve our targets, we encourage employees who drive things forward and who have the will to succeed. We have the courage, the conviction and the expertise to seize opportunities that present themselves and to be a leader in the field of photonics. At the beginning of 2019 we introduced the Jenoptik values company-wide with an information and workshop program.

In the future, Jenoptik's leadership culture will become even more modern and flexible. Key to this will be the promotion of respectful behavior in the workplace, balancing of career and family, flexible working hours, and a healthy work environment.

## T10 Non-financial objectives and performance indicators:

Aspect	Objectives	Performance indicators	Target
Corporate culture	<ul style="list-style-type: none"> <li>We want to increase the satisfaction and commitment of the employees</li> </ul>	<ul style="list-style-type: none"> <li>Fluctuation</li> <li>Sick leave</li> <li>Engagement Score</li> <li>Net Promoter Score</li> </ul>	<ul style="list-style-type: none"> <li>&lt; 5 percent</li> <li>&lt; 5 percent</li> <li>&gt; 68 percent</li> <li>&gt; 67 percent</li> </ul>
Recruiting	<ul style="list-style-type: none"> <li>We want to fill more internal vacancies with skilled workers who have received training from Jenoptik.</li> </ul>	<ul style="list-style-type: none"> <li>Training ratio Germany</li> <li>Number of trainees taken on</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 4 percent</li> <li>100 percent</li> </ul>
Brand & Reputation	<ul style="list-style-type: none"> <li>We want to increase the attractiveness of Jenoptik as an employer</li> </ul>	<ul style="list-style-type: none"> <li>Fluctuation</li> <li>Engagement Score</li> </ul>	<ul style="list-style-type: none"> <li>&lt; 5 percent</li> <li>&gt; 68 percent</li> </ul>

We measure the satisfaction and commitment of our employees through an annual employee survey. This has been conducted globally since 2018 in order to obtain a holistic picture. In the survey, employees evaluate the various facets of their work as well as the corporate and leadership culture. Also surveyed are the commitment of our employees (so-called Engagement Score) and the recommendation rate (so-called Net Promoter Score).

The results of the employee survey were communicated by our managers to their teams, who developed team-specific measures in a joint workshop. All measures are regularly presented to the EMC (Executive Management Committee). We have planned that all managers will start to implement the measures from their action plans in the first quarter of 2019. Our next employee survey is scheduled for May 2019, we will then analyze the effectiveness of the measures implemented. In the most recent employee survey, the top 3 topics rated as particularly important by all participants worldwide were as follows

- Career advancement and development opportunities,
- Support from their supervisors in identifying their areas of development, and
- Transparent communication between Jenoptik and its employees.

A total of 67 percent of our employees took part in the 2018 survey. The commitment of our employees, the so-called "Engagement Score" is 68 percent, i. e. 68 percent of our employees identify positively with their duties at Jenoptik and are actively involved. With a "Net Promoter Score" of 67 percent, two thirds percent of our employees would recommend Jenoptik as a good employer. This puts Jenoptik two percentage points above the benchmark of 65 percent determined by our service provider Qualtrics.

A survey of our trainees and new employees regarding the onboarding process at Jenoptik will be conducted for the first time in 2019. The aim is to further improve the quality of our training and the onboarding process.

Jenoptik is family-friendly and responds to the needs of its employees with flexible working hour models. Flexitime, part-time work, and flexible parental leave all make it easier for our employees to strike their own balance between family and working life. In 2018, 157 employees made use of parental leave (prior year: 156 employees). The number of part-time contracts fell to 6.7 percent in 2018 (prior year: 7.4 percent). One of the most important preconditions for balancing career and family is the availability of childcare. For several years, Jenoptik has been investing in daycare centers at the Jena, Wedel, and Monheim locations, as well as in flexible childcare models. This means that our employees are assured a specified number of places at the daycare centers. That our employees regard Jenoptik as an attractive employer, is reflected, among other things, in the staff fluctuation rate of 4.5 percent, which was determined on a group-wide level for the first time in 2018. In Germany, the fluctuation rate was 3.7 percent in the past fiscal year (prior year: 3.0 percent).

