Annual Report
2020 / 2021

SCHOTT
glass made of ideas

Key Figures SCHOTT Group

FROM OCTOBER 1, 2020, TO SEPTEMBER 30, 2021

(in million euros, unless stated otherwise)	2020/2021	2019/2020	Change in %
SALES	2,524	2,238	13
Domestic	317	297	7
Abroad	2,207	1,941	14
EBITDA	565	456	24
as a percentage of sales	22	20	
EBIT	390	288	35
as a percentage of sales	15	13	
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	373	277	35
GROUP EARNINGS	289	199	45
CASH FLOW FROM OPERATING ACTIVITIES	494	393	26
CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT	333	318	5
TOTAL ASSETS	3,269	2,961	10
EQUITY	1,351	997	36
Equity ratio (%)	41	34	
LONG-TERM FUNDS AVAILABLE[1)]	2,555	2,352	9
as a percentage of total assets	78	79	
NET FINANCIAL ASSETS[2)]	79	–11	
EXPENDITURE ON RESEARCH AND DEVELOPMENT	93	92	1
as a percentage of sales	4	4	
EMPLOYEES AS OF THE BALANCE SHEET DATE (NUMBER)	17,313	16,466	5

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 and cash equivalents and funds less financial liabilities.

Pioneering. Responsibly. Together.

These attributes characterize SCHOTT as a manufacturer of specialty glass, glass-ceramic 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 2.52 billion with 17,300 employees in fiscal year 2020/2021. 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 for glass, 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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Foreword by the Board of Management

Facts about the fiscal year

2.52
EUR billion
Global sales

390
EUR million
EBIT

333
EUR million
Investments in property, plant and equipment

41
percent
Equity ratio

Ladies and gentlemen,

SCHOTT closed its second year of the coronavirus with record key figures, making it the most successful fiscal year in our company's history. Group sales increased by 13% to EUR 2.52 billion compared to the previous year. The operating result (EBIT) also improved by EUR 102 million to EUR 390 million – an increase of 35%. Consolidated net income of EUR 289 million and the equity ratio of 41% also developed positively.

All SCHOTT Business Units contributed to our success, and our employees exceeded their own capabilities in many areas. We would like to thank them as well as our customers and business partners, with whom we are working more closely than ever in these special times.

Despite the ongoing global COVID-19 pandemic, we have invested boldly over the last two years and were able to reap the rewards this fiscal year. All projects were fully on schedule despite corona thanks to the extraordinary commitment of our teams. For instance, a plant for pharmaceutical tubing was built in China in record time – at the same time, this became SCHOTT's first melting site in China. Manufacturing of FIOLAX® glass tubing was expanded in India. Several million euros were also invested in a new, modern flat glass processing unit in Bolu, Turkey.

Growth drivers such as solutions for the pharmaceutical industry and products for household appliances had a particularly positive impact on earnings. During the pandemic, the retreat into the private sphere led many consumers to invest in high-value economic goods. For us, this meant double-digit growth rates for CERAN® cooktop panels and flat glasses for household appliances. We also recorded leaps in sales of vials for COVID-19 vaccines and pre-sterilized or coated pharmaceutical containers. Our long-standing cooperation with the pharmaceutical industry has become even more intensive, resulting in a whole series of collaborations in the area of production. For example, Serum Institute, the world's largest filler of vaccines, became our joint venture partner in India.

We continued to drive our growth with M&A activities. Through the acquisition of Applied Microarrays Inc. initiated in 2021, we decisively expanded our biotech expertise in the profitable diagnostics market and added a manufacturing site in the United States. A strategic realignment in flat glass for home appliances led to the successful sale of SCHOTT Gemtron, also in the US. This allows us to focus even more strongly on further growth in Europe, South America and Asia.

Climate protection is also of particular importance to us. SCHOTT wants to be climate neutral by 2030. By switching to certified green electricity, we took a major step towards achieving this goal in 2021. In challenging projects, we are developing new ways to operate our melting furnaces so that we can do without fossil fuels. This will enable us to set new standards for the specialty glass industry.

The new fiscal year has gotten off to a promising start. We expect further growth in the mid-single-digit percentage range. Rising costs for energy, raw materials and transport will impact our earnings. We will counter this with further efficiency enhancements, but also price increases.

Fortunately for us, demand for specialty glass remains buoyant worldwide. It is not without reason that the United Nations has designated 2022 as the "Year of Glass." After all, glass offers unimagined solutions to the social challenges of our time:

Dr. Frank Heinricht

Chairman of the
Board of Management
and Labor Director
since 2013

Dr. Jens Schulte

Member of the
Board of Management
since 2016

Dr. Heinz Kaiser

Member of the
Board of Management
since 2016

Hermann Ditz

Member of the
Board of Management
since 2016

In the field of e-mobility, glass-ceramic powder is ready for the next generation of batteries. High-precision Flexinity® connect glass wafers add computing power to computer chips, which are increasingly in demand, by replacing polymer as a substrate. In the fast-developing focus markets of China and the United States, we are seeking to acquire new customers with augmented reality glasses and ultra-thin glass for space applications, for example. And leading smartphone manufacturers will launch the first devices with our extremely break-resistant Xensation® α cover glass.

The record investment of over EUR 340 million in 2021 is to be significantly exceeded again in the new fiscal year. Most of these funds will be invested in pharmaceutical projects. For instance, we are opening a new production facility in Müllheim, and tubing plant expansion measures are planned in China, India and Mainz.

A solid balance sheet and our investment projects document the strength of our growth strategy. In line with our motto “Pioneering. Responsibly. Together.” our more than 17,300 #glasslovers are on track to realize the goals we have set.

December 2021

SCHOTT AG
The Board of Management

Report by the Supervisory Board

Dr. Dieter Kurz
Chairman of the Supervisory Board

Ladies and gentlemen,

the worldwide COVID-19 pandemic again presented SCHOTT Group with major challenges in fiscal year 2020/2021. We succeeded in mastering this special situation by implementing targeted measures. SCHOTT managed to hold its own very well even in these difficult times. The broad and balanced business portfolio as well as the good strategic work done in past years contributed to the continuation of its successful course. Key financial figures were improved even further. To support our growth strategy and strengthen our competitive position, we increased the high investment budget of recent years once again.

