Annual Report
2019 / 2020

SCHOTT
glass made of ideas

KEY FIGURES SCHOTT GROUP

FROM OCTOBER 1, 2019, TO SEPTEMBER 30, 2020

(in million euros, unless stated otherwise)	2019/2020	2018/2019	Change in %
SALES	**2,238**	**2,190**	**2**
Domestic	297	290	2
Foreign	1,941	1,901	2
EBITDA	**456**	**411**	**11**
as a percentage of sales	20	19	
EBIT	**288**	**275**	**5**
as a percentage of sales	13	13	
Income from continuing operations before income taxes	**277**	**255**	**9**
Group earnings	**199**	**206**	**–3**
Cash flow from operating activities	**393**	**278**	**41**
Capital expenditure on property, plant and equipment	**318**	**257**	**24**
Total assets	**2,961**	**2,741**	**8**
Equity	**997**	**876**	**14**
Equity ratio (%)	34	32	
Long-term funds available [1]	**2,352**	**2,194**	**7**
as a percentage of total assets	79	80	
Net financial assets [2]	**–11**	**52**	
Expenditure on research and development	**92**	**86**	**7**
as a percentage of sales	4	4	
Employees as of the balance sheet date (number)	**16,466**	**16,196**	**2**

For computational reasons, rounding differences of +/– one unit (EUR millions) may occur in the table.

[1] Equity, long-term provisions and long-term liabilities
[2] Cash, cash equivalents and funds, less financial liabilities. Financial liabilities include additional leasing liabilities of EUR 85 million from the first-time application of IFRS 16 as of October 1, 2019.

Pioneering. Responsibly. Together.

These attributes characterize SCHOTT as a manufacturer of specialty glass, glass-ceramics and other cutting-edge materials. Our company founder, Otto Schott, is regarded as the founder of specialty glass and became the pioneer for an entire industry. With a pioneering spirit, insatiable curiosity and a passion for innovation to continually open up new markets and applications. This has been the driving force behind our technology Group for more than 130 years. Represented in 34 countries with production and sales sites, the #glasslovers are expert partners for high-tech industries: healthcare, home appliances and living, consumer electronics, semiconductors and datacom, optics, industry and energy, automotive, astronomy, and aerospace, for example. The company generated sales of EUR 2.24 billion with 16,500 employees in fiscal year 2019/2020. We want to continue to grow by having the best teams, supported by the best digital tools. As a wholly owned subsidiary of the Carl Zeiss Foundation, the dividend generated is used exclusively for scientific and social projects. In addition to our passion, responsibility for our employees, society and the environment are also firmly anchored in SCHOTT's DNA. In fact, our goal is to become a climate-neutral company by 2030.

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ANNUAL REPORT 2019 / 2020

Foreword by the Board of Management

DR. JENS SCHULTE	**DR. HEINZ KAISER**	**DR. FRANK HEINRICHT**	**HERMANN DITZ**
Member of the Board of Management since 2016	Member of the Board of Management since 2016	Chairman of the Board of Management and Labor Director since 2013	Member of the Board of Management since 2016

Ladies and gentlemen,

We all look back on a special year in many respects. Fiscal year 2019/2020 presented SCHOTT with great challenges, but also unleashed unimaginable forces. From March 2020 on, our activities were essentially determined by the fight against the effects of the COVID-19 pandemic. Within a very short period of time, we adapted our production to the changed conditions and implemented a variety of measures at our sites around the world to protect the health of our employees and thus ensure our ability to supply to our customers.

Against this backdrop, we can be more than satisfied with the course of fiscal year 2019/2020. We met our forecasts and were able to improve on our most important key performance indicators. Year-on-year, Group sales increased by 2.2 % to EUR 2.24 billion. Adjusted for currency effects, our sales even increased by 3.1 %. We also succeeded in improving our operating result (EBIT), which now stands at EUR 288 million, marking a new high. Net profit for the year amounted to EUR 199 million.

Equity also continued to develop positively and amounted to EUR 997 million as of the reporting date for the year under review, compared to EUR 876 million the previous year. The equity ratio thus increased to 33.7 %. This year, too, we will pay a statutory dividend to our sole shareholder, the Carl Zeiss Foundation.

The Precision Materials segment was the main contributor to the successful fiscal year. Business was particularly dynamic in special glass tubing for pharmaceutical packaging and the ampoules, vials and cartridges made from it, as well as glass and polymer syringes. The expansion of our production capacities in Europe and Asia contributed to our strong performance.

Our special thanks go to our employees. They have shown remarkable commitment and flexibility during a difficult period. We would also like to thank our customers, who have placed their trust in us and our products, as well as thank our reliable suppliers and partners, who have accompanied us through this year.

What do we expect from fiscal year 2020/2021? As a globally active technology Group, SCHOTT depends on the economic conditions and development of its target markets. When setting the target values, the uncertainties resulting from the COVID-19 pandemic in particular were taken into account. Further uncertainties for our global business result from the difficult trade relations between the United States and China as well as the Brexit.

Over the past few months, however, SCHOTT has once again proven to be an established, stable company that stands for high quality and reliability. Customers appreciate this fact, especially in difficult times. In the fight against COVID-19, for example, around 75 % of vaccine projects use pharmaceutical packaging from SCHOTT. By the end of 2021, we will be supplying borosilicate glass vials for an estimated 2 billion vaccine doses. In addition, our customers are developing rapid tests using our specially coated glass substrates.

Our long-term goals, which we have laid down in our new strategy cycle, are also ambitious. We want to further accelerate our profitable growth. By developing new technologies as part of the "Zero Carbon" project, we are seeking to gradually phase out the use of fossil fuels and be climate-neutral by 2030. By 2021, we will already be covering our electricity needs with renewable energies. We are also working intensively on pushing the technological limits of glass as a material through modern methods such as the use of artificial intelligence, and on making even greater use of its virtually inexhaustible potential. With our innovative strength, high level of investment and committed employees, we have excellent prerequisites for continuing SCHOTT's successful course.

December 2020

SCHOTT AG
The Board of Management

Dr. Frank Heinricht Hermann Ditz Dr. Heinz Kaiser Dr. Jens Schulte

FACTS ABOUT THE FISCAL YEAR

2.24
billion euros in revenue

199
million euros in consolidated net profit for the year

318
million euros Investments in Property, Plant and Equipment

33.7
Percent equity ratio. Total equity now amounts to 997 million euros.

Report by the Supervisory Board

Dr. Dieter Kurz
Chairman of the Supervisory Board

Ladies and gentlemen,

The global COVID-19 pandemic has also impacted our fiscal year 2019/2020. Nevertheless, SCHOTT was able to hold its own very well in the difficult environment that this created. The key financial figures remained stable at the good level of the previous year and even improved in some areas. Our broad and balanced business portfolio has helped us to successfully overcome the crisis. In addition, the Board of Management introduced extensive measures to cut costs and safeguard liquidity at an early stage. We are securing our future growth opportunities with a high capital expenditure budget, which was increased once again compared to the previous year.

The Supervisory Board monitored and advised the Board of Management in fiscal year 2019/2020 in accordance with the tasks incumbent upon it by law, the articles of association and the rules of procedure. In doing so, the Supervisory Board and the Board of Management worked together in a trusting and effective manner. The Board of Management informed the Supervisory Board regularly in oral and written reports on all the main aspects of business development, the current earnings situation, the risk position, risk management, short and long-term planning, and on investments and organizational measures. In addition, the Chairman of the Supervisory Board was in close contact with the Board of Management and was informed about the business situation, significant business transactions and strategic considerations.

The Supervisory Board was involved in all important decisions and passed the necessary resolutions in accordance with the law, the articles of association and the rules of procedure. The decisions made by the Supervisory Board were based on the reports and resolutions proposed by the Board of Management, which were reviewed very thoroughly. Deliberations focused on questions of strategy and business activities in the entire Group as well the individual Business Units. Key topics included the development of scenarios with regard to the impact of the COVID-19 pandemic on available liquidity, monitoring the major investment projects in Germany, China and India, various acquisition projects, the results of the Vision 2020 strategy implementation, the implementation of the new Group strategy “Our Strategy” and the introduction of the new leasing standard IFRS 16.

The Supervisory Board followed the recommendation of the Presiding Committee and reappointed Dr. Frank Heinricht in July with effect from June 1, 2021, for five years as a member of the Board of Management, Chairman of the Board of Management and Labor Director.

The Supervisory Board held four ordinary meetings in fiscal year 2019/2020. The main topics included the establishment of the annual financial statements of SCHOTT AG and the approval of the annual financial statements for fiscal year 2018/2019, the approval of the annual budget for 2020/2021 and the strategic development of the Business Units.

To perform its duties, the Supervisory Board has formed three committees. The Audit Committee met three times. It focused mainly on monitoring the accounting process, the efficiency of the internal control system, risk management and the internal audit system, but also on the statutory audit. The Presiding Committee met four times. Its meetings were aimed at discussing the target setting and the remuneration of Board members, and preparing the resolutions to be passed by the Supervisory Board. The Chairmen of the Audit Committee and the Presiding Committee reported regularly to the Supervisory Board in meetings on the work of the committees. There was no need for the Conference Committee to hold a session during the past fiscal year.

The 2019/2020 annual financial statements and the Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to Section 315e (3) of the German Commercial Code (HGB), as well as the respective management reports were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt (Main), and each was issued with an unqualified audit opinion. The Board of Management's report disclosing relations to affiliates ("dependent company report") was also audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt (Main).

The documents that pertained to the financial statements and the auditor's reports were submitted to all members of the Supervisory Board in a timely manner. We thoroughly examined these documents and discussed the annual financial statements during the Audit Committee meeting held on December 14, 2020, as well as at the Supervisory Board meeting on December 15, 2020. The auditor took part in both sessions, reported on the main results of the audit and was available to answer questions. The Chairman of the Audit Committee also reported in a plenary session on the results of his committee's audit of the financial statements. Based on its own examination of these documents, the Supervisory Board endorsed the findings of the auditor and approved the financial statements prepared by the Board of Management. The Supervisory Board agreed with the proposal of the Board of Management to pay a dividend of EUR 10 million from the retained earnings of SCHOTT AG in the amount of EUR 398,385,635.75 and to carry EUR 388,385,635.75 forward to new account. The SCHOTT AG financial statements as of September 30, 2020, are thus adopted.

In compliance with Section 312 of the German Stock Corporation Act (AktG), the Board of Management prepared the dependent company report for the period from October 1, 2019, through September 30, 2020. The auditor issued the following opinion on the result of his audit:

"As a result of our statutory audit, we confirm that:
1. The actual disclosures in the report are correct;
2. The company's payments made in connection with legal transactions described in the report were not unreasonably high."

The Supervisory Board was in agreement with the auditor's results. Following the final examination of the audit findings by the Supervisory Board, the audit has not led to any reservations concerning the Board of Management's concluding remarks in the dependent company report.

The Supervisory Board would like to thank the members of the Board of Management and all employees of SCHOTT worldwide for their tremendous commitment and successful work in fiscal year 2019/2020.

Mainz, December 15, 2020

On behalf of the Supervisory Board

D. Kurz

Dr. Dieter Kurz
Chairman

GROUP MANAGEMENT REPORT

FOR THE FISCAL YEAR FROM OCTOBER 1, 2019, TO SEPTEMBER 30, 2020

GROUP STRUCTURE

SCHOTT is an international technology group with more than 130 years of experience in the areas of specialty glass and glass-ceramics. Our main markets include the home appliance industry, pharmaceuticals, electronics, optics, life sciences, and the automotive and aviation industries. We currently employ nearly 16,500 people and operate manufacturing sites and sales offices in 34 countries. In fiscal year 2019/2020, we generated total Group sales of EUR 2.238 billion.

SCHOTT AG in Mainz is the parent company of SCHOTT Group (hereinafter also referred to as SCHOTT). Along with SCHOTT AG, SCHOTT Group includes an additional nine consolidated companies (previous year: 11) based in Germany and 50 foreign consolidated companies (previous year: 50) as of the balance sheet date. The sole shareholder of SCHOTT AG is the Carl Zeiss Foundation, which has no business activities according to its statute and is based in Heidenheim an der Brenz and Jena, Germany.

Group operations are organized into three different segments and seven distinct Business Units. The following list matches segments and businesses with their main markets:

SEGMENTS AND BUSINESSES	MAIN MARKETS
Precision Materials	
• Electronic Packaging	• Electronics/Automotive Industry
• Pharmaceutical Systems	• Pharmaceuticals
• Tubing	• Pharmaceuticals
Optical Industries	
• Advanced Optics	• Optics
• Lighting and Imaging	• Electronics/Automotive and Aviation Industries
Home Appliances	
• Home Tech	• Home Appliance Industry
• Flat Glass	• Home Appliance Industry

The Business Units can be categorized mainly on the basis of the types of products they offer, the production processes they use and the areas of application that they address.

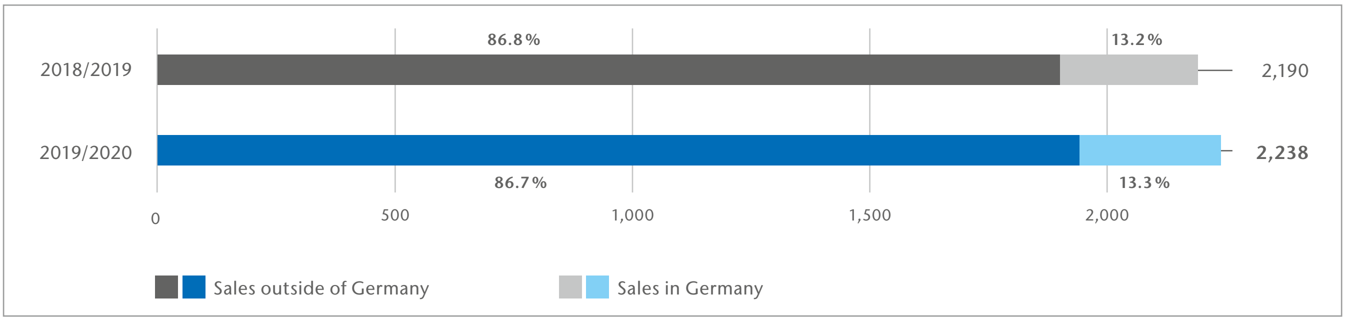
In the Precision Materials segment, Electronic Packaging stands for the development and manufacturing of hermetic seals and other components for the protection of sensitive electronics. The Business Unit addresses a number of applications and sales markets, including automotive and consumer electronics, energy and medical technology, as well as data and telecommunications. Pharmaceutical Systems produces more than 10 billion syringes, vials, ampoules, cartridges and special articles made of glass tubing or polymer in 13 countries every year. Tubing produces a variety of glass tubing, rods and profiles for pharmaceutical and technical applications.

The Advanced Optics Business Unit that is part of the Optical Industries segment offers an extensive portfolio of optical glass products, special materials and components for a multitude of applications in optics, lithography, astronomy, optoelectronics, architecture, life sciences and research. Lighting and Imaging offers a broad spectrum of high-tech solutions for illumination and image transmission, particularly in the medical technology, automotive and aviation, industrial equipment and security technology markets.

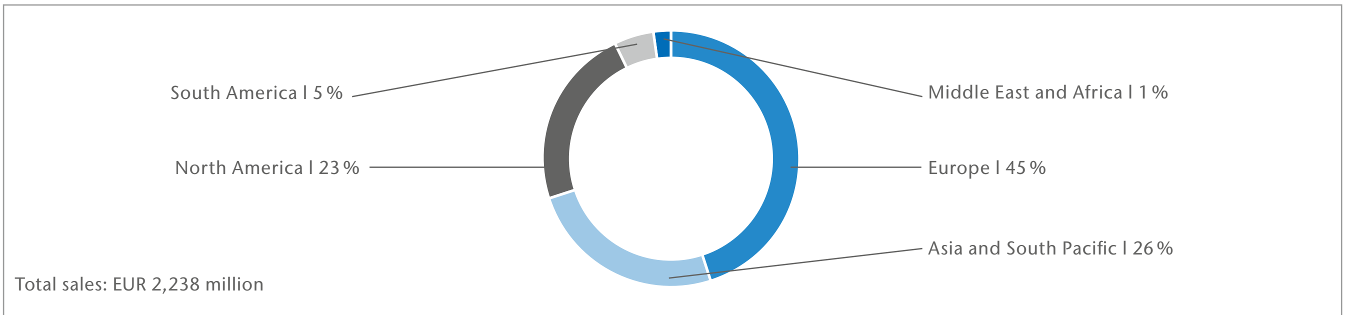
In the Home Appliances segment, Home Tech covers a broad range of solutions made of specialty glass and glass-ceramics. These mainly include cooktop panels and fire viewing windows made of glass-ceramic as well as borosilicate glasses for a variety of different application possibilities. The Flat Glass Business Unit develops, manufactures and markets a broad portfolio of products made of processed flat glasses for the home appliance industry such as exterior panes of glass for ovens, viewing windows for microwave ovens or shelves for refrigerators, and also for commercial presentation of refrigerated and frozen foods and even system solutions.

The most important industries that SCHOTT is active in based on sales revenue are the pharmaceutical industry and the home appliance industry, as well as the industrial optics and sensor, automotive, life sciences, and entertainment electronics. SCHOTT currently generates over 80 % of its sales in these industries. Therefore, the ways in which these industries develop can have a significant impact on how the business develops for the various SCHOTT Business Units.

SALES (in EUR millions)



SALES BY REGION



ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

In the fall of 2020, the global economy was dominated by the COVID-19 pandemic. The pandemic caused large parts of the global economy to collapse dramatically in the spring. The collapse was global in nature and was largely synchronized internationally. Following a stronger recovery around the middle of the year, the international economy is currently losing momentum again, as the pandemic has not been contained worldwide. In light of this situation, economic research institutes are forecasting a 4.0 % decline in the global economy in calendar year 2020, the sharpest slump since World War II. Global production had still grown by 2.6 % in calendar year 2019.[1]

For Europe – where SCHOTT Group generates nearly half of its sales – the economic research institutes expect to see a 6.5 % decline in the gross domestic product, after the economy had still grown by 1.4 % the year before. The economy in Germany is expected to shrink by 5.8 %. A decrease of 3.6 % is forecast for the United States (previous year: growth of 2.2 %). The Chinese

[1] Data according to the joint diagnosis of the leading German economic research institutes dated October 14, 2020

market, our largest sales market in Asia, is expected to grow by 1.4 % (previous year: 6.1 %). For Asia as a whole, the economic research institutes expect economic output to decline by 1.8 %, compared to growth of 4.3 % the previous year.

The industries of importance to SCHOTT are affected by the pandemic to varying degrees. Once again, considerable differences are to be expected in terms of regions and submarkets. In the pharmaceutical industry, the market is expected to grow by 4 % in 2020. The reduced number of visits to doctors and postponed operations will have an inhibiting effect on market growth this year. The market is expected to grow in China and Europe and to decline slightly in the United States. The household appliance market was hit particularly hard by the pandemic in the first half of the year with strong catch-up effects from the summer, but is nevertheless expected to shrink by 6 % over the year as a whole. A decline is also predicted in some cases in other industries that are important to SCHOTT, especially in the automotive industry, where a 19 % lower production volume is expected globally.[2]

BUSINESS DEVELOPMENT AND SITUATION OF THE GROUP

EARNINGS POSITION

(in EUR millions)	2019/2020	2018/2019	Change
Sales	2,238.4	2,190.4	+48.0
EBIT	288.2	275.1	+13.1
Financial result	–11.6	–20.4	+8.8
Income from continuing operations before income taxes	276.6	254.7	+21.9
Income taxes	–61.8	–53.0	–8.8
Income from continuing operations	214.7	201.6	+13.1
CONSOLIDATED PROFIT	**198.6**	**206.1**	**–7.5**

COURSE OF BUSINESS AND DEVELOPMENT OF SALES

Compared to the previous year, Group sales revenues increased by EUR 48 million or 2.2 % to EUR 2,238 billion. This growth was driven by the Precision Materials segment. Changes in the euro exchange rate reduced Group sales by EUR 21 million compared to the previous year (previous year: reduction in Group sales by EUR 7 million). Adjusted for exchange rate changes, sales increased by 3.1 %.

The share of Group sales generated in Europe remained at 45 % in fiscal year 2019/2020. The Asia and South Pacific region contributed 26 % to Group sales (previous year: 25 %), while North America contributed 23 % as in the previous year and South America 5 % (previous year: also 5 %). The Middle East and Africa region accounted for 1 % of Group sales (previous year: 2 %).

In the Precision Materials segment, sales increased from EUR 1,083 million to EUR 1,167 million. All three Business Units of the segment contributed to the increase in sales.

The Pharmaceutical Systems Business Unit grew significantly year-on-year and successfully continued the positive trend of previous years. Adjusted for currency effects, the growth in sales would have been even higher. The global demand for pharmaceutical primary packaging continues to rise, from which both the business with standard pharmaceutical packaging (ampoules, vials, cartridges) and with glass and polymer syringes benefited. The effects of the COVID-19 pandemic prevented even higher growth. Business in Asia, especially in China and India, was hit particularly hard.

Sales in the Tubing Business Unit also rose significantly, driven primarily by strong demand for pharmaceutical tubing for the growing market for pharmaceutical packaging. The technical tubing business also made a good contribution to growth due to high project sales. All regions contributed to this growth. Business was particularly successful in Asia, supported by a capacity expansion in the region.

[2] Internal forecasts taking relevant market studies such as those from statistics service providers, banks and management consultancies into account

The Electronic Packaging Business Unit was able to increase its sales slightly over the previous year. Here, too, business was in part significantly affected by the COVID-19 pandemic. The automotive business experienced a challenging market development in the fiscal year, with sales declining, in some cases considerably. On the other hand, we made a significant contribution to growth with a number of new products, particularly with products for high-speed data transmission applications, but also in energy technology and e-mobility. Despite the temporary slump in the household appliance industry, the thermal fuses business also held up well due to the increased trend towards mobile working.

Sales in the Optical Industries segment declined from EUR 283 million in the previous year to EUR 273 million.

A slight year-on-year decline in sales was recorded in the Advanced Optics Business Unit. While incoming orders in the first half of the year were still significantly higher than in the previous year, the COVID-19 pandemic had a noticeable impact on business development in the second half of the year. Business with ZERODUR® grew significantly, driven primarily by products for lithography applications, but overall could not quite offset the decline in sales of optical glass, filters and components.

The Lighting and Imaging Business Unit was also affected by the COVID-19 pandemic and recorded a moderate decline in sales. While business with medical technology and industrial and security technology declined year-on-year, the previous year's sales in the business with lighting for aviation and automotive applications were maintained due to a good first half year, but weakened significantly in the second half year, also due to the pandemic.

Sales in the Home Appliances segment declined by EUR 7 million to EUR 788 million.

Here, the Home Tech Business Unit achieved a slight increase in sales, even though business with CERAN® glass-ceramic cooktop panels declined slightly due to the pandemic, and business with ROBAX® brand fire viewing panels actually declined significantly. However, these sales losses were offset by strong growth in the ultra-thin glass, cover glass, safety technology and aircraft glazing businesses. Sales of diagnostic applications also increased significantly. This is mainly due to SCHOTT MiniFAB Pty Ltd, Frenchs Forest/Australia, which is included with full annual sales for the first time following its acquisition in July 2019. On a regional basis, Home Tech achieved sales growth in the Asia and South Pacific and North America regions, while sales in Europe declined.

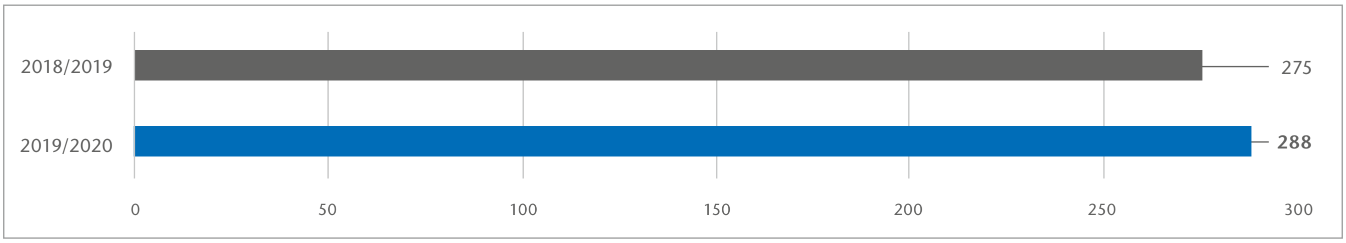
In the Flat Glass Business Unit, sales declined moderately year-on-year, again largely due to the effects of the COVID-19 pandemic. In the period from April to June 2020, the drop in sales even amounted to around 30 %, partly caused by plant closures ordered due to the pandemic. Exchange rates also had a negative impact on sales development. Europe, the NAFTA region and Brazil, our largest sales markets, were affected by the decline in sales.

ORDER BOOK

The order book as of the balance sheet date ensures an average utilization of our production capacity of around five months (previous year: five months). As a rule, our customers order at short notice due to the manageable delivery times. Annual framework agreements with customers apply in some areas.

INCOME FROM OPERATING ACTIVITIES

EBIT (in EUR millions)



Earnings before interest and taxes (EBIT) increased by EUR 13 million year-on-year to EUR 288 million. This increase in earnings was driven by the good business development in the Precision Materials segment and supported by the early countermeasures taken to combat the effects of the COVID-19 pandemic.

The increase in EBIT in the Precision Materials segment is significant and was driven by all three Business Units, which were able to significantly improve their respective results compared to the previous year. In the Business Units Pharmaceutical Systems and Tubing, the earnings growth was mainly driven by increased sales due to high demand and the associated very good capacity utilization as well as productivity gains. In Electronic Packaging, as well, the improvement in results is based on sales growth, an improved product mix due to the increased share of new business and improvements in the area of manufacturing costs. As in previous years, the segment contributed well over half of Group EBIT.

The Home Appliances segment experienced a significant decline in EBIT. In the Home Tech Business Unit, the result was burdened in particular by the temporary pandemic-related slump in sales and the resulting underutilization of production capacity, which particularly affected the CERAN® and ROBAX® business. The Flat Glass Business Unit also recorded a significant decline in EBIT. In addition to the COVID-19 pandemic, which had a similar effect to that of Home Tech, the result was also impacted by a goodwill impairment.

EBIT in the Optical Industries segment also declined sharply. Earnings at Advanced Optics were particularly affected by the pandemic-related lower sales and the resulting lower capacity utilization. Measures to reduce costs and improve productivity partially compensated for the negative effects. The COVID-19 pandemic also had a negative impact on Lighting and Imaging through lower sales and capacity utilization. Restructuring expenses in the business with interior lighting for vehicles and cabin lighting for aircraft further burdened the result.

The cost of sales amounted to EUR 1,471 million (previous year: EUR 1,461 million). This resulted in gross profit on sales of EUR 768 million (previous year: EUR 729 million). We were able to improve the gross margin from 33.3 % to 34.3 %.

Selling expenses decreased by EUR 4 million to EUR 249 million. The selling expenses ratio decreased from 11.6 % to 11.1 %. This is not least due to the fact that sales activities had to be restricted due to the COVID-19 pandemic. The R&D ratio increased from 3.9 % the previous year to 4.1 %. Research and development expenses amounted to EUR 92 million in the past fiscal year compared to EUR 86 million the previous year.

General and administrative expenses decreased by EUR 1 million to EUR 153 million. This equates to an administrative expense ratio of 6.8 % after 7.0 % the previous year.

Other operating income was down from EUR 60 million the previous year to EUR 50 million. Compared to the previous year, profits from the disposal of fixed assets, income from the reappraisal of the EEG levy and income from the reversal of provisions in particular declined by a total of EUR 24 million. This was offset in particular by exchange rate gains and income from changes in the scope of consolidation, which increased by a total of EUR 12 million compared to the previous year.

Other operating expenses rose from EUR 29 million the previous year to EUR 41 million. Compared to the previous year, higher impairment and restructuring expenses in particular had a EUR 12 million impact here.

NET FINANCIAL INCOME

The financial result improved by EUR 8 million year-on-year to EUR –12 million. This improvement was mainly due to lower net interest expense on pension provisions, a compensation payment made the previous year for the early termination of a lease agreement and lower expenses from the revolving receivables securitization program.

TAXES

The tax expense for continuing operations amounted to EUR 62 million compared to EUR 53 million the previous year. The Group tax rate increased from 21 % to 22 %.

DISCONTINUED OPERATIONS AND CONSOLIDATED NET PROFIT

The consolidated net profit for the year of EUR 199 million (previous year: EUR 206 million) includes a positive result from continuing operations of EUR 215 million (previous year: EUR 202 million) and a negative contribution to earnings from discontinued operations of EUR 16 million (previous year: positive contribution to earnings of EUR 4 million). The loss from discontinued operations was caused by provisions for increased warranty risks and disposal costs in the solar division, whereas in the previous year the termination of a long-term onerous contract had a positive effect.

FINANCIAL POSITION

(in EUR millions)	2019/2020	2018/2019	Change
Cash flow from operating activities*	392.7	278.5	+114.2
Cash outflow from investing activities*	–297.3	–287.6	–9.7
Cash outflow from financing activities*	–25.5	12.6	–38.1
Change in cash and cash equivalents	69.8	3.5	+66.3
Cash and cash equivalents at the end of the period	233.8	171.5	+62.3

*from continued and discontinued activities

CASH FLOW STATEMENT AND INVESTMENT ANALYSIS

In the fiscal year, we managed to increase net cash provided by operating activities from EUR 278 million in the previous year to EUR 393 million. The reconciliation of net income to cash flow from operating activities was particularly affected by an increase in provisions and accruals, which contributed EUR 68 million to the increase compared to the previous year, as well as a EUR 32 million increase in depreciation and amortization.