HR development is a key factor that determines the future viability of the company and the commitment of our employees. To help promote them in line with their potential and interests, the development needs are assessed in regular staff appraisals and implemented through appropriate training. Regular appraisals will be held at all locations in 2019. For the 2018 fiscal year, the reporting structure was changed and the costs for training and HR development were combined. The total amount is therefore correspondingly higher, since it includes both the costs for trainees and students at the Cooperative State Universities and the costs for further training for our employees. In 2018, Jenoptik invested around 2.5 million euros (prior year: 2.0 million euros) in the professional development of its employees. In the year covered by the report, 1,866 employees benefited from this as part of further training measures (prior year: 1,755 employees). In the future, learning at Jenoptik will be structured according to the 70:20:10 principle: as employees and their

supervisors are the experts for their own further development, 70 percent of learning takes place in the workplace and 20 percent through learning from others. Classroom or online training makes up only 10 percent.

In the future, we will also follow this learning principle in the development of our managers: the existing Jenoptik Junior Leadership Program (J2LP) will be replaced by several target group-specific programs. Our managers continue to be key drivers of the leadership culture at Jenoptik and thus of our corporate success. They are responsible for motivating the employees and have a direct influence on their satisfaction. These new programs are aimed at potential employees as well as new and experienced managers, thus ensuring a uniform leadership culture and cross-division networking among the participants.

**HR recruitment.** Jenoptik's HR requirements are guided by the Group's international growth strategy, resulting in a greater need for recruitment in Asia and the US. However, experts and managers are also being sought in Germany. The audiences addressed by recruitment and thus also HR marketing are primarily specialists and skilled workers in the natural and engineering sciences as well as experts with business management and legal backgrounds.

In order to fill more vacant positions with internal specialists trained at Jenoptik, the training ratio was increased, taking into account the retirement of employees in the context of succession planning. This means that significantly more trainees can be hired from 2019 onwards. In 2018, 38 young people began

their training at Jenoptik, in total, 108 trainees were employed at Jenoptik. In 2019, the number of trainees is to be increased to a total of 137. Thus, 29 additional training positions are created. The trainee retention rate in 2018 was 90 percent. The trainees were taken on for an unlimited period by the company.

Specific support for school students, university students and graduates forms part of the Group's expertise strategy, ensuring early loyalty to the company and thus simplifying the recruitment process. A selection of targeted initiatives and cooperation arrangements is shown below. T11

Increasing **attractiveness as an employer** is the focus of employer branding at Jenoptik. Clear and distinctive positioning as an attractive employer should support recruitment and develop a positive and distinctive employer image as a future-oriented, innovative high-tech company in the photonics industry. The definition of the employer brand and the development of the employer value proposition were carried out in 2018 on the basis of the Jenoptik Strategy 2022 under the motto "More Light".

From 2019, Jenoptik will be using a uniform international applicant management system which replaces the previous country-specific systems.

**Occupational health and safety** are also key topics affecting the basic needs of our employees and their satisfaction in the workplace. They are firmly anchored in the Group's operating processes and aim to minimize risks arising in the work environment that may endanger employees. The Jenoptik companies are each responsible for applying the law on all aspects of occupational health and safety. The central Safety, Occupational and Environmental Protection (SEH) department reports directly to the

## T11 Initiatives and cooperations (selection)

### Jenoptik supports

- career guidance projects at schools, also offering their students the opportunity to complete an internship
- young researchers in Thuringia as a longstanding state-level corporate sponsor of the "Jugend forscht" initiative
- various industry organizations to promote professional development activities
- students in the form of degree theses, internships, and scholarships

### Jenoptik cooperates with

- selected universities around the world with regards to HR marketing and recruitment, for research purposes, and to foster the professional development of its employees
- selected universities around the world via projects and sponsorship activities, and is active in a range of committees and networks in an advisory capacity