In fiscal year 2020/2021, the Supervisory Board monitored and advised the Board of Management in accordance with the duties incumbent on it under the law, the Articles of Association and the Rules of Procedure. The Supervisory Board and the Board of Management worked together effectively and in a spirit of trust. The Board of Management regularly informed the Supervisory Board in writing and verbally about the business situation and performance, the current earnings situation, the risk situation, risk management, short- and long-term planning, and investments and organizational measures. In addition, the Chairman of the Supervisory Board remained in close contact with the Board of Management and was kept informed about the business situation, significant business transactions and strategic considerations.

The Supervisory Board was involved in all important decisions and passed the resolutions required by law, the Articles of Association and the Rules of Procedure at four ordinary meetings. The decisions of the Supervisory Board were based on the reports and resolution proposals of the Board of Management, which it examined in detail. Key topics included the adoption of the annual financial statements of SCHOTT AG and the approval of the Consolidated Financial Statements for fiscal year 2019/2020, the effects of the COVID-19 pandemic, the further implementation of the Group's strategy such as the "Zero Carbon 2030" program, the major investment projects in Germany, China and India, the approval of several acquisitions, the human resources development concept and the approval of the annual budget for fiscal year 2021/2022.

The Supervisory Board has formed three committees to perform its duties. The Audit Committee met three times. It dealt mainly with monitoring the accounting process, the effectiveness of the internal control system, risk management and the internal audit system, and the audit of the financial statements. The Presiding Committee met three times. At the meetings, it discussed the setting of targets and the compensation of the Board of Management and adopted corresponding resolutions for submission to the Supervisory Board. The Chairmen of the Audit and Presiding Committees reported regularly at the Supervisory Board meetings on the work of the committees. The Mediation Committee did not convene in the past fiscal year.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, audited the annual financial statements of SCHOTT AG for fiscal year 2020/2021 and the Consolidated Financial Statements prepared in accordance with Section 315e (3) of the German Commercial Code (HGB) under International Financial Reporting Standards (IFRS), including the respective Management Reports, and issued an unqualified audit opinion in each case. The report of the Board of Management on relations with affiliated companies (“dependent company report”) was also audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main.

The financial statement documents and the audit reports were made available to all members of the Supervisory Board in good time. We examined the documents and discussed the financial statements at the Audit Committee meeting on December 15, 2021, and the Supervisory Board meeting on December 16, 2021. The auditors attended both meetings, presented the main audit findings, provided additional information and answered questions. The Chairman of the Audit Committee also reported to the full Supervisory Board on the results of the audit of the financial statements by the Audit Committee. Following its own examination of the documents, the Supervisory Board concurred with the auditors and approved the financial statements prepared by the Board of Management. The Supervisory Board approved the proposal of the Board of Management to distribute a dividend of EUR 30,000,000.00 from the unappropriated profit of EUR 515,618,819.78 and to carry forward EUR 485,618,819.78 to new account. The annual financial statements of SCHOTT AG as of September 30, 2021, are thus adopted.

In accordance with Section 312 of the German Stock Corporation Act (AktG), the Board of Management has prepared the above-mentioned dependent company report for the period from October 1, 2020, to September 30, 2021. The auditor issued the following audit opinion on the results of its audit:

“Based on our audit in accordance with professional standards, we confirm that

1. the factual statements in the report are correct,
2. the consideration paid by the company for the legal transactions listed in the report was not unreasonably high.”

The Supervisory Board concurred with the auditor’s findings. Based on the final results of the Supervisory Board’s review, there are no objections to the final declaration of the Board of Management contained 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 enormous commitment and their successful work in fiscal year 2020/2021.

I personally will be stepping down from the Supervisory Board as of December 31, 2021. I would like to thank all members of the Supervisory Board and members of the Board of Management for their good and successful cooperation over the past nine years and wish SCHOTT Group and all its employees a successful future.

Mainz, December 16, 2021

For the Supervisory Board

Dr. Dieter Kurz
Chairman

Group Management Report

FOR THE FISCAL YEAR FROM OCTOBER 1, 2020, TO SEPTEMBER 30, 2021

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 around 17,300 people and operate manufacturing sites and sales offices in 34 countries. In fiscal year 2020/2021, we generated total Group sales of EUR 2.524 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 11 consolidated companies (previous year: nine) based in Germany and 49 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 11 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, followed by 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 BY REGION

Total sales: EUR 2,524 million

ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

In the fall of 2021, the global economy is on course for recovery following the massive slump caused by the COVID-19 pandemic in the previous year. The recovery is faltering, however, and the overall pace is moderate, so that production has only returned to pre-crisis levels in a few countries. Economic research institutes are forecasting a 5.7 % increase in global production for 2021 (previous year: decline of 3.2 %).[1]

For Europe, where SCHOTT Group generates nearly half of its sales, the economic research institutes expect growth of 5.1 % (previous year: decline of 5.8 %). The economy in Germany is expected to grow by only 2.4 %, after shrinking by 5.0 % the year before. The economy in the USA is expanding much more strongly, at an expected rate of 5.6 % (previous year: decline of 3.4 %). The Chinese market, our largest sales market in Asia, is expected to grow by 7.8 % (previous year: 2.3 %). For Asia as a whole, the economic research institutes expect economic output to increase by 6.2 % following a decline of 0.5 % in the previous year.