Net cash used in investing activities rose by EUR 9 million to EUR 297 million. While payments for the acquisition of property, plant and equipment and intangible assets increased by EUR 38 million to EUR 297 million, payments for the acquisition of consolidated companies and other Business Units decreased by EUR 30 million to EUR 7 million. In the previous year, this figure included EUR 28 million for the acquisition of SCHOTT MiniFAB Pty Ltd, Frenchs Forest, Australia. Proceeds from the disposal of assets decreased by EUR 8 million to EUR 3 million. On the other hand, no payments were made for the acquisition of financial assets in the past fiscal year, whereas in the previous year, EUR 5 million was paid for the acquisition of two investments.

Of the investments made during the fiscal year, 74 % related to the Pharmaceutical Systems, Tubing and Home Tech Business Units. As in the previous year, the main focus of investment was on growth projects, in particular the construction and expansion of production facilities in China, Germany and Switzerland, capacity expansions and the construction and conversion of melting furnaces. All significant capital expenditures were carried out on schedule in the past fiscal year without any significant delays.

Financing activities resulted in a cash outflow of EUR 26 million, compared to a cash inflow of EUR 13 million in the previous year. Cash outflows resulted in particular from dividend payments of EUR 21 million, the repayment of lease liabilities of EUR 17 million, the repayment of capital reserves to a non-controlling shareholder of EUR 11 million and loan repayments of EUR 4 million. This was offset in particular by borrowings of EUR 41 million. The cash allocation to plan assets decreased from EUR 27 million in the previous year to EUR 8 million. In return, plan assets were strengthened by a total of EUR 27 million in the fiscal year by transferring the majority shareholdings in two real estate companies into a contractual trust arrangement without contributing cash.

As a result, cash and cash equivalents increased by EUR 70 million. Taking into account exchange rate and consolidation group-related changes of EUR 8 million, cash and cash equivalents rose from EUR 172 million in the previous year to EUR 234 million.

Order commitments from investments in property, plant and equipment and intangible assets amounted to EUR 141 million as of the balance sheet date (previous year: EUR 88 million). The largest current investment projects continue to relate to the expansion and modernization of production capacities in the Pharmaceutical Systems, Tubing and Home Tech Business Units.

FINANCING INSTRUMENTS

SCHOTT Group has a diversified range of instruments at its disposal to finance its business activities. These include for the most part credit lines, long-term loans and leases.

In September 2020, SCHOTT concluded a new syndicated credit line of EUR 250 million with an international banking syndicate. This credit line is available to SCHOTT until September 2023 and can be extended by a maximum of 2 years by drawing an extension option. The previous credit line, which was concluded in March 2015, was terminated on the same date. Neither the previous credit line nor the new credit line was utilized in fiscal year 2019/2020.

In the past fiscal year, one variable and one fixed-interest loan of EUR 20 million each was newly contracted and is due for repayment in March 2021 and March 2022, respectively.

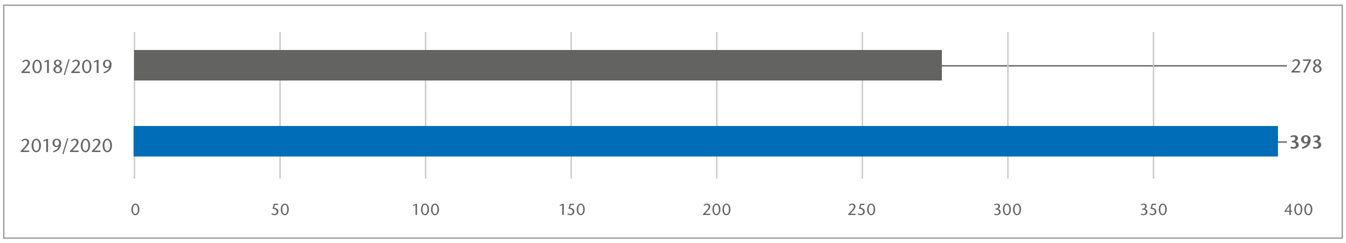
On the balance sheet date, there were fixed interest loans of EUR 96 million (previous year: EUR 80 million) which are to be repaid in installments by June 2024 in accordance with the agreed schedules. In addition, SCHOTT had variable-interest loans in the amount of EUR 35 million (previous year: EUR 15 million) at its disposal. These loans are repayable by September 2024 according to agreed repayment schedules. Furthermore, there were liabilities from leases that totaled EUR 100 million (previous year: EUR 5 million). Due to the first-time application of IFRS 16 as of October 1, 2019, a large share of the current leasing contracts was recognized in the balance sheet, which explains the increase.

SCHOTT also has a program for the revolving sale of receivables with a volume of up to EUR 50 million and a term until 2021. The trade receivables of SCHOTT AG sold on the basis of this program and still outstanding as of September 30, 2020, amounted to EUR 11 million (previous year: EUR 9 million). Since SCHOTT Group no longer bears the associated credit risks, the receivables were derecognized from the Consolidated Statement of Financial Position.

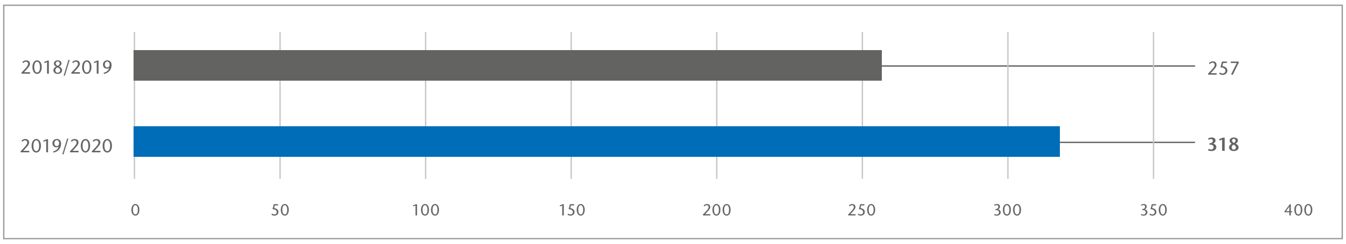
SCHOTT AG also has other bilateral master loan agreements with credit institutions at its disposal in the amount of EUR 130 million that can be used for guaranties, guaranty bonds, or cash credit lines. Of these credit lines, which were made available until further notice, EUR 77 million were freely available on the balance sheet date. In addition, SCHOTT Group also has bilateral guaranty credit lines and bilateral credit contracts available at the local level.

SCHOTT was able to meet its payment obligations at all times during the past fiscal year 2019/2020. The company continues to strive to maintain a financial position in line with the requirements of an investment grade rating. Based on the company's planning, we assume that SCHOTT Group will also have sufficient liquid funds to be able to finance its planned investments and meet its other financial obligations in fiscal year 2020/2021.

CASH FLOW FROM OPERATING ACTIVITIES (in EUR millions)



CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT (in EUR millions)



ASSET POSITION

(in EUR millions)	Sept. 30, 2020	Sept. 30, 2019	Change
Non-current assets	1,774.2	1,618.3	+155.9
Current assets	1,187.0	1,122.7	+64.3
TOTAL ASSETS	**2,961.1**	**2,741.0**	**+220.1**
Equity	997.3	875.9	+121.4
Non-current liabilities	1,354.5	1,318.5	+36.0
Current liabilities	609.4	546.6	+62.8
TOTAL LIABILITIES	**2,961.1**	**2,741.0**	**+220.1**

NON-CURRENT ASSETS

Intangible assets increased by EUR 1 million year-on-year to EUR 124 million. Intangible assets increased by EUR 14 million due to the acquisition of the MEGADraw business from Incom, Inc. in the United States. The growth here is mainly attributable to the customer base acquired. Furthermore, the introduction of a new ERP system resulted in additions to assets of EUR 4 million. This was offset in particular by goodwill amortization of EUR 9 million and scheduled depreciation of EUR 9 million.

Property, plant and equipment increased by EUR 185 million to EUR 1,221 million. Please refer to the Notes to the Consolidated Statement of Cash Flows and to the investment analysis.

In the past fiscal year, SCHOTT increased its investments from EUR 257 million in the previous year to EUR 318 million. The first-time application of IFRS 16 also had an impact, resulting in an increase in fixed assets of EUR 85 million year on year. Depreciation and amortization had an offsetting effect in the amount of EUR 152 million (previous year: EUR 130 million), of which EUR 2 million related to impairments. Currency translation reduced fixed assets further by EUR 38 million, disposals from the consolidated Group by EUR 22 million and further asset disposals by EUR 5 million.

Deferred tax assets decreased by EUR 36 million year-on-year to EUR 331 million. This is due in particular to deferred tax assets from loss carryforwards and pension provisions, which both fell by EUR 15 million year-on-year.

Other non-current financial assets increased by EUR 3 million compared to the previous year. In order to strengthen plan assets, SCHOTT AG, as the sponsoring company, endowed the majority interest in two property companies as plan assets and contributed them to a “Contractual Trust Arrangement.” The endowment led to the realization of hidden reserves also in the retained shares, which explains the increase.

CURRENT ASSETS

Inventories, contract assets and trade receivables and payables are reported under working capital. At EUR 657 million, working capital remained virtually unchanged compared to the previous year (EUR 655 million). An increase in contract assets of EUR 13 million was offset by a similar increase in trade payables.

Other current financial assets amounted to EUR 19 million as of the balance sheet date (previous year: EUR 12 million). The increase is due to the positive fair values of derivatives, which increased by EUR 10 million year-on-year. This was offset in particular by a EUR 2 million decrease in creditors with debit balances.

Cash and cash equivalents increased by EUR 62 million to EUR 234 million. In this context, we refer to the comments in the section “Cash Flow Statement and investment analysis.”

EQUITY

SCHOTT Group’s equity amounted to EUR 997 million on the balance sheet date of the year under review compared to EUR 876 million the previous year. The equity ratio increased from 32.0 % to 33.7 %. This increase is primarily due to the net income for the year of EUR 199 million and the actuarial gains and losses, which, including deferred taxes, increased equity by EUR 23 million. Currency translation differences of EUR 69 million, profit distributions of EUR 20 million and a EUR 11 million decrease in non-controlling interests (excluding their share of the consolidated net profit) reduced equity.

NON-CURRENT LIABILITIES

As of the reporting date, pension provisions decreased by EUR 76 million to EUR 994 million. The main reasons for this decrease are the slight increase in the discount rate from 1.13 % to 1.25 % and further changes in estimates totaling EUR 31 million. Pension provisions were also reduced by pension payments of EUR 47 million, allocations to plan assets of EUR 35 million and exchange rate changes of EUR 3 million. Newly earned pension entitlements of EUR 30 million and net interest expenses of EUR 11 million had the opposite effect.

The funds available in the long term (equity, long-term provisions and long-term liabilities) amounted to EUR 2,352 million (previous year: EUR 2,194 million) or 79 % (previous year: 80 %) of total assets on the balance sheet date. Long-term assets are thus covered to 133 % (previous year 136 %) by equity and long-term liabilities.

The increase in other non-current financial liabilities from EUR 107 million as of the previous year’s balance sheet date to EUR 200 million is mainly due to the first-time application of IFRS 16 as of October 1, 2019, with the recognition of leasing contracts in the balance sheet. This increased the item by EUR 79 million year-on-year. Liabilities to banks also increased by EUR 16 million. This was offset by a EUR 2 million reduction in purchase price liabilities for company acquisitions.

CURRENT LIABILITIES

In addition to trade payables, current liabilities mainly include current provisions, such as for taxes, warranty obligations and other employee benefits, as well as deferred liabilities, especially in the area of personnel.

Other current financial liabilities increased from EUR 57 million as of the balance sheet date of the previous year to EUR 87 million. This increase is due in particular to liabilities to banks, which rose by EUR 21 million as of the balance sheet date, as well as current lease liabilities of EUR 16 million due to the first-time application of IFRS 16.

COMPARISON OF BUSINESS DEVELOPMENT WITH THE PREVIOUS YEAR'S FORECAST

Compared to the previous year, sales rose by 2.2 % or currency-adjusted by 3.1 %. Thus, we were able to just reach our forecast – an increase of between 3 % and 6 % in constant currency – despite the effects of the COVID-19 pandemic.

We increased our EBIT from EUR 275 million in the previous year to EUR 288 million. We have thus also exceeded the previous year's forecast – an essentially stable repetition of the good result of the previous year. This applies equally to the key performance indicators derived from EBIT – particularly "SCHOTT Value Added." We increased our investments in fixed assets from EUR 259 million in the previous year to EUR 324 million. We were thus able to meet our forecast – a significant increase over the previous year.

KEY FINANCIAL PERFORMANCE INDICATORS

Besides sales and the result from operating activities (EBIT), the key figure "SCHOTT Value Added" represents an important management instrument. "SCHOTT Value Added" refers to the difference between EBIT and the capital costs. Capital costs are calculated as the weighted average of cost of equity and cost of debt. The goal for all units of SCHOTT Group is to make a positive contribution to the Group's value.

NON-FINANCIAL PERFORMANCE INDICATORS

EMPLOYEES

SCHOTT Group had 16,466 employees worldwide as of September 30, 2020 (previous year: 16,196). This means the company had 270 more employees than on the balance sheet date of the previous fiscal year. 10,573 employees were employed at companies outside Germany, which equates to 64 % of the Group's workforce.

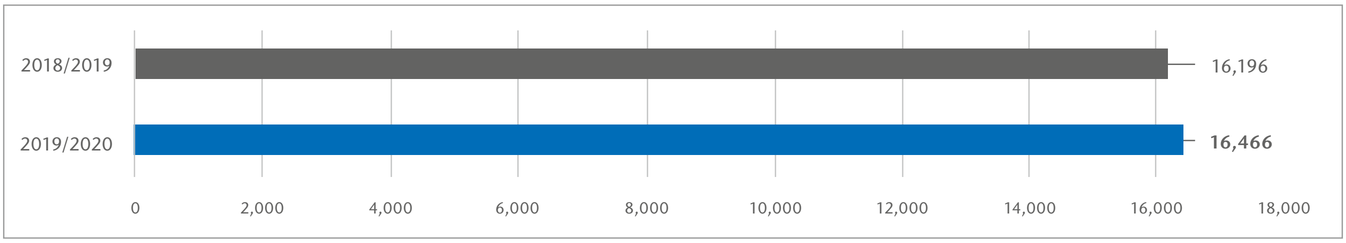
As a technology group, we depend to a high degree on qualified and motivated employees for our success. We position ourselves as an attractive employer by offering performance-based pay, diverse career opportunities, innovative working time models and measures to better reconcile work and family.

In the area of continuing education, our employees have a broad portfolio of learning content at their disposal to expand and deepen their skills in various subject areas. In the past year, the digital learning opportunities were expanded, particularly for the production area, and will continue to be a focus of activities in the new fiscal year.

In addition, dual vocational training continues to be an important pillar in securing our future demand for skilled workers. In fiscal year 2019/2020, SCHOTT trained an average of 314 young people (previous year: 277).

After successfully completing their training, all trainees are generally offered permanent employment. For us, hiring and promoting interns, working students, and doctoral candidates is part of our holistic approach to securing young talent. In addition, our International Graduate Program offers career starters an attractive entry opportunity to lay the foundation for a successful professional future with us.

EMPLOYEES AS OF THE BALANCE SHEET DATE



RESEARCH AND DEVELOPMENT

Central Research and Development (R&D) and SCHOTT's Business Units are tasked with a common goal: to strengthen innovation, growth and competitiveness. Our R&D activities focus on both new products and the further development of our current products, materials and processes.

The R&D ratio for fiscal year 2019/2020 amounted to 4.1 % of Group sales (previous year: 3.9 %). Compared to the previous year, we thus increased R&D spending by EUR 6 million or 7 % to EUR 92 million. At the end of fiscal year 2019/2020, the percentage of employees working in R&D was approximately 3.9 % of the Group's workforce, which equates to around 640 people.

Our global R&D network includes the Otto Schott Research Center in Mainz, Germany, as well as R&D units in the Business Units and in certain regions worldwide. A separate central R&D department was established in China at the Suzhou site with the task of establishing local development networks with research institutes and customers. In addition, we maintain close contacts with industrial partners, universities and research institutes worldwide.

MAIN FOCUSES OF R+D IN FISCAL YEAR 2019/2020

SCHOTT pursues its opportunities on key strategic topics that include the development of ever thinner and stronger glasses and new materials, the optimization of processes and material solutions for the future markets of communication, mobility, health and resource-sparing energy use. Digitalization and artificial intelligence techniques accelerate the development processes.

Our goal is to become a CO_2-neutral company by the year 2030. To this end, we have developed a Group-wide medium to long-term technology strategy and have already taken the first concrete steps in technology development.

As in the previous year, SCHOTT's research and development activities focus on the following topics:

- Material development and innovations
- Melting and hot forming processes
- Surface and laser technologies
- Simulation and data science

GENERAL STATEMENT BY THE BOARD OF MANAGEMENT ON THE EARNINGS, FINANCIAL AND ASSET SITUATION

SCHOTT can look back on a very successful fiscal year 2019/2020 overall, despite the challenges that the COVID-19 pandemic has been posing since the beginning of 2020. Our diverse and balanced business portfolio helped us to overcome the initial phase of the pandemic and continues to provide us with stability. Early measures taken against the crisis had a supportive effect.

Adjusted for currency effects, sales were up 3.1 %. We were thus within our expectations from the previous year, albeit at the lower end of the range. At EUR 288 million, we achieved the highest EBIT in the history of SCHOTT and, at EUR 199 million, net income for the year was again at the level of the three previous years that were also successful.

We are also satisfied with the cash flow from operating activities, which increased from EUR 278 million to EUR 393 million. We were once again able to significantly increase our investing activities. Thanks to the net profit for the year and essentially stable interest rates for pension provisions, we succeeded in increasing the equity ratio to just under 34 %.

FORECAST REPORT

In their fall report, the leading German economic research institutes expect a strong increase in global production of 5.9 % for 2021 following the unprecedented slump in the current year. The forecast figures presented here predict that the pandemic can be contained in the course of the coming year and that it will become less and less of an obstacle to economic activity. However, there is still great uncertainty as to the further course of the pandemic; a further widespread shutdown or even temporary restrictions in individual economic sectors pose considerable risks to economic recovery.[3]

We expect growth rates of between 5 % (industrial optics and sensor technology as well as consumer electronics) and 13 % (automotive industry) in the most important industries for SCHOTT in calendar year 2021 and thus a significant recovery. From SCHOTT's point of view, the two most important industries are the pharmaceutical industry and the home appliance industry, where global market growth of 6 % is expected for each of these sectors.

If the economic expectations and our estimates of the expected development in terms of industries and technologies as well as the development of exchange rates are confirmed, we expect the development described below. Significant changes in the assumptions may, however, lead to significant deviations.

On the basis of what we know today and taking the premises cited into consideration, we expect Group sales to increase by between 2 % and 5 % in fiscal year 2020/2021. We expect to see a slight decline in EBIT. With regard to the key figures derived from EBIT – especially "SCHOTT Value Added" – we expect that the planned high investment volume will have an effect together with the declining EBIT and accordingly expect a significant decline.

According to our financial planning, solvency is guaranteed for the forecast period. SCHOTT also intends to continue growing through its core businesses in the future. To this end, we will continue to invest appropriately and examine select acquisition and cooperation opportunities. For the year ahead, we are planning another solid increase in relation to the already comparatively high level of investment.

RISK AND OPPORTUNITY REPORT

GROUP-WIDE MANAGEMENT OF OPPORTUNITIES AND RISKS

The centrally controlled opportunity and risk management system of SCHOTT Group (hereinafter referred to collectively as the risk management system) comprises all organizational measures, regulations and processes for the early identification, evaluation and control of opportunities and risks. The main elements of the risk management system are the established planning and governance processes, the internal control system and the early warning system.

The Board of Management is ultimately responsible for the risk management system. It provides the framework conditions to ensure the early identification of developments that could jeopardize the continued existence of the company and the introduction of suitable measures. The Audit Committee of the Supervisory Board monitors the effectiveness of the risk management system. Risk coordinators in the divisions implement the central requirements and guidelines. The management of the Business Units and Corporate Functions identifies, manages and reports the operational and strategic risks.

PLANNING AND GOVERNANCE PROCESSES

Decentralized controlling is responsible for planning and forecasting and continually analyzing the results of the Business Units. It also coordinates the systematic identification, assessment, and documentation of the corresponding opportunities and risks.

The Group Function Finance works with the operating units and analyzes the development of key performance indicators for the individual Business Units and the Group as a whole. These efforts are supplemented by evaluations of the opportunities and risks within the framework of the established planning and forecasting processes. Regular reports to the Board of Management, coupled with appropriate recommendations for action, ensure value-oriented portfolio management tailored to these risks and opportunities.

[3] Data according to the joint diagnosis of the leading German economic research institutes dated October 14, 2020

INTERNAL CONTROL SYSTEM

The task of the internal control system is to ensure the correctness of accounting and financial reporting. Our central accounting department continuously reviews changes in laws and accounting standards for their relevance to the Consolidated Financial Statements. The internal accounting policy, charts of accounts and consolidation software are then modified accordingly.

The Consolidated Financial Statements are prepared centrally on the basis of the data reported by the subsidiaries. Central accounting first checks the data for plausibility and then consolidates it. Furthermore, the quality of the recording of the data and consolidation are ensured by using authorization and access rules while observing the necessary separation of functions.

The internal auditing department monitors the functions and effectiveness of the systems and processes implemented with the help of systematic, periodic reviews as well as technical measures.

EARLY RISK WARNING SYSTEM

The early risk warning system (RFS) is integrated into SCHOTT's planning and governance processes. Roles, responsibilities and processes are documented in a Group-wide guideline.

Risks are defined in the sense of the early warning system as all developments and events that can have a negative impact on SCHOTT's future development, to the extent that these have not already been fully anticipated in the company's planning. Accordingly, opportunities are defined as developments and events that can have a positive impact on SCHOTT's future development, to the extent that these have not already been fully anticipated in the company's planning.

Assessment of the opportunities and risks identified takes place on the basis of the possible economic effects on planned Group equity and the expected probability of their occurrence. Risks are presented on a net basis, taking into account risk limitation measures.

We categorize the economic effects into low, medium, high and very high (≥ EUR 15 million) on the basis of the loss potential determined. We use the following criteria for the probability of occurrence:

Criterion	Description
Low	The likelihood of the opportunity / risk is considered to be highly improbable
Medium	The likelihood of the opportunity / risk is considered to be improbable
High	The likelihood of the opportunity / risk is considered to be probable
Very high	The likelihood of the opportunity / risk is considered to be highly probable

Based on the estimated probability of occurrence and its economic effects, we classify risks to three risk categories, whereby the main risks are classified to risk class 1. At the time this report was prepared, this included the following risks:

Accounting for pension liabilities depends largely on the interest rate that is used to discount pension commitments. A reduction in the interest rate has a negative effect on Group equity. For several years, SCHOTT has been partially funding its pension obligations through contractual trust arrangements, for example. As part of its financial strategy, the SCHOTT Board of Management continues to endeavor to partially use excess liquidity to further refinance its pension obligations. As part of the risk reassessment, the probability of this risk occurring has increased. For this reason, we re-classify this risk as a significant risk on the reporting date.

SCHOTT issues guarantees on certain products with terms of duration that partly extend beyond the legal scope of guarantees and guarantee periods. In addition to our quality management and the conclusion of insurance policies, we have made provisions for this in the Consolidated Financial Statements on the basis of the findings known as of the balance sheet date. Nevertheless, it cannot be ruled out for the future that expenses may arise, for example, as a result of court or official decisions or the agreement of settlements, which are not covered or not fully covered by the risk provisions made and may have negative effects on the Group's financial position and results of operations. Within the scope of the annual risk assessment, the loss potential and the probability of occurrence were significantly increased compared to the previous year.

As a result of the global orientation of SCHOTT Group, operating business as well as balance sheet and earnings figures are exposed to risks and opportunities from fluctuations in exchange rates. Transaction risks are managed as part of our central currency management, which is described in the section entitled "Financial risks."

In the Home Appliances segment, we see ourselves exposed to increasing competitive pressure, particularly in mass markets, as in the previous year.

Due to its international business relationships, SCHOTT is exposed to risks arising from changes in political conditions. These include, for example, the termination of trade agreements or the introduction or increase of customs duties.

German SCHOTT companies claim the special compensation regulation for power-intensive companies pursuant to Section 63 et seq. of the Renewable Energy Sources Act (EEG). The elimination or reduction of this regulation would significantly increase the cost of energy procurement in Germany.

In the Precision Materials segment, we continue to observe an increasing demand for pharmaceutical packaging, which is likely to be further strengthened by the COVID-19 pandemic. In some business areas, we see the risk that we could lose market share due to limited capacities, if our competitors succeed in building up corresponding production capacities faster. We are countering this risk through targeted investments. Nevertheless, we cannot rule out the possibility that potential losses of market share could represent a significant risk for SCHOTT over the medium to long term. We have reclassified this risk as a class 1 risk.

In the Home Appliances segment, we are also active in project business in several markets. The cyclical nature of these activities can lead to temporary or permanent underutilization of our production capacities, which we continue to regard as a significant risk.

As part of our regular risk assessment, we have reduced the probability of occurrence of the "threat of cyber-attacks" risk on the basis of the countermeasures implemented and no longer classify this risk as a class 1 risk as of the reporting date.

THE MARKET AND COMPETITION

As a globally active technology Group, SCHOTT depends on the economic conditions and development of its target markets. Planning for future fiscal years was prepared on the basis of the expected economic development. Uncertainties due to the COVID-19 pandemic were taken into account when setting the target values.

Due to the many factors influencing the future economic development, uncertainties remain with regard to the achievement of the Group's targets. In this context, political, regulatory or economic events in particular represent direct or indirect uncertainty factors that could have a significant impact on the business situation.

In terms of our productivity targets, both opportunities and risks arise across all segments, whereas the continued increase in competitive and price pressure represents a risk. The diversification of our product portfolio as well as our global presence and strong position in our target markets and with our products enables us leeway in order to take advantage of opportunities and minimize risks.

PRECISION MATERIALS SEGMENT

Uncertainty due to the COVID-19 pandemic plays a major role in our current portfolio of opportunities and risks, including the Electronic Packaging Business Unit. Besides the chance of an accelerated market recovery, there are also risks that the pandemic will last longer or have a stronger impact than assumed in our planning. Opportunities in the Business Unit also arise from a further increase in the rate of new products and improved productivity. We see risks in relation to the development of demand in the automotive industry, a slowdown in the progress of the 5G network expansion and in the project business.

In the Pharmaceutical Systems and Tubing Business Units, there is still the risk that projects to expand our production capacities will be delayed. This includes the risk of not being able to cover personnel requirements in time. We see opportunities in the coming fiscal year as well, particularly in a further increase in demand.

OPTICAL INDUSTRIES SEGMENT

In the Advanced Optics Business Unit, we continue to see opportunities from the establishment and expansion of new business fields. These are offset by risks arising from delays in the start-up of customer projects or their lack of market success. Increasing competitive pressure, particularly in Asia, continues to represent a risk as in the previous year.

In the Lighting and Imaging Business Unit, the structure of the business with components for major OEM customers and fluctuations in the timing and volume of project tenders continue to result in an essentially balanced opportunity/risk portfolio.

HOME APPLIANCES SEGMENT

Due to the economic dependency of most end customer markets, both opportunities and risks arise from the overall economic development for the Home Appliances segment.

We continue to see opportunities in the Home Tech Business Unit in the successful market launch of new products, such as ultra-thin glass, cover glass and diagnostics. Risks in the medium term continue to exist in the availability of raw materials.

In the Flat Glass Business Unit, a faster market recovery offers opportunities, particularly in the Home Appliance application area. Risks exist in particular in a continuing weakness in demand and in project delays.

PROCUREMENT OPPORTUNITIES AND RISKS

SCHOTT's purchasing organization continuously monitors relevant procurement markets and suppliers in order to identify procurement risks and opportunities at an early stage and to develop appropriate measures. A special focus is placed on raw materials that can be subject to strong price fluctuations, for example, due to their sometimes limited availability, such as lithium, for example.

Supply shortages or the insolvency of a supplier, particularly in the raw materials sector, can lead to short-term production losses. We counteract these risks and general price increases by continuously improving the material composition of our products. In addition, we are working to reduce our dependency on individual suppliers (single sourcing).

Within the framework of the established procurement processes, opportunities arising, for example, from the bundling of procurement activities are used. Purchasing and Treasury work closely together to develop and implement procurement strategies for electricity and gas.

PRODUCTION RISKS

The manufacturing of our products depends mainly on the functionality of our manufacturing facilities and a reliable energy and media supply. For example, a redundant energy supply and regular maintenance work should help to prevent unplanned production downtimes. Nevertheless, defects at manufacturing facilities cannot be ruled out due to the complex technical processes. The necessary repair work can lead to unplanned production outages.

Risks as a result of quality defects during manufacturing and filling of orders cannot be ruled out completely. SCHOTT combats these risks with a quality management system and by offering an extensive training program.

RISKS AND OPPORTUNITIES ARISING FROM TECHNOLOGICAL INNOVATION

SCHOTT is active in markets that are characterized by constant technological innovation. The latest scientific and research findings can significantly accelerate product and development cycles. In addition, it is also possible for products to be partially or completely replaced by alternative technologies. SCHOTT's success and reputation thus depend not only on the ongoing development of innovative products that are in line with market requirements, but also on the company's ability to recognize and implement new technological trends quickly. SCHOTT counters this risk through continuous investments in the areas of research and development, protection of its technical expertise through patents and other industrial property rights, and continuous observation of the market and strategic business development. In addition, SCHOTT is actively involved in development partnerships and also cooperates with external research institutes.

FINANCIAL RISKS

Treasury is centrally responsible for financing and hedging activities and controls the cash management of SCHOTT Group. The type and scope of financing and hedging activities are governed by a Group-wide directive. Financial transactions are concluded only with select business partners as part of fixed limits. Derivative financial instruments are used only for hedging purposes.

Due to its international orientation, SCHOTT is exposed to risks resulting from fluctuations in exchange rates. The goal of centralized currency management is to protect our business operations from risks that result from exchanging foreign currencies. Generally speaking, our global presence, including local production and global purchasing activities, mitigates transaction risks. Net currency positions that we determine on a regular basis using currency-differentiated liquidity forecasts serve as the basis for hedging the remaining transaction-related risks. Forward exchange transactions are used as hedging instruments. The majority of our currency exchange rate risks are the result of the exchange rate trend of the euro against the US dollar.