President & CEO and is available to advise all companies. It coordinates the relevant tasks and assists the Executive Board on enforcing necessary measures. There are health and safety committee meetings in all divisions each quarter. In addition, all employees are briefed on issues relating to health and safety at work at least once a year. At all of the German locations, around ten percent of the workforce are trained as first-aiders. In 2018, the number of reportable work and commute-related accidents came to 12.77 per 1,000 employees in Germany (prior year: 10.73 per 1,000 employees). Work accidents accounted for 7.45 and commute-related accidents for 5.32 of the total figure. Compared to the members of the ETEM trade association for the energy, textile, electronics and media product sectors, Jenoptik is thus significantly below the average figure of 22.5 in 2017. In the interests of our employees' health and performance, the Group offers regular medical examinations by a company physician, and in 2018 launched health days for employees at the Jena, Triptis and Berlin locations.

## Environmental Matters

We see the efficient use of resources and energy at all our global locations as our corporate responsibility and here report voluntarily on key environmental matters in the Jenoptik Group. As many of our products contribute to the efficient and responsible use of resources, Jenoptik primarily makes an indirect contribution to conserving resources.

**Environmental management** is a key part of our business practices, but we also require our suppliers and contractual partners to comply with relevant laws to minimize environmental risks. As a manufacturing company, we set our focus on efficient

resource management so as to reduce energy consumption and greenhouse gas emissions to the best of our ability, use commodities and materials in a safe and resource-saving manner and to largely avoid producing hazardous waste. Corresponding to their environmental relevance, selected Jenoptik companies are certified in accordance with the ISO 14001 environmental management system.

Environmental management lies within the remit of the Safety, Occupational and Environmental Protection department. The Jenoptik companies are each responsible for applying the law on all aspects of environmental protection. The central environmental protection officer is available to provide assistance where required and, as just one example, reviews all group investment projects with regard to their environmental relevance. The managers responsible for environmental issues at the German locations meet twice a year to share their experiences and ensure a standard approach to implementing environmental law requirements and processes. Waste officers take care of all matters relating to the production, recycling, and disposal of hazardous and non-hazardous waste.

Jenoptik continues to implement and in part exceed statutory requirements relating to nature conservation and environmental protection for new buildings, extensions and the modernization of production facilities. State-of-the-art technologies for saving resources and protecting the environment are applied when fitting out production facilities. The minimum standards for environmental protection introduced at Jenoptik were also fully implemented at the new building for the Light & Production division in France. For example, the new building was equipped with modern insulation, sensor-controlled LED lighting and energy-saving heating and air conditioning technology in 2018.

## T12 CO<sub>2</sub> emission of major production sites (in tons)

	2017	2016
Germany	8,979	9,038
Europe	148	n.a.
Americas	4,151	n.a.
Asia/Pacific	192	n.a.
<b>CO<sub>2</sub> emission (total)</b>	<b>13,471</b>	<b>9,038</b>

As a technology company, Jenoptik generates only small amounts of emissions within its plants (scope1); the majority of its pollutant emissions are attributable to externally sourced energy (district heating or electricity). In order to meet our goal of recording energy consumption at all of the Group's main production sites, the major American production facilities in Rochester Hills, Jupiter and Huntsville as well as the Chinese production facility in Shanghai were included in our reports for the first time in 2017. In Europe, our production facilities in France and Great Britain were added. This will in future provide comparison values that allow for an assessment of the energy consumption levels as a ratio of revenue and consequently in relation to changing levels of energy efficiency in production. The media consumption (electricity, district heating, gas, heating oil, wood pellets) of all major Jenoptik sites was used to calculate the CO<sub>2</sub> emission. In 2017, CO<sub>2</sub> emissions amounted to 13,471 tons. T12 T13