In fiscal year 2020/2021, the industries relevant to SCHOTT were again affected to varying degrees by the continuation of the COVID-19 pandemic. Developments also differed significantly in terms of regions and submarkets. The growth forecasts for the pharmaceutical industry for 2021 are at a high level of around 8 %. The COVID-19 vaccination campaign and the continuing intact megatrends are having a positive effect here, but vaccination speed and readiness have fallen short of analysts' expectations. Growth expectations are around 10 % for the USA, 8 % for Germany and 6 % for China. The household appliance market has shown comparatively strong growth of around 9 % in 2021. High demand is generated by consumers' desire for new furnishings and “smart” appliances. Rising raw material prices and problems in the global supply chains are limiting the growth of the industry. Growth rates of 8 to 9 % are also predicted in the other industries that are significant for SCHOTT. One exception is the automotive industry, for which global growth of only 1 to 3 % is expected due to the worsening semiconductor shortage.[2]

[1] Data according to the joint diagnosis of the leading German economic research institutes dated October 14, 2021. The previous year's figures in this and the next paragraph represent the actual growth rates according to the joint diagnosis, not the forecast values stated in last year's Management Report.
[2] Internal forecast taking relevant market studies such as those from statistics service providers, banks and management consultancies into account

BUSINESS DEVELOPMENT AND SITUATION OF THE GROUP

EARNINGS POSITION

(in EUR millions)	2020/2021	2019/2020	Change in %
Sales	2,523.9	2,238.4	+ 285.5
EBIT	389.6	288.2	+ 101.4
Financial result	– 16.7	– 11.6	– 5.1
Income from continuing operations before income taxes	372.9	276.6	+ 96.3
Income taxes	– 86.1	– 61.8	– 24.3
Income from continuing operations	286.9	214.7	+ 72.2
CONSOLIDATED PROFIT	**289.2**	**198.6**	**+ 90.6**

COURSE OF BUSINESS AND DEVELOPMENT OF SALES

In the past fiscal year, SCHOTT Group was able to increase its sales revenues considerably by EUR 286 million or 13 % to EUR 2,524 million. All three segments of the Group contributed to this growth. Changes in the exchange rate of the euro reduced Group sales by EUR 116 million year-on-year (previous year: reduction in Group sales of EUR 21 million). Adjusted for exchange rate changes, sales increased by 18 %.

The share of Group sales generated in Europe was 47 % in fiscal year 2020/2021 (previous year: 45 %). The Asia and South Pacific region contributed 27 % to Group sales (previous year: 26 %), while North America contributed 21 % (previous year: 23 %). South America generated 4 % of Group sales (previous year: 5 %) and the Middle East and Africa region 1 %, as in the previous year.

In the Precision Materials segment, sales increased from EUR 1,167 million to EUR 1,300 million. As in the previous year, all three Business Units of the segment contributed to the increase in sales.

The Pharmaceutical Systems Business Unit again posted significant growth. Adjusted for currency effects, the growth in sales would have been even higher. The leap in growth was achieved without acquisitions, while the sale of a subsidiary in France at the beginning of the past fiscal year resulted in the loss of sales in the mid-single-digit million range.

Growth continues to be driven by increasing global demand for pharmaceutical primary packaging. On the one hand, the standard pharmaceutical packaging business benefited from this, supported by demand for vials for COVID-19 vaccines. In percentage terms, growth was even stronger in the glass and polymer syringes business. Regionally, sales increased mainly in Asia and Europe.

The Tubing Business Unit also grew significantly once again. This was due to the continuing high demand for glass tubing as a starting material for pharmaceutical packaging, while sales of technical tubing remained at the previous year's level. In regional terms, significant sales growth was achieved in both Europe and Asia.

The Electronic Packaging Business Unit also achieved significant sales growth. Many businesses in the diversified portfolio contributed to this growth. Worthy of particular mention are the strong recovery in the automotive industry, the business with thermal fuses for household appliances and consumer electronics, and sales of cylindrical quartz components, which benefited from a company acquisition at the end of the past fiscal year. By contrast, sales of hermetically packaged enclosures for data communications and for the construction of 5G networks recorded a significant decline following very high demand in the previous year. In regional terms, sales in Europe in particular showed strong growth.

Sales in the Optical Industries segment increased by around EUR 10 million to EUR 283 million.

The Advanced Optics Business Unit recorded a slight year-on-year decline in sales, influenced among other things by unfavorable currency effects and plant closures due to the pandemic. After the previous year, which had already been impacted by the COVID-19 pandemic, the optical glass, filters and components business partially recovered and achieved slight sales growth. By contrast, the ZERODUR® glass-ceramic business suffered moderate sales declines, in particular due to lower sales of components for the manufacture of flat screens. In regional terms, the Business Unit grew in Europe, while sales declined in the other regions.

The Lighting and Imaging Business Unit achieved a significant increase in sales. The medical technology and industrial and safety technology businesses each contributed to the growth. In regional terms, sales growth was achieved in Europe as well as in the NAFTA region and Asia.

Sales in the Home Appliances segment increased from EUR 788 million in the previous year to EUR 948 million. The Home Tech and Flat Glass Business Units each achieved sales growth of around 20 %. After adjusting for foreign exchange effects, sales growth was significantly higher in the Flat Glass Business Unit in particular.

In the Home Tech Business Unit, business with CERAN® glass-ceramic cooktop panels and ROBAX® brand fire viewing panels benefited significantly from the sharp rise in consumer spending on the home environment. Sales of diagnostic applications also developed very positively. Sales of ultra-thin glass and cover glass also increased significantly year-on-year, while sales of security and aircraft glazing decreased significantly after the very good prior year. In regional terms, sales growth was recorded in all regions, with the strongest growth in Europe.

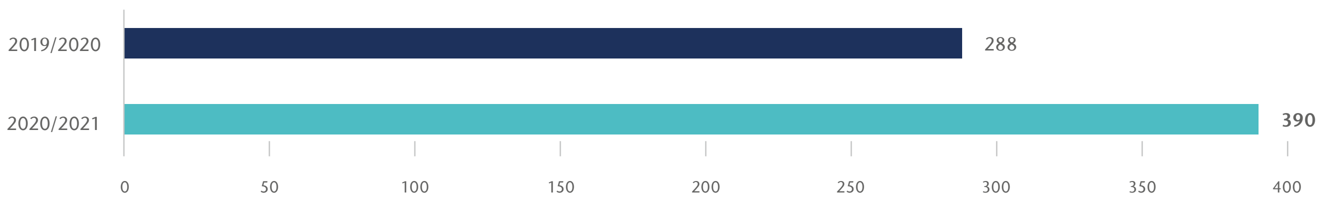
The Flat Glass Business Unit benefited equally from the strong increase in consumer spending on household appliances, but also from a significant increase in demand in the food display application area. All regions contributed to the increase in sales of the Business Unit, with market development in Europe in particular being very positive.