The aim of central interest rate management is to protect the Group result against the negative effects of changes in interest rates. Attention is paid here to an appropriate ratio between fixed and variable interest rates and short-term and long-term financing arrangements while taking costs and risks into consideration.

Accounting for pension liabilities depends largely on the respective interest rate that is used to discount pension commitments. A reduction in the interest rate has a negative effect on Group equity. As part of its financial strategy, SCHOTT has been partially funding its pension obligations for several years. The Group continues to endeavor to use excess liquidity to further refinance its pension obligations.

The liquidity risk of the Group is the risk that a Group company will not be able to meet its financial obligations. SCHOTT has sufficient liquidity reserves at its disposal in the form of cash and cash equivalents as well as binding credit lines. For more information on this topic, please refer to the information that explains our financial instruments.

Financial liabilities owed to banks and other lenders are mostly bound by adherence to financial covenants. A breach of these covenants could result in a deterioration of financing conditions or repayment of financial liabilities. We counter this risk by continuously monitoring the covenants on the basis of the respectively applicable actual, planned, and forecast values of the related key figures.

Within the scope of treasury activities, counterparty risk is managed through a diversified business allocation and investment policy. This includes a regular, structured counterparty evaluation including individual limit allocation and continuous monitoring of limit utilization. Security and accessibility are more important than yield aspects when it comes to investing the funds available.

In order to minimize the risk of non-payment on the part of our customers, we have networked our SAP-based customer credit management systems in major SCHOTT units worldwide. Our sales and finance organization thus has access to customers' current credit limits, credit exposures as well as order and payment transactions at all times. SCHOTT also uses credit insurance to mitigate customer credit and country risks.

The intrinsic value of fixed assets and inventories recognized in the Consolidated Statement of Financial Position is dependent on the future economic development of SCHOTT and our target markets. SCHOTT Group's business portfolio contributes significantly to the mitigation of this risk through diversification. If SCHOTT's future development should fall short of the planned development, there would be the risk of value adjustments and restructuring charges.

PERSONNEL RISKS

SCHOTT is in competition with other companies with regard to its skilled workers and managers. Demographic shift, changing requirements due to digitalization and globally differing training and qualification standards pose a challenge to the hiring process. SCHOTT therefore sees a risk that growth cannot be realized as planned due to personnel bottlenecks. SCHOTT Group counteracts this risk with targeted training and development programs, international development prospects, performance-related compensation systems, a family-friendly personnel policy, extensive health promotion programs and flexible working time models.

IT RISKS

As an international technology Group, SCHOTT depends on the availability of its IT and telecommunications systems at all times as well as the protection of its know-how. To ensure this, we rely on a combination of technical protection systems, information security regulations and the awareness of our employees.

Our security infrastructure protects SCHOTT's worldwide network against the growing threat of cyber-attacks and insider threats. It is constantly being developed and continuously upgraded to state-of-the-art technology to ensure adequate protection of IT systems.

To ensure information security in terms of confidentiality, integrity and availability, SCHOTT has written guidelines, adequate emergency preparedness for the critical processes and IT systems supporting them, and has implemented the appropriate control mechanisms. SCHOTT is guided by the normative requirements of ISO/IEC 27001, which can be supplemented, if necessary, by action recommendations of the IT-Grundschutz Catalog of the Federal Office for Information Security (BSI). This enables us to manage all security-relevant IT issues.

Employees are an important factor in securing IT-supported business processes. They are therefore trained in dealing with risks arising from increasing digitalization and connectivity. As a result, we raise employee awareness of the importance of IT security when working with the latest technologies.

REGULATORY RISKS

SCHOTT is exposed to numerous regulatory risks. These include in particular risks in the areas of product liability (including liability for long-term performance guarantees), competition and anti-trust laws, industrial property rights, foreign trade and payments legislation, tax laws and environmental protection.

SCHOTT issues guarantees on certain products with terms of duration that partly extend beyond the legal scope of guarantees and guarantee periods. We have made provisions for risks in the Consolidated Financial Statements on the basis of the findings known as of the balance sheet date. Nevertheless, there is a risk that future expenses may arise, for example, as a result of court or official decisions or the agreement of settlements, which are not covered or not fully covered by the risk provisions made and may have negative effects on the Group's financial position and results of operations. Within the scope of the annual risk assessment, the risk was rated significantly higher than in the previous year.

SCHOTT counters risks arising from non-compliance with laws and other rules of conduct by using a compliance management system, Group policies, and corresponding training measures (face-to-face and online training). Nevertheless, the risk of violating the law or rules on behavior due to an individual's inappropriate actions cannot be ruled out completely.

Protecting the environment and promoting the health and safety of employees are key company goals of SCHOTT. The EHS directive, which describes the integrated EHS management system for the environment, health and safety at SCHOTT, aims to achieve these goals and minimize the associated risks.

Changes in tax laws in individual countries may affect our tax assets, tax liabilities and recognized deferred taxes. A weaker than expected development of our taxable income could have a negative effect on our deferred tax assets.

German SCHOTT companies have made use of and continue to make use of the special compensation scheme for power-intensive companies pursuant to Section 63 et seq. of the Renewable Energy Sources Act (EEG) 2014. The elimination or reduction of the benefits of this regulation would significantly increase the cost of energy procurement in Germany.

SCHOTT AG and certain Group subsidiaries are party to various judicial, arbitration, and official proceedings. The outcome of these proceedings cannot be clearly foreseen. All precautionary accounting-related measures deemed necessary for these legal disputes and official proceedings are taken into account in the Consolidated Financial Statements based on an estimate of the respective risk. Based on the current litigation status, the Board of Management presumes that these legal disputes can be concluded without future material impact on the Group's existence. However, court or regulatory decisions or settlement agreements may result in expenses that are not, or not fully, covered by provisions or insurance benefits and may have a negative impact on our business and its results.

Violations of our intellectual property rights (including our patents and other technical protective rights) can pose a risk to SCHOTT Group's technological advantage and thus its competitive position. The same applies with respect to our competitive position for the infringement of our brands. Internal security rules and an actively pursued intellectual property rights strategy have hitherto been our successful response to this type of risk. Furthermore, we ensure that we do not come into conflict with third party patents by regularly monitoring third party intellectual property rights. However, the violation of third-party property rights in Germany or abroad cannot be completely ruled out, despite these measures.

OTHER EXTERNAL RISKS

The companies of SCHOTT Group are exposed to various external risks, such as natural disasters, terrorism, accidents and fire. Damage to buildings, production facilities and warehouses of SCHOTT or its suppliers and to goods in transit may result in property damage and business interruption. Moreover, delays can occur in the supply process; for example, as a consequence of strikes in the transport sector. In addition, epidemics or pandemics can directly or indirectly affect our production and performance processes. Depending on the spread of the infectious disease, delivery routes to us or our customers could be affected regionally or globally, for example. Local plant shutdowns could also occur, for example as a result of measures ordered by the authorities or insufficient availability of employees. In addition to our insurance coverage, we have established Group-wide rules for emergency and crisis management.

Furthermore, SCHOTT is exposed to risks from changes in political conditions. These include, among other factors, the modification or termination of existing trade agreements, increasing protectionism or uncertainties regarding the future political orientation at home and abroad.

OVERALL SITUATION WITH RESPECT TO RISKS AND OPPORTUNITIES

The Board of Management sees a solid foundation for the further development of SCHOTT. With a systematic strategy, planning and governance process, it provides the necessary resources to achieve the goals and the additional use of potential opportunities.

As of the reporting date, there were no identifiable risks that could endanger the continued existence of SCHOTT, taking into account measures that have been taken or are planned. The risk-bearing capacity of SCHOTT Group has increased compared to the previous year. Both the positive development of equity and the available liquidity contribute to this.

PROVISION FOR THE PROMOTION OF WOMEN'S PARTICIPATION IN EXECUTIVE POSITIONS ACCORDING TO SECTION 76 (4) AND SECTION 111 (5) OF THE GERMAN EQUITY ACT

Under the Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector of April 24, 2015, certain companies in Germany are required to set targets for the proportion of women on the Supervisory Board, the Board of Management and the two management levels below the Board of Management and to state by when the respective proportion of women should be reached. The respective companies were required to decide on their targets and periods for implementation by September 30, 2015. For the initial definition, the period for implementation may not legally extend beyond June 30, 2017. With the next definition of a period for implementation, the time period could be up to five years.

At its meeting on May 18, 2017, the Supervisory Board resolved to fully utilize the five-year period for the second period beginning on July 1, 2017. Both for the proportion of women on the Supervisory Board and on the Board of Management, it has resolved the status quo as the new target – one woman on the Supervisory Board and none on the Board of Management.

At the two management levels below the Board of Management, the proportion of women was 0% and 17% respectively as of June 30, 2017. By September 30, 2020, the shares had risen to 9% and 22% respectively. At the meeting on April 3, 2017, the Board of Management resolved to increase the proportion of women in management level 1 to 10% and in management level 2 to 25% in the period up to June 30, 2022.

SUPPLEMENTARY REPORT

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No further reportable special events have occurred since the end of fiscal year 2019/2020.

Mainz, December 4, 2020

Dr. Frank Heinricht Hermann Ditz Dr. Heinz Kaiser Dr. Jens Schulte

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR FROM OCTOBER 1, 2019, TO SEPTEMBER 30, 2020

CONSOLIDATED STATEMENT OF INCOME

FROM OCTOBER 1, 2019, TO SEPTEMBER 30, 2020

(in EUR thousands)	Notes	2019/2020	2018/2019
SALES	4	**2,238,394**	**2,190,400**
Cost of sales		–1,470,747	–1,461,408
GROSS PROFIT		**767,647**	**728,992**
Selling expenses	5	–249,226	–253,267
Research and development expenses	6	–92,362	–86,190
General administrative expenses	5	–152,682	–153,652
Other operating income	7	49,916	60,227
Other operating expenses	8	–41,185	–28,538
Income from investments accounted for using the equity method	9	6,058	7,506
INCOME FROM OPERATING ACTIVITIES		**288,166**	**275,078**
Interest income	10	1,698	4,551
Interest expense	10	–13,655	–20,943
Other net financial income/expense	10	345	–3,992
FINANCIAL RESULT		**–11,612**	**–20,384**
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		**276,554**	**254,694**
Income tax expenses	11	–61,828	–53,046
INCOME FROM CONTINUING OPERATIONS		**214,726**	**201,648**
Income from discontinued operations (after taxes)	12	–16,101	4,494
CONSOLIDATED PROFIT FOR THE PERIOD		**198,625**	**206,142**
of which attributable to non-controlling interests	13	5,262	3,325
of which attributable to the owner of SCHOTT AG		193,363	202,817

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM OCTOBER 1, 2019, TO SEPTEMBER 30, 2020

(in EUR thousands)	Notes	2019/2020	2018/2019
CONSOLIDATED PROFIT FOR THE PERIOD		**198,625**	**206,142**
AMOUNTS THAT ARE NOT TO BE RECLASSIFIED TO THE INCOME STATEMENT IN FUTURE PERIODS			
Actuarial gains/losses on pension plans	24	31,155	−256,674
Deferred taxes	24	−8,091	73,687
		23,064	**−182,987**
AMOUNTS THAT ARE TO BE RECLASSIFIED TO THE INCOME STATEMENT IN FUTURE PERIODS			
Currency translation differences		−57,322	19,234
Non-controlling interests*		−7,396	1,456
Other income/loss from investments accounted for using the equity method		−3,900	2,623
		−68,618	**23,313**
OTHER COMPREHENSIVE INCOME/LOSS		**−45,554**	**−159,674**
TOTAL COMPREHENSIVE INCOME		**153,071**	**46,468**
of which attributable to non-controlling interests		−2,134	4,781
of which attributable to the owner of SCHOTT AG		155,205	41,687

* The amounts shown for the non-controlling shares pertain mainly to currency translation differences.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2020

ASSETS

(in EUR thousands)	Note	Sept. 30, 2020	Sept. 30, 2019*
NON-CURRENT ASSETS			
Intangible assets	14	123,987	123,179
Property, plant and equipment	15	1,221,354	1,035,784
Investments accounted for using the equity method	16	77,519	77,111
Deferred tax assets	11	331,001	366,794
Other financial assets	17	17,211	14,019
Other non-financial assets	18	3,106	1,383
		1,774,178	**1,618,270**
CURRENT ASSETS			
Inventories	19	418,962	414,311
Contract Assets	20	84,922	71,661
Trade receivables	20	376,581	379,412
Income tax refund claims		6,547	17,710
Other financial assets	21	19,262	11,605
Other non-financial assets	22	46,910	56,435
Cash and cash equivalents	23	233,784	171,548
		1,186,968	**1,122,682**
TOTAL ASSETS		**2,961,146**	**2,740,952**

* Value-added tax refund claims have been reclassified to current non-financial assets. The previous year's figures have been adjusted accordingly. See Notes 3.5 and 22.

EQUITY AND LIABILITIES

(in EUR thousands)	Note	Sept. 30, 2020	Sept. 30, 2019*
EQUITY			
Subscribed capital	24	150,000	150,000
Capital reserve	24	322,214	322,214
Generated group capital	24	511,815	315,688
Accumulated other group capital	24	−69,258	−8,036
Non-controlling interests	24	82,505	96,041
		997,276	**875,907**
NON-CURRENT LIABILITIES			
Provisions for pensions and similar commitments	25	994,296	1,070,499
Provisions for income taxes		30,092	30,247
Other provisions	26	92,387	75,892
Deferred tax liabilities	11	29,959	33,407
Other financial liabilities	29	200,213	106,793
Other non-financial liabilities	30	7,504	1,638
		1,354,451	**1,318,476**
CURRENT LIABILITIES			
Provisions for income taxes		14,399	21,867
Other provisions	26	57,056	54,461
Accrued liabilities	27	175,646	152,497
Trade payables	28	223,908	210,532
Tax liabilities		14,938	11,700
Other financial liabilities	29	87,433	57,418
Other non-financial liabilities	30	36,039	38,094
		609,419	**546,569**
TOTAL EQUITY AND LIABILITIES		**2,961,146**	**2,740,952**

CONSOLIDATED STATEMENT OF CASH FLOWS

FROM OCTOBER 1, 2019, TO SEPTEMBER 30, 2020

(in EUR thousands)	2019/2020	2018/2019
Group earnings after taxes	198,625	206,142
Depreciation and amortization/impairment reversals on non-current assets	168,377	136,435
Increase/decrease in provisions and accrued liabilities	38,408	–29,906
Other non-cash expenses and income	–10,935	–11,297
Gain/loss on the disposal of intangible assets and property, plant and equipment	543	–11,319
Gain/loss from financial assets	–1,591	–1,471
Increase/decrease in inventories and prepayments made on inventories	–19,826	–21,282
Increase/decrease in contract assets (IFRS 15)	–13,261	–9,759
Increase/decrease in trade receivables	–22,194	–12,422
Increase/decrease in other assets	4,532	–8,737
Increase/decrease in prepayments received	9,484	–11,331
Increase/decrease in trade payables	22,142	27,282
Increase/decrease in other liabilities	–2,758	–1,275
Increase/decrease in deferred taxes	21,120	27,436
CASH FLOW FROM OPERATING ACTIVITIES (A)	**392,666**	**278,496**
Cash inflow from the disposal of property, plant and equipment/intangible assets	3,019	11,205
Cash outflow for investments in property, plant and equipment/intangible assets	–296,929	–258,995
Cash inflow from the disposal of financial assets	436	0
Cash outflow for the acquisition of consolidated companies and other business divisions	–6,538	–36,913
Cash outflow for investments in financial assets	0	–5,226
Dividends received	2,667	2,340
CASH FLOW FROM INVESTING ACTIVITIES (B)	**–297,345**	**–287,589**
Dividends paid	–21,169	–26,658
Increase/decrease of non-controlling interests in capital reserve	–10,533	–8,533
Raising of loans	40,653	80,006
Repayment of loans	–3,675	–9,800
Allocation of plan assets	–7,671	–27,175
Increase/decrease in financial receivables	2,104	20,095
Raising/repayment of financial liabilities	–8,050	–15,321
Payment of principal portion of lease liabilities	–17,160	0
CASH FLOW FROM FINANCING ACTIVITIES (C)	**–25,501**	**12,614**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**69,820**	**3,521**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	**171,548**	**165,996**
– Checks, cash on hand	213	53
– Deposits with banks	171,335	165,943
Change in cash and cash equivalents due to exchange rates	–7,501	1,472
Change in funds due to differences in the companies consolidated	–83	559
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**233,784**	**171,548**
– Checks, cash on hand	252	213
– Deposits with banks	233,532	171,335

The Consolidated Statement of Cash Flows is discussed under Note 34.

(in EUR thousands)	2019/2020	2018/2019
ADDITIONAL NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS*		
Interest paid	−3,894	−8,687
Interest received	1,698	2,051
Income taxes paid	−33,310	−28,817

* Included in cash flow from operating activities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM OCTOBER 1, 2019, TO SEPTEMBER 30, 2020

	Attributable to the owner		
(in EUR thousands)	Subscribed capital	Capital reserve	Generated Group capital
BALANCE ON OCT. 1, 2018	**150,000**	**322,214**	**319,658**
Consolidated profit for the year			202,817
Changes in value recognized directly in equity			–182,987
TOTAL COMPREHENSIVE INCOME			**19,830**
Dividends			–23,800
Transactions involving non-controlling interests			0
BALANCE AS OF SEPT. 30, 2019	**150,000**	**322,214**	**315,688**
BALANCE AS OF SEP. 30, 2019	**150,000**	**322,214**	**315,688**
Consolidated profit for the year			193,363
Changes in value recognized directly in equity			23,064
TOTAL COMPREHENSIVE INCOME			**216,427**
Dividends			–20,300
Transactions involving non-controlling interests			0
BALANCE AS OF SEPT. 30, 2020	**150,000**	**322,214**	**511,815**

Equity is discussed in Note 24.

	Accumulated other Group capital			
	Currency translation differences	Shareholder of SCHOTT AG	Non-controlling interests	SCHOTT Group equity
	−29,893	**761,979**	**102,651**	**864,630**
		202,817	3,325	206,142
	21,857	−161,130	1,456	−159,674
	21,857	**41,687**	**4,781**	**46,468**
		−23,800	−2,858	−26,658
	0	0	−8,533	−8,533
	−8,036	**779,866**	**96,041**	**875,907**
	−8,036	**779,866**	**96,041**	**875,907**
		193,363	5,262	198,625
	−61,222	−38,158	−7,396	−45,554
	−61,222	**155,205**	**−2,134**	**153,071**
		−20,300	−869	−21,169
	0	0	−10,533	−10,533
	−69,258	**914,771**	**82,505**	**997,276**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR FISCAL YEAR 2019/2020

GENERAL INFORMATION

1 PRELIMINARY REMARKS

SCHOTT AG, Mainz, (short: SCHOTT) is an unlisted company incorporated under German law that operates internationally in 36 countries in the Business Units Advanced Optics, Electronic Packaging, Flat Glass, Home Tech, Lighting and Imaging, Pharmaceutical Systems and Tubing. SCHOTT AG's registered office is located at Hattenbergstraße 10, 55122 Mainz, Germany, and is entered in the commercial register of the local court in Mainz under HRB 8555. The sole shareholder of SCHOTT AG is the Carl Zeiss Foundation, Heidenheim an der Brenz and Jena.

SCHOTT is an international technology group that develops and manufactures specialized materials, components and systems. It operates mainly in the home appliances, pharmaceutical, electronics, optical and transportation industries.

The Consolidated Financial Statements of SCHOTT were prepared on the legal basis of Section 315e (3) of the German Commercial Code (HGB) in accordance with International Financial Reporting Standards (IFRSs), as applicable in the EU, supplemented by the applicable commercial law regulations under Section 315e (1) HGB. Necessary adjustments under IFRSs have been made to the extent that the consolidated companies' separate financial statements diverge from these principles under national law. Interim financial statements are used for subsidiaries whose balance sheet date differs from the consolidated reporting date. With the exception of the changes described in Note 2, the accounting methods, presentation and disclosure requirements are the same as in the previous year.

The Consolidated Financial Statements are prepared in euros. Unless noted otherwise, all amounts are stated in thousand euros (EUR thousands). The Consolidated Statement of Income has been prepared according to the cost of sales (function of expense) method.

The Consolidated Financial Statements prepared as of September 30, 2020, and the Group Management Report were released by the Board of Management on December 4, 2020. The plan is for the Supervisory Board to approve the financial statements at its meeting on December 15, 2020.

2 CHANGES IN ACCOUNTING STANDARDS AND APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1 Standards and interpretations to be applied in the current fiscal year

The following new and amended standards and interpretations, which were to be mandatorily applied for the first time in the fiscal year under review, have been published by the International Accounting Standards Board (IASB).

		Application mandatory for fiscal years beginning on or after	Revised/expanded notes disclosures
STANDARDS			
IFRS 16	Leases	Jan. 1, 2019	Yes
IFRS 9	Amendments to IFRS 9: Early Redemption Arrangements with Negative Settlement Payments	Jan. 1, 2019	No
IAS 28	Amendments to IAS 28: Long-term Investments in Associates and Joint Ventures	Jan. 1, 2019	No
Various	Annual improvements to IFRS Standards 2015-2017 Cycle	Jan. 1, 2019	No
IAS 19	Amendments to IAS 19: Plan Amendment, Curtailment or Settlements	Jan. 1, 2019	No
INTERPRETATIONS			
IFRIC 23	Uncertainty regarding income tax treatment	Jan 1, 2019	Yes

IFRS 16 *Leases* was applied by SCHOTT Group as of October 1, 2019, using the modified retrospective approach. According to IFRS 16, lessees are required to account for all leases in the form of a right-of-use asset, and a corresponding lease liability. The lease liability is measured at the present value of the outstanding lease payments. When the lease liability was measured for the first time, extension, termination and purchase options were taken into account if their exercise was deemed reasonably certain. The exemptions for low value assets and short-term leases are applied.

As part of the transition to IFRS 16, lease liabilities from previous operating leases in the amount of EUR 85 million were recognized as of October 1, 2019. SCHOTT has made use of the option to recognize assets for the rights of use of the leased assets in the same amount in the relevant balance sheet item of “Property, plant and equipment.” Leasing relationships with a remaining term of up to one year were treated as short-term leasing relationships. Direct costs were not included in the calculation of the right-of-use asset. Subsequent knowledge and insights with regard to extension and termination options were taken into account when determining the terms. In addition, contractual relationships that were not classified as leases under the previous IAS 17 standard on lease accounting were not reviewed in accordance with the definition of a lease in IFRS 16. The weighted average capitalization interest rate used to measure the right of use and the leasing liability in the opening balance sheet is 1.6 %.

The reconciliation of minimum lease payments from operating leases as of September 30, 2019, to the lease liabilities recognized in the balance sheet as of October 1, 2019, is as follows:

(in EUR thousands)	Oct. 01, 2019
FUTURE MINIMUM LEASE PAYMENTS UNDER OPERATING LEASES AS OF 30 SEPTEMBER 2019	**99,021**
FUTURE OBLIGATIONS FROM FINANCE LEASES AS OF 30 SEPTEMBER 2019	**5,706**
Short-term leases with a term of up to 12 months	–4,726
Leases of low-value assets	–237
Reasonably certain extension and termination options	8,464
Leases entered into in fiscal year 2018/19 where the lease term commences in fiscal year 2019/20	–93
Other	751
GROSS LEASE LIABILITY AS OF 1 OCTOBER 2019	**108,886**
Discounting	–19,449
LEASE LIABILITY AFTER FIRST-TIME APPLICATION OF IFRS 16 AS OF 1 OCTOBER 2019	**89,437**
Present value of the liabilities from finance leases as of 30 September 2019	–4,646
ADDITIONAL LEASE LIABILITY AFTER FIRST-TIME APPLICATION OF IFRS 16 AS OF 1 OCTOBER 2019	**84,791**

Further information on leasing relationships in SCHOTT Group is provided in Note 32.

The adoption of the other new standards did not have a material impact on the amounts reported in these financial statements, but may affect the accounting for future transactions.

2.2 Published standards and interpretations not yet applied

Besides the mandatory IFRSs mentioned in Section 2.1, the IASB published other IFRSs that have already been endorsed by the EU in part but will only become mandatory at a later date.

		Mandatory application for fiscal years starting on	Adoption by the EU Commission
STANDARDS			
IFRS 17	Insurance Contracts	Jan. 1, 2023	No
Framework concept	Amendments to References to the Conceptual Framework in IFRS Standards	Jan. 1, 2020	Yes, November 29, 2019
IFRS 3	Amendment to IFRS 3: Clarifications on the definition of a business operation	Jan. 1, 2020	Yes, April 21, 2020
IAS 1 / IAS 8	Amendments to IAS 1 and IAS 8: Definition of material changes in accounting policies	Jan. 1, 2020	Yes, November 29, 2019
IFRS 9, IAS 39, IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	Jan. 1, 2020	Yes, January 15, 2020
IFRS 16	Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions	June 1, 2020	Yes, October 9, 2020
IFRS 4	Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	Jan. 1, 2021	No
IFRS 9, IAS 39, IFRS 7	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	Jan. 1, 2021	No
Various	Amendments to IFRS 3, IAS 16, IAS 37; Annual Improvements 2018–2020	Jan. 1, 2022	No

SCHOTT does not make use of any existing options for early application. These standards are implemented in the Consolidated Financial Statements on the date of mandatory application. According to current estimates, the new or amended regulations mentioned above do not have any significant effects.

3 IMPORTANT ACCOUNTING POLICIES AND METHODS OF CONSOLIDATION

3.1 Consolidated Group, acquisitions and divestment

Scope of consolidation

Along with SCHOTT AG, an additional nine consolidated companies (previous year: 11) based in Germany and 50 foreign consolidated companies (previous year: 50) were entirely included in the Consolidated Financial Statement. A subsidiary is included using the full consolidation method from the date on which SCHOTT exercises a controlling influence. SCHOTT exercises a controlling influence if it is exposed to variable returns from its involvement in the company or has entitlements to these and may affect yields by its control over the company. Five companies (previous year: five) were included in the consolidated Group as of the balance sheet date of the reporting period using equity method accounting.

In fiscal year 2019/2020, the consolidated Group was reduced by two subsidiaries. The change is shown in the following table:

Disposals to the consolidated Group	Share of voting rights	Date
Psephit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz*	100 %	August 31, 2020
Silicium Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz*	100 %	April 30, 2020

* Deconsolidation due to contribution to a CTA

There were no additions to the consolidated Group during the fiscal year.

Please refer to the separate list of shareholdings with respect to the disclosures required by Section 313 (2) HGB.

Acquisitions/Divestments

Acquisitions

SCHOTT acquired the MEGADraw business from INCOM, Inc. effective September 17, 2020. The acquisition of this business was an asset deal. Through this acquisition, SCHOTT is expanding its portfolio of image guides based on rigid fiber optics at its manufacturing site in Southbridge, Massachusetts. SCHOTT's goal in this transaction is to further strengthen its technological position in imaging performance in order to better serve certain market segments such as the night vision and defense market with fiber optic components for image transmission applications. Based on a preliminary purchase price allocation, the acquisition results in goodwill of EUR 377 thousand and the addition of further assets of EUR 14,625 thousand. A total of EUR 15,002 thousand was paid or unconditional and conditional purchase price liabilities were entered into for the transaction.

In the course of the transaction, the customer base in particular worth EUR 13.4 million was acquired, as well as inventories in the amount of EUR 0.6 million, property, plant and equipment worth EUR 0.3 million and the trademark worth EUR 0.3 million. Goodwill in the amount of EUR 377 thousand comprises the value of expected synergies from the acquisition, growth in earnings and future market development. These benefits are not to be recognized separately from goodwill, as the benefit resulting from them cannot be measured reliably. It is assumed that the goodwill recognized is not tax-deductible.

In connection with the acquisition, agreements were made on contingent consideration, the payment of which will depend on the achievement of certain financial ratios and the provision of specific services by the acquired company in the coming years. The expected amount of all agreed contingent consideration was USD 5.0 million on the acquisition date. There is no cap on the amount of contingent consideration. Depending on the results achieved, the contingent consideration may also be waived in whole or in part. Obligations from the contingent consideration are recognized at fair value as of the balance sheet date. Due to the close proximity of the balance sheet date, the contribution to sales and earnings has been insignificant so far. Since the acquired business was not a reporting unit, no information is available from which a potential contribution of the unit for fiscal year 2019/2020 could be determined.

The transaction costs of EUR 224 thousand were recognized as expenses and are reported under general administrative expenses.

There were no other acquisitions with a material impact on the net assets, financial position and results of operations in the fiscal year.

The preliminary purchase price allocation made in the previous year in connection with the acquisition of the shares in SCHOTT MiniFAB Pty Ltd, Frenchs Forest/Australia, was finalized in fiscal year 2019/2020. Within the scope of the purchase price allocation provisionally shown in the Consolidated Financial Statements as of September 30, 2019, it was assumed – based on a preliminary budget calculation – that the conditional purchase price payment would be paid in full. However, during the finalization of the budget calculation it was determined that the corresponding budget figures could not be achieved and that the conditional purchase price was therefore reduced by AUD 6 million (EUR 3,699 thousand) to AUD 21 million. This led to a corresponding reduction in the amount of goodwill recognized in the balance sheet. The contingent purchase price payment of AUD 6 million was settled in fiscal 2019/2020. For reasons of materiality, the adjustment was made in the reporting year and the previous year was not adjusted.

Divestments

Effective April 30, 2020, SCHOTT transferred 89.9 % of the shares in Silicium Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, to a "Contractual Trust Arrangement" ("CTA"). The transaction serves to strengthen the plan assets. The business purpose of Silicium Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG is to hold an office property that is predominantly leased to third parties and is used to a lesser extent by SCHOTT. SCHOTT leases back this part of the property used by the company itself once the majority interest has been contributed to the CTA. With respect to the owner-occupied portion, the transaction was accounted for as a sale and lease back.