In the course of our business also hazardous waste is produced, e.g. electronic waste, adhesive residues or solvents. In Germany, waste types are systematically recorded, categorized and their quantities calculated in all segments. The volume of hazardous waste disposed of in waste treatment/disposal plants in the 2018 reporting year fell marginally to 162 tons (prior year: 175 tons). In contrast, the quantity of non-hazardous waste rose to 1,022 tons (prior year: 871 tons), mainly caused by waste fractions such as paper, cardboard packaging materials as well as mixed packaging. In general, Jenoptik aims to recycle waste through certified waste management facilities. Through continuous waste separation and training of the employees on waste prevention, the amount of residual waste was further

reduced. For example, by expanding the recycling of plastic materials in the recycling process, it is possible to conserve resources, avoid waste disposal costs and generate revenues at the Triptis site.

As a high-tech company, Jenoptik is dependent on a wide range of raw materials. In the face of an increasing scarcity of resources, Jenoptik is committed to making sparing use of the materials it requires. We comply with applicable regulations, for example the requirements of the European chemicals regulation REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and the European RoHS directive (Restriction of certain Hazardous Substances), and are fully involved in associated committees. As Jenoptik does not require large quantities of water for its production processes, we do not see ourselves encountering any key risks in this area. In view of its business purpose, conservation regulations are also of only very minor significance to the Group. The objective of our purchasing processes is to meet all regulations relating to conflict minerals in compliance with the Dodd-Frank Act.

## T13 Energy consumption by energy source in 2017 (in MWh)

	Electricity	Gas	Wood pellets	District heating	Heating oil	Energy consumption
Germany	34,546	16,027	1,080	9,223	637	61,513
Europe	645	57	0	0	281	983
Americas	5,686	2,129	0	0	0	7,814
Asia/Pacific	283	0	0	0	0	283
<b>Total</b>	<b>41,160</b>	<b>18,212</b>	<b>1,080</b>	<b>9,223</b>	<b>917</b>	<b>70,593</b>

## Resource Management

Many of Jenoptik's innovative products and services make a contribution to the efficient and responsible use of resources. As a technology company, we are mostly involved in the areas

where our customers' production processes and products can be made more efficient. The table below provides an overview of the contribution of selected Jenoptik products to resource conservation. T14

### T14 Contribution of our products to resource conservation

Product	Contribution to resource conservation
<b>Jenoptik diode lasers and laser machines</b> for a wide range of applications, e.g. in medical technology or the automotive industry	<ul style="list-style-type: none"> <li>• The most efficient light sources available with an efficiency of up to 70 percent</li> <li>• Resource-friendly alternative to traditional machining processes, especially when machining high-strength steel with a low weight</li> </ul>
<b>"JENOPTIK RayLance"</b> – powerful and energy-efficient LED lighting system	<ul style="list-style-type: none"> <li>• Approx. 40 percent higher light yield than prior generation while maintaining high energy efficiency</li> <li>• Wide-ranging use, particularly in industrial spaces such as warehouses, logistics buildings, and production facilities</li> </ul>
<b>Optical systems and components</b> for information and data transmission as well as medical diagnostic procedures	<ul style="list-style-type: none"> <li>• Ongoing development toward ever-smaller crystalline structures in semiconductor production opens up a growing number of new uses</li> <li>• Time-saving processes and more cost-effective production save resources</li> </ul>
<b>Metrology</b> – systems and equipment to check shape and roughness, particularly in the automotive industry	<ul style="list-style-type: none"> <li>• The results are more precise surfaces and tighter tolerances in engine components (downsizing) and thus entire vehicles that require less fuel and produce fewer emissions</li> <li>• More complex transmissions for electromobility demand the increasing use of metrology</li> </ul>
<b>Hybrid power generation</b> systems to enable an efficient power supply to the Patriot missile defense system	<ul style="list-style-type: none"> <li>• Use of battery technology reduces fuel consumption</li> <li>• Longer life cycles for customers, less service expenditure and thus product sustainability</li> </ul>
<b>Traffic monitoring systems</b> check compliance with road traffic regulations	<ul style="list-style-type: none"> <li>• Contribution to increasing road safety and reducing accidents</li> <li>• Reduction in pollutant and noise emissions</li> <li>• Installation at the side of the road limits interference in the environment (no installation of monitoring gantries)</li> </ul>
<b>Toll monitoring systems</b> on federal highways	