ORDER BOOK

The order book as of the balance sheet date ensures an average utilization of our production capacity of around seven 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)



In the past fiscal year, SCHOTT achieved earnings before interest and taxes (EBIT) of EUR 390 million compared to EUR 288 million the previous year. All segments contributed to the increase in earnings. On a constant currency basis, the increase in EBIT would have amounted to EUR 124 million.

In the Precision Materials segment, EBIT increased significantly, influenced in particular by the earnings performance of Pharmaceutical Systems. This was driven in particular by strong growth and the related improvement in capacity utilization, as well as an improved product mix. Tubing nearly matched its good earnings from last year. Sales growth and increased productivity had a favorable impact, partly offset by start-up costs for the new tubing plant in China and price increases for energy costs, freight and packaging. In the Electronic Packaging Business Unit, there was a slight increase in EBIT, despite noticeably negative currency effects, mainly due to positive volume effects from sales growth. While productivity improvements in the operational area had a positive effect, significant charges were incurred due to cost increases for personnel, raw materials and precious metals. As in previous years, the segment contributed well over half of Group EBIT.

In the Home Appliances segment, EBIT more than doubled and now accounts for more than a quarter of Group EBIT. In the Home Tech Business Unit, the development of sales and the associated very good capacity utilization, as well as productivity gains, had a particularly positive effect. In addition to currency developments, high cost increases for energy, precious metals, freight and packaging as well as rising raw material costs, especially from the second half of the fiscal year, had a negative impact. In the Flat Glass Business Unit, as well, the increase in sales and the related rise in capacity utilization in particular resulted in a significant rise in EBIT. This was partly offset by higher purchasing and personnel costs and unfavorable exchange rate developments.

EBIT in the Optical Industries segment increased again following declining earnings in the previous year. At the same time, the EBIT of Advanced Optics declined, due in particular to lower sales and the inflation of factor costs. The decline was only partially offset by productivity gains and cost savings. By contrast, Lighting and Imaging achieved a significant increase in EBIT, driven by higher demand in most markets, the resulting increase in sales and higher capacity utilization.

The cost of sales amounted to EUR 1,648 million (previous year: EUR 1,471 million). This resulted in gross profit on sales of EUR 876 million (previous year: EUR 768 million). The gross margin thus increased further from 34.3 % in the previous year to 34.7 %.

Selling expenses increased by EUR 20 million to EUR 269 million. The selling expense ratio therefore decreased from 11.1 % to 10.7 %. In the past fiscal year, sales activities were still frequently restricted by the effects of the COVID-19 pandemic.

The R&D ratio decreased from 4.1 % in the previous year to 3.7 %. Research and development expenses increased slightly from EUR 92 million to EUR 93 million. General and administrative expenses increased by EUR 7 million to EUR 160 million. The administrative expense ratio for the past fiscal year was thus 6.3 %, compared to 6.8 % the previous year.

Other operating income was down from EUR 50 million in the previous year to EUR 43 million. This was due to lower exchange rate gains and income from the reversal of allowances for doubtful accounts compared to the previous year.

Other operating expenses declined by EUR 20 million year-on-year to EUR 21 million. This was due in particular to lower additions to provisions and lower impairment losses compared to the previous year.

FINANCIAL RESULT

The financial result deteriorated from EUR –12 million in the previous year to EUR –17 million. The change was mainly due to the adjustment of investments to their lower fair value.

TAXES

The tax expense for continuing operations amounted to EUR 86 million compared to EUR 62 million in the previous year. The Group tax rate increased from 22 % to 23 %.

DISCONTINUED OPERATIONS AND CONSOLIDATED NET PROFIT

The consolidated net profit for the year of EUR 289 million (previous year: EUR 199 million) includes a positive result from continuing operations of EUR 287 million (previous year: EUR 215 million) and net profit from discontinued operations of EUR 2 million (previous year: negative contribution to earnings of EUR 16 million). The loss from discontinued operations in the previous year was caused by the recognition of provisions for increased warranty risks and disposal costs in the solar division.

FINANCIAL POSITION

(in EUR millions)	2020/2021	2019/2020	Change
Cash flow from operating activities*	494.3	392.7	+101.6
Cash flow from investing activities*	–322.1	–297.3	–24.8
Cash flow from financing activities*	–116.5	–25.5	–91.0
Change in cash and cash equivalents	55.8	69.8	–14.0
Cash and cash equivalents at the end of the period	280.8	233.8	+47.0

*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 by EUR 101 million from EUR 393 million in the previous year to EUR 494 million. The main driver of this increase was the EUR 91 million year-on-year rise in net income.

Net cash used in investing activities increased by EUR 25 million to EUR 322 million. Payments for the acquisition of property, plant and equipment and intangible assets increased from EUR 297 million in the previous year to EUR 321 million. Further payments resulted from earn-out payments of EUR 9 million for two acquisitions made in the previous year and EUR 1 million for the purchase of financial assets. This was offset by dividends received of EUR 6 million and proceeds from the disposal of non-current assets of EUR 3 million.

Of the cash-effective investments in the fiscal year, 77% related to the Pharmaceutical Systems, Tubing and Home Tech Business Units. As in the previous year, investments focused on growth projects, in particular the construction and expansion of production facilities in China, Germany, India, Switzerland and Turkey, among other countries, capacity expansions, and the construction and conversion of melting tanks. All major investments were carried out on schedule in the past fiscal year without any significant delays.

Financing activities resulted in a cash outflow of EUR 116 million compared to EUR 26 million in the previous year. Cash outflows resulted in particular from the repayment of loans in the amount of EUR 44 million, the cash allocation to plan assets in the amount of EUR 28 million and the repayment of lease liabilities in the amount of EUR 19 million, as well as from dividend payments in the amount of EUR 12 million and the repayment of capital reserves to a non-controlling shareholder in the amount of EUR 11 million. In contrast to the reporting year, borrowings of EUR 41 million were made in the previous year and only EUR 8 million was allocated to plan assets.