Also to strengthen plan assets, SCHOTT transferred 89.9 % of the shares in Psephit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, to the CTA. The business purpose of Psephit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG is also the holding of an office property that is used by SCHOTT as an administration building and will be leased back by SCHOTT entirely after it is contributed to the CTA. The transaction was also accounted for as a sale-and-lease-back.

As a result of the contribution, SCHOTT was able to endow the plan assets with EUR 27,435 thousand in non-cash contributions. Due to the disposal of the two majority shareholdings from the consolidated Group, SCHOTT recorded book profits totaling EUR 5,087 thousand.

Subsidiaries with substantial non-controlling interests

As of the balance sheet date, significant non-controlling interest were held in SCHOTT Finanzierungs- und Verwaltungs GmbH, Mainz.

The ownership share of non-controlling interests amounts to:

		Sept. 30, 2020	
Name	Country of incorporation and principal place of business	Voting rights	Equity shares
SCHOTT Finanzierungs- und Verwaltungs GmbH, Mainz	Germany	25 %	67 %

Voting rights and capital shares remained unchanged compared to September 30, 2019.

The cumulative balance of substantial non-controlling interests is as follows:

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
SCHOTT Finanzierungs- und Verwaltungs GmbH, Mainz	15,712	26,184

The overall result of SCHOTT Finanzierungs- und Verwaltungs GmbH in fiscal year 2019/2020 amounted to EUR 793 thousand (previous year: EUR 709 thousand). The equity of the company as of September 30, 2020, amounted to EUR 23,568 thousand (previous year: EUR 39,276 thousand).

3.2 Consolidation methods

In accordance with IFRS 3 *Business Combinations*, capital is consolidated using the acquisition method. The acquisition costs of a company acquisition are measured as the sum of the transferred consideration, measured at fair value at the time of acquisition, and the non-controlling interest in the acquired company. In each business combination, SCHOTT Group decides whether to assess the non-controlling interest in the acquiree either at the fair value or the proportion of the identifiable net assets of the acquired company. Costs incurred as part of the business combination are recorded as expense.

Goodwill is first recognized at cost, measured as the excess of the total consideration transferred and the amount of the share of non-controlling interest over the acquired identifiable assets and liabilities assumed by the Group.

The share of equity allocated to third parties not associated with the Group is reported under equity in the Consolidated Statement of Financial Position as “Non-controlling interest.”

Intercompany receivables and liabilities as well as expenses and income of the consolidated companies are offset against each other as part of consolidation. Intercompany profits or losses from deliveries and services to other Group companies are likewise eliminated.

If the Group does not hold a majority of the voting rights or similar rights in a participating company, it takes into account all relevant facts and circumstances when assessing whether it has the power of representation at that holding company. This includes:

- A contractual agreement with the other voters,
- Rights resulting from other contractual agreements,
- Voting rights and potential voting rights of the Group.

The results, assets and liabilities of material associated companies have been included using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*. Associates are investments over which significant influence can be exercised. As a rule, SCHOTT’s accounting policies are also applied to its associates. Joint ventures within the meaning of IFRS11 *Joint Arrangements* are also accounted for using the equity method. In the fiscal year, SCHOTT Group was not involved in joint operations as defined by IFRS 11 *Joint Arrangements*.

The shares are presented at cost when first recognized in the Consolidated Statement of Financial Position and adjusted during subsequent measurement by making changes in the proportionate share of the Group in the equity (net assets) after the acquisition date as well as by losses resulting from impairments.

3.3 Currency translation

The separate financial statements of the foreign Group companies were translated based on the functional currency concept in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The functional currency of the relevant companies is their respective national currency, since all of their economic, financial and organizational operations are carried out independently in their national currencies.

Foreign currency receivables and payables in the separate financial statements of Group companies are translated at the currency rates applicable on the balance sheet date. Translation differences arising therefrom are recognized in profit or loss under other operating expenses or other operating income as appropriate.

The assets and liabilities of subsidiaries whose functional currency is not the euro are translated at the mean rate of exchange on the balance sheet date, while their expenses and income are translated at the average exchange rate of the month in which the transaction took place. Equity is translated at historic rates of exchange. Resulting translation differences are not reported in the Consolidated Statement of Income, but instead in a separate line item of equity.

The following table shows the exchange rates of the foreign currencies of greatest importance to SCHOTT Group:

	Mean rate of exchange on the balance sheet date Sept. 30		Average rate for the fiscal years	
1 Euro =	2020	2019	2019/2020	2018/2019
Chinese renminbi	7.97	7.78	7.83	7.77
Japanese yen	123.69	117.74	120.10	125.37
Swiss franc	1.08	1.09	1.08	1.13
Singapore dollar	1.60	1.51	1.54	1.55
Czech koruna	27.13	25.79	26.11	25.72
Hungarian forint	364.86	334.54	341.39	322.26
US dollar	1.17	1.09	1.11	1.13

3.4 Key Discretionary Decisions and Estimates

Discretionary judgments in applying accounting and valuation principles

For companies in which SCHOTT holds less than 100 percent of the voting rights, it may be necessary to exercise discretionary power over whether control, joint control or significant influence exists. Discretion remains in the classification of certain financial assets, such as securities. The assessment of whether assets that are to be disposed of can be disposed of in their current condition and whether their disposal is highly probable is also discretionary.

Substantial discretionary decisions were also required on the following matter:

Sale of trade receivables

SCHOTT AG sells trade receivables on a revolving basis under an asset-backed securities program. SCHOTT has reviewed whether an obligation to consolidate could arise under IFRS 10 and came to the conclusion that no relevant activities remain with SCHOTT due to the structuring, therefore consolidation in accordance with IFRS 10 is out of the question.

Based on the current structure of the program, SCHOTT also comes to the conclusion that virtually all opportunities and risks relating to the receivables sold will neither be transferred nor retained, but that the control over the receivables has been transferred and that these must therefore be completely derecognized in SCHOTT's Consolidated Financial Statements in accordance with IFRS 9. A so-called “continuing involvement” with respect to the retained late-payer risk is presented. For more information, please refer to Note 31.2.

Use of estimates

The preparation of financial statements in accordance with IFRSs requires estimates that influence the measurement of assets and liabilities, the type and scope of contingent liabilities, and concrete purchase commitments as of the balance sheet date, as well as the level of income and expenses in the reporting period.

The assumptions and estimates mainly relate to:

- the uniform determination of economic useful lives of depreciable property, plant and equipment and intangible assets throughout the Group (Notes 14 and 15);
- the determination of the lease term and the marginal interest rate on debt. In particular, when determining the term of leasing relationships, all facts and circumstances which represent an economic incentive to exercise extension options or not to exercise termination options are taken into account (Note 32);
- the recoverability of goodwill (Note 14);
- the recoverability of inventories (Note 19);
- the recoverability of receivables (Note 31);
- the recognition and measurement of provisions (notes 25 and 26) and
- the realizability of future tax relief in the recognition and measurement of deferred tax assets (Note 11).

The assumptions and estimates are based on premises that are in turn based on the most current information available at the time. However, these estimates and assumptions regarding future development can be revised due to market fluctuation and relationships outside the Group's sphere of influence. In particular, the COVID-19 pandemic led to increased uncertainty regarding estimates as of the balance sheet date. Thus, the actual results can differ from the estimates. Changes are recognized in profit or loss as the actual results become clear.

In particular, our expectations with respect to the business trend are based on both the circumstances prevailing when the Consolidated Financial Statements are prepared as well as our realistic expectations regarding the future development of the industry and global environment.

3.5 Accounting and valuation principles

General

The Consolidated Financial Statements of SCHOTT AG were prepared on the basis of historical cost, with the exception of the measurement of certain financial instruments at fair value, based on uniform Group accounting and valuation methods.

In these Consolidated Financial Statements, SCHOTT applies IFRS 16 *Leases* and IFRIC 23 *Uncertainty in Income Tax Treatment* for the first time. The other main accounting policies have not changed since the previous year and are described below.

Recognition of sales revenue and other revenue, contract assets

In accordance with IFRS 15, SCHOTT recognizes revenue when control of the products has been transferred or the service has been rendered, in other words, when the customer has the ability to control the use of the transferred goods or services and substantially obtains all of the remaining benefits. The prerequisite for this is that a contract with enforceable rights and obligations exists and, among other things, the receipt of the consideration is sufficiently probable. Revenue comprises the consideration that SCHOTT is expected to receive for the transfer of goods or the rendering of services.

When standard products are sold, revenue is recognized when control is transferred to the buyer, usually upon delivery of the goods. However, in the case of order-related production where a plant is owed and the final product cannot be sold to any other customer (customer-specific asset without alternative use), revenue is recognized in accordance with IFRS 15 over a specific period. Generally speaking, SCHOTT's production is based on standardized manufacturing processes, which are each handled on an order-by-order basis. As a rule, the production time is short (a few days) and series production (standardized production for customer-specific specifications) takes place. For SCHOTT, the output for the customer is therefore the most important factor. Accordingly, revenue recognition on the basis of the units produced is generally considered to be suitable for accurately representing the progress of performance. In this case, a contract asset must be recognized because SCHOTT has recognized revenue from the fulfillment of the contractual obligation before the conditions for invoicing and thus the recognition of a trade receivable have been met.

A contract asset is the right to receive consideration in exchange for goods or services transferred to a customer. If SCHOTT meets its contractual obligations by transferring goods or services to a customer before the customer pays the consideration or before the payment becomes due, a contract asset is recognized for the contingent consideration claim. Contract assets are recognized as current assets because they arise and are due during the normal operating cycle. Impairment losses on contractual assets follow the rules for financial assets. Further details are provided in Note 31.

In contrast to contract assets, receivables represent the unconditional claim to consideration, i.e. the due date occurs automatically as a result of the passage of time.

If a single contract with a customer contains several performance obligations, the agreed transaction price is allocated to the individual performance obligations in accordance with the relative individual sales prices. The relative individual selling prices generally correspond to the contractually agreed prices for the individual service obligations.

SCHOTT agrees payment terms of up to 90 days, which are customary in the industry, depending on the market and region.

SCHOTT usually provides statutory warranties for the remedy of defects that existed at the time of sale. These so-called assurance-type warranties are recognized in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

To the extent that SCHOTT provides services, revenues are recognized periodically in accordance with IFRS 15.35a. Services provided by SCHOTT in connection with the sale of products generally relate to transportation services. These are recognized as soon as the service has been rendered.

SCHOTT makes use of IFRS 15.121 and does not publish any information on transaction prices allocated to any remaining performance obligations, as the underlying contracts have an expected original term of no more than one year.

When granting a license, SCHOTT shall examine whether the customer is granted a right of access to his intellectual property – with status over the entire license period – or a right of use of his intellectual property – with status at the time the license was granted. In the first case, the revenue is recognized over time, in the second case at the point in time the license is granted.

Interest income is recognized over time. Dividends are recognized at the point in time the right to receive payment arises.

Revenues are recognized net of sales-related taxes and variable components such as bonuses, cash discounts and rebates. If a contractual consideration contains a variable component, SCHOTT determines the amount of the consideration due to it in exchange for the transfer of the goods to the customer. Discounts are generally allocated to the individual service obligations on the basis of the relative individual sales prices. The variable consideration is estimated at the inception of the contract and may only be included in the transaction price if it is highly probable that there will be no significant reversal of the recognized cumulative revenue as soon as the uncertainty associated with the variable consideration no longer exists.

Recognition of expenses

Costs incurred in order to generate revenue and the purchase prices of trading transactions are reported under cost of sales. This item also includes expenses related to the allocation of provisions to cover warranties.

In addition to personnel and material costs and depreciation in the Sales division, selling expenses include shipping, advertising, sales promotion, market research and customer service costs as well as outbound freight.

General administrative expenses include personnel and non-personnel costs and depreciation attributable to administrative operations.

Taxes chargeable as expenses, such as property tax and motor vehicle tax, are assigned to manufacturing, research and development, sales and administrative costs based on how they were actually caused.

Fair value measurement

SCHOTT measures certain financial instruments, for example derivatives, at fair value on every balance sheet date. The fair value of financial instruments measured at amortized cost is presented in Note 31.

The fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants on the measurement date. Fair value is measured based on the assumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability in the absence of a principal market.

The Group must have access to the principal market or the most advantageous market.

The fair value of an asset or liability is assessed based on assumptions that market participants would make in setting the price of the asset or liability. Here, it is assumed that market participants act in their most favorable economic interest.

When measuring the fair value of a non-financial asset, the ability of the market participant is taken into account by means of the highest and best use of the asset or by means of sale to another market participant who will find the highest and best use for the asset in order to generate economic benefit.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The use of authoritative observable input factors should be as high as possible, while the use of input factors not based on observable data should be as low as possible.

All assets and liabilities for which fair value is determined or presented in the financial statements are categorized in the fair value hierarchy described below, based on the input parameters of the lowest level that is significant to the entire fair value measurement:

- Level 1: Prices quoted (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation methods for which the input parameter of the lowest level that is significant to the entire fair value measurement can be directly or indirectly observed on the market.
- Level 3: Valuation methods for which the input parameter of the lowest level that is significant to the entire fair value measurement cannot be observed on the market.

For assets and liabilities that are recognized on a periodic basis in the financial statements, SCHOTT determines whether there have been any reclassifications between the hierarchy levels by reviewing the classification at the end of each reporting period (based on the input parameter of the lowest level that is significant to the entire fair value measurement).

External appraisers are brought in as needed for the measurement of significant assets, such as property, as well as significant liabilities, such as contingent consideration. Selection criteria include, for instance, market knowledge, reputation, independence and compliance with professional standards.

In order to meet the reporting requirements for the fair values, SCHOTT has established groups of assets and liabilities on the basis of their nature, features, and risks as well as the levels of the fair value hierarchy described above.

Research and development costs

Research costs are always expensed.

Development costs must be recognized if certain conditions are documented and cumulatively met. For instance, it must be possible to use or sell the internally generated intangible asset, resulting in an economic benefit flowing to the company. The first-time recognition of costs is based on the estimate of verifiable technical and economic realization, which is normally the case if a product development project reaches a certain milestone in an existing product management model. In order to determine the recognizable amounts, assumptions are made regarding the future cash flow level from assets, applicable discount rates, and the period in which asset-generating cash flows are expected to accrue. Further details, including the carrying amounts, can be found under Notes 6 and 14.

Development costs that cannot be capitalized are expensed.

Intangible assets

Intangible assets are recognized if (a) the intangible asset can be identified (this means it can be separated or results from contractual or other rights), (b) it is probable that future economic benefits will flow to SCHOTT Group from the intangible asset, and (c) the costs of the intangible asset can be reliably determined. Intangible assets with finite useful lives are recognized at cost and amortized over the estimated useful life or a shorter contract term using the straight-line method. Amortization of intangible assets with finite useful lives is recognized in the Consolidated Statement of Income under the expense category corresponding to the function of the intangible asset for the company.

Amortization of intangible assets with finite useful lives:

	Years
Development cost	5
Patents and licenses	2 to 20
Software	3 to 5

Property, plant and equipment

Property, plant and equipment, with the exception of leasing usage rights, are carried at cost less accumulated depreciation in accordance with IAS 16 Property, Plant and Equipment. Subsequent measurement is based on the cost model (IAS 16.30). This also applies to spare parts that are used for longer than one period. Investment property that is presented under property, plant and equipment for reasons of materiality is also recognized based on the cost model. In addition to direct material and labor costs, the production cost of self-constructed property, plant and equipment also includes a share of indirect costs as well as borrowing costs as long as the requirements of IAS 23 are met. Property, plant and equipment is depreciated according to the straight-line method. Additions during the course of the year are depreciated pro rata temporis.

If significant parts of a non-current asset have different useful lives, they are recognized as separate non-current assets and depreciated accordingly (component accounting). At SCHOTT Group, this affects in particular large machines for manufacturing specialized glass products and buildings.

Depreciation is based on the following useful lives:

	Years
Buildings	10 to 50
Technical equipment, plant and machinery	5 to 25
Other equipment, operating and office equipment	3 to 20

Maintenance and repairs are expensed, while investment in replacement and expansion as well as dismantling and waste disposal commitments are capitalized. Gains and losses on the disposal of non-current assets are recognized under other operating income and other operating expenses respectively.

Right-of-use assets

SCHOTT recognizes right-of-use assets on the date of provision (i.e. the date on which the underlying leased asset is ready for use). Right-of-use assets are measured at cost less all accumulated depreciation and all accumulated impairment losses and are adjusted for each revaluation of the lease liabilities. The cost of right-of-use assets comprises the recognized lease obligations, the initial direct costs incurred and the lease payments made at or before the date on which the asset is made available for use, less any incentives received.

The right-of-use assets are also reviewed for impairment. Details of the accounting policies are set out in the section “Impairment of non-financial assets.”

Government grants

Government grants are not recognized until it is reasonably certain that SCHOTT will be able to meet the associated terms and conditions and the grant will actually be approved. Government grants for assets are deducted from their costs. Other government grants are recognized as income over the period that is necessary to allocate the corresponding expenses against which they are to be offset. Grants of social security contributions for short-time working in connection with the COVID-19 pandemic are deducted as income from both sales and functional costs, depending on the allocation of the corresponding personnel costs to the functional areas.

Impairment of non-financial assets

Goodwill acquired for consideration as part of business combinations is subjected to an impairment test at least annually. This takes place regardless of whether concrete facts and circumstances indicate that an impairment loss may be needed. For the purposes of this impairment test, the assets are assigned to cash-generating units that benefit from their use. In accordance with the provisions of IAS 36, an impairment loss is recognized if the carrying amount of the cash-generating unit to which the goodwill is assigned exceeds its recoverable amount. The recoverable amount of a cash-generating unit is the higher of the fair value of the cash-generating unit less costs to sell and its value in use. The value in use is determined based on a discounted cash flow method for each cash-generating unit. If the carrying amount of a cash-generating unit exceeds its recoverable amount, the goodwill is impaired to its recoverable amount. It is generally prohibited to reverse impairment losses on goodwill.

The remaining intangible assets and property, plant and equipment are only subjected to an impairment test if there are indications that an impairment loss may be required. Assets must be adjusted for impairment if the carrying amount exceeds the net sales proceeds that would result from an arm’s length sale or the value in use. The value in use is ascertained on the basis of the expected future cash flows that the asset will probably generate over the period of use. If there is any indication that reasons that led to an impairment loss in the past no longer apply, a test is conducted to determine whether the impairment is to be reversed up to the amortized carrying amount.

The planning periods used always comprise three years. This planning is based on values drawn from past experience as well as management’s best possible estimate of future development. Longer planning periods of up to ten years are only used when developing new business areas, as meaningful historical figures are not yet available. The long-term growth rate used in planning amounts to 1.0 % p.a.

The expected cash flows are discounted using the weighted average cost of capital. These capital costs are derived from capital market-oriented models and also from the debt-equity ratios and borrowing costs of comparable companies in the industry (peer group). The discount rates thus determined for the individual CGUs in the year under review ranged between 7.9 % and 10.5 % before taxes (previous year: between 8.2 % and 11.2 %), adjusted where necessary for other currency areas. Further details, including carrying amounts, can be found under Notes 14 and 15.

Investments accounted for using the equity method

The carrying amounts of investments in associated companies accounted for using the equity method are increased or decreased by the amount of proportionate income, distributed dividends, or other changes in equity. Any losses on the part of an associate that exceed the Group’s investment in the investee are recognized only to the extent that the Group has entered into legal or constructive obligations or made payments for the company.

Inventories

Inventories are measured at the lower of cost or net realizable value; that means the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The costs are determined on the basis of the weighted average cost. Production costs include material and personnel costs as well as direct overheads, including depreciation, calculated based on a normal utilization of plant capacities. Financing costs are taken into account in accordance with IAS 23.

Tax refund claims and tax liabilities

In accordance with IAS 12 Income Taxes, current tax assets relate solely to claims for reimbursement of taxes on income. Current tax assets are recognized if the Group can expect a corresponding reimbursement based on the applicable laws. On the other hand, a liability on current income taxes results as soon as an obligation arises. SCHOTT regularly assesses individual tax matters to determine whether there is room for interpretation in light of applicable tax regulations. Tax accruals are recognized as necessary.

Deferred taxes

Under IAS 12 *Income Taxes*, deferred tax assets and liabilities are recognized for all temporary differences between tax and financial (IFRS) accounts, tax credits, and tax loss carry-forwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the period in which an asset is realized or a liability is settled. We use the tax rates and tax laws applicable as of the balance sheet date when calculating deferred tax assets and liabilities. The effects of tax rate changes on deferred taxes are recognized when changes to relevant laws are enacted. Deferred tax assets are recognized only to the extent that temporary differences, tax loss carry-forwards, or tax credits can probably be offset against future taxable income. When determining the amount of deferred tax assets, management must use considerable discretion with respect to the timing and amount of future taxable income as well as future tax planning strategies. In contrast to the period of three years basically used for planning, tax planning takes place for accordingly extended periods of up to five years. Further details, including carrying amounts, can be found under Note 11.

Value-added tax

Expenses and assets are recognized net of value-added tax. The following cases are exceptions:

- If the value-added tax that is incurred when assets are purchased or services are utilized cannot be reclaimed by the tax authorities, the value-added tax is recognized as part of the cost of manufacturing the asset or as part of the expenses.
- If assets and liabilities are recognized together with the amount of value-added tax contained therein.
- With Group companies, for which only a pro rata refund of the value-added tax is possible, the non-refundable portion of the tax will not be deducted.
- With Group companies, for which no value-added tax refund is possible, no value-added tax will be deducted.

The sales tax amount, which is to be reimbursed by or paid to the tax authorities, is reported in the Consolidated Statement of Financial Position under receivables or payables.

Other non-financial assets, current

This item includes deferred expenses for goods or services received that have been paid in advance, receivables from other taxes, as well as entitlements to investment grants or government subsidies. These receivables do not meet the definition of a financial instrument and are measured at fair value.

Cash and cash equivalents

SCHOTT treats cash on hand, demand deposits, and time deposits with original maturities of up to three months as cash and cash equivalents. These cash and cash equivalent funds meet the criteria of IAS 7 *Statement of Cash Flows*.

Non-current assets held for sale and discontinued operations

If non-current assets are held for sale, no further amortization or depreciation is applied; instead, the fair value is determined. Impairment write-downs are recognized if the carrying amount of these assets exceeds the fair value less expected costs to sell. The fair value basis is an estimate of the probable sales proceeds. The operating results and write-downs on assets held for sale are reported under profit or loss from operating activities.

Discontinued operations are presented separately as soon as a component of an entity that represents a major line of business or geographical area of operations or a subsidiary acquired specifically to be resold is available for sale and management has initiated an official sales process. The first time a division is presented as a discontinued operation, the previous year's figures are adjusted in accordance with IFRS 5.34. If the company decides not to sell a division and it is accounted for as a continuing operation again, then the information from the current and previous years with respect to the Consolidated Statement of Income and the Consolidated Statement of Cash Flows will be shown under the results and cash flows from continuing operations in accordance with IFRS 5.36. On the balance sheet date September 30, 2020, the Photovoltaics, Advanced Optics Lithotec, Display Glass, and Traditional Television Glass divisions met the requirements for discontinued operations. Even after they were discontinued in the years 2007 to 2012, these business fields still generate follow-up expenses, income and cash flows. These are mainly the result of changes in estimates regarding guarantee commitments and the utilization of the respective provisions.

Earnings from discontinued operations comprised of net current and disposal income are presented separately in the Consolidated Statement of Income.

Provisions for pensions and similar commitments

Defined contribution plans are expensed in the period in which the payment obligation arises. There is no requirement to recognize an obligation in the case of pure contribution commitments. Defined benefit pension commitments are measured using the projected unit credit method stipulated in IAS 19 *Employee Benefits*, taking future salary and pension adjustments into account. Future salary and pension adjustments are taken into account. Revaluations, including actuarial gains and losses, the effects of asset ceilings without taking net interest (not applicable to the Group) into consideration, and income from plan assets without taking net interest into consideration, are recognized immediately in retained income. Pension commitments in Germany are determined on the basis of the biometric bases of calculation set forth in the Heubeck Mortality Tables 2018 G.

Past service cost is recognized as an expense either at the time at which the plan adjustment/cut takes place or when the costs associated with the restructuring or termination of employment are recorded. Here the earlier shall prevail. Accordingly, the not yet vested past service costs can no longer be distributed over the future vesting period.

Pension commitments outside of Germany are determined using local parameters and bases of calculation.

The present value of the defined benefit obligation at the end of the fiscal year is compared with the fair value of plan assets (funded status). The asset values are netted with the corresponding obligations. Provisions for pensions also include a small amount of employee-financed pension commitments (so-called deferred compensation).

According to the long-term orientation of these plans, such estimates are subject to substantial uncertainties. Further details, including carrying amounts, can be found under Note 25.

Other provisions

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, SCHOTT recognizes provisions for obligations to third parties if the company has a present obligation as a result of a past event, an outflow of resources embodying economic benefits that will probably (that means it is more likely than not) be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions with a remaining term of more than one year are recognized at their discounted settlement amount.

Restructuring provisions

Restructuring provisions are recognized if a restructuring plan is available and restructuring has already begun or the respective parties have been informed as of the balance sheet date. The amount of the provision includes all direct expenditure necessarily incurred within the scope of restructuring which is not associated with the ongoing or future activities of the company.

Warranty provisions

Warranty provisions are reported together with other provisions arising in connection with sales under sales provisions. Warranty provisions are determined on the basis of known individual cases, historical data, and empirical values. The original estimate of costs related to warranties is reviewed annually. Due to their nature and the multi-year period of some warranties, provisions for warranties are based on estimates that are fraught with significant uncertainties.

Provisions for litigation risks

Provisions are recognized for risks arising from litigation in which a SCHOTT Group company appears as either the defendant or the plaintiff. The amount recognized corresponds to the amount likely to be paid in the event of a negative outcome. This includes in particular compensation for damages, settlements, litigation costs, and penalties.

Accrued liabilities

An accrued liability is recognized if a current legal or constructive obligation to third parties has arisen that will result in a probable outflow of resources, whereby the timing or the amount of the probable outflow of resources is no longer uncertain (in contrast to provisions). The financial debts reported are recognized at amortized purchase cost.

Other non-financial liabilities

Other non-financial liabilities include advance payments received for orders, other tax liabilities, and other liabilities that do not meet the definition of financial liabilities. They are recognized at cost or the respective settlement amount.

Leasing

The determination whether an agreement is a lease is made based on the economic substance of the agreement as of the date the agreement is concluded. This requires an estimate of whether satisfaction of the contractual arrangement is dependent on the use of a certain asset or a group of assets and whether the agreement grants a right to the use of the asset, even if this right is not expressly set forth in the agreement.

Until fiscal year 2018/2019, leases were accounted for in accordance with IAS 17. Since the first-time application of IFRS 16 in SCHOTT Group was carried out using a modified retrospective method, the previous year is presented in these Consolidated Financial Statements in accordance with IAS 17.

The Group as lessee

According to IFRS 16 Leases, lessees are required to account for all leases in the form of a right of use, and a corresponding leasing liability. The lease liability is measured at the present value of the lease payments not yet made. The presentation in the income statement is a finance lease transaction, so the right of use depreciates on a straight-line basis, and the leasing liability is updated using the effective interest method. When measuring the leasing liability for the first time, extension, termination and purchase options are taken into account if their exercise is deemed to be reasonably certain. SCHOTT considers a probability of more than 75 % to be a prerequisite for the existence of reasonable certainty. For leasing objects of low value and for short-term leasing relationships, the application facilitation is used. Leasing agreements for assets sold and leased back (sale-and-lease-back) are presented according to the same principles.

The previous year's disclosure was made in accordance with the regulations of IAS 17. If SCHOTT bears all significant opportunities and risks from the use of the leased asset within the scope of leasing transactions and is therefore to be considered the economic owner (finance leasing), the leased asset was capitalized in accordance with IAS 17 under non-current assets at the present value of the non-cancelable minimum leasing payments. These assets are depreciated over their useful life or the shorter term of the lease. A lease liability of equal amount is recognized. All other lease agreements in which SCHOTT is the lessee are treated as operating leases; as a consequence, the lease payments are recognized as an expense.

The Group as lessor

The Group acts as lessor in some cases, particularly with buildings. Since all of the opportunities and risks associated with the ownership of the asset are not transferred from the Group to the lessee under these leases, they are classified as operating leases. Lease payments from operating leases are generally recognized on a straight-line basis as lease income over the term of the lease. Initial direct costs arising during the negotiations and upon the formation of an operating lease are subtracted from the carrying amount of the leased asset and recognized as expense accordingly as rental income is earned over the term of the lease. Conditional rent payments are recognized as income in the period in which they are earned.

Contingent assets and liabilities

These are potential assets or liabilities which are the result of past events and whose existence is dependent on the occurrence or non-occurrence of one or several future events over which SCHOTT does not have full control. Contingent liabilities can also be current liabilities that are the result of a past event in which a resulting outflow of resources is improbable or cannot yet be reliably determined. In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, they are not recognized.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

4 REVENUE

	2019/2020		2018/2019	
	(in EUR thousands)	%	(in EUR thousands)	%
Germany	297,358	13.3	289,537	13.2
Europe excluding Germany	708,253	31.6	705,318	32.2
Asia and South Pacific	587,162	26.2	554,153	25.3
North America	514,119	23.0	506,076	23.1
South America	100,613	4.5	103,161	4.7
Middle East and Africa	30,889	1.4	32,155	1.5
	2,238,394	**100.0**	**2,190,400**	**100.0**

The sales result is mainly from the sale of goods. As of the balance sheet date, only benefit obligations that are part of contracts with an expected original term of a maximum of one year exist.