## Social Commitment/Corporate Citizenship

Supporting young people in their education and scientific activities, as well as in social projects – this is at the heart Jenoptik’s corporate citizenship. The Group supports a whole range of non-profit projects, organizations and initiatives and is actively involved in the following three areas, primarily in Germany but increasingly also abroad:

- A commitment to the younger generation with projects in science, education, and in the social arena.
- Art and culture projects to lend an attractive design to our company locations and create good conditions for our employees’ work/life balance.
- A commitment to integration and internationality to strengthen the foundations of business and society in the future.

As a responsible and socially committed company, Jenoptik considers it its duty to play an active role in shaping its business environment. As part of this process, our main concern is to achieve close, long-term partnerships, by providing not just financial but also ideal assistance. With our commitment to society, we want to strengthen the confidence placed in Jenoptik and boost our employees’ sense of identification with the company. We also expect it to leave a positive mark on our brand image, reputation and our attractiveness as an employer. T15

Corporate Citizenship is the responsibility of Marketing & Communication. Group-wide guidelines govern the principles of a structured and standardized approach to defining “Jenoptik as a Corporate Citizen” and ensure a uniform method of handling donations and sponsorship queries, as well as carrying out sponsorship projects.

### T15 Social commitment - exemplary projects

Social	Jenoptik supports	<ul style="list-style-type: none"> <li>• Easter charity concert by the International Young Orchestra Academy on behalf of the Elterninitiative für krebskranke Kinder Jena e. V.</li> <li>• Habitat for Humanity and Friends of Foster Children, Jupiter, Florida</li> <li>• Fundraising campaign on the occasion of the New Year’s Eve reception on behalf of “KLEX Children and Youth Center”, Jena</li> <li>• Summer camps for children of Jenoptik employees and children of recognized refugee families</li> <li>• Christmas campaigns on behalf of sick and needy children at the Jenoptik locations Jena, Jupiter and Toronto</li> </ul>
Science & Education	Jenoptik is a partner for...	<ul style="list-style-type: none"> <li>• The Thuringian young researchers competition “Jugend forscht” (since 1991)</li> <li>• Photonics Award</li> <li>• Competition “Schüler experimentieren” (since 2012)</li> <li>• Workshop series “BEGEGNUNGEN Kultur Technik Wirtschaft” for students of the Ernst Abbe University of Applied Sciences Jena</li> <li>• MINT-Festival Jena</li> <li>• Lothar Späth Award for Outstanding Innovations in Science and Business</li> <li>• Authentic Career Experience in Rochester Hills, Michigan</li> </ul>
Art & Culture	Jenoptik promotes young artists through its own series of “tangente” art exhibitions (since 1994):	<ul style="list-style-type: none"> <li>• tangente: Werner Klotz “Colore Mobile Immensum”</li> <li>• tangente: Thomas H. Saunders “Art of Microscopy”</li> <li>• Oster &amp; Koezle art exhibition as part of the 100th anniversary of Bauhaus 2019</li> </ul>
	Jenoptik supports cultural projects with partners:	<ul style="list-style-type: none"> <li>• Open-air Cultural Festival “Kulturarena” organized by the city of Jena</li> <li>• Summer theater spectacular by Theaterhaus Jena</li> <li>• Summer concert series at the Thalbürgel monastery church</li> </ul>