As a result, cash and cash equivalents increased by EUR 56 million. Taking into account all changes due to exchange rates, changes in the scope of consolidation and changes in presentation of a total of EUR -9 million, cash and cash equivalents rose from EUR 234 million in the previous year to EUR 281 million.

Order commitments from investments in property, plant and equipment and intangible assets amounted to EUR 161 million as of the balance sheet date (previous year: EUR 141 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 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 leasing agreements.

In September 2020, SCHOTT AG concluded a credit line in the amount of EUR 250 million with an international banking syndicate, which is available to SCHOTT through September 2024. This credit line can be extended by a maximum of one year by drawing an extension option. It was not utilized at any time in fiscal year 2020/2021.

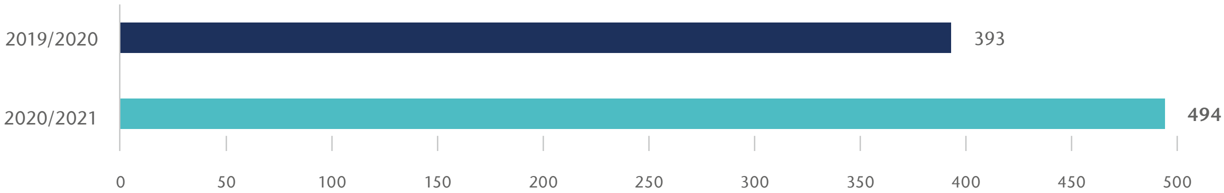
As of the balance sheet date, SCHOTT Group had fixed interest loans of EUR 73 million (previous year: EUR 96 million) which are to be repaid by June 2024 in accordance with the agreed repayment schedules. Furthermore, SCHOTT has a variable-interest promissory note loan in the amount of EUR 15 million (previous year: two variable-interest loans totaling EUR 35 million) at its disposal, which is due in September 2024 according to the agreed repayment schedule. Furthermore, a local bilateral loan with a volume of EUR 6 million (previous year: EUR 0 million) was available to SCHOTT Tubing (Zhejiang) Co., Ltd., Huzhen Town/China, as of the balance sheet date, which has to be repaid within one year. Due to the positive development of liquidity, SCHOTT AG repaid a variable-interest loan of EUR 20 million early in fiscal year 2020/2021 in addition to the planned repayments.

Furthermore, there were leasing liabilities with a total volume of EUR 101 million as of the balance sheet date (previous year: EUR 100 million). SCHOTT AG also has a program for the revolving sale of receivables with a volume of up to EUR 50 million. The agreement was extended for an indefinite period in fiscal year 2020/2021 and can be terminated by either contracting party by giving three months' notice. The trade receivables of SCHOTT AG sold on the basis of this program and still outstanding as of September 30, 2021, amounted to EUR 5 million (previous year: EUR 11 million). As SCHOTT no longer bears the relevant credit risks, the receivables were derecognized.

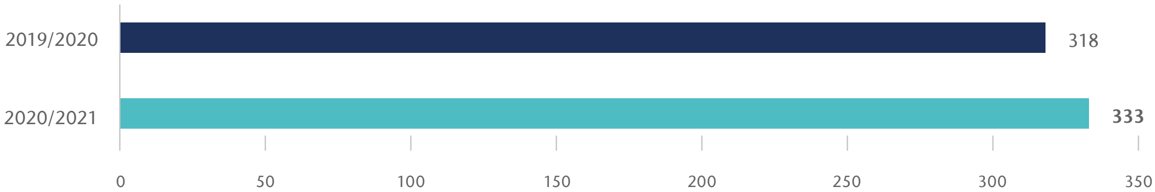
SCHOTT AG also has further bilateral master loan agreements with credit institutions at its disposal in the amount of EUR 130 million, which can be used for guarantees, sureties or cash credit lines. Of these credit lines that are available until further notice, EUR 98 million was freely available as of the balance sheet date. In addition, SCHOTT Group has access to additional bilateral guarantee credit lines as well as credit agreements at the local level.

SCHOTT was able to meet its payment obligations at all times during the past fiscal year 2020/2021. The company continues to strive to maintain a financial position in line with the requirements of an investment grade rating. Based on corporate planning, we assume that SCHOTT Group will also have sufficient liquid funds in fiscal year 2021/2022 to finance planned investments and to meet its other financial obligations.

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, 2021	Sept. 30, 2020	Change
Non-current assets	1,892.6	1,774.2	+118.4
Current assets	1,376.4	1,187.0	+189.4
TOTAL ASSETS	**3,269.0**	**2,961.1**	**+307.9**
Equity	1,350.8	997.3	+353.5
Non-current liabilities	1,204.3	1,354.5	–150.2
Current liabilities	713.9	609.4	+104.5
TOTAL LIABILITIES	**3,269.0**	**2,961.1**	**+307.9**

NON-CURRENT ASSETS

Intangible assets increased by EUR 1 million year-on-year to EUR 125 million. Additions of EUR 12 million, including EUR 6 million from the introduction of a new ERP system, and currency translation of EUR 2 million contributed to the increase. This was offset by depreciation and amortization of EUR 10 million and reclassifications to assets held for sale of EUR 3 million.

Property, plant and equipment increased from EUR 1,221 million as of the balance sheet date of the previous year to EUR 1,376 million. Please refer to the Notes to the Consolidated Statement of Cash Flows and the investment analysis for further information.

In the past fiscal year, SCHOTT increased its investments in property, plant and equipment from EUR 318 million in the previous year to EUR 333 million. This also includes EUR 21 million in capitalized rights of use from leasing agreements in the fiscal year. Currency translation also increased fixed assets by EUR 13 million. This was offset by depreciation and amortization of EUR 168 million (previous year: EUR 152 million), of which EUR 8 million related to impairment losses. Furthermore, reclassifications to assets held for sale in the amount of EUR 19 million and asset disposals in the amount of EUR 5 million reduced non-current assets.

Deferred tax assets decreased by EUR 43 million year-on-year to EUR 288 million. This is due in particular to a decrease of EUR 28 million in deferred tax assets on loss carryforwards as a result of the utilization of these loss carryforwards, as well as deferred tax assets on pension provisions, which decreased by EUR 22 million year-on-year.