The timing of revenue recognition is determined as follows:

(in EUR thousands)	2019/2020	2018/2019
Revenues recognized at a point in time	1,990,394	1,973,000
Revenues recognized over time	248,000	217,400
	2,238,394	**2,190,400**

The table below shows sales by customer industry:

(in EUR thousands)	2019/2020	2018/2019
Precision Materials (electronics, automotive industry, pharmaceuticals)	1,167,116	1,083,470
Optical Industries (optics, electronics, automotive and aviation industries)	273,111	282,937
Home Appliances (home appliance industry)	787,551	794,509
Trade and others	10,616	29,484
	2,238,394	**2,190,400**

5 SELLING AND GENERAL ADMINISTRATIVE EXPENSES

Selling costs include in particular personnel and non-personnel costs, depreciation and impairment losses related to sales functions, logistics, market research, shipping, advertising, and certification costs. Personnel and non-personnel costs of the management and administrative centers are reported under general administrative expenses, unless they have been charged to other functional areas as internal services.

6 RESEARCH AND DEVELOPMENT COSTS

Research and development expenses increased by EUR 6.2 million in fiscal year 2019/2020 to EUR 92.4 million (this equates to 4.1 % of sales; previous year: 3.9 %).

7 OTHER OPERATING INCOME

Income reported under other operating income includes accrued amounts related to operating activities that are not attributable to other functional areas.

(in EUR thousands)	2019/2020	2018/2019
Income from on-charging	8,024	9,480
Foreign exchange gains	7,269	0
Income from reversal of provisions/accrued liabilities	6,673	10,710
Income from changes in the consolidated Group	5,087	0
Income from the reversal of allowance/impairments on receivables and other assets	4,690	2,215
Income from commissions, rental and licensing	4,543	4,928
Income from government grants and refunds	4,383	2,764
Income from the reversal of impairments on property, plant and equipment	1,909	995
Proceeds from scrap sales	1,667	1,575
Income from disposal of property, plant and equipment	1,530	15,256
Income from insurance payments	777	1,889
Income from taxes not related to income	595	7,177
Other	2,769	3,238
	49,916	**60,227**

In fiscal year 2019/2020, net exchange rate gains of EUR 7.269 million (previous year: EUR 0) are reported under other operating income.

As in the previous year, income from grants and cost reimbursements relates in full to government grants for which the conditions for collection are finally met.

The income from write-ups of property, plant and equipment mainly relates to technical equipment and machinery and real estate and resulted from improved expectations compared to the previous year.

8 OTHER OPERATING EXPENSES

Other operating expenses under the cost of sales (function of expense) method include all expenses not assigned to production, sales, research and development or administrative functions, or that are disclosed separately elsewhere.

(in EUR thousands)	2019/2020	2018/2019
Impairment losses from property, plant and equipment and intangible assets	9,354	3,881
Expenses from the recognition of provisions/accrued liabilities	7,190	1,314
Restructuring expenses	6,200	0
Allowance/impairments on receivables and other assets	3,678	2,901
Expenses from taxes not related to earnings	1,840	1,491
Bank fees	1,679	1,585
Expenses for write-downs of inventories	199	180
Charitable contributions	107	336
Exchange losses	0	8,734
Other	10,938	8,116
	41,185	**28,538**

In fiscal year 2019/2020, exchange rate losses of EUR 0 thousand (previous year: EUR 8.734 million) are reported under other operating expenses.

Impairment losses on property, plant and equipment and intangible assets in the reporting year include impairment losses on goodwill for the cash-generating unit “Flat Glass” in the amount of EUR 9,345 thousand.

9 INCOME/LOSS FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Please refer to the comments in Note 16 “Investments accounted for using the equity method.”

Net income from investments accounted for using the equity method shown under consolidated net income can be broken down as follows:

(in EUR thousands)	2019/2020	2018/2019
SCHOTT KAISHA PRIVATE LIMITED, Mumbai/India	2,853	4,900
Empha SPA, Turin/Italy	2,649	2,029
SCHOTT-Italglas s.r.l., Genoa/Italy	653	496
Glaverpane S.A., Jemeppe-sur-Sambre/Belgium	104	135
Zhejiang Crystal-SCHOTT Optical Technology Co., Ltd., Taizhou/China	–201	–54
	6,058	**7,506**

10 NET FINANCIAL INCOME

(in EUR thousands)	2019/2020	2018/2019
Interest and similar income	1,698	4,551
of which from affiliated companies	1	2
Interest and similar expenses	–13,655	–20,943
of which from affiliated companies	–32	–93
of which pension-related interest expense	–10,943	–17,625
NET INTEREST EXPENSE	**–11,957**	**–16,392**
Income from investments in unconsolidated affiliates	917	1,080
Income from securities	674	391
Other financial expenses	–1,246	–5,463
OTHER NET FINANCIAL INCOME/EXPENSE	**345**	**–3,992**
TOTAL NET FINANCIAL INCOME/EXPENSE	**–11,612**	**–20,384**

The net interest expense from pensions includes the interest expense from compounding the pension obligations and the expected return on plan assets. The expected return on plan assets is assumed to be equal to the discount rate applied to the pension obligations.

11 INCOME TAX

Income taxes can be broken down according to their sources as follows:

(in EUR thousands)	2019/2020	2018/2019
Current tax	–41,041	–30,974
Deferred tax	–20,787	–22,072
INCOME TAX EXPENSE	**–61,828**	**–53,046**

Deferred taxes are calculated on the basis of the tax rates that will apply on the expected realization date, based on the legal environment in the individual countries. With the corporate income tax, trade tax together with the solidarity surcharge, this results in a tax rate totaling 30 % for German companies (previous year: 30 %). Tax rates outside Germany ranged between 11 % and 34 % (previous year: between 9 % and 34 %).

As of September 30, deferred tax assets and liabilities can be attributed to the following Consolidated Statement of Financial Position items:

	Sept. 30, 2020		Sept. 30, 2019	
(in EUR thousands)	Assets	Liabilities	Assets	Liabilities
Intangible assets	11,179	10,057	12,517	11,394
Property, plant and equipment	10,846	40,022	9,528	15,885
Inventories	10,375	3,005	11,010	2,804
Current and non-current other assets	8,129	14,729	8,306	14,056
Provisions for pensions and similar commitments	241,687	0	256,854	0
Current and non-current other provisions and accrued liabilities	22,164	6,166	17,494	8,699
Current and non-current other liabilities	26,624	10,374	8,728	7,592
Tax loss carry-forwards	54,541	0	69,602	0
Other	0	150	0	222
GROSS DEFERRED TAXES	**385,545**	**84,503**	**394,039**	**60,652**
Offset amounts*	54,544	54,544	27,245	27,245
BALANCE SHEET STATEMENT	**331,001**	**29,959**	**366,794**	**33,407**

* Amounts offset within individual taxable entities

The change in deferred taxes in fiscal year 2019/2020 as well as in the previous year is presented below:

	2019/2020		2018/2019	
(in EUR thousands)	Consolidated income statement	Recognized in equity	Consolidated income statement	Recognized in equity
Intangible assets	0		–1,371	–3,948
Property, plant and equipment	379	–23,198	3,263	
Inventories	–836		–1,323	
Current and non-current other assets	–850		–4,895	–6,643
Provisions for pensions and similar commitments	–7,076	–8,091	–1,286	73,687
Current and non-current other provisions and accrued liabilities	7,204		–1,563	
Current and non-current liabilities	–8,084	23,198	–27,310	
Tax loss carry-forwards	–15,061		10,695	
Other	71		–886	
GROSS DEFERRED TAXES	**–24,253**	**–8,091**	**–24,676**	**63,096**
Exchange rate effects	3,010		–2,334	
DEFERRED TAX EXPENSE	**–21,243**		**–27,010**	
of which for continuing operations	–20,787		–22,072	
of which for discontinued operations	–456		–4,938	

Deferred taxes on deductible temporary differences are recognized insofar as it is probable that the reversal of temporary differences will be recognized in the tax accounts as a result of sufficient future taxable income. The same applies for deferred taxes on loss carry-forwards, considering their future application within the statutory loss carry-forward period. Due to positive tax result forecasts, a deferred tax asset is recognized for temporary differences totaling EUR 531 thousand for the tax group SCHOTT France SAS, Colombes/France, and EUR 600 thousand for SCHOTT MiniFAB Pty Ltd, Frenchs Forest/Australia, although these companies suffered tax losses in the past fiscal year or in the previous year.

Based on an assessment of impairment considering the applicable planning period, no deferred tax assets are recognized for certain loss carry-forwards or deductible differences. There are loss carry-forwards, interest rate carry-forwards, and tax credits for which no deferred taxes are recognized totaling EUR 117,379 thousand (previous year EUR 180,090 thousand) for corporate income tax or comparable foreign taxes, and EUR 120,110 thousand (previous year EUR 144,179 thousand) for trade tax or comparable foreign taxes, and EUR 2,083 thousand (previous year EUR 1,865 thousand) for tax credits. Furthermore, no deferred taxes were recognized on future deductible differences amounting to EUR 14,773 thousand (previous year EUR 7,941 thousand). The resulting unrecognized deferred tax assets amount to EUR 37,717 thousand (previous year: EUR 51,638 thousand) on loss carry-forwards, interest rate carry-forwards and tax credits and EUR 3,824 thousand (previous year: EUR 2,280 thousand) with differences that will be deductible in the future.

EUR 1,445 thousand of the unrecognized losses carried forward (corporate income tax) expire after three years, EUR 13,701 thousand after four years, and an additional EUR 34,693 thousand after five years or more. There is no time limit on the use of additional unrecognized loss carry-forwards.

In the reporting year, deferred taxes amounting to EUR – 8,091 thousand (previous year: EUR 63,096 thousand) were recognized in other comprehensive income. Of this amount, EUR – 8,091 million (previous year: EUR 73.687 million) was attributable to value adjustments to pension provisions that were not recognized in profit or loss and EUR – 23,198 thousand (previous year: EUR 0 thousand) to property, plant and equipment and EUR 23,198 thousand (previous year: EUR 0 thousand) to leasing liabilities due to the first-time capitalization of right of use in accordance with IFRS 16. As in the previous year, no deferred tax liabilities were recognized for retained earnings of foreign subsidiaries in the year under review, as these earnings are reinvested on a long-term basis and their distribution is not planned. If these profits were distributed as dividends, an additional tax liability of a maximum of EUR 15,682 thousand (previous year: EUR 16,158 thousand) could arise if current tax law were to continue to apply.

The following table shows a reconciliation from the expected to actual reported tax expense. In order to determine the expected tax rate, the income from continuing operations before income taxes is multiplied by a tax rate of 30 % (previous year: 30 %). This comprises a tax rate of 15.8 % (previous year: 15.8 %) for corporate income tax, including the solidarity surcharge, and 14.2 % (previous year: 14.2 %) for trade tax:

(in EUR thousands)	2019 / 2020	2018 / 2019
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**276,554**	**254,694**
Calculated tax expense at the anticipated tax rate (30.0%)	82,966	76,408
Effect of tax rate changes	– 805	619
Non-deductible expenses	5,579	1,789
Tax-exempt components of income	– 2,473	– 2,729
Tax difference due to foreign tax rates	– 11,768	– 10,581
Change in valuation allowances on deferred tax assets	– 8,087	– 9,070
Taxes relating to prior periods	– 3,795	– 3,029
Other	211	– 361
INCOME TAX ACCORDING TO THE INCOME STATEMENT	**61,828**	**53,046**
Taxation rate according to the consolidated financial statements	22.4 %	20.8 %

Effects from losses and temporary differences for which tax assets could not be recognized relate primarily to SCHOTT Italvetro S.R.L., Borgo a Mozzano/Italy, in the amount of EUR 1,385 thousand, SCHOTT Primoceler Oy, Tampera/Finland, in the amount of EUR 457 thousand and SCHOTT Flat Glass do Brasil Ltda., São Paulo/Brazil, in the amount of EUR 320 thousand. This is offset in particular by effects from tax assets recognized for the first time or from the use of tax assets not previously recognized in the amount of EUR 9,912 thousand at SCHOTT North America Inc., Elmsford/USA, and in the amount of EUR 132 thousand at SCHOTT Solar CSP GmbH, Mainz. Taxes for prior periods relate to EUR – 3,642 thousand in current taxes and EUR – 153 thousand in deferred taxes due to the adjustment of tax balance carried forward values.

12 DISCONTINUED OPERATIONS

In fiscal year 2019/2020, as in the previous year, the Photovoltaics division in particular essentially met the requirements for discontinued operations. Accordingly, the Photovoltaics area is reported in the result from discontinued operations in the Consolidated Statement of Income for the year under review and the previous year in accordance with the provisions of IFRS 5 concerning the presentation of discontinued operations in the Consolidated Statement of Income.

The results of the discontinued operations are as follows:

(in EUR thousands)	2019 / 2020	2018 / 2019
Sales	0	0
Cost of sales	0	0
GROSS PROFIT	**0**	**0**
Selling and administrative expenses	– 18,224	– 11,247
Other operating income	3,198	25,678
Other operating expenses	– 1,042	– 3,907
Net financial income/expense	423	– 1,297
INCOME BEFORE TAXES	**– 15,645**	**9,227**
Income tax expenses	– 456	– 4,733
INCOME FROM DISCONTINUED OPERATIONS	**– 16,101**	**4,494**

The selling expenses of the Photovoltaics division mainly relate to additions to provisions for warranties and module disposal and resulted mainly from changes in estimates with regard to warranty obligations. The other operating income of the "Other" division mainly represents the reversal of provisions for litigation costs in connection with divisions discontinued in previous years.

The loss before income taxes amounted to EUR – 15,645 thousand (previous year: profit of EUR 9,227 thousand).

The following tables contain a breakdown of the results of the individual divisions.

2019 / 2020

(in EUR thousands)	Photovoltaics	Other	Total
Revenue	0	0	0
Cost of sales	0	0	0
GROSS PROFIT	**0**	**0**	**0**
Selling and administrative expenses	– 18,171	– 53	– 18,224
Other operating income	1,543	1,655	3,198
Other operating expenses	– 1,042	0	– 1,042
Net Financial Income	423	0	423
EARNINGS BEFORE INCOME TAXES	**– 17,247**	**1,602**	**– 15,645**
Income tax	25	– 481	– 456
INCOME FROM DISCONTINUED OPERATIONS	**– 17,222**	**1,121**	**– 16,101**

2018 / 2019

(in EUR thousands)	Photovoltaics	Other	Total
Revenue	0	0	0
Cost of sales	0	0	0
GROSS PROFIT	**0**	**0**	**0**
Selling and administrative expenses	– 11,048	– 199	– 11,247
Other operating income	25,678	0	25,678
Other operating expenses	– 3,907	0	– 3,907
Net Financial Income	– 1,297	0	– 1,297
EARNINGS BEFORE INCOME TAXES	**9,426**	**– 199**	**9,227**
Income tax	– 4,793	60	– 4,733
INCOME FROM DISCONTINUED OPERATIONS	**4,633**	**– 139**	**4,494**

The discontinued operations' cash flows are presented below:

(in EUR thousands)	2019/2020	2018/2019
Operating activities	–2,301	–5,514
Investing activities	573	–1,554
Financing activities	–805	–406

13 INCOME/LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Income attributable to non-controlling interests amounted to EUR 6,615 thousand (previous year: EUR 7,244 thousand). This was offset by losses totaling EUR 1,352 thousand (previous year: EUR 3,919 thousand).

14 INTANGIBLE ASSETS

The scheduled goodwill impairment test was performed on June 30, 2020. The value in use served as the basis for determining the recoverable amount for the cash-generating unit that goodwill is assigned to. Further details can be found under Note 3.5.

The following tables show the main goodwill reported in the Consolidated Statement of Financial Position:

Cash-generating Unit	W*	WACC after taxes	WACC before taxes	Sept. 30, 2020 EUR millions
Home Tech	1.0%	6.7%	9.6%	28.4
Pharmaceutical Systems	1.0%	6.2%	8.9%	27.3
Flat Glass	1.0%	6.2%	8.9%	9.4
Advanced Optics	1.0%	7.8%	11.1%	7.0
Lighting and Imaging	1.0%	6.0%	8.6%	4.2

* The growth rate that was used to extrapolate the cash flow forecasts

Cash-generating Unit	W*	WACC after taxes	WACC before taxes	Sept. 30, 2019 EUR millions
Home Tech	1.0%	6.9%	9.4%	32.7
Pharmaceutical Systems	1.0%	6.6%	8.9%	27.6
Flat Glass	1.0%	6.1%	8.2%	18.8
Advanced Optics	1.0%	8.3%	11.2%	7.0
Lighting and Imaging	1.0%	7.1%	9.7%	4.2

* The growth rate that was used to extrapolate the cash flow forecasts

In the year under review, impairment losses of EUR 9,345 thousand were recognized on goodwill in the cash-generating unit "Flat Glass," which are reported under other operating expenses. Particularly due to the effects of the COVID-19 pandemic, the earnings prospects for "Flat Glass" deteriorated in the past fiscal year, so that the impairment became necessary.

With all of the other cash-generating units, the recoverable amount exceeds their carrying amounts. A negative change in a key assumption could, under certain circumstances, lead to an impairment loss for the cash-generating unit "Advanced Optics." The weighted average cost of capital in particular and operating free cash flow ("OFCF") following the detailed planning period ("terminal value") are key factors in determining the recoverable amount. With otherwise identical budget assumptions, an increase in the WACC (after taxes) of more than 3.5 percentage points would lead to an impairment loss. Analogously, failure to meet the planned OFCF in terminal value by more than 41 % would lead to impairment.

The Board of Management believes that no change considered reasonably possible to one of the basic assumptions used in determining the utility value of the other cash-generating units could result in the carrying amount of the cash-generating units significantly exceeding their recoverable amount.

(in EUR thousands)	Development costs	Patents, licenses and similar rights	Goodwill	Total
HISTORICAL COST				
BALANCE AS OF OCT. 1, 2018	**2,740**	**78,376**	**154,588**	**235,704**
Change in consolidated Group	0	14,179	29,237	43,416
Additions	0	2,458	129	2,587
Disposals	0	4,027	0	4,027
Reclassifications	0	985	0	985
Currency translation	0	2,006	1,175	3,181
BALANCE AS OF SEPT. 30, 2019	**2,740**	**93,977**	**185,129**	**281,846**
ACCUMULATED AMORTIZATION AND IMPAIRMENT				
BALANCE AS OF OCT. 1, 2018	**1,738**	**61,971**	**89,310**	**153,019**
Change in consolidated Group	0	0	0	0
Current amortization*	447	6,876	0	7,323
Disposals	0	3,798	0	3,798
Reclassifications	0	41	0	41
Currency translation	0	1,781	301	2,082
BALANCE AS OF SEPT. 30, 2019	**2,185**	**66,871**	**89,611**	**158,667**
CARRYING AMOUNT				
BALANCE AS OF SEPT. 30, 2019	**555**	**27,106**	**95,518**	**123,179**
HISTORICAL COST				
BALANCE AS OF OCT. 1, 2019	**2,740**	**93,977**	**185,129**	**281,846**
Change in consolidated Group	0	15,194	377	15,571
Additions	0	6,398	0	6,398
Disposals	0	826	3,699	4,525
Reclassifications	0	2,589	0	2,589
Currency translation	0	–2,332	–1,650	–3,982
BALANCE AS OF SEPT. 30, 2020	**2,740**	**115,000**	**180,157**	**297,897**
ACCUMULATED AMORTIZATION AND IMPAIRMENT				
BALANCE AS OF OCT. 1, 2019	**2,185**	**66,871**	**89,611**	**158,667**
Current amortization*	297	8,637	9,345	18,279
Disposals	0	822	0	822
Reclassifications	0	0	0	0
Currency translation	0	–1,862	–352	–2,214
BALANCE AS OF SEPT. 30, 2020	**2,482**	**72,824**	**98,604**	**173,910**
CARRYING AMOUNT				
BALANCE AS OF SEPT. 30, 2020	**258**	**42,176**	**81,553**	**123,987**

* Impairment losses are included in the accumulated amortization

15 PROPERTY, PLANT AND EQUIPMENT

Impairment losses on property, plant and equipment were recognized in the amount of EUR 1,956 thousand (previous year: EUR 4,164 thousand) in the fiscal year. These impairment losses can mainly be attributed to write-downs of property, plant and equipment at various production sites in Germany and abroad. The impairment losses attributable to property, plant and equipment were EUR 217 thousand for technical equipment and machinery (previous year: EUR 3,639 thousand), EUR 1,547 thousand (previous year: EUR 118 thousand) to land, land rights and buildings, and EUR 192 thousand (previous year: EUR 207 thousand) to other equipment, factory and office equipment.

Impairment of EUR 1,743 thousand (previous year: EUR 3,879 thousand) was recognized in other operating expenses, thereof EUR 1,734 thousand (previous year: EUR 0 thousand) in restructuring expenses. Impairment of EUR 213 thousand (previous year: EUR 285 thousand) was recognized in the functional areas, EUR 213 thousand (previous year: EUR 285 thousand) of which in cost of sales.

Reversals of impairment losses amounting to EUR 1,909 thousand (previous year: EUR 995 thousand) mainly relate to technical equipment and machinery and real estate and are included in other operating income.

Government grants totaling EUR 952 thousand (prior year: EUR 1,415 thousand) for assets in the fiscal year have been deducted from their purchase costs. These government grants can be mainly attributed to the subsidiary SCHOTT Hungary Kft., Lukácsháza, Hungary, which received government grants for manufacturing-related investment projects. Order commitments for non-current assets amounted to EUR 141,240 thousand (previous year: EUR 88,272 thousand) as of the reporting date. As in the previous year, no significant borrowing costs as defined under IAS 23 were capitalized during the fiscal year just ended because there were no significant “qualifying assets.” Similarly, no collateral – for instance in the form of recorded liens on real property – was provided to third parties.

The column “Land, land rights and buildings” includes leased properties representing financial investments in accordance with IAS 40. For reasons of materiality, these properties are not shown separately in the Consolidated Statement of Financial Position.

The asset classes include the rights of use under leases. Further information on leasing relationships in SCHOTT Group is provided in Note 32.

(in EUR thousands)	Land, land rights and buildings	Technical equipment, plant and machinery	Other equipment, operating and office equipment	Assets under construction	Total
HISTORICAL COST					
BALANCE AS OF OCT. 1, 2018	**702,125**	**1,609,631**	**291,903**	**133,135**	**2,736,794**
Change in consolidated Group	865	5,820	451	114	7,250
Additions	6,852	45,901	19,743	184,368	256,864
Disposals	13,979	53,955	17,011	91	85,036
Reclassifications	15,060	59,588	13,040	–88,673	–985
Currency translation	9,169	24,008	5,616	2,135	40,928
BALANCE AS OF SEPT. 30, 2019	**720,092**	**1,690,993**	**313,742**	**230,988**	**2,955,815**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
BALANCE AS OF OCT. 1, 2018	**453,870**	**1,164,216**	**221,884**	**34**	**1,840,004**
Change in consolidated Group	126	1,890	291	0	2,307
Current depreciation*	18,828	87,880	23,205	193	130,106
Revaluations	876	94	25	0	995
Disposals	12,476	50,728	16,499	0	79,703
Reclassifications	154	–285	100	–10	–41
Currency translation	5,618	18,371	4,363	1	28,353
BALANCE AS OF SEPT. 30, 2019	**465,244**	**1,221,250**	**233,319**	**218**	**1,920,031**
CARRYING AMOUNT					
BALANCE AS OF SEPT. 30, 2019	**254,848**	**469,743**	**80,423**	**230,770**	**1,035,784**
HISTORICAL COST					
BALANCE AS OF OCT. 1, 2019	**720,092**	**1,690,993**	**313,742**	**230,988**	**2,955,815**
First-time application IFRS 16	47,615	33,259	3,917	0	84,791
Change in consolidated Group	–25,885	0	0	254	–25,631
Additions	47,407	33,951	16,763	219,626	317,747
Disposals	9,210	25,157	10,827	1,203	46,397
Reclassifications	31,233	78,036	17,954	–129,811	–2,588
Currency translation	–20,136	–54,230	–13,940	–6,412	–94,718
BALANCE AS OF SEPT. 30, 2020	**791,116**	**1,756,852**	**327,609**	**313,442**	**3,189,019**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
BALANCE AS OF OCT. 1, 2019	**465,244**	**1,221,250**	**233,319**	**218**	**1,920,031**
Change in consolidated Group	–4,092	0	0	0	–4,092
Current depreciation*	32,825	91,258	27,631	294	152,008
Revaluations	466	1,429	14	0	1,909
Disposals	8,019	23,469	10,068	0	41,556
Reclassifications	–2	0	2	0	0
Currency translation	–10,473	–36,282	–10,045	–17	–56,817
BALANCE AS OF SEPT. 30, 2020	**475,017**	**1,251,328**	**240,825**	**495**	**1,967,665**
CARRYING AMOUNT					
BALANCE AS OF SEPT. 30, 2020	**316,099**	**505,524**	**86,784**	**312,947**	**1,221,354**

* Impairment losses are included in the accumulated depreciation

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Equity investments in associates and joint ventures accounted for using the equity method are shown in the following table:

Company	Country	Primary activity	Share in the capital Sept. 30, 2020	Share in the capital Sept. 30, 2019
Empha SPA	Turin, Italy	Holding	50 %	50 %
Glaverpane S.A.	Jemeppe-sur-Sambre, Belgium	Flat Glass	35 %	35 %
SCHOTT-Italglas s.r.l.	Genoa, Italy	Distribution	50 %	50 %
SCHOTT KAISHA PRIVATE LIMITED	Mumbai, India	Pharmaceutical Systems	50 %	50 %
Zhejiang Crystal-SCHOTT Optical Technology Co., Ltd.	Taizhou/China	Advanced Optics	41 %	41%

The following overview summarizes the financial information on investments accounted for using the equity method as of September 30 (basis of calculation: 100 %):

2019 / 2020

(in EUR thousands)	Assets as of Sept. 30	Debt as of Sept. 30	Equity as of Sept. 30	Sales	Result
Empha SPA*	15,593	23	15,570	0	2,307
Glaverpane S.A.*	24,988	11,061	13,927	53,027	297
SCHOTT-Italglas s.r.l.	4,824	2,899	1,925	6,549	1,306
SCHOTT KAISHA PRIVATE LIMITED	112,747	53,237	59,510	74,367	5,706
Zhejiang Crystal-SCHOTT Optical Technology Co., Ltd.	17,481	1,155	16,326	1,323	– 491
	175,633	**68,375**	**107,258**	**135,266**	**9,125**

* Reporting date December 31, 2019 / Fiscal year from January 1 to December 31, 2019

2018 / 2019

(in EUR thousands)	Assets as of Sept. 30	Debt as of Sept. 30	Equity as of Sept. 30	Sales	Result
Empha SPA*	15,584	21	15,563	0	2,060
Glaverpane S.A.*	31,029	17,399	13,630	57,038	385
SCHOTT-Italglas s.r.l.	4,427	2,816	1,611	7,725	992
SCHOTT KAISHA PRIVATE LIMITED	140,076	79,772	60,304	73,843	9,800
Zhejiang Crystal-SCHOTT Optical Technology Co., Ltd.	18,053	836	17,217	1,556	– 131
	209,169	**100,844**	**108,325**	**140,162**	**13,106**

* Reporting date December 31, 2018 / Fiscal year from January 1 to December 31, 2018

The change in equity recognized directly in equity due to currency differences at SCHOTT KAISHA PRIVATE LIMITED, Mumbai/India, amounts to EUR – 3,250 thousand (previous year: EUR + 2,222 thousand). Due to the goodwill, it amounts to EUR – 486 thousand (previous year: EUR 375 thousand).

17 OTHER NON-CURRENT FINANCIAL ASSETS

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
Shareholdings	8,366	5,285
Shares in affiliates not consolidated	8,120	8,120
Loans to third parties and employees	436	454
Shares not measured at equity	24	24
Other financial receivables	265	136
	17,211	**14,019**

Non-current other financial assets are divided into the measurement categories “financial assets not subject to IFRS 9” of EUR 8.120 thousand, assets recognized at fair value through profit or loss (FVTPL) of EUR 8,366 thousand and “loans and receivables” of EUR 725 thousand (see also the comments under Note 31.1 “Financial Assets and Financial Liabilities”).

In the fiscal year, the change in equity investments related in particular to the contribution of the majority interests in two real estate property companies into a contractual trust arrangement to strengthen the plan assets. The allocation led to the disclosure of hidden reserves, also in the retained interests.

There is no collateral on non-current financial assets.

There are no non-current financial assets whose terms were renegotiated or otherwise overdue or impaired.

Shares in non-consolidated affiliates and shareholdings are recognized as acquisition costs. Investments held as financial instruments are recognized at fair value through profit or loss.

18 OTHER NON-CURRENT NON-FINANCIAL ASSETS

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
Receivables from tax authorities	1,128	71
Prepaid expenses and accrued income	546	511
Other non-financial receivables	1,432	801
	3,106	**1,383**

19 INVENTORIES

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
Raw materials and supplies	197,570	184,711
Work in progress	149,417	162,487
Finished goods and merchandise	183,486	168,158
Value adjustments	–111,511	–101,045
	418,962	**414,311**

Write-downs to the net realizable value amounting to EUR 11,687 thousand (previous year: EUR 2,190 thousand) as well as reversals due to changes in the estimated future sales volume amounting to EUR 1,221 thousand (previous year: EUR 6,651 thousand) were recognized on inventories in the reporting period. The carrying amount of inventories that were recognized at fair value less selling costs amounts to EUR 120,257 thousand (previous year: EUR 132,564 thousand). The amount of inventories recognized as an expense in fiscal year 2019/2020 was EUR 1,162 million (previous year: EUR 1,105 million).

As in the previous year, no inventories are pledged as collateral for liabilities as of the balance sheet date of the fiscal year just ended, apart from the usual retention of title.