Our dedication to our region is of particular relevance. Since 1996, the Group has acted as the patron of the Elterninitiative für krebskranke Kinder Jena e.V. (Parents' Initiative for Children with Cancer in Jena e.V.). Donations made both by Jenoptik and collected from partners, and the organization of various events, have helped to support children with cancer and their parents, for example, with the EkkStein clubhouse in Jena Lobeda, which was opened in 2018 and takes affected families from everyday hospital life into a whole other world. Particularly worthy of note is the Easter Charity Concert given by the International Youth Orchestra Academy, the proceeds of which are donated to the initiative. In the USA, employees at the Rochester Hills, Michigan site provide education and career guidance to young people from financially disadvantaged families. Jenoptik employees at the Jupiter, Florida site assist the "Habitat for Humanity" organization in championing affordable, decent housing, and help to build homes for families in need. Jenoptik in Jupiter has been working with Friends of Foster Children from Palm Beach County for the third time in a row, bringing holiday joy to two foster children. The employees fulfilled gift requests in the form of toys and cash donations to bring a smile to the children's faces during this time.

Since the company's earliest days, Jenoptik has been enriching life in Jena with art and cultural projects. The in-house "tangible" series of art exhibitions is a key part of this endeavor. Together with numerous partners, the Group is also active as a member of "Familienfreundliches Jena e.V." (Family-Friendly Jena) support group 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. Jenoptik supports various models of family-friendly childcare, the "Saaleknirpse" in Jena, the "Wasserstrolche" in Wedel, and the "Talentschuppen" in Monheim. The highlight once again was the summer camp jointly organized for children of Jenoptik employees and children of recognized refugee families.

## Human Rights and Anti-Corruption

In a globalized market environment, Jenoptik is fully committed to responsible corporate governance and law-abiding, compliant conduct. We make our business decisions with this in mind and always work to ensure that our actions are in accordance with regulations, laws and our values. The Compliance & Risk Management department therefore lies within the remit of the President & CEO and reports directly and regularly to him. The Chief Compliance & Risk Officer is in close contact with all employees throughout the organization. He organizes and manages the Group's risk and opportunity management system in close cooperation with the central departments and the divisions' risk officers.

Respect for **human rights** is a high priority for Jenoptik, especially in the supply chain. Jenoptik is committed to internationally recognized standards of human rights and does not tolerate any form of slavery, forced labor, child labor, human trafficking or exploitation in its own business operations or those of its supply chain. We expect our suppliers to comply with and respect internationally recognized human rights standards, e.g. the Slavery and Human Trafficking Statement. All our suppliers are contractually bound to adhere to the standards of the "Code of Conduct for Suppliers to the Jenoptik Group", and similarly to require their own suppliers to adhere to them. The compliance-relevant processes are continuously revised in order to identify violations and high-risk business partners in good time. In a two-step process, a supplier compliance declaration and an additional code of conduct for distributors first oblige all our business partners to adhere to the law. In the second step, a centralized high-risk business partner screening process is used to ensure that Jenoptik cooperates only with those business partners that meet all of its compliance requirements.

**Anti-corruption:** Jenoptik fights all forms of active and passive corruption and expects all its business partners to do the same. We also see it as our responsibility to ensure that our customers and suppliers act in compliance with the law. For detailed information on Jenoptik's compliance management system, the company guidelines and codes of conduct for employees, suppliers and sales partners, our online training, and our whistleblower system, we refer you to the Corporate Governance Report from page 38 on and the Risk and Opportunity Report from page 113 onward.

## Quality Management and Brand Image

### Quality management

The key to Jenoptik's success as a technology company primarily lies in the quality of its products and solutions. Longstanding collaborations with key customers, sometimes in the form of development partnerships, and the confidence placed in us by our partners are proof that our products and solutions are of outstanding quality. As a quality leader, we are committed to ensuring that the quality of our products and services is above average in many of our product areas. Quality management at Jenoptik is managed locally in the business units and falls within the responsibility of the division managers. Each division applies individual quality indicators. The following overview summarizes key KPIs for quality management in the Jenoptik Group. T16

One measure to ensure and further improve our quality is our quality initiative, the impact of which can be felt in all areas of the business – from the development of new products to quality planning and assurance and all the way to the quality of the finished product. In 2018, topics such as international quality and occupational health and safety as well as environmental protection programs were developed on the basis of the Jenoptik and divisional strategies. Within the automotive sector, for example, the Jenoptik subsidiary Five Lakes Automation was integrated into the division's international QM system and a new quality reporting and rollout plan was developed for upcoming certifications. The initiative will continue to run in 2019, now with an increased focus on internal customer and supplier relationships, i.e. a better understanding of all parties relating to processes.