CURRENT ASSETS

Inventories, contract assets, trade receivables and trade payables are reported under working capital. Working capital increased by EUR 31 million year-on-year to EUR 688 million. This was due in particular to an increase in trade accounts receivable from EUR 377 million to EUR 420 million as a result of the significantly higher business volume. For the same reason, inventories also increased by EUR 14 million as of the reporting date. This was offset by an increase in trade payables of EUR 24 million and a decrease in contract assets of EUR 3 million.

Reclassifications to assets held for sale reduced working capital by EUR 22 million year-on-year, of which EUR 8 million related to inventories, EUR 21 million to trade receivables and EUR 7 million to trade payables.

Other current non-financial assets amounted to EUR 69 million as of the balance sheet date (previous year: EUR 47 million). The increase is due in particular to higher sales tax receivables and deferred income compared to the previous year.

Cash and cash equivalents increased by EUR 47 million to EUR 281 million. In this context, we refer to the comments in the section entitled “Cash Flow Statement and Investment Analysis.”

The assets held for sale of EUR 56 million reported as of the balance sheet date include the assets of the companies SCHOTT Gemtron Corporation, Sweetwater/USA, SCHOTT Gemtron Canada Corporation, Midland/Canada, and Gemtron de México S.A. de C.V., San Luis Potosí/Mexico. The sale of the shares in the company was completed on December 1, 2021.

EQUITY

SCHOTT Group’s equity amounted to EUR 1,351 million as of the balance sheet date of the reporting year, compared to EUR 997 million the previous year. The equity ratio increased from 33.7 % to 41.3 % as of the reporting date. The increase is mainly due to the net income of EUR 289 million. Equity was also increased by actuarial gains and losses, including deferred taxes, of EUR 69 million and currency translation differences of EUR 18 million. By contrast, profit distributions of EUR 10 million and a decrease in non-controlling interests (excluding their share of total comprehensive income) of EUR 13 million reduced equity.

NON-CURRENT LIABILITIES

As of the reporting date, pension provisions decreased by EUR 117 million to EUR 877 million. The main reasons for the decline are the increase in the discount rate from 1.25 % to 1.45 % and other changes in estimates totaling EUR 95 million. Pension provisions were also reduced by pension payments of EUR 46 million and the allocation to plan assets of EUR 28 million. Newly earned pension entitlements of EUR 30 million, net interest expense of EUR 12 million, and an overfunding of plan assets in the amount of EUR 10 million, for which offsetting against pension obligations is not permitted and which is therefore reported on the assets side of the balance sheet under other current financial assets, had the effect of increasing provisions.

The funds available in the long term (equity, non-current provisions and non-current liabilities) amounted to EUR 2,555 million (previous year: EUR 2,352 million) or 78 % (previous year: 79 %) of the balance sheet total on the balance sheet date. Non-current assets are thus 135 % (previous year: 133 %) covered by equity and non-current liabilities.

Other non-current financial liabilities declined from EUR 200 million as of the balance sheet date of the previous year to EUR 144 million. This was mainly due to a EUR 54 million decrease in liabilities to banks.

CURRENT LIABILITIES

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

Accrued liabilities increased by EUR 32 million year-on-year to EUR 208 million, mainly due to higher accrued liabilities in the area of personnel and for outstanding invoices. Other current non-financial liabilities increased from EUR 36 million at the end of the previous year to EUR 54 million. This was mainly due to higher advance payments received on orders.

Liabilities in connection with assets held for sale in the amount of EUR 17 million relate to the planned sale of the shares held by SCHOTT in the Gemtron companies, see current assets.

COMPARISON OF BUSINESS DEVELOPMENT WITH THE PREVIOUS YEAR'S FORECAST

Compared to the previous year, sales rose by 13 % or currency-adjusted by 18 %. We were thus able to exceed our forecast – an increase of between 2 % and 5 % – by far. The reason for the positive variance is the faster and stronger recovery in many of our core markets compared to expectations at the time the forecast was prepared.

We increased our EBIT from EUR 288 million in the previous year to EUR 390 million. This was a very significant improvement on the previous year's forecast – a slight decline in EBIT. This was mainly due to strong demand in markets of importance to us and the resulting high capacity utilization. This also applies to the key performance indicators derived from EBIT, in particular "SCHOTT Value Added," for which a significant decline had been forecast. We increased investments in fixed assets from EUR 324 million in the previous year to EUR 342 million. Here, too, we were able to meet our forecast – a solid 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 the cost of equity and the 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 17,313 employees worldwide as of September 30, 2021 (previous year: 16,466). This is 847 more than on the balance sheet date of the previous fiscal year. 11,307 employees were employed outside Germany, which equates to 65 % of the Group's workforce.

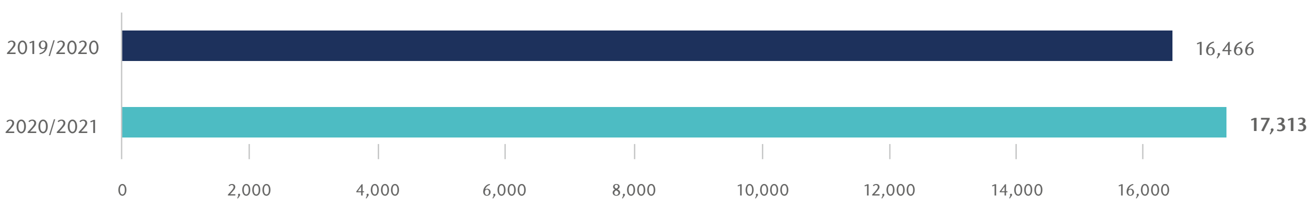
As a technology group, we depend to a high degree on qualified and motivated employees for our success. We strive to be an attractive employer by offering performance-based pay, a wide range of development opportunities and modern working time models that enable a smooth work-life balance.

In the area of continuing education, our employees have access to a broad portfolio of learning content to expand and deepen their skills in various subject areas. In recent years, digital learning opportunities in particular have been further expanded 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 2020/2021, SCHOTT trained an average of 344 young people (previous year: 314).