20 TRADE RECEIVABLES AND CONTRACT ASSETS

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
Trade receivables from third parties	362,463	362,980
Trade receivables from associates	5,890	6,431
Trade receivables from affiliates	1,814	2,706
Notes receivable from third parties	6,414	7,295
TRADE RECEIVABLES (AFTER VALUE ADJUSTMENTS)	**376,581**	**379,412**
Contract assets	84,922	71,661
TRADE RECEIVABLES AND CONTRACT ASSETS (AFTER VALUE ADJUSTMENTS)	**461,503**	**451,073**

All trade receivables have a remaining term to maturity of less than one year. The fair value of the receivables therefore corresponds to the carrying amount. Trade receivables from affiliates relate to current business relations with companies not included in the Consolidated Financial Statements of SCHOTT AG.

The value adjustments on trade receivables developed as follows compared to the previous year:

(in EUR thousands)	2019/2020	2018/2019
BALANCE AS OF OCTOBER 1	**13,308**	**13,556**
Change in the consolidated Group	0	425
Currency translation	–754	137
Additions	3,509	2,957
Utilization	–795	–2,108
Reversals	–3,424	–1,659
BALANCE AS OF SEPTEMBER 30	**11,844**	**13,308**

An overview of the maturities of trade receivables, including the loss rate and allowance rates, is provided in the risk management report in the notes on credit risk (see also the comments in Note 31.2 “Disclosures on derecognition of financial instruments”).

The receivables portfolio does not include any receivables whose conditions have been renegotiated and which would otherwise be overdue or impaired. With the exception of the retention of title customary in the industry, there is no loan collateral for trade receivables. Of the trade receivables, EUR 45,965 thousand is secured by credit insurance. In order to meet the special requirements, SCHOTT cooperates with several credit insurers. In addition to a global insurance contract covering the companies domiciled in the EU, several local insurance contracts exist worldwide for the units participating in credit insurance. The insurance ratio is 90% for all of the company’s insurance policies.

On September 30, 2020, there were contract assets in the amount of EUR 84,922 thousand (previous year: EUR 71,661 thousand). This includes an allowance for expected credit losses of EUR 104 thousand (previous year: EUR 88 thousand).

As of the balance sheet date, contract assets increased by EUR 13,261 thousand. This increase is mainly due to increased inventories of individualized customer products compared to the previous year, for which the period-based revenue recognition method is applied in accordance with IFRS 15.35c.

21 OTHER CURRENT FINANCIAL ASSETS

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
Positive market values from derivatives	13,918	3,496
Loan receivables	2,046	2,370
Creditors with debit balances	1,967	3,520
Factoring receivables	603	704
Receivables from associates	147	0
Receivables from affiliates	21	116
Other miscellaneous financial receivables	766	1,604
Valuation allowance	–206	–205
	19,262	**11,605**

The impairments of other financial assets are unchanged from the previous year. Results from value adjustments and write-offs of other financial assets are reported under other operating income as income from the reversal of value adjustments and under other operating expenses as expenses from value adjustments.

In the case of other financial assets, there were no assets in the reporting periods whose conditions were renegotiated and which would otherwise be overdue and not impaired.

22 OTHER CURRENT NON-FINANCIAL ASSETS

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
Receivables from other taxes*	25,150	26,896
Prepaid expenses and deferred charges	11,392	11,882
Advance payments	3,660	4,835
Advance payments on inventories	533	145
Asset value from reinsurance policies	219	214
Compensation scheme of the Renewable Energy Sources Act	0	6,557
Miscellaneous other non-financial receivables	5,956	5,906
	46,910	**56,435**

*Value-added tax refund claims have been reclassified to current non-financial assets. The previous year's figures have been adjusted accordingly. See Note 3.5.

23 CASH AND CASH EQUIVALENTS

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
Checks, cash-on-hand	252	213
Deposits with banks (terms up to 90 days)	221,360	160,431
Fixed term deposits (terms up to 90 days)	12,172	10,904
	233,784	**171,548**

The effective interest rates for bank deposits and time deposit investments with a term to maturity of up to 90 days are close to zero in the euro region. The fair value of cash and cash equivalents corresponds to the carrying amount. On the balance sheet date, bank balances included restricted cash of EUR 5,873 thousand (previous year: EUR 7,317 thousand).

24 EQUITY

The subscribed capital of SCHOTT AG amounts to EUR 150,000 thousand and capital reserves to EUR 322,214 thousand. Subscribed capital consists of 150,000,000 registered shares with a nominal value of EUR 1.00 each. Each share has one voting right and is entitled to dividends.

Income and expenses recognized directly in other comprehensive income (excluding non-controlling interest) developed as follows:

(in EUR thousands)	Profit/loss from revaluation of defined benefit pension plans	Currency translation	Total income and expenses recognized directly in equity
BALANCE AS OF OCT. 1, 2018	**−278,104**	**−29,893**	**−307,997**
Changes with no effect on income	−256,674	21,733	−234,941
Reclassification adjustments	0	124	124
Deferred taxes	73,687	0	73,687
BALANCE AS OF SEPT. 30, 2019	**−461,091**	**−8,036**	**−469,127**
BALANCE AS OF OCT. 1, 2019	**−461,091**	**−8,036**	**−469,127**
Changes with no effect on income	31,155	−61,222	−30,067
Deferred taxes	−8,091	0	−8,091
BALANCE AS OF SEPT. 30, 2020	**−438,027**	**−69,258**	**−507,285**

The range of possible dividend distributions is determined in accordance with Article 24 of the Articles of Association of the Carl Zeiss Foundation and depends on the consolidated equity ratio and consolidated earnings after non-controlling interest. In accordance with the resolution of the shareholders' meeting held on March 16, 2020, for fiscal year 2018/2019, a dividend of EUR 20,300 thousand was paid to the Carl Zeiss Foundation. The Board of Management of SCHOTT AG has proposed a dividend of EUR 10,000 thousand for fiscal year 2019/2020.

Non-controlling interests

Non-controlling interests relate mainly to externally-held shares of SCHOTT Flat Glass Holding B.V., Tiel/Netherlands, SCHOTT Gemtron Corporation, Sweetwater, Tennessee/USA, and SCHOTT Finanzierungs- und Verwaltungs GmbH, Mainz.

In the fiscal year, an amount of EUR 15,800 thousand was withdrawn from the capital reserves of SCHOTT Finanzierungs- und Verwaltungs GmbH, Mainz, and two thirds of this amount (EUR 10,533 thousand) was paid out to the non-controlling shareholder in accordance with the share in capital.

Capital management

The aim of capital management is to maximize the company's income by optimizing the relationship between equity and liabilities. It also ensures that all Group companies can operate under the premise of continuing as a going concern.

The equity and outside capital relevant for capital management mainly comprises financial liabilities and equity in SCHOTT AG attributable to the Carl Zeiss Foundation. This consists of issued shares, the capital reserve, and retained earnings.

At SCHOTT, capital management measures in accordance with IAS 1 include in particular the use of borrowed capital, the optimization of investment activities, dividend payments, optimizing net working capital, and capital increases and reductions.

SCHOTT's corporate management strategy is guided, among other factors, by the value-based SCHOTT Value Added (SVA) concept. All strategic and operating activities are assessed based on their contribution to increasing the company's business value. SCHOTT aims to successfully utilize its business assets and create value in excess of the Group's capital costs.

SCHOTT's managerial planning and monthly planning both include the continuous calculation of net liquidity and operational free cash flow at the level of the individual Business Units as well as at the Group level. Net liquidity includes all cash and cash equivalents as well as time deposits less financial liabilities. Net liquidity provides information on the financial status. Operating free cash flow identifies the capital surplus remaining after deducting investments in fixed assets. Surplus funds could be used, for example, to repay financial liabilities or finance investments without drawing on external sources. In this way, measures needed to influence the capital structure can be identified early.

The majority of financial liabilities owed to banks and other lenders require compliance with financial covenants. We counter this risk by continuously monitoring the covenants on the basis of the respectively applicable actual, planned, and forecast values of the related key figures. Based on the current budget and projected values, SCHOTT assumes that the covenants will be upheld for the foreseeable intermediate future.

In addition, the Board of Management reviews the capital structure continuously. This review includes an assessment of the equity ratio and the debt-equity ratio. The equity ratio corresponds to the ratio of equity to total assets in the Consolidated Statement of Financial Position. As of September 30, 2020, it amounts to 33.7 % (previous year 32,0 %).

Net financial assets, which represent an important internal key figure for the financial management of SCHOTT, comprise the following:

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
Cash and cash equivalents	233,784	171,548
Liabilities from cash clearing	–11,141	–9,949
Lease liabilities (previous year: finance leases)	–99,723	–4,646
Liabilities to banks	–132,001	–95,029
Other financial liabilities	–2,304	–10,370
NET FINANCIAL ASSETS	**–11,385**	**51,554**

The overall strategy remained unchanged compared to last year.

25 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

EUR 12,526 thousand (previous year: EUR 12,432 thousand) was expensed for defined contribution plans abroad and EUR 30,624 thousand (previous year: EUR 29,357 thousand) for defined contribution plans in Germany, of which EUR 36,615 thousand (previous year: EUR 35,511 thousand) was expensed to state pension funds. The pension provisions in Germany also include employee-financed pension commitments (so-called deferred compensation) in the amount of EUR 7,106 thousand (previous year: EUR 7,668 thousand). The asset values were netted with the corresponding obligations. Pension plans from defined contribution commitments include ongoing pensions as well as vested benefits financed by both the company and employees. These provisions also include post-retirement health care commitments on the part of our US companies. In accordance with IAS 19, these commitments are classified as defined benefit plans.

In Germany, a distinction is made between four major pension commitments:

Pension Charter “P74” is a remuneration-dependent, overall benefit scheme netted with social security, for which the defined benefit obligation (DBO) is calculated proportionately.

The “P 82 old” and “P 82 new” Pension Charters are likewise remuneration-dependent pension schemes. In these schemes, the pension benefit increases by a percentage of pensionable remuneration for each year of eligible service, whereby salary components in excess of the basis of calculation are more heavily weighted. The DBO is also calculated proportionately.

The pension scheme “VO 2015” as well as the previously applicable pension scheme “VO 2000” which was replaced on October 1, 2015, are defined contribution plans with a dynamic benefit contribution in which the defined benefit commitment is calculated according to the earned pension method. These are building block schemes within the scope of which a benefit contribution is determined each year which is then converted into a pension building block using actuarial methods. This pension building block is credited to the employee’s individual benefit account. The pension contribution depends on pensionable income and also on SCHOTT’s pre-tax profits.

The currently valid “VO 2015 NEW,” which has been valid for new entrants since November 1, 2015, is a contribution-oriented benefit scheme with a dynamic pension contribution. The calculation of the pension contribution is similar to that of the “VO 2015.” This is awarded to the employee as a minimum capital payment and credited to an individualized account within the framework of a CTA (Contractual Trust Arrangement).

As of October 1, 2025, the “VO 2015 NEW” pension scheme, including transitional arrangements, will also apply for employees who were employed by the Group by November 1, 2015, when “VO 2025 NEW” came into effect.

Outside of Germany (in particular in the USA), the committed benefits depend mainly on the length of service and the most recent salary. Decisions regarding the allocation of plan assets generally reflect the development of plan assets and pension commitments. In addition, decisions outside of Germany are often shaped by requirements that pension commitments be covered by plan assets as well as tax regulations regarding the deductible amounts.

The assumptions that calculation of the DBO are based on with respect to interest rates, wage and pension trends, but also mortality rates, vary depending on the economic and other parameters of the respective country in which the plans exist. The interest rates are calculated as of a certain balance sheet date in a company-specific manner depending on the average weighted duration of the pension commitments, matching maturities and currencies.

The calculation of the benefit commitments as well as the accompanying plan assets in certain cases is based on the following actuarial parameters (weighted average):

	Sept. 30, 2020			Sept. 30, 2019		
(in %)	Total	Domestic	Foreign	Total	Domestic	Foreign
Discount rate	1.25	1.20	1.45	1.13	1.00	1.75
Future salary increases	2.42	2.50	1.59	2.43	2.50	1.66
Future pension increases	1.35	1.50	0.00	1.35	1.50	0.00
Expected rate of inflation	1.51	1.50	1.59	1.52	1.50	1.66

The following actuarial parameters apply for the units based outside of Germany for each country or region:

	Sept. 30, 2020			Sept. 30, 2019		
(%)	Discount rate	Future salary increases	Expected rate of inflation	Discount rate	Future salary increases	Expected rate of inflation
USA	1.90–2.30	N/A	2.20	2.70–2.90	N/A	2.30
Switzerland	0.20	1.00	0.70	0.10	1.00	0.70

Based on IAS 19, the defined contribution pension commitments exhibit the following financing status. The table also contains the employee-financed pension commitments:

	Sept. 30, 2020			Sept. 30, 2019		
(in EUR thousands)	Total	Domestic	Foreign	Total	Domestic	Foreign
Present value of obligation not financed by a fund	53,151	26,671	26,480	58,456	28,230	30,226
Present value of obligation wholly or partly financed by a fund	1,573,218	1,317,422	255,796	1,624,795	1,369,721	255,074
TOTAL PRESENT VALUE OF BENEFIT OBLIGATION	**1,626,369**	**1,344,093**	**282,276**	**1,683,251**	**1,397,951**	**285,300**
BENEFIT OBLIGATION RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**1,626,369**	**1,344,093**	**282,276**	**1,683,251**	**1,397,951**	**285,300**
PLAN ASSETS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**632,073**	**425,563**	**206,510**	**612,752**	**412,402**	**200,350**
FUNDED STATUS	**994,296**	**918,530**	**75,766**	**1,070,499**	**985,549**	**84,950**
PENSION PROVISIONS	**994,296**	**918,530**	**75,766**	**1,070,499**	**985,549**	**84,950**

Net pension expense can be broken down as follows:

	2019/2020			2018/2019		
(in EUR thousands)	Total	Domestic	Foreign	Total	Domestic	Foreign
Service cost	29,921	22,898	7,023	23,821	18,612	5,209
Net interest expense	10,942	9,640	1,302	17,625	15,874	1,751
Past service cost	–507	0	–507	–379	0	–379
Administration expenses	6	0	6	5	0	5
TOTAL EXPENSES RECOGNIZED IN THE CONSOLIDATED STATEMENT OF INCOME	**40,362**	**32,538**	**7,824**	**41,072**	**34,486**	**6,586**

Net interest expense is included in net interest income. Other expense components recognized in the Consolidated Statement of Income are presented under the corresponding functional area under profit or loss from operating activities (EBIT).

The following table presents the development of defined benefit obligations:

	2019/2020			2018/2019		
(in EUR thousands)	Total	Domestic	Foreign	Total	Domestic	Foreign
DEFINED BENEFIT OBLIGATION AT THE BEGIN OF THE FISCAL YEAR	**1,683,251**	**1,397,951**	**285,300**	**1,386,528**	**1,156,281**	**230,247**
Changes in exchange rates	–10,935	0	–10,935	12,754	0	12,754
Service cost	29,921	22,898	7,023	23,821	18,612	5,209
Past service cost	–507	0	–507	–379	0	–379
Interest expense	18,394	13,792	4,602	30,654	23,804	6,850
Actuarial gains (–) or losses (+) from changes in financial assumptions	–37,561	–45,887	8,326	282,948	240,039	42,909
Actuarial gains (–) or losses (+) from changes in demographic assumptions	–2,195	0	–2,195	–1,720	0	–1,720
Actuarial gains (–) or losses (+) from experience-related adjustments	–2,068	–225	–1,843	2,037	3,326	–1,289
Pension payments	53,770	44,952	8,818	55,325	44,480	10,845
Other changes	1,839	516	1,323	1,933	369	1,564
DEFINED BENEFIT OBLIGATION AT THE END OF THE FISCAL YEAR	**1,626,369**	**1,344,093**	**282,276**	**1,683,251**	**1,397,951**	**285,300**
of which committed without plan assets	53,151	26,671	26,480	58,456	28,230	30,226
of which partially covered by plan assets	1,573,218	1,317,422	255,796	1,624,795	1,369,721	255,074

Plan assets developed as follows in the fiscal year:

	2019/2020			2018/2019		
(in EUR thousands)	Total	Domestic	Foreign	Total	Domestic	Foreign
PLAN ASSETS AT THE BEGINNING OF THE FISCAL YEAR	**612,752**	**412,402**	**200,350**	**544,447**	**376,688**	**167,759**
Interest income from plan assets	7,452	4,152	3,300	13,028	7,930	5,098
Changes in exchange rates	–7,862	0	–7,862	8,718	0	8,718
Actuarial gains (+) or losses (–)	–10,669	–21,094	10,425	26,592	3,895	22,697
Employer contribution	35,131	29,921	5,210	27,175	23,968	3,207
Benefits paid	–6,971	–334	–6,637	–9,046	–359	–8,687
Other changes	2,240	516	1,724	1,838	280	1,558
PLAN ASSETS AT THE END OF THE FISCAL YEAR	**632,073**	**425,563**	**206,510**	**612,752**	**412,402**	**200,350**
Actual return on plan assets	–3,217	–16,942	13,725	39,621	11,825	27,796

Plan assets in Germany were managed mainly in the form of “Contractual Trust Arrangements” (CTAs).

Under the CTAs, SCHOTT AG has transferred assets over to a trust association, which in turn transfers the funds it receives over to another trust association (custodian). This organization is obliged to manage and invest the funds it receives solely for the company in accordance with an administrative agreement. The investment takes place via special fund mandates with external asset managers. This is a mixed fund that deals with stocks and bonds and is managed by asset managers in accordance with prescribed investment guidelines, including a defined value protection strategy.

Since fiscal year 2014/2015, a CTA has invested EUR 65,016 thousand in a newly founded Group company. The company is managed by SCHOTT AG, who holds the remaining equity interest in the company besides the CTA. The company generates its income by holding investments in non-consolidated companies, by entering into license agreements with non-group companies and by granting loans to Group companies, including SCHOTT AG. Due to a repayment of reserves amounting to EUR 10,727 thousand to the shareholders, the fair value of the shareholding in the Group company held by the CTA as of the balance sheet date amounts to EUR 15,712 thousand. The domestic endowment for the past fiscal year includes the contribution of 89.9 % of the shares in two real estate special purpose entities to a CTA with a total value of EUR 27,435 thousand. SCHOTT leases part of the space from one company and the entire property back from the other company. For further details, please refer to Section 3.1 “Acquisitions/Disposals.”

The plan assets abroad mainly consist of two pension funds in the USA whose funding ratio amounts to nearly 100 %. The pension fund is also managed by external asset managers based on prescribed investment guidelines, whereby control takes place on the basis of an asset/liability matching approach. Still other plan assets are managed by a dependent collective foundation based in Switzerland.

Portfolio structure of plan assets:

	Sept. 30, 2020			Sept. 30, 2019		
(%)	Total	Domestic	Foreign	Total	Domestic	Foreign
Securities quoted on active markets	13	9	20	25	28	19
Fixed-interest securities quoted on active markets	56	52	64	59	57	64
Qualified insurance	4	4	5	4	4	5
Cash and cash equivalents	12	18	1	1	2	1
Other	15	17	10	11	9	11
	100	**100**	**100**	**100**	**100**	**100**

Allocations to plan assets are as follows:

(in EUR thousands)	Total 2019/2020	Domestic 2019/2020	Foreign 2019/2020	Total 2018/2019	Domestic 2018/2019	Foreign 2018/2019
TOTAL ALLOCATION	**35,131**	**29,921**	**5,210**	**27,175**	**23,968**	**3,207**

At least EUR 7,381 thousand in contributions to plan assets are expected for the following fiscal year.

A change in the principle actuarial assumptions would have the following effects on pension obligations for Germany, the USA and Switzerland, whereby the vast share pertains to Germany:

	Sept. 30, 2020			
	increase by	in EUR thousands	Decrease by	in EUR thousands
Discount rate	+ 50 basis points	– 129,637	– 50 basis points	147,812
Future change in salaries	+ 50 basis points	14,814	– 50 basis points	– 13,904
Future change in pensions	+ 50 basis points	80,644	– 50 basis points	– 67,243
Life expectancy	+ 1 year	70,961	– 1 year	– 70,599

The above sensitivity analysis was carried out by means of a procedure which extrapolates the impact of realistic changes in the most important assumptions at the end of the reporting period on the performance-oriented obligation.

The following amounts will most likely be paid out over the next few years as part of defined benefit obligations:

(in EUR thousands)	2021	2022	2023	2024	2025	2026 – 2030
Domestic	46,705	46,800	46,947	47,030	48,295	252,751
Foreign	11,602	11,387	11,926	12,074	12,496	61,427
TOTAL	**58,307**	**58,187**	**58,873**	**59,104**	**60,791**	**314,178**

The average term of the defined benefit obligation was 17 years (previous year 18 years) at the end of the reporting period.

26 OTHER PROVISIONS

	Sept. 30, 2020		Sept. 30, 2019	
(in EUR thousands)	up to 1 year	over 1 year	up to 1 year	over 1 year
Sales	10,666	58,543	10,930	43,757
Personnel costs	1,354	21,919	2,148	20,079
Other	45,036	11,925	41,383	12,056
	57,056	**92,387**	**54,461**	**75,892**

Miscellaneous other provisions include provisions for litigation risks in the amount of EUR 17.4 million (previous year: EUR 20.7 million), for taxes not dependent on income in the amount of EUR 1.8 million (previous year: EUR 1.8 million), for deconstruction obligations and the clean-up of contaminated sites in the total amount of EUR 2.1 million (previous year: EUR 2.1 million), as well as for risks of possible penalties and interest payments of EUR 7.2 million (previous year: EUR 7.2 million), for a company sale of EUR 2.9 million (previous year: EUR 0 million) and for precious metal losses of EUR 1.6 million (previous year: EUR 1.2 million), as well as various other risks and precautionary measures.

The sales provisions mainly include guarantee provisions amounting to EUR 56.6 million (previous year: EUR 47.9 million) as well as obligations arising from contractual risks and losses from delivery obligations. Of this amount, EUR 39.2 million (previous year: EUR 26.3 million) is attributable to discontinued operations.

(in EUR thousands)	Balance on Oct. 1, 2019	Utilization	Reversal	Addition	Change in the consolidated Group	Currency changes	Balance on Sept. 30, 2020
Sales	54,687	5,026	3,759	24,388	0	–1,081	69,209
Personnel costs	22,227	6,531	542	8,180	0	–61	23,273
Other	53,439	12,154	5,552	24,469	–2	–3,239	56,961
	130,353	**23,711**	**9,853**	**57,037**	**–2**	**–4,381**	**149,443**

Non-current provisions were compounded by interest of EUR 21 thousand (previous year: EUR 2,923 thousand) in fiscal year 2019/2020. This amount is taken into consideration in the additions column.

The anniversary obligations shown under personnel provisions in the amount of EUR 14.7 million (previous year: EUR 14.9 million) were measured at an actuarial interest rate of 1.3 % (previous year: 1.1 %) for obligations in Germany totaling EUR 13.4 million (previous year: EUR 13.6 million). Obligations stemming from partial retirement in the amount of EUR 14.7 million (previous year: EUR 13.0 million) are determined on the basis of actuarial calculations based on biometric calculation bases in accordance with the Heubeck 2018 G mortality tables applying an actuarial interest rate of – 0.05 % (previous year: – 0.26 %) according to the projected unit credit method. The obligations for partial retirement are secured by means of a capital preservation amount in the form of a notarial trust account in the amount of EUR 9,005 thousand (prior year: EUR 8,277 thousand), whereby the obligations are netted with the capital preservation amount.

Amounts released from provisions recognized in the previous year are presented under other operating income and the result of discontinued operations (EUR 1.7 million) in the Consolidated Statement of Income.

27 ACCRUED LIABILITIES

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
Christmas bonuses	49,079	46,019
Other personnel commitments	93,044	73,459
Outstanding invoices	14,767	16,850
Commission/bonuses	17,981	15,470
Other accrued liabilities	775	699
	175,646	**152,497**

28 TRADE PAYABLES

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
Trade payables to third parties	223,226	209,661
Trade payables to affiliates	375	337
Trade payables to associates	307	534
	223,908	**210,532**

All trade payables reported in the reporting period and the previous year have a remaining term to maturity of less than one year. In the fiscal year, there were agreements with domestic suppliers on the extension of payment terms up to 180 days. As of the balance sheet date, trade payables in the amount of EUR 3,569 thousand are covered by these agreements.

Trade payables to affiliates include liabilities from current business relationships with affiliated companies not included in the Consolidated Financial Statements.

29 OTHER FINANCIAL LIABILITIES, NON-CURRENT AND CURRENT

	Sept. 30, 2020		Sept. 30, 2019	
(in EUR thousands)	up to 1 year	over 1 year	up to 1 year	over 1 year
Liabilities to banks	24,457	107,544	3,810	91,219
Lease liabilities	16,376	83,346	0	4,646
Other liabilities to affiliates	8,638	0	7,142	0
Factoring liabilities	5,873	0	7,317	0
Negative market values from derivatives	5,627	0	10,538	0
Debtors with credit balances	2,967	0	3,742	0
Liabilities to associates	2,671	0	2,923	0
Liabilities to non-banks	2,304	0	10,370	0
Interest on precious metal lease	462	0	494	0
Other financial liabilities	18,058	9,323	11,082	10,928
	87,433	**200,213**	**57,418**	**106,793**

An overview of the contractual remaining maturity of undiscounted financial liabilities is included in the comments on risk management under the notes on liquidity risk.

As in the previous year, there were no delays in redemption or interest payments in the corporate group during fiscal year 2019/2020.

Liabilities to banks include promissory note loans in the amount of EUR 80,000 thousand, which are included in liabilities with a term of more than one year. In addition, one variable-interest and one fixed-interest loan of EUR 20 million were newly contracted in the past fiscal year, which are due for repayment in March 2021 and March 2022 respectively.

The change in leasing liabilities is due to the first-time adoption of IFRS 16 as of October 1, 2019. (see also comments under Note 32 “Leases”).

The liabilities to affiliated companies of EUR 8,638 thousand (previous year: EUR 7,142 thousand) and to investments of EUR 2,671 thousand (previous year: EUR 2,923 thousand) relate to financial equalization liabilities that are subject to interest at arm’s length conditions.

30 OTHER NON-FINANCIAL LIABILITIES, NON-CURRENT AND CURRENT

	Sept. 30, 2020		Sept. 30, 2019	
(in EUR thousands)	up to 1 year	over 1 year	up to 1 year	over 1 year
Advances received on orders	13,333	6,905	11,503	0
Income tax withheld from salaries and wages	5,641	0	5,802	0
Social security liabilities	5,352	0	5,684	0
Liabilities from tax authorities	1,292	0	3,873	0
Accrued liabilities	1,159	599	2,042	1,638
Other miscellaneous non-financial liabilities	9,262	0	9,190	0
	36,039	**7,504**	**38,094**	**1,638**

Advance payments received on orders represent contractual liabilities within the meaning of IFRS 15. All advance payments received on orders reported as of September 30, 2019, led to sales revenues in the past fiscal year. It is expected that the advance payments received on orders with a term of more than one year will lead to sales revenues in fiscal years 2021/2022 to 2024/2025. The increase compared to the prior year is mainly due to a major series supply contract with a term of several years, for which advance payments were made.

FURTHER INFORMATION

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

31.1 Financial Assets and Financial Liabilities

In accordance with IFRS 9 *Financial Instruments*, financial assets in SCHOTT Group are divided into the following categories:

- Measured at amortized cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the Group's business model for managing its financial assets.

Financial assets that are held within a business model that provides for holding the asset in order to collect the contractual cash flows are measured at amortized cost. At SCHOTT Group, this includes in particular cash and cash equivalents, time deposits, trade receivables and contract assets.

If financial instruments are not held exclusively for the purpose of receiving the agreed cash flows, they are measured at fair value through profit or loss (FVTPL). At SCHOTT Group, these are trade receivables that SCHOTT regularly offers to a purchasing company as part of a revolving sale of receivables program.

For equity instruments, IFRS 9 optionally permits measurement at fair value through other comprehensive income. SCHOTT has not applied this option in these Consolidated Financial Statements.

The category "financial assets at fair value through profit or loss (FVTPL)" at SCHOTT also includes derivative financial instruments that are not designated in hedge accounting. Derivative financial instruments are measured at fair value. This corresponds to the market value and can be either positive or negative. The fair value is calculated using present value or option price models. For the valuation of options, the Black-Scholes model is used and for all valuations, the respective present value is determined on the basis of current spot prices and corresponding yield curves. The relevant market prices and interest rates observed on the balance sheet date and obtained from recognized sources are used as input parameters for the models. Any gain or loss resulting from subsequent measurement is recognized in the Consolidated Statement of Income.

The derivatives contracted by SCHOTT are partly subject to legally enforceable settlement agreements, which, however, do not allow for the offsetting of receivables and liabilities in the Consolidated Statement of Financial Position, i.e. there is no current legal claim for offsetting with a simultaneous intention to compensate on a net basis, but rather a right to set off in the event of the insolvency of a contracting party. Therefore, this is shown in the Consolidated Statement of Financial Position on a gross basis.

The following table shows the financial assets and liabilities of SCHOTT Group that are subject to offsetting.

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
FINANCIAL ASSETS		
Positive market values of derivatives	13,918	3,496
Offsettable due to framework contracts	–4,542	–3,270
NET AMOUNT OF THE FINANCIAL ASSETS	**9,376**	**226**
FINANCIAL LIABILITIES		
Negative market values of derivatives	5,627	10,538
Offsettable due to framework contracts	–4,542	–3,270
NET AMOUNT OF THE FINANCIAL LIABILITIES	**1,085**	**7,268**

Derivatives embedded in compound financial instruments are recognized separately at fair value if their economic characteristics and risks are not closely related with those of the underlying contracts and the compound financial instruments are not measured overall at fair value through profit or loss. These embedded derivatives are measured at fair value, whereby changes in the fair value are recognized in profit or loss. When a contract is formed that entails significant cash flows, a determination is made as to whether the contract includes an embedded derivative. This determination is only reassessed when the contractual terms change if it results in a significant change in the cash flows that would have otherwise been associated with the contract.