In addition to certifications, further issues in quality management at Jenoptik include standardization, process controls, tests and continuous dialog with customers, e.g. analyses of customer satisfaction. Almost all the Group companies comply with the requirements of quality management standard ISO 9001; many of them also meet the requirements of the ISO 14001 environmental management system.

The table below shows a selection of Group certifications and actions undertaken in 2018. The Optical Systems division has again successfully passed the surveillance audit according to the international standards for quality and environmental management ISO 9001 and ISO 14001. The German sites in the Defense & Civil Systems division also received the re-certification

### T16 KPIs for quality management

Criterion	Examples for KPIs
Quality from a customer perspective	<ul style="list-style-type: none"> <li>Customer satisfaction</li> <li>Complaint cost ratio</li> <li>Warranty costs</li> </ul>
Quality as an internal business partner	<ul style="list-style-type: none"> <li>Internal audits</li> <li>Measures in the continuous improvement process</li> <li>Process and product quality               <ul style="list-style-type: none"> <li>- Good yield/quality grade</li> <li>- Rework costs</li> <li>- Reject costs</li> </ul> </li> </ul>
Quality from the supplier's perspective	<ul style="list-style-type: none"> <li>External supplier audits</li> <li>Suitable suppliers</li> <li>Supplier quality with delivery of defective parts</li> </ul>

## T17 Certification within the Group (selection)

Certification	Description	2018 actions
ISO 9001	Certification of quality management processes	<ul style="list-style-type: none"> <li>Recertification in the Optics &amp; Life Science segment (JENOPTIK Optical Systems Inc.) as well as in the segment of Defense &amp; Civil Systems (JENOPTIK Power Systems GmbH)</li> <li>Surveillance audit in the Mobility as well as Defense &amp; Civil Systems segments (JENOPTIK Advanced Systems GmbH) (JENOPTIK Automatisierungstechnik GmbH) (JENOPTIK Industrial Metrology GmbH at all European locations and in the US)</li> <li>Certification of JENOPTIK Shanghai PIE Co. Ltd.</li> </ul>
ISO 50001	Certification of the energy management system	Certification of Photonic Sence GmbH due to energy-intensive machining processes
EN 9100	Certification of quality management processes specific to the aerospace and defense industries	Surveillance audit in the Defense & Civil Systems segment (JENOPTIK Advanced Systems GmbH at the Wedel and Essen locations)
ISO 13485	Certification of comprehensive quality management systems for the design and manufacture of medical products	Re-certification in the Optics & Life Science segment (JENOPTIK Optical Systems GmbH) (JENOPTIK Polymer Systems GmbH)
ISO 14001	Certification of the environmental management system	Renewal of certification in the Optics & Life Science segment (JENOPTIK Polymer Systems GmbH) and in the Defense & Civil Systems segment (JENOPTIK Advanced Systems GmbH)
ISO/TS 16949	Certification for the automotive industry	Re-certification in the Optics & Life Science segment (JENOPTIK Polymer Systems GmbH)
EG 748/2012	Certification as a manufacturer for the civil aviation industry	
EG 2042/2003	Certification as a maintenance company for the civil aviation industry	
IRIS	International Railway Industry Standard	Re-certification in the Defense & Civil Systems segment (JENOPTIK Power Systems GmbH)
ILO-OSH-2001 / OHSAS 18001	Certification of occupational safety and health management	
AQAO 2110/2210	NATO quality assurance system	Renewal of certification in the Defense & Civil Systems segment (JENOPTIK Advanced Systems GmbH)

