



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

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

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

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

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

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

agreement. However, the recommendation was taken into account in the employment contract with the new chief financial officer.

2. In accordance with Point 5.4.6. Para. 2 Sent. 2 of the Code the remuneration of the members of the Supervisory Board shall be oriented toward sustainable growth of the enterprise if they are promised performance-related remuneration.

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

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

3. In accordance with Point 4.2.3 Para. 2 Sent. 6 of the Code, the remuneration of the Executive Board shall be capped both overall and for its variable components.

This new recommendation which was added to the Code dated May 13, 2013 **will not be followed in future.** The variable remuneration of the members of the Executive Board is capped. But the calculation of the portion of the variable remuneration which is granted in form of virtual shares is calculated on the basis of average price of the Jenoptik share in the final quarter of the year before last, therefore there is the theoretical possibility that the value of the total variable remuneration will exceed the cap at the time the shares will be granted. This, however, requires a high degree of attainment of the targets as well as a positive development of the share price. A negative share price development would have a contrary effect. The Executive Board and the Supervisory Board take the view that the reference to a share price of the year before the last is reasonable as this share price is the basis for assessing the share price development of the following year which is relevant to the remuneration. Therefore, the Executive Board participates in the performance of the share just

as any shareholder. There is no cap for the payment for the virtual shares. It is the opinion of the Executive Board and the Supervisory Board that such a cap would have disincentive effects regarding the share price development. In addition, "windfall profits" can be avoided due to the fact that the amount to be paid is calculated on the basis of the volume weighted annual average share price.

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

Jenoptik intends to follow this recommendation in future for new contracts or adjustments of pension commitments for the Executive Board members. The company cannot interfere with existing contracts unilaterally, therefore **it declares a deviation purely as a precaution.**

December 12, 2013
JENOPTIK AG

On behalf of the Executive Board
Dr. Michael Mertin
President & CEO

On behalf of the Supervisory Board
Rudolf Humer
Chairman of the Supervisory Board

Background information from the preamble to the Code.

On September 6, 2001, the "Government Commission on the German Corporate Governance Code" was appointed to develop internationally and nationally recognized principles for correct and responsible corporate governance. As stated in the Code's preamble, "The Code aims at making the German Corporate Governance system transparent and understandable. Its purpose is to promote the trust of international and national investors, customers, employees and the general public in the management and supervision of listed German stock corporations."

The Commission presented the German Corporate Governance Code to the general public on February 26, 2002 and amended it most recently on May 15, 2012. The Code provides "regulations" that describe the legal norm currently valid in Germany, in addition to further "recommendations" and "suggestions." The "recommendations" are indicated by the use of the word "shall" in the Code. Companies that deviate from one or more recommendations must disclose this fact in an annual declaration of conformity in accordance with § 161 of the German Stock Corporation Act. The Code thereby "enables companies to reflect sector and enterprise-specific requirements." "Suggestions" are indicated in the Code by the use of the words "should" or "can" and can be deviated from without disclosure.

Code strengthens confidence into German enterprises.

JENOPTIK AG welcomes the German Corporate Governance Code, which is in the economic interests of Germany and of the companies, and which will contribute towards increasing the trust of investors in the German economy in Germany and abroad. JENOPTIK AG is aware of the significance of investor trust and has

maintained an open and transparent corporate style from the very beginning. JENOPTIK AG also welcomes the Code's deliberate flexibility concerning further national and international corporate governance developments. The Code indeed reflects the fact that corporate governance is to be treated as a continual process, and not merely a set of regulations fixed in print, but rather a continuing process. For individual companies, this is a matter of earning the trust of investors, customers, employees and the general public - all of which goes without saying for Jenoptik.