IFRS 9 eliminates the previous categories of IAS 39 for financial assets "held to maturity," "loans and receivables" and "available for sale." By contrast, IFRS 9 largely retains the requirements of IAS 39 for the classification of financial liabilities. Financial liabilities are generally allocated to the measurement category "at amortized cost" and are carried at amortized cost using the effective interest method. Liabilities from finance leases are recognized at the present value of the lease payments and reported under financial liabilities.

At SCHOTT Group, normal market purchases and sales are recognized as of the settlement date, regardless of their categorization. Derivative financial instruments are recognized on the trade date. Financial assets and liabilities are generally not netted unless SCHOTT has a right of set-off and intends to settle on a net basis. Financial assets and liabilities were not netted in these Consolidated Financial Statements.

Financial assets are initially recognized at fair value. The transaction costs directly attributable to the acquisition or issue of financial instruments are taken into account when determining the carrying amount for the first time. The fair values recognized in the Consolidated Statement of Financial Position regularly correspond to market prices. If these cannot be determined directly by recourse to an active market, they are measured – as far as possible – using standard market valuation models based on input factors observable on the market.

Impairment of financial assets

The impairment model under IFRS 9 is based on expected credit losses and applies to all financial assets (debt instruments) measured either at amortized cost or at fair value through profit or loss. In addition to losses already incurred, the model also includes expectations for the future with regard to the impairment of financial assets. IFRS 9 provides for a three-step procedure for allocating impairment losses in determining expected loan losses, which can be summarized as follows:

Level 1: All financial assets are allocated to Level 1 at initial recognition. An allowance is recognized for expected credit losses within the next twelve months.

Level 2: If a financial asset has experienced a significant increase in credit risk but is not impaired in its credit quality, it is transferred from Level 1 to Level 2. The expected loan losses over the entire term of the financial asset are recorded as value adjustments. Overdue payments of more than 30 days are considered an indication of deterioration.

Level 3: If the creditworthiness of a financial asset is impaired or if it defaults, it is transferred to Level 3. The expected loan losses over the entire term of the financial asset are recorded as value adjustments. The effective interest income is calculated on the basis of the net amount (gross amount less provision for possible loan losses). Objective evidence that the creditworthiness of a financial asset has been impaired includes overdue payments of 120 days or more and other information about significant financial difficulties of the debtor.

Cash and cash equivalents as well as time deposits are allocated to level 1, as cash and cash equivalents are essentially invested only with banks and financial institutions with a low default risk.

The simplified approach is applied to trade receivables and contract assets. It is not necessary to estimate any significant increase in credit risk. As soon as a receivable has demonstrably defaulted, the carrying amount of the receivable is reduced immediately.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when one of the three following requirements is met:

- The contractual rights to derive cash flows from a financial asset have expired.
- SCHOTT Group may retain the rights to derive cash flows from financial assets, but is obligated to immediately remit these cash flows to a third party under an agreement fulfilling the requirements of IFRS 9.3.2.5 ("pass-through arrangement").
- SCHOTT Group has assigned its contractual rights to derive cash flows from a financial asset and has either (a) assigned essentially all risks and opportunities associated with the ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, yet has assigned the control of the asset.

A financial liability is removed from the Consolidated Statement of Financial Position when the obligation underlying the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized through profit or loss.

Disclosures on financial instruments

The following tables outline carrying amounts and fair values according to measurement categories and classes of financial instruments as of September 30, 2020, and September 30, 2019:

CLASSIFICATION, MEASUREMENT CATEGORIES AND RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS AS OF SEPTEMBER 30, 2020

Measurement:			At amortized cost		At fair value	
Measurement category:			Financial assets measured at amortized cost		Financial assets at fair value through profit or loss	
Class:			Loans and receivables		Shareholdings	
Consolidated Statement of Financial Position items (in EUR thousands)	Total carrying amounts	Total fair values	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS						
NON-CURRENT ASSETS						
Investments accounted for using the equity method	77,519	n.a.[2]	0	0	0	0
Other financial assets	17,211	23,425	725	725	8,366	8,366
CURRENT ASSETS						
Trade receivables	376,581	376,581	325,479	325,479	0	0
Other financial assets	19,262	19,262	5,344	5,344	0	0
Cash and cash equivalents	233,784	233,784	233,784	233,784	0	0
	724,357	**653,052**	**565,332**	**565,332**	**8,366**	**8,366**

Measurement:			At amortized cost			
Measurement category:			Financial liabilities measured at amortized cost			
Class:			Liabilities		Lease Liabilities	
Consolidated Statement of Financial Position items (in EUR thousands)	Total carrying amounts	Total fair values	Carrying amount	Fair value	Carrying amount	Fair value[3]
EQUITY & LIABILITIES						
NON-CURRENT LIABILITIES						
Other financial liabilities	200,213	119,192	116,867	119,192	83,346	n.a.[2]
CURRENT LIABILITIES						
Accrued liabilities	175,646	175,646	14,767	14,767	0	0
Trade payables	223,908	223,908	223,908	223,908	0	0
Other financial liabilities	87,433	71,057	65,430	65,430	16,376	n.a.[2]
	687,200	**589,803**	**420,972**	**423,297**	**99,722**	**0**

[1] Financial assets not subject to IFRS 7 also relate to EUR 632,073 thousand in plan assets at fair value that were offset by provisions for pension commitments totaling EUR 1,626,369 thousand.
[2] n.a. – not applicable
[3] No fair value is stated for leasing liabilities according to IFRS 16.

There were no financial guarantees as of the reporting date.

	At fair value					
	Financial assets at fair value through profit or loss		Financial assets at fair value through profit or loss			
	Receivables tendered under the ABS program		Derivatives		Financial assets not subject to IFRS 7[1]	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	0	0	0	0	77,519	n.a.[2]
	0	0	0	0	8,120	14,334
	51,102	51,102	0	0	0	0
	0	0	13,918	13,918	0	0
	0	0	0	0	0	0
	51,102	**51,102**	**13,918**	**13,918**	**85,639**	**14,334**

			At fair value			
			Financial liabilities at fair value through profit or loss			
			Derivatives		Financial assets not subject to IFRS 7[1]	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
			0	0	0	0
			0	0	160,879	160,879
			0	0	0	0
			5,627	5,627	0	0
			5,627	**5,627**	**160,879**	**160,879**

CLASSIFICATION, MEASUREMENT CATEGORIES AND RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS AS OF SEPTEMBER 30, 2019

Measurement:			At amortized cost		At fair value	
Measurement category:			Financial assets measured at amortized cost		Financial assets at fair value through profit or loss	
Class:			Loans and receivables		Shareholdings	
Consolidated Statement of Financial Position items (in EUR thousands)	Total carrying amounts	Total fair values	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS						
NON-CURRENT ASSETS						
Investments accounted for using the equity method	77,111	n.a.[2]	0	0	0	0
Other financial assets	14,019	22,638	614	614	5,285	5,285
CURRENT ASSETS						
Trade receivables	379,412	379,412	331,139	331,139	0	0
Other financial assets	11,605	11,605	8,109	8,109	0	0
Cash and cash equivalents	171,548	171,548	171,548	171,548	0	0
	653,695	**585,203**	**511,410**	**511,410**	**5,285**	**5,285**

Measurement:			At amortized cost			
Measurement category:			Liabilities			
Class:			Liabilities		Finance leases	
Consolidated Statement of Financial Position items (in EUR thousands)	Total carrying amounts	Total fair values	Carrying amount	Fair value	Carrying amount	Fair value
EQUITY & LIABILITIES						
NON-CURRENT LIABILITIES						
Other financial liabilities	106,793	114,172	102,147	109,526	4,646	4,646
CURRENT LIABILITIES						
Accrued liabilities	152,497	152,497	16,850	16,850	0	0
Liabilities from goods and services	210,532	210,532	210,532	210,532	0	0
Other financial liabilities	57,418	57,418	46,880	46,880	0	0
	527,240	**534,619**	**376,409**	**383,788**	**4,646**	**4,646**

[1] Financial assets not subject to IFRS 7 also relate to EUR 612,752 thousand in plan assets at fair value that were offset by provisions for pension commitments totaling EUR 1,683,251 thousand.
[2] n.a. – not applicable

There were no financial guarantees as of the reporting date.

	At fair value					
	Financial assets at fair value through profit or loss (FVTPL)		Financial assets at fair value through profit or loss (FVTPL)			
	Receivables tendered under the ABS program		Derivatives		Financial assets not subject to IFRS 7[1]	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	0	0	0	0	77,111	n.a.[2]
	0	0	0	0	8,120	16,739
	48,273	48,273	0	0	0	0
	0	0	3,496	3,496	0	0
	0	0	0	0	0	0
	48,273	**48,273**	**3,496**	**3,496**	**85,231**	**16,739**

			At fair value			
			Financial liabilities at fair value through profit or loss			
			Derivatives		Financial assets not subject to IFRS 7[1]	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
			0	0	0	0
			0	0	135,647	135,647
			0	0	0	0
			10,538	10,538	0	0
			10,538	**10,538**	**135,647**	**135,647**

Fair value measurement

The following table shows the measurement of fair value of the Group's assets and liabilities by hierarchical levels:

Quantitative information on measuring the fair value of assets by hierarchical levels as of September 30, 2020:

			Measurement on the fair value using		
(in EUR thousands)	Valuation date	Total	Quoted prices on active markets (Level 1)	Significant observable input parameters (Level 2)	Significant non-observable input parameters (Level 3)
Financial assets measured at fair value through profit and loss:					
Investments	Sept. 30, 2020	8,366	0	0	8,366
Trade receivables tendered under the ABS program	Sept. 30, 2020	51,102	0	0	51,102
Derivatives	Sept. 30, 2020	13,918	0	13,918	0
There were no regroupings between Level 1 and Level 2 in the valuation hierarchy in the reporting period.					
Financial liabilities at fair value through profit or loss:					
Derivatives	Sept. 30, 2020	5,627	0	5,627	0
Liabilities for which a fair value is disclosed:					
Non-current liabilities to banks and other non-current financial liabilities	Sept. 30, 2020	119,192	0	119,192	0
There were no regroupings between the Levels in the valuation hierarchy in the reporting period.					

The real estate held as a financial investment in the previous year was sold in the current fiscal year.

Quantitative information on measuring the fair value of assets by hierarchical levels as of September 30, 2019:

			Measurement on the fair value using		
(in EUR thousands)	Valuation date	Total	Quoted prices on active markets (Level 1)	Significant observable input parameters (Level 2)	Significant non-observable input parameters (Level 3)
Financial assets measured at fair value through profit and loss:					
Investments	Sept. 30, 2019	5,285	0	0	5,285
Trade receivables tendered under the ABS program	Sept. 30, 2019	48,273	0	0	48,273
Derivatives	Sept. 30, 2019	3,496	0	3,496	0
Financial assets for which a fair value is disclosed:					
Real estate held as a financial investment	Sept. 30, 2019	5,950	0	0	5,950
There were no regroupings between Level 1 and Level 2 in the valuation hierarchy in the reporting period.					
Financial liabilities at fair value through profit or loss:					
Derivatives	Sept. 30, 2019	10,538	0	10,538	0
Liabilities for which a fair value is disclosed:					
Non-current liabilities to banks and other non-current financial liabilities	Sept. 30, 2019	109,526	0	109,526	0
Non-current finance leases	Sept. 30, 2019	4,646	0	4,646	0
There were no regroupings between the Levels in the valuation hierarchy in the reporting period.					

The carrying amounts of fair value financial instruments are basically determined on the basis of input factors that can be observed on the market. If market prices are not available, they are measured using the discounted cash flow method, taking market conditions in the form of typical credit ratings and/or liquidity spreads into account when calculating their present value.

Shares in non-consolidated subsidiaries are recognized at amortized cost.

For all current financial instruments in the categories “financial assets measured at amortized cost” and “financial liabilities measured at amortized cost,” it is assumed that the carrying amount corresponds to the fair value.

The trade receivables tendered by the purchasing company as part of the revolving sale of receivables program are categorized as “assets at fair value through profit or loss” (FVTPL). For these receivables, it is assumed that the impairment model applied for the amortized cost represents a suitable approximation of the fair value. These receivables are therefore also subject to the uniform impairment model applied throughout the Group. The adjustments recognized in profit or loss are reported in the Consolidated Statement of Income together with the adjustments to trade receivables recognized at amortized cost.

For all non-current financial instruments in the categories “financial assets measured at amortized cost” and “financial liabilities measured at amortized cost;” the fair value is generally determined by discounting future cash flows using interest rates currently available for borrowings. In principle, interest rates at which new loans with a corresponding risk structure, original currency and term would be concluded are used.

The following tables present the expenses and income by measurement category:

FISCAL YEAR 2019 / 2020:

	From subsequent measurement			
(in EUR thousands)	From interest and similar income/ expenses	At fair value	Write downs/ reversals	Net income 2019 / 2020
Financial assets measured at amortized cost	1,362	0	1,464	2,826
Financial assets and financial liabilities at fair value through profit or loss (FVTPL)	0	12,105	0	12,105
Financial liabilities measured at amortized cost	–2,260	0	0	–2,260
TOTAL	**–898**	**12,105**	**1,464**	**12,671**
Net foreign exchange result				–4,836
TOTAL				**7,835**

FISCAL YEAR 2018 / 2019:

	From subsequent measurement			
(in EUR thousands)	From interest and similar income/ expenses	At fair value	Write downs/ reversals	Net income 2018 / 2019
Financial assets measured at amortized cost	1,626	0	98	1,724
Financial assets and financial liabilities at fair value through profit or loss (FVTPL)	0	–14,610	0	–14,610
Financial liabilities measured at amortized cost	–6,225	0	0	–6,225
TOTAL	**–4,599**	**–14,610**	**98**	**–19,111**
Net foreign exchange expense				5,875
TOTAL				**–13,236**

Interest on financial instruments is presented under interest income and includes interest income from financial instruments categorized as “financial assets measured at amortized cost,” “financial assets measured at fair value through profit or loss” (FVTPL) as well as interest expenses from financial liabilities.

Write-downs and reversals of impairment losses on assets measured at amortized cost are presented in other operating income and expenses. Income and expenses from “financial assets and liabilities at fair value through profit or loss” (FVTPL) are also recognized under other operating income and expenses. This applies to derivative financial instruments and the receivables tendered by the purchasing company as part of the revolving sale of receivables program.

No financial instruments whose fair value previously could not be reliably determined have been derecognized.

A net currency loss of EUR 4,836 thousand (previous year: profit of EUR 5,875 thousand) was incurred for assets and liabilities measured at amortized cost.

All other components of the subsequent measurement of financial instruments are included in other net financial income.

31.2 Derecognition of financial instruments

In 2007, a master agreement was entered into with a purchasing entity regarding the purchase of trade receivables that was extended until 2021 in fiscal year 2013/2014 and modified in fiscal year 2019/2020. According to this agreement, SCHOTT sells primary trade receivables on a monthly revolving basis at a discount on the purchase price to a special purpose entity up to a maximum nominal amount of EUR 50 million (previous year: EUR 75 million). SCHOTT can freely decide whether and in which volume to sell receivables. The volume of receivables sold amounted to EUR 16.5 million on September 30, 2020, and thus remained at last year's level of EUR 16.5 million. SCHOTT already received payments of EUR 5.7 million in receivables as of the reporting date and presents a corresponding obligation to forward the amounts. Insofar, trade receivables are reduced by the sale of receivables in the net amount of EUR 10.8 million reflected on the balance sheet as of the reporting date.

The relevant risk for the risk assessment with respect to the receivables sold is the risk of default on the part of the customers. The maximum loss to be carried by SCHOTT based on this credit risk is limited to 1.19 %, the discount on the purchase price retained by the special purpose entity at the time of the sale and reimbursed in proportion to the unconsumed portion.

Retransfer of overdue or defaulted receivables to SCHOTT by the special purpose entity is barred. The continuing involvement serves to partially cover late-payer risks from the receivables sold. The inherent risk from the continuing involvement is covered in SCHOTT AG's risk management by the periodic monitoring of credit risks, dunning runs, etc. Defaulted amounts from transferred receivables are primarily carried by the purchasing entity. SCHOTT bears the risk of late payments on the part of the debtors.

In order to hedge the other miscellaneous defaults resulting from credit risk representing nearly all of the risks and opportunities associated with the receivables, the special purpose entity has taken out separate credit insurance.

The carrying amount of the reserve account for defaults on receivables in the amount of EUR 213 thousand recognized under other current receivables represents the continuing involvement in the receivables that was removed from the Consolidated Statement of Financial Position as part of the ABS transaction. The fair value essentially corresponds to the carrying amount. The maximum risk of loss from the continuing involvement essentially corresponds to the carrying amount cited above.

Losses amounting to EUR 128 thousand were incurred during the transfer of the receivables outstanding as of the balance sheet date. SCHOTT recognized a total of EUR 279 thousand as expense, including program fees, from its continuing involvement in fiscal year 2019/2020.

31.3 Risk Management

Within the course of their business operations, the companies of SCHOTT Group are subject to various financial risks arising from market fluctuations of exchange rates, interest rates, and raw material prices in the operational business. The Treasury of SCHOTT AG manages the financing and hedging activities and controls the Group's cash management centrally.

Risk exposures are regularly identified by Risk Controlling. The maximum accepted market risk is continuously monitored by the Treasury Committee on the basis of specified limits. In addition, Risk Controlling informs the Treasury Committee each month about the transactions and their current fair values as well as the result of hedging activities. Hedging strategies are reviewed by the Treasury Committee at least every year.

The type and scope of underlying transactions to be hedged are regulated by the Board of Management for the entire Group in a binding treasury guideline. Derivative financial instruments are employed exclusively for hedging purposes; i.e. only in connection with corresponding underlying transactions arising from primary business activities that display a risk profile contrary to the hedging transaction. All transactions are conducted under strict functional separation of trading, settlement, documentation and risk controlling. All transactions are recorded and evaluated centrally in the treasury management system and are subject to constant monitoring of the risks.

The processes, goals, and methods of risk management were the same as in the previous year. For further information on risk management, please refer to the risk report in the Group Management Report.

Credit risk

Credit risk arises when a business partner of a financial instrument is unable to meet his contractual obligations. Consequently, the maximum amount receivable corresponds to the gross carrying amount owed by each counterparty.

Most of SCHOTT's credit risks can be attributed to trade receivables from third parties. SCHOTT reduces credit risks with respect to the receivables portfolio by constantly monitoring the credit rating and payment history of its business partners. Each business partner is assigned an individual credit limit on the basis of these criteria. SCHOTT does not see any noteworthy credit risk for the company, as it continuously monitors credit limits for a large and heterogeneous customer base. In addition, SCHOTT also uses factoring and credit insurance in individual cases to mitigate customer credit risk.

The credit risk arising from cash and cash equivalent funds, derivatives, and financial instruments available for sale is limited by working exclusively with selected contracting parties. Furthermore, general bank counterparty risk is mitigated by periodic structured measurement, limit allocation, and a diversified business transaction and investment policy. In addition, SCHOTT only employs marketable instruments authorized under the treasury guideline with sufficient market liquidity.

The following table outlines the carrying amounts of the financial assets. They are broken down into classes and are equivalents of SCHOTT Group's maximum default risk and credit exposure as of the balance sheet date:

(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019
Loans, receivables and cash and cash equivalents	565,332	511,410
Financial assets not subject to IFRS 7	85,639	85,231
Financial instruments at fair value through profit or loss:		
– Derivatives	13,918	3,496
– Shareholdings	8,366	5,285
– Tendered receivables	51,102	48,273
	724,357	**653,695**

As of the balance sheet date (as in the previous year), no collateral was held that would allow the debtor to sell the collateral or provide it as its own collateral in the event of default.

A simplified approach is used to determine valuation allowances for trade receivables and contract assets as they do not contain any significant financing components. Customer receivables are classified into a total of eight credit risk classes and according to the corresponding overdue dates. SCHOTT defines a receivable as a default if the contractual cash flows are more than 120 days overdue or the creditworthiness of the debtor has deteriorated to such an extent that repayment can no longer be assumed. SCHOTT assumes that there has been no significant increase in the credit risk for value adjustments for cash and cash equivalents. Cash and cash equivalents totaling EUR 234 million are mainly invested with banks with high credit ratings. For cash and cash equivalents, the value adjustment was calculated on the basis of expected losses within twelve months and reflects the short maturities.

The following table provides an overview of overdue amounts, default risk and expected credit losses for trade receivables from third parties and contract assets:

(in EUR thousands)	Gross carrying amount	Loss rate (weighted average)	Value adjustment	Impaired credit-worthiness
Not overdue	337,271	0.2 %	626	No
1 – 30 days overdue	24,517	0.9 %	209	No
31 – 60 days overdue	6,800	2.0 %	139	No
61 – 90 days overdue	1,461	2.7 %	40	No
More than 90 days overdue	17,115	63.3 %	10,830	Yes
TOTAL TRADE RECEIVABLES	**387,164**		**11,844**	
CONTRACT ASSETS (not due)	**85,026**	0.1 %	**104**	No

For the previous year, the overdue amounts, default risk and expected credit losses for trade receivables from third parties and contract assets were as follows:

(in EUR thousands)	Gross carrying amount	Loss rate (weighted average)	Value adjustment	Impaired credit-worthiness
Not overdue	336,570	0.1 %	383	No
1 – 30 days overdue	32,077	0.2 %	60	No
31 – 60 days overdue	7,722	0.6 %	43	No
61 – 90 days overdue	2,212	2.1 %	46	No
More than 90 days overdue	13,293	96.0 %	12,776	Yes
TOTAL TRADE RECEIVABLES	**391,874**		**13,308**	
CONTRACT ASSETS (not due)	**71,749**	0.1 %	**88**	No

The allowances for trade receivables that are more than 90 days overdue include specific allowances for individual risks and loss events.

There were no other financial assets that were overdue and not impaired as of the previous year's reporting date.

Liquidity risk

Liquidity risk describes the risk that a company is unable to sufficiently meet its financial obligations. SCHOTT's financial liabilities mainly consist of trade payables and liabilities to banks. Only derivatives with negative fair values are reported under liabilities recognized at fair value through profit or loss (FVTPL). The following table provides an overview of the remaining contractual maturities of undiscounted financial liabilities:

(in EUR thousands)	Carrying amount	Gross outflow	Up to 1 year	1 to 5 years	More than 5 years
SEPT. 30, 2020					
Liabilities	420,972	422,823	305,027	116,628	1,168
Lease liabilities	99,722	121,186	17,478	45,167	58,541
Derivatives	5,627	5,627	5,627	0	0
SEPT. 30, 2019					
Liabilities	376,409	378,942	274,510	104,432	0
Financial lease liabilities	4,646	5,707	0	5,707	0
Derivatives	10,538	10,538	10,538	0	0

The derivatives reported as of the balance sheet date are forward exchange contracts. The volume of the hedge corresponds to a three-digit million amount when translated into euros.

The Treasury Department is responsible for the management of liquidity risk, for which an efficient cash management system is used. SCHOTT ensures its solvency and liquidity supply through rolling liquidity planning and by maintaining liquidity reserves.

In September 2020, SCHOTT AG concluded a new syndicated credit line of EUR 250 million with an international banking syndicate. This credit line is part of the liquidity reserve and is available to SCHOTT AG until September 2023. It can be extended for a maximum of 2 years by drawing an extension option. The previous credit line, which was concluded in March 2015, was terminated on the same date. Neither the previous nor the new credit line was drawn upon in fiscal year 2019/2020.

SCHOTT AG also has bilateral credit facility agreements which can be used for guarantees, bill of exchange guarantees, or cash credit lines that can be assigned for bilateral loan agreements at the local level. These credit lines which are available until further notice amount to EUR 130 million. Of this amount, EUR 77 million was freely available as of the balance sheet date. The Group also has other bilateral bill of exchange guarantee credit lines and bilateral credit agreements at its disposal at the local level.

In addition, there is a program for the non-recourse, revolving sale of receivables with a volume of up to EUR 50 million and a term until 2021. As of September 30, 2020, trade receivables were reduced by EUR 10.8 million (previous year: EUR 9.3 million) due to the sale of receivables on the balance sheet.

Market risk

Market risks are the result of changing market prices that lead to fluctuations of fair value or future cash flows of financial instruments. SCHOTT is an international corporate Group and therefore particularly susceptible to currency, interest rate, and commodity price risks.

Currency risk

Currency risks arise from investments, financing measures, and business operations not conducted in the functional currency. The aim of currency management is to hedge business operations against earnings and cash flow fluctuations. Generally, only risks resulting from an exchange of foreign currency cash flows into the respective local currency (transaction risks) are hedged as part of currency management. SCHOTT does not generally hedge risks arising from the foreign currency translation of the Consolidated Statement of Financial Position and earnings figures of foreign Group companies (translation risks).

Generally speaking, our global presence, including local production and global purchasing activities, mitigates transaction risks. Net currency positions that we determine on a regular basis using currency-differentiated liquidity forecasts serve as the basis for hedging the remaining transaction-related risks. Currency forwards which have a remaining term of no more than 12 months are used to hedge transaction risk.

Currency risk is determined on the basis of a value-at-risk analysis in accordance with internal risk reporting. This analysis is based on open positions in non-functional currencies. The exposure includes a forecast of cash flows over the next 12 months and hedging instruments in foreign currencies and is shown in the table below.

(in EUR millions)	Exposure Sept. 30, 2020	Exposure Sept. 30, 2019
Australian dollar	−4.3	0.0
Japanese yen	6.0	9.5
Mexican peso	−4.5	−13.4
Swiss franc	−134.3	−129.6
Singapore dollar	−4.1	−11.2
Thai baht	−8.3	−25.7
Czech koruna	−8.7	−28.2
Hungarian forint	−8.3	−17.4
US dollar	176.0	185.7
Other	−2.3	1.5

Transaction risks were hedged for the majority of the currencies listed.

Based on observed changes in exchange rates on the last 250 days of trading, possible future developments in exchange rates are simulated taking their correlations into account. Value-at-risk represents the maximum allowable potential loss due to exposure based on a confidence interval of 95 % and a holding period of one year. As of September 30, 2020, the value-at-risk was EUR 11.9 million (previous year: EUR 15.6 million).

Interest rate risk

The aim of interest management is to protect consolidated earnings from the negative effects of fluctuating market interest rates. Attention is paid here to an appropriate ratio between fixed and variable interest rates and short-term and long-term financing arrangements while taking costs and risks into consideration.

Interest rate risk is identified consistent with internal reporting by means of a sensitivity analysis, whereby the yield curve is shifted parallel by 100 basis points. This illustrates the effects of a change in interest rates on net financial income. This analysis only takes financial instruments with variable interest rates into account, as changes in market interest rates would affect the fair value. In addition, fixed-rate financial assets and financial liabilities are recognized with a residual maturity less than or equal to twelve months because they are considered to be variable interest due to the potential refinancing risk.

SCHOTT measures fixed-interest financial instruments at amortized cost; therefore, changing interest rates do not lead to changes in equity or the result for the period.

Based on the market data as of September 30, 2020, a parallel positive shift in the euro yield curve by 100 basis points would lead to income in the income statement of EUR 1.5 million (previous year: EUR 1.4 million). Inversely, a 100 basis point parallel negative shift of the EUR yield curve would have led to a EUR 1.8 million (previous year: EUR 1.5 million) loss in profit or loss. This sensitivity analysis as of the balance sheet date is a representative analysis of SCHOTT's interest rate risk.

Commodity price risk

SCHOTT is exposed to risks associated with changes in commodity prices resulting from the procurement of capital goods. The aim of commodity price management is to protect business operations from price increases. The purchasing department is responsible for the management of commodity price risk at SCHOTT and performs this task on the basis of centrally determined directives and limits. Among other measures, long-term contracts were concluded with various suppliers to manage commodity price risks. In addition, the Group may also hold a small amount of primary and derivative financial instruments, if necessary. Commodity price risks for financial instruments were of minor significance to SCHOTT in 2019 and 2020. As a result, SCHOTT has not conducted a sensitivity analysis for these financial instruments.

32 LEASES

Leased assets

There are rental and leasing relationships mainly for land, including heritable building rights, production and administration buildings, technical equipment and machinery, and office equipment. Some of the leasing agreements include extension and termination options and price adjustment clauses.

As of September 30, 2019, net carrying amounts of EUR 4,646 thousand from finance leases were recognized in technical equipment and machinery under property, plant and equipment.

The carrying amounts of the leasing usage rights as of September 30, 2020 are as follows:

(in EUR thousands)	Sept. 30, 2020
Land and buildings	58,317
Technical equipment, plant and machinery	32,937
Other equipment, operating and office equipment	2,836
	94,090

At the time of the first-time adoption, additions to leasing usage rights amounted to EUR 84,791 thousand, whereby use was made of the option of not recognizing leasing agreements for low-value assets and current leasing relationships.

All rights of use are amortized on a straight-line basis over their scheduled useful life. In accordance with the contractual terms, the useful lives are as follows:

	Years
Buildings	2 to 25
Heritable building rights	up to 149
Technical equipment, plant and machinery	2 to 13
Vehicles	3 to 5

The leasing obligations are redeemed over the corresponding contractual term. There are two heritable building rights in Germany with remaining terms to maturity up to the year 2142.

In the current fiscal year, rights of use under leasing contracts totaling EUR 27,111 thousand have been capitalized as additions. These are broken down as follows:

(in EUR thousands)	Sept. 30, 2020
Land and buildings	24,315
Technical equipment, plant and machinery	1,540
Other equipment, operating and office equipment	1,256
	27,111

The following leasing expenses are included in the income statement:

(in EUR thousands)	2019/2020
Depreciation on right-of use assets for land and buildings	10,444
Depreciation on right-of use assets for machinery and technical equipment and vehicles	6,203
Depreciation from rights of use of other equipment, furniture and fixtures	2,139
Interest on lease liabilities	1,208
Short-term lease expenses	4,353
Lease expenses for small value items	518
Variable lease expense not included in the lease liabilities	290
	25,155

In fiscal year 2019/2020, the total cash outflows for leases amounted to EUR 24,743 thousand. The breakdown of undiscounted future cash outflows from leases is included in Note 31.