audits for the implementation of their quality and environmental management systems. Successfully audited were the implementation of the environmental management standard ISO 14001:2015 (in Wedel, Essen and Jena), compliance with the industry-specific standard EN 9100:2016 (in Wedel and Essen), compliance with the railway standard "International Railway Industry Standard" (IRIS Rules:2017, ISO/TS 22163:2017) and the general international standard for quality management ISO 9001:2015 in Altenstadt. The auditors certified a good system of integrated process analysis, a good risk/opportunity analysis and saw strengths in innovation management. In addition, they certified that the employees receive very high level of training. In June, the Automotive division's production area at the Shanghai site successfully passed an audit by Deutschen Gesellschaft zur Zertifizierung von Managementsystemen (DQS). For the first time, the plant was audited across the board with respect to the requirements of ISO 9001. Shop floor management in assembly received an especially good report. T17

### Brand Image and Reputation

Jenoptik's **brand image and reputation** are of key importance in many respects – the trust placed in us by our stakeholders, our position in the competitive environment, our attractiveness as an employer, and our employees' sense of identification with the company. As an international photonics company, we work in many different markets and compete with numerous companies to be visible, understandable and attractive both to customers,

as a supplier of high-quality capital goods, and to future employees. This is dependent on lasting and stable relationships with our customers and suppliers, shareholders and other stakeholders, which we consistently strengthen with transparent communication and trust. Internal and external communications are the task of the central Communication and Marketing department at Jenoptik, which reports directly to the President & CEO and ensures a consistent image for the overall Group and the Jenoptik brand. The aim is to ensure that the company's communications and public image are modern, distinct, ongoing and memorable, as well as aligned with the Executive Board's strategic targets. All topics relating to markets and products are managed locally by the division marketing managers in the operating areas. Group-wide guidelines, for example, govern the information channels for internal communications and central marketing. Communications to the capital market are the responsibility of Investor Relations, which also reports to the President & CEO and remains in close, regular contact with Corporate Communications.

Within the highly specialized photonics market, which is characterized by a multitude of smaller companies, the Jenoptik brand is perceived as synonymous with a major supplier – with an integrated brand image covering all products. We have been shaping the Jenoptik umbrella brand throughout the Group for over ten years. In February 2018 the Executive Board announced Jenoptik's Strategy 2022. The core of this strategy: Jenoptik is concentrating on what sets the company apart: Optics and photonics. A uniform corporate culture based on a common understanding, common values and a clearly positioned brand are indispensable for the implementation of the strategy. Answers to essential questions such as "What does Jenoptik stand for?", "Why do customers choose Jenoptik?" and "What does Jenoptik stand for in the market" were developed



For further information on strategy see the Strategy and Targets section from page 75 on.

in a comprehensive process in 2018. Employees, representatives of Jenoptik's management as well as customers and partners were intensively involved in the form of surveys, workshops and interviews. The first global online survey of all employees and a first global customer survey took place and more than 400 Jenoptik employees collaborated in workshops on the future of Jenoptik. As a result, the three Jenoptik values "open, driving and confident" and the positioning of the Jenoptik brand were defined. With a brand house and a new corporate design Jenoptik is positioning itself in the market and against the competition as a top photonics supplier from 2019. This was initially communicated to the employees by means of information events and workshops at various locations with the goal of actively working with the values and the brand in order to communicate the knowledge, acceptance and the new spirit throughout the company. Since February 2019, Jenoptik has been on the market with a new brand positioning and a new corporate design.

With the new strategy, the Group will concentrate on the core photonics areas of light and optics under the Jenoptik brand in the future. One of the priorities in the past fiscal year was the introduction of the independent VINCORION brand for the mechatronics business (previously part of the Defense & Civil Systems segment), which takes better account of specific market requirements.

The Jenoptik Group benefits from the reputation of our main location Jena, which is highly renowned by both scientists and customers as an "Optical Valley". Jenoptik is conscious of this reputation and is involved in various activities aimed at sustainably improving the location.

The audit report for the Separate Combined Non-financial Report can be found on page 216.