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 2020/2021 was 3.7 % of Group sales (previous year: 4.1 %). R+D expenditure increased slightly by EUR 1 million or 1 % to EUR 93 million. At the end of fiscal year 2020/2021, the percentage of employees working in R&D was around 3.9 % of the Group workforce (previous year: 3.9 %), which equates to around 680 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 selected regions worldwide. To strengthen the growth strategy in the focus regions of China and the United States, dedicated new venture teams have been formed there. In addition, we maintain close contacts with industrial partners, universities and research institutes worldwide.

MAIN FOCUSES OF R+D IN FISCAL YEAR 2020/2021

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. The Group-wide medium to long-term technology strategy was developed further and work started on the most important topics.

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 an extremely successful fiscal year 2020/2021. Despite the challenges that were once again posed by the COVID-19 pandemic in the past fiscal year, SCHOTT was able to hold its own very well overall. In particular, the broad and balanced business portfolio and the very good development of demand in SCHOTT's core markets contributed to this.

Sales increased by 13 %, or even by 18 % adjusted for currency effects. This growth was far above our expectations. At EUR 390 million, we not only achieved the highest EBIT in the history of SCHOTT, but also net income of EUR 289 million, which is significantly above the level of the previous years, which were also successful.

We are also satisfied with the cash flow from operating activities, which we managed to increase from EUR 393 million to EUR 494 million. We also succeeded in achieving a solid increase in capital expenditure, starting from the already quite high level of investment in the previous year. Thanks in particular to the net profit for the year, we were able to increase the equity ratio from just under 34 % as of the balance sheet date of the previous year to over 41 %.

FORECAST REPORT

In their fall report, the leading German economic research institutes expect the global economic recovery to continue in the coming year despite the persistence of the COVID-19 pandemic. As before, the further course of the pandemic poses a risk to the recovery; this also applies to the financial consequences of the pandemic if, for example, government grants and credit programs are increasingly scaled back. The recent sharp rise in energy and raw material prices and difficulties in supply chains pose further risks for 2022. Overall, the institutes expect global production to increase by 4.2 % in calendar year 2022, compared to 5.7 % in 2021, which was characterized by catch-up effects.[3]

We expect growth rates of between 5 % and 11 % in the industries relevant to SCHOTT in calendar year 2022 and thus good growth prospects overall. The two most important industries from SCHOTT's perspective are the pharmaceutical industry, with expected global market growth of 5 %, and the household appliance industry, for which growth of 6 % is forecast.[4]

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 and adjusted for the effects of acquisitions and disposals, we expect Group sales to increase by between 3 % and 5 % and EBIT to decline somewhat in fiscal year 2021/2022. With regard to the key performance indicators derived from EBIT – especially "SCHOTT Value Added" – we expect that the planned high and further strongly increasing investment volume will have an impact together with the declining EBIT and accordingly anticipate a significant decline.

According to our financial planning, solvency is guaranteed for the forecast period. SCHOTT intends to continue growing sustainably in its core businesses in the future. To this end, we will continue to invest appropriately and examine select acquisition and cooperation opportunities. For the coming fiscal year, we are planning another significant increase in terms of the 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 appropriate 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 Group 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 as part 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, 2021
[4] Internal forecast taking relevant market studies such as those from statistics service providers, banks and management consultancies into account

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 (≤ EUR 5 million), medium, high and very high (≥ EUR 15 million) on the basis of the net 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:

Pension liabilities depend 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.

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. Within the scope of the regular risk assessment, the loss potentials were increased.

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."

As part of the regular reassessment of our risk portfolio, we have increased the loss potential and probability of occurrence of the "threat of cyber-attacks" risk due to the further increase in the threat and the findings from published loss events. As a result, we have reclassified this risk as a significant risk in risk class 1 as of the reporting date.

In the Home Appliances segment, we continue to face increasing competitive pressure, particularly in mass markets. Furthermore, we are active in project business in some markets in this segment. The cyclical nature of these activities could lead to temporary or permanent underutilization of our production capacities. As part of the risk reassessment, the loss potential was reduced compared to the previous year. Nevertheless, we continue to classify this risk in risk class 1.

In the Precision Materials segment, we continue to observe a general increase in demand for pharmaceutical packaging. Nevertheless, 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 more quickly. We are countering this risk with targeted investments. Nevertheless, in the medium to long term, we cannot rule out the possibility that potential losses of market share could represent a significant risk for SCHOTT.

German SCHOTT companies take advantage of the special equalization scheme for electricity-intensive companies in accordance with Section 63 ff. Renewable Energies Act. A discontinuation or reduction of this regulation would make energy procurement costs in Germany significantly more expensive.

Based on the regular reassessment of our risk portfolio, as of the reporting date we no longer classify risks from the introduction or increase of trade tariffs or the termination of trade agreements in risk class 1.

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 in 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.

In terms of our productivity targets, both opportunities and risks arise across all segments, whereby 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 gives us leeway to take advantage of opportunities and minimize risks.

PRECISION MATERIALS SEGMENT

In the Electronic Packaging Business Unit, we see opportunities in particular in further growth in our core markets, the accelerated implementation of product innovations and improvements in productivity. In our opinion, risks arise primarily from the fact that the high level of demand seen in the past fiscal year will not continue in the same way, particularly in the automotive market and in the business with thermal fuses for household appliances. Further risks relate to lower demand for high-speed solutions for the 5G network rollout compared to the assumptions made in our business planning.

Opportunities in the Pharmaceutical Systems Business Unit lie in a further increase in the already high level of market demand. In the same way, there are risks if market demand should happen to weaken, also due to possible bottlenecks and price increases in material procurement. Opportunities for future business development are also expected to arise from the change in ownership of SCHOTT KAISHA PRIVATE LIMITED, Mumbai, India, which is accounted for using the equity method, in fiscal year 2020/2021. In the Tubing Business Unit, we see opportunities in additional project business with technical tubing. Risks still exist in possible delays in the expansion of our production capacities and in cost increases that are higher than planned, for energy, for example.