Future cash outflows in the amount of EUR 16.0 million were not included in the leasing liabilities, as it is not reasonably certain that the leasing contracts will be extended or not terminated.

The future cash outflows for leases that SCHOTT entered into in fiscal year 2019/2020, but which have not yet begun, amount to EUR 21.2 million.

In the past fiscal year, income from the subleasing of rights of use amounting to EUR 272 thousand was realized.

Assets leased out

In Germany, SCHOTT is the lessor under various operating lease contracts. The agreements are related to property in SCHOTT's possession. The following minimum leasing payments are expected from non-cancellable rental leasing agreements:

(in EUR thousands)	2019/2020
Due within 1 year	1,611
Due within 1 and 5 years	5,986
Due within more than 5 years	1,111
	8,708

The investment property held in the previous year is owned by Silicium Grundstücksverwaltungsgesellschaft mbH & Co. KG Vermietungs KG, Mainz. A carrying amount of EUR 5,618 thousand and a fair value of EUR 5,950 thousand were reported for this property in the previous year. As of April 30, 2020, SCHOTT AG contributed its majority interest in the company to a "Contractual Trust Arrangement" to strengthen plan assets and deconsolidated the company. Further information on this transaction is provided in Note 3.1.

33 CONTINGENT LIABILITIES AND ASSETS

To the extent permissible and necessary, provisions have been formed in appropriate amounts by the Group companies for all legal disputes.

There were no contingent liabilities as of the balance sheet date.

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

In the Consolidated Statement of Cash Flows, cash flows are broken down into cash inflows and outflows from operating activities, investing activities, and financing activities. Cash flow is derived indirectly on the basis of the consolidated profit for the period. Cash flow results from operating activities adjusted for non-cash expenses and income – primarily depreciation on non-current assets – and changes in working capital.

Investing activity comprises the receipts and disbursements from the disposal of and investments in non-current assets.

Financing activities comprise cash inflows and outflows from raising and repaying financial liabilities, from additions to equity and from paying dividends.

Changes in Consolidated Statement of Financial Position items contained in the Consolidated Statement of Cash Flows cannot be derived directly from the Consolidated Statement of Financial Position, as they have been adjusted for non-cash transactions, exchange rate effects, and changes in the consolidated Group.

Cash and cash equivalents disclosed in the Consolidated Statement of Cash Flows include cash holdings and bank deposits as well as checks in the amount of EUR 233,784 thousand (previous year: EUR 171,548 thousand). Of this amount, EUR 5,873 thousand (previous year: EUR 7,317 thousand) was restricted on the balance sheet date.

Change in debt from financing activities
Fiscal year 2019/2020:

(in EUR thousands)	Balance on Oct. 1, 2019	Cash flows	Changes in exchange rates	New leasing contracts	Others	Balance on Sep. 30, 2020
Other liabilities to affiliates	7,142	1,620	–6	0	–118	8,638
Liabilities to banks	95,029	36,978	–69	0	63	132,001
Lease liabilities	4,646	–17,161	–2,591	114,828	0	99,722
Liabilities to shareholdings	2,923	–252	0	0	0	2,671
Liabilities to non-banks	10,370	–7,009	–1,057	0	0	2,304
Other	33,151	–2,408	–113	0	5,599	36,229
	153,261	**11,768**	**–3,836**	**114,828**	**5,544**	**281,565**
Other financial liabilities whose cash flows are not contained in the cash flows from financing activities include:						
Negative market values of derivatives	10,538					5,627
Non-current trade payables	412					454
	164,211					**287,646**

Fiscal year 2018/2019:

(in EUR thousands)	Balance on Oct. 1, 2018	Cash flows	Changes in exchange rates	New leasing contracts	Others	Balance on Sep. 30, 2019
Other liabilities to affiliates	12,156	–5,141	5	0	122	7,142
Liabilities to banks	24,734	70,206	–6	0	95	95,029
Liabilities under finance leases	18,482	–16,416	485	2,084	11	4,646
Liabilities to shareholdings	2,238	685	0	0	0	2,923
Liabilities to non-banks	7,393	3,249	–272	0	0	10,370
Other	14,264	2,302	261	0	16,324	33,151
	79,267	**54,885**	**473**	**2,084**	**16,552**	**153,261**
Other financial liabilities whose cash flows are not contained in the cash flows from financing activities include:						
Negative market values of derivatives	7,963					10,538
Non-current trade payables	326					412
	87,556					**164,211**

The sum of the cash flows corresponds to the sum of the items “Raising of financial loans,” “Repayment of financial loans,” “Raising/repayment of financial liabilities” and “Payments for the repayment portion of leasing liabilities” in the cash flow statement.

The other changes mainly include contingent purchase price obligations from company acquisitions.

35 EMPLOYEES

Average number of employees for the year	2019 / 2020	2018 / 2019
Germany	5,559	5,441
Europe (excluding Germany)	3,868	3,873
Americas	3,328	3,299
Asia and Southern Pacific	3,257	2,904
	16,012	**15,517**
Apprentices	314	277
TOTAL	**16,326**	**15,794**

SCHOTT's employees include the employees of the companies included in the Consolidated Financial Statements, whereby first-time consolidation during the course of the fiscal year is presented pro rata temporis. As of September 30, 2020, the number of employees on the reporting date increased by 270 (+1.7 %) to 16,466 (previous year: 16,196).

36 OTHER INFORMATION

The following personnel expenses were incurred during the fiscal year:

(in EUR thousands)	2019 / 2020	2018 / 2019
Wages and salaries	666,975	615,310
Social security contributions	125,811	119,870
Expenses for retirement benefits	37,112	30,392
TOTAL	**829,898**	**765,572**

Personnel expenses are contained in the functional areas and are not disclosed separately in the Consolidated Statement of Income according to the cost of sales (function of expense) method.

The total fees invoiced by the auditor of the Consolidated Financial Statements are as follows:

(in EUR thousands)	2019 / 2020
Audit	819
Other certification services	19
Other services	53
TOTAL	**891**

37 RELATED PARTY DISCLOSURES

Parties related to SCHOTT AG include the Carl Zeiss Foundation, Heidenheim an der Brenz and Jena, the sister company Carl Zeiss AG, Oberkochen, and its subsidiaries. Generally, related parties within the meaning of IAS 24 also include direct and indirect subsidiaries of SCHOTT AG as well as its associated companies and joint ventures and pension plans that are classified as defined benefit plans in accordance with IAS 19. In addition, related parties include the Board of Management of SCHOTT AG, the members of the Supervisory Board, and their close family members.

Deliveries by SCHOTT AG to companies of Carl Zeiss Group in fiscal year 2019/2020 amounted to EUR 7,690 thousand (previous year: EUR 9,044 thousand). As in the previous year, no significant services were rendered during this period. The companies of Carl Zeiss Group only provided a small amount of deliveries or other services to SCHOTT in fiscal year 2019/2020. All business transactions with companies of the Carl Zeiss Group were carried out as between third parties. There were no significant outstanding amounts as of the reporting date.

Transactions with significant subsidiaries were eliminated as a result of consolidation; therefore they are not explained in detail. Disclosures on pension funds classified as defined benefit plans in accordance with IAS 19 can be found under disclosures on plan assets under Note 25 “Provisions for pensions and similar commitments.” In fiscal year 2014/2015, a CTA acquired a stake in a newly founded Group company, SCHOTT Finanzierungs- und Verwaltungs GmbH, Mainz. Further details on this company can be found in Note 3.1.

In the fiscal year, SCHOTT AG as the sponsoring company acquired 89.9 % of the shares in Silicium Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, and in Psephit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, were transferred to a Contractual Trust Arrangement (“CTA”). The corporate purpose of the two companies is to hold one office property each. SCHOTT leases back part of the space from the first company and the entire property from the other company. The lease agreements are structured in the same way as between unrelated third parties. Through the retained shares, SCHOTT will continue to participate in the earnings of the two real estate special purpose entities.

There were no other significant transactions with pension funds or companies not included in the Consolidated Financial Statements.

In fiscal year 2019/2020, SCHOTT companies engaged in the following transactions with joint ventures and associated companies:

	Sale of goods		Purchase of goods	
(in EUR thousands)	2019/2020	2018/2019	2019/2020	2018/2019
Joint ventures	4,686	5,346	–	–
Associated companies	17,792	25,244	2,381	1,842
	22,478	**30,590**	**2,381**	**1,842**

The receivables and liabilities to joint ventures and associated companies are shown as follows:

	Receivables		Liabilities	
(in EUR thousands)	Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019
Joint ventures	1,196	1,039	1	0
Associated companies	4,868	5,414	231	540
	6,064	**6,453**	**232**	**540**

In the current year, allowances for doubtful receivables from associates were recognized in the amount of EUR 174 thousand (previous year: EUR 41 thousand). No allowances for doubtful accounts were made against joint ventures (previous year: EUR 1 thousand).

As in the previous year, there were no other significant transactions between companies of SCHOTT Group and members of the Board of Management or the Supervisory Board of SCHOTT AG and their close family members as well as the pension plans in fiscal year 2019/2020.

38 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No further reportable special events have occurred since the end of fiscal year 2019/2020.

39 REMUNERATION OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

The total remuneration of members of the Board of Management in fiscal year 2019/2020 comprises payments due in the short term amounting to EUR 6,031 thousand (previous year: EUR 5,885 thousand) as well as post-employment benefits amounting to EUR 1,589 thousand (previous year: EUR 1,628 thousand).

The members of the Supervisory Board received EUR 990 thousand (previous year: EUR 1,002 thousand) for their work on the Board in fiscal year 2019/2020.

Additional disclosures in accordance with Section 314 (1) no. 6 HGB

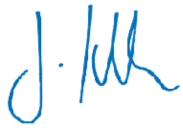
Former members of the Board of Management or their surviving dependents received remuneration amounting to EUR 3,293 thousand (previous year: EUR 3,144 thousand) in fiscal year 2019/2020. A total of EUR 64,564 thousand (previous year: EUR 68,926 thousand) was provided for pension commitments to this group of individuals as of September 30, 2020.

Mainz, December 4, 2020

Dr. Frank Heinricht

Hermann Ditz

Dr. Heinz Kaiser



Dr. Jens Schulte

AUDIT REPORT OF THE STATUTORY AUDITOR

TO SCHOTT AG

Audit opinions

We have audited the Consolidated Financial Statements of SCHOTT AG, Mainz, and its subsidiaries (the Group), comprising the Consolidated Statement of Financial Position as of September 30, 2020, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the fiscal year from October 1, 2019, to September 30, 2019, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report of SCHOTT AG for the fiscal year from October 1, 2019, to September 30, 2020. In accordance with German legal requirements, we have not audited the content of the Group Management Statement pursuant to Section 315d of the German Commercial Code (HGB) (information on the quota of women) contained in the section "Determination to promote the participation of women in management positions pursuant to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act" of the Group Management Report.

In our opinion, based on the findings of our audit,

- the accompanying Consolidated Financial Statements comply in all material respects with IFRSs as adopted by the EU, the additional requirements of German law pursuant to Section 315e para. 1 HGB and give a true and fair view of the net assets and financial position of the Group as of September 30, 2020, and of its results of operations for the fiscal year from October 1, 2019, to September 30, 2020, in accordance with these requirements, and
- the Group Management Report provides a suitable understanding of the Group's position as a whole. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the Group Management Report does not extend to the content of the Group Management Statement in accordance with Section 315d HGB (female quota) contained in the section of the Group Management Report entitled "Determination of measures to promote the participation of women in management positions pursuant to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act."

In accordance with Section 322 (3) sentence 1 of the HGB, we declare that our audit has not led to any objections to the correctness of the Consolidated Financial Statements and the Group Management Report.

Basis for the audit opinions

We conducted our audit of the Consolidated Financial Statements and the Group Management Report in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is further described in the section entitled "Responsibility of the auditor for the audit of the Consolidated Financial Statements and the Group Management Report" of our audit opinion. We are independent of the Group companies in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the Consolidated Financial Statements and the Group Management Report.

Other information

The Supervisory Board is responsible for the report of the Supervisory Board. Otherwise, the legal representatives are responsible for the other information. The other information includes the Group Declaration on Corporate Governance pursuant to Section 315d of the German Commercial Code (HGB) (information on the share of women) contained in the section "Determination to promote the participation of women in management positions pursuant to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act" of the Group Management Report, as well as the following other components intended for the Annual Report: Report of the Supervisory Board pursuant to Section 171 (2) of the German Stock Corporation Act (AktG) and the "Foreword by the Board of Management." We have obtained a version of this other information up to the issue of this audit opinion.

Our audit opinions on the Consolidated Financial Statements and the Group Management Report do not extend to the other information, and accordingly we do not express an audit opinion or any other form of audit conclusion thereon.

In connection with our audit, we have the responsibility to read the other information and to assess whether the other information

- contains material discrepancies with the Consolidated Financial Statements, the Group Management Report or
- the knowledge we have acquired during the audit, or otherwise appears to be substantially misrepresented.

If, based on the work we have performed, we determine that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRSs as adopted by the EU, the additional requirements of German law pursuant to Section 315e para. 1 HGB and all material aspects of these IFRSs as adopted by the EU, and for the presentation of the net assets, financial position and results of operations of the Group in accordance with these requirements. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they are responsible for disclosing matters relating to the continuing operation of the entity, if relevant. In addition, they are responsible for accounting for continuing operations on the basis of the same accounting principles, unless there is an intention to liquidate the Group or discontinue operations, or there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the Group Management Report, which as a whole provides a suitable view of the Group's position and is consistent with the Consolidated Financial Statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. In addition, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to permit the preparation of a Group Management Report in accordance with the applicable German legal requirements and to provide sufficient and suitable evidence for the statements in the Group Management Report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the Consolidated Financial Statements and the Group Management Report.

Responsibility of the auditor for the audit of the Consolidated Financial Statements and the Group Management Report

Our objective is to obtain reasonable assurance whether the Consolidated Financial Statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the Group Management Report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the Consolidated Financial Statements and the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to express an opinion that includes our audit opinion on the Consolidated Financial Statements and the Group Management Report.

Sufficient assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they would individually or collectively influence the economic decisions of users made on the basis of these Consolidated Financial Statements and the Group Management Report.

During the audit, we exercise due judgment and maintain a critical attitude. In addition,

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the Consolidated Financial Statements and the Group Management Report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent interaction, falsification, intentional incompleteness, misrepresentation or the termination of internal control;
- we gain an understanding of the internal control system relevant to the audit of the Consolidated Financial Statements and of the procedures and measures relevant to the audit of the Group Management Report to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems;
- we evaluate the appropriateness of the accounting policies used by management and the reasonableness of the accounting estimates and related disclosures presented by management;
- we draw conclusions about the appropriateness of the accounting policies adopted by management for the continuing operations of the company and, based on the audit evidence we have obtained, whether there is a material uncertainty about events or circumstances that could give rise to significant doubts about the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the related Consolidated Financial Statements and on the Group Management Report or, if the information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances could cause the Group to cease operating;
- we express an opinion on the overall presentation, the structure and the content of the Consolidated Financial Statements including the disclosures and whether the Consolidated Financial Statements present the underlying transactions and events in such a way that the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e para. 1 HGB;
- we obtain sufficient and suitable audit evidence for the accounting information of the companies or business activities within the Group in order to express an opinion on the Consolidated Financial Statements and the Group Management Report. We are responsible for the direction, monitoring and performance of the audit of the Consolidated Financial Statements. We are solely responsible for our audit opinions;
- we express an opinion on the consistency of the Group Management Report with the Consolidated Financial Statements, its legal pronouncements and the Group Management Report;
- we perform audit procedures on the forward-looking statements in the Group Management Report as presented by management. On the basis of sufficient and suitable audit evidence, we particularly make the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other tasks, we discuss with those responsible for monitoring the planned scope and timing of the audit any significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

Eschborn/Frankfurt/Main, December 1, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Eckl	Eichenauer
Certified Public Accountant	Certified Public Accountant

GROUP SHAREHOLDINGS

THE LIST OF ALL SHAREHOLDINGS PURSUANT TO THE REQUIREMENTS OF SECTION 313 (2) HGB [HANDELSGESETZBUCH "GERMAN COMMERCIAL CODE"] IS PUBLISHED IN THE ELECTRONIC FEDERAL GAZETTE [BUNDESANZEIGER].

Position as of September 30, 2020

Name and registered office of the company	Capital share in %	Comment
Subsidiaries included and not included in the Consolidated Financial Statements		
Germany		
ECORAN AG (formerly SCHOTT Solar AG), Mainz	100.0	
LIB Industrie Beteiligung GmbH, Mainz	100.0	
MiniFAB Europe GmbH, Saarbrücken	100.0	9
Psephit Grundstücksverwaltungsgesellschaft mbH, Mainz	100.0	2, 4
ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG, Düsseldorf	100.0	2, 4, 7
SCHOTT Engineering GmbH, Mainz	100.0	2
SCHOTT Finanzierungs- und Verwaltungs GmbH, Mainz	33.3	
SCHOTT GLAS Mainz Grundstücks-GmbH & Co. KG, Mainz	100.0	8
SCHOTT Glaswerke Beteiligungs- und Export GmbH, Mainz	100.0	1, 3
SCHOTT Glaswerke Service GmbH, Mainz	100.0	2
SCHOTT JENAer Glas GmbH, Jena	100.0	1, 3
SCHOTT Solar CSP GmbH, Mainz	100.0	
SCHOTT Solar Verwaltungs GmbH, Mainz	100.0	2
SCHOTT Technical Glass Solutions GmbH, Jena	100.0	
SCHOTT Verwaltungs-GmbH, Mainz	100.0	2
Abroad		
SCHOTT Envases Argentina S.A., Buenos Aires/Argentina	100.0	
SCHOTT Australia Pty Ltd., Frenchs Forest/Australia	100.0	2
SCHOTT MiniFAB Pty Ltd (formerly MiniFAB (Aust) Pty Ltd), Frenchs Forest/Australia	100.0	
MFB New Ventures Pty Ltd, Scoresby/Australia	100.0	
Tearlab Australia Pty Ltd, Frenchs Forest/Australia	100.0	2, 9
SCHOTT Benelux N.V., Antwerpen/Belgium	100.0	2
SCHOTT Brasil Ltda., São Paulo/Brazil	100.0	4
SCHOTT Flat Glass do Brasil Ltda., São Paulo/Brazil	100.0	4
SCHOTT Glas China Ltd., Special Administrative Region Hong Kong/China	100.0	4
SCHOTT Glass Technologies (Suzhou) Co., Ltd., Suzhou/China	100.0	4
SCHOTT (Shanghai) Precision Materials & Equipment International Trading Co., Ltd., Shanghai/China	100.0	4
SCHOTT Pharmaceutical Packaging (Zhejiang) Co., Ltd. (formerly SCHOTT Xinkang Pharmaceutical Packaging Co., Ltd.), Huzhen Town/China	100.0	4
SCHOTT Tubing (Zhejiang) Co., Ltd., Huzhen Town/China	100.0	4
SCHOTT Scandinavia A/S, Lyngby/Denmark	100.0	2
SCHOTT Primoceler Oy, Tampere/Finland	100.0	9
SCHOTT France Pharma Systems SAS, Pont-sur-Yonne/France	100.0	
SCHOTT SFAM Société Française d'Ampoules Mécaniques S.à.r.l., Casteljaloux/France	100.0	
SCHOTT VTF SAS, Troisfontaines/France	100.0	
SCHOTT France SAS, Colombes /France	100.0	
SCHOTT UK Ltd., Wolverhampton/United Kingdom	100.0	
Transition Glass Products Ltd., Doncaster/United Kingdom	100.0	2
SCHOTT Glass India Pvt. Ltd., Mumbai/India	100.0	5
PT. SCHOTT Igar Glass, Bekasi/Indonesia	100.0	

Name and registered office of the company	Capital share in %	Comment
Subsidiaries included and not included in the Consolidated Financial Statements		
Abroad		
SCHOTT Glass Israel Ltd., Tel Aviv-Jaffa/Israel	100.0	2
SCHOTT Italvetro S.R.L., Borgo a Mozzano/Italy	80.0	
SCHOTT Japan Corporation formerly NEC SCHOTT Components Corporation), Shiga/Japan	100.0	
SCHOTT Gemtron Canada Corporation, Midland/Canada	56.0	
SCHOTT Envases Farmaceuticos SAS, Bogotá/Colombia	72.7	4
SCHOTT d.o.o., Zagreb/Croatia	100.0	2
SCHOTT Glass (Malaysia) Sdn. Bhd., Perai/Malaysia	100.0	
SCHOTT Glass (Malaysia) Components Sdn. Bhd., Perai/Malaysia	100.0	
SCHOTT de México, S.A. de C.V., Cordoba/Mexico	100.0	4
Gemtron de México S.A. de C.V., San Luis Potosí/Mexico	100.0	4
SCHOTT Benelux B.V., Tiel/The Netherlands	100.0	
SCHOTT Flat Glass B.V., Tiel/The Netherlands	75.0	
SCHOTT Flat Glass Holding B.V., Tiel/The Netherlands	66.7	
SCHOTT Termofrost AS, Oslo/Norway	100.0	
SCHOTT Austria GmbH, Vienna/Austria	100.0	2
SCHOTT Poland Sp. z o.o., Warsaw/Poland	100.0	2
SCHOTT Pharmaceutical Packaging OOO, Zavolzhye/Russia	100.0	4
SCHOTT Scandinavia AB, Stockholm/Sweden	100.0	2
SCHOTT forma vitrum holding ag, St. Gallen/Switzerland	100.0	
SCHOTT Schweiz AG, St. Gallen/Switzerland	100.0	
SCHOTT Singapore Pte. Ltd., Singapore/Singapore	100.0	
SCHOTT Glass Ibérica S.L., Barcelona/Spain	100.0	
SCHOTT Korea Co. Ltd., Seoul/South Korea	100.0	
SCHOTT Taiwan Ltd., Taipei/Taiwan	100.0	
SCHOTT CR, s.r.o., Lanškroun/Czech Republic	100.0	
SCHOTT Solar CR, k.s., Valašské Meziříčí/Czech Republic	100.0	
SCHOTT Flat Glass CR, s.r.o., Valašské Meziříčí/Czech Republic	100.0	
SCHOTT CAM TICARET LIMITED SIRKETI, Ataşehir-İstanbul/Turkey	100.0	2
SCHOTT Orim Cam Sanayi ve Ticaret A.S., Çerkezköy/Turkey	100.0	
SCHOTT Hungary Kft., Lukácsháza/Hungary	100.0	
MiniFAB, Inc., San Francisco/USA	100.0	9
SCHOTT Government Services, LLC, Boothwyn/USA	100.0	
SCHOTT Gemtron Corporation, Sweetwater/USA	51.0	
SCHOTT Corporation, Elmsford/USA	100.0	
SCHOTT Lithotec USA Corporation, Poughkeepsie/USA	100.0	2
SCHOTT North America, Inc., Elmsford/USA	100.0	
SCHOTT Scientific Glass, Inc., Parkersburg/USA	100.0	
SCHOTT Solar CSP, LLC, Elmsford/USA	100.0	
SCHOTT Solar PV, LLC, Elmsford/USA	100.0	
SCHOTT Middle East FZE, Dubai/United Arab Emirates	100.0	2

Name and registered office of the company	Capital share in %	Comment
Companies accounted for using the equity method		
Abroad		
Zhejiang Crystal-SCHOTT Optical Technology Co., Ltd., Taizhou/China	41.0	4
Glaverpane S.A., Jemeppe-sur-Sambre/Belgium	35.0	4
SCHOTT KAISHA PRIVATE LIMITED, Mumbai/India	50.0	5
Empha SPA, Turin/Italy	50.0	4
SCHOTT-Italglas s.r.l., Genoa/Italy	50.0	
Companies accounted for without using the equity method		
Germany		
Industrie-Institut für Lehre und Weiterbildung Mainz eG, Mainz	22.9	6
JENAER BILDUNGSZENTRUM gGmbH SCHOTT CARL ZEISS JENOPTIK, Jena	33.3	4
SCHOTT-Zeiss Assekuranzkontor GmbH, Mainz	50.0	
Abroad		
Smart Skin Technologies Inc., Fredericton/Canada	20.7	4
Other investments		
Germany		
Psephit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	10.1	4, 7
Silicium Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	10.1	4, 7
Abroad		
NNAISENSE SA, Lugano/Switzerland	5.4	4
Sun Technology Asset Switzerland AG, Zug/Switzerland	11.5	4

[1] Company with a profit and loss transfer agreement with SCHOTT AG
[2] Not consolidated due to minor importance
[3] Pursuant to Section 264 (3) HGB, this company is exempted from the duty to disclose its financial statements
[4] Fiscal year from January 1 to December 31
[5] Fiscal year from April 1 to March 31
[6] Fiscal year from September 1 to August 31
[7] Shares relate to the limited partner contribution
[8] Pursuant to Section 264b HGB, this company is exempted from the duty to disclose its financial statements
[9] Fiscal year from July 1 to June 30

MEMBERS OF EXECUTIVE BODIES AT SCHOTT AG

BOARD OF MANAGEMENT

Dr. Frank Heinricht
Mainz
Chairman and
Chief Human Resources Officer
Member of the Board of Management responsible for Pharmaceutical Systems, Tubing, Compliance/Legal, Human Resources, Marketing & Communication, Strategic Development, Research & Development

Hermann Ditz
Landshut
Member of the Board of Management responsible for Advanced Optics, Electronic Packaging, Lighting & Imaging, Technical Services

Dr. Heinz Kaiser
Bodenheim
Member of the Board of Management responsible for Home Tech, Flat Glass, Market Development, Intellectual Property

Dr. Jens Schulte
Wiesbaden
Member of the Board of Management responsible for Finance, Information Technology, Purchasing, Merger & Acquisitions, SCHOTT Solar AG

SUPERVISORY BOARD

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Lindau
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Chairman of the Presiding Committee and the Conference Committee
Member of the Audit Committee
Chairman of the Shareholder Council of the Carl Zeiss Foundation, Heidenheim an der Brenz and Jena
Former Chairman of the Board of Management of Carl Zeiss AG, Oberkochen

Wolfgang Heinrich[1)]
Maisborn
Vice Chairman
Member of the Presiding Committee and the Conference Committee,
Chairman of the General Works Council of SCHOTT AG and
Chaiman of the Employee Council of SCHOTT AG, Mainz site

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Wackersdorf
Member of the Audit Committee
Regional Manager of the Industrial Trade Union of Mining, Chemicals and Energy (IG BCE), Northeast Bavaria, Weiden

Stefan Brandl
Würzburg
Chairman of the Executive Board/ CEO of ebm-papst Unternehmensgruppe, Mulfingen

Gerhard Greim[1)]
Mitterteich
Deputy Chairman of the Employee Council of SCHOTT AG, Mitterteich

Uta Kemmerich-Keil
Darmstadt
Former CEO of
P&G Health International, Geneva, Switzerland

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Mannheim
Member of the Presiding Committee
Former Member of the Board of Management of BASF SE, Ludwigshafen

Manfred Miehe[1)]
Mainz
Member of the Presiding Committee
Head of Corporate Auditing, SCHOTT AG, Mainz

Dr. Eckhard Müller
Munich
Chairman of the Audit Committee
Former Head of the Finance Division of BASF SE, Ludwigshafen

Dr. Richard Pott
Leverkusen
Member of the Conference Committee
Chairman of the Supervisory Board of Covestro AG, Leverkusen

Salvatore Ruggiero[1)]
Mainz
Member of the Audit Committee
Vice President of Marketing and Communication, SCHOTT AG, Mainz

Rudolf Wagner[1)]
Vilsbiburg
Member of the Conference Committee
Deputy Chairman of the overall Employee Council of SCHOTT AG and Chairman of the Employee Council at SCHOTT AG, Landshut site

COMMITTEES

Presiding Committee
Dr. Dieter Kurz (Chairman)
Wolfgang Heinrich[1)]
Dr. Stefan Marcinowski
Manfred Miehe[1)]

Audit Committee
Dr. Eckhard Müller (Chairman)
Dr. Dieter Kurz
Hartmuth Baumann[1)]
Salvatore Ruggiero[1)]

Conference Committee
Dr. Dieter Kurz (Chairman)
Wolfgang Heinrich[1)]
Dr. Richard Pott
Rudolf Wagner [1)]

[1)] Workers' representative

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EDITORIAL

SCHOTT AG
Finance

DISCLAIMER

This report contains forward-looking statements. These are based on an assessment of future developments at the time the report was prepared. Such statements are subject to risks and uncertainties that, to a large extent, cannot be influenced by SCHOTT and therefore cannot be precisely assessed. These include, for example, future economic market conditions, the behavior of other market participants, the achievement of expected synergy effects as well as legal and political decisions.

Should these or other factors occur, or should assumptions on which the forward-looking statements are based prove to be incorrect, actual results may differ from those described in the annual report. SCHOTT will not correct or update the forward-looking statements to reflect current developments and events after the date of this report.

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This annual report is published in German and English and is available on the Internet at www.schott.com

In the event of discrepancies in the translation, the German version shall take precedence.

SCHOTT worldwide

The company maintains close relationships with its customers through high-performance production sites and sales offices in all major markets.

23%

North America

SCHOTT has production, sales and research sites in North America (US, Canada and Mexico). 2,000 employees generated 514 million euros in sales in this region in fiscal year 2019/2020.

5%

South America

SCHOTT has been active in this region with its own production facilities since 1954. 1,300 employees generated sales of 101 million euros in fiscal year 2019/2020.

45%

Europe

Europe remains the most important economic region for SCHOTT. In fiscal year 2019/2020, the technology group generated sales of 1,005 million euros with 9,800 employees (5,900 of whom are based in Germany).

1%

Middle East and Africa

SCHOTT generated sales of 31 million euros in the reporting period in the Middle East and Africa.

26%

Asia and South Pacific

This economic area ranks as one of the most important markets for the future with its huge growth potential. SCHOTT's 3,350 employees achieved 587 million euros in sales here in fiscal year 2019/2020.

Share of global sales by region

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