OPTICAL INDUSTRIES SEGMENT

In the Advanced Optics Business Unit, we continue to see opportunities from the establishment and expansion of new business fields. Risks lie in delays or lack of market success of customer projects and in renewed plant closures due to the COVID-19 pandemic.

The Lighting and Imaging Business Unit continues to have an essentially balanced opportunity/risk profile. This is mainly due to the structure of the business with components for major OEM customers and to fluctuations in the timing and volume of project tenders and ongoing projects.

HOME APPLIANCES SEGMENT

Due to the cyclical nature of most end-customer markets, macroeconomic developments present both opportunities and risks in the Home Appliances segment. In the next fiscal year, we see a particular risk that the exceptionally high level of demand seen in the past fiscal year will weaken more sharply than assumed in the planning for fiscal year 2021/2022.

We continue to see opportunities in the Home Tech Business Unit in the successful market launch of new products, in ultra-thin glass, cover glass, and diagnostics applications, for example. Risks lie in the currently very tight supply chains and the delay in expanding capacity. The availability and cost development of raw materials also continues to represent a risk.

In the Flat Glass Business Unit, opportunities exist through additional project business with food display products. The development of inflation in some countries in which we operate production sites represents a risk.

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, 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, unexpected 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, as are those to limit the volatility of energy prices. Developing and implementing procurement strategies for electricity, gas and emission rights is the responsibility of Purchasing, which is supported in this by Treasury.

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 us 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 for constantly training employees.

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

The nature and scope of SCHOTT's financing and hedging activities are governed by a binding Group guideline. Treasury, which also controls the Group's cash management system, is centrally responsible for financing and hedging activities. Financial transactions are concluded only with select business partners as part of fixed limits. We use derivative financial instruments exclusively 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.

Pension liabilities depend 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.

As part 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 the company's 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 valuation allowances and restructuring charges.

PERSONNEL RISKS

SCHOTT is in competition with other companies with regard to its skilled workers and managers. Demographic change, constantly 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 attentiveness 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.

The introduction of new technologies or the upgrade of existing IT products also poses a challenge to the availability of systems and processes due to increasing networking. SCHOTT therefore counters risks from IT projects with stringent testing and project management in order to ensure the functionality and availability of the IT systems and thus the reliable operation of downstream business processes in the best possible way.

Employees are an important factor in securing IT-supported business processes. They are therefore trained on an ongoing basis in dealing with risks arising from increasing digitalization and networking. As a result, we raise employees' awareness of the importance of IT security when dealing with current 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, as a result of court or official decisions or the agreement of settlements, for example, that are not covered or not fully covered by the risk provisions made.

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 management system for the environment, health and safety at SCHOTT, is aimed at achieving these goals and minimizing the related risks.

Changes in tax laws in individual countries can 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 settled without a future material impact on the Group's existence. However, court or regulatory decisions or settlement agreements could result in expenses that are not, or not fully, covered by provisions or insurance benefits and could have a negative impact on our business and its results.

Unauthorized use or appropriation of our intellectual property rights (including infringement of our patents or other technical property rights) could jeopardize SCHOTT Group's technological lead 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, in particular, as far as possible by regularly monitoring third-party intellectual property rights. However, a violation of third-party property rights in Germany and 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 SCHOTT's buildings, production facilities and warehouses or those of its suppliers and to goods in transit could result in property damage and business interruption. Moreover, delays can occur in the supply process, as a consequence of strikes in the transport sector, for example. In addition, epidemics or pandemics can directly or indirectly affect our production and performance processes. Depending on the spread of an infectious disease, delivery routes to us or our customers could be affected regionally or globally, for example. Local plant shutdowns could also occur, as a result of measures ordered by the authorities or insufficient availability of employees, for example. In addition to our insurance coverage, we have established Group-wide rules on managing emergencies and crises.

Furthermore, SCHOTT is exposed to risks from changes in political conditions. These include, among other factors, the modification or termination of current 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 its goals and take advantage 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, 2021, the shares had risen to 13 % 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

On October 20, 2021, SCHOTT signed an agreement regarding the sale of its shares in the companies SCHOTT Gemtron Corporation, Sweetwater/USA, SCHOTT Gemtron Canada Corporation, Midland/Canada, and Gemtron de México S.A. de C.V., San Luis Potosí/Mexico. The activities in the Home Appliance segment of the Flat Glass Business Unit in the NAFTA region were previously bundled in these companies. The sale was completed on December 1, 2021.

Effective October 1, 2021, SCHOTT acquired 100% of the shares in Applied Microarrays Inc. based in Tempe, Arizona/USA. Applied Microarrays Inc. is a manufacturer of customized DNA and protein biosensors and other microarrays on glass, plastic and semiconductors. The purpose of the acquisition is to expand the diagnostics business in the Home Tech Business Unit, including the expansion of SCHOTT's manufacturing presence in the United States.

Mainz, December 10, 2021

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

Consolidated Financial Statements

FOR THE FISCAL YEAR FROM OCTOBER 1, 2020, TO SEPTEMBER 30, 2021

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Consolidated Statement of Income

FROM OCTOBER 1, 2020, TO SEPTEMBER 30, 2021

(in EUR thousands)	Notes	2020/2021	2019/2020
SALES	4	**2,523,909**	**2,238,394**
Cost of sales		–1,648,346	–1,470,747
GROSS PROFIT		**875,563**	**767,647**
Selling expenses	5	–269,060	–249,226
Research and development expenses	6	–92,590	–92,362
General administrative expenses	5	–159,697	–152,682
Other operating income	7	42,561	49,916
Other operating expenses	8	–21,407	–41,185
Income from investments accounted for using the equity method	9	14,241	6,058
RESULT FROM OPERATING ACTIVITIES		**389,611**	**288,166**
Interest income	10	1,457	1,698
Interest expense	10	–14,719	–13,655
Other net financial income/expense	10	–3,413	345
FINANCIAL RESULT		**–16,675**	**–11,612**
RESULT FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		**372,936**	**276,554**
Income tax expenses	11	–86,086	–61,828
RESULT FROM CONTINUING OPERATIONS		**286,850**	**214,726**
Result from discontinued operations (after taxes)	12	2,335	–16,101
CONSOLIDATED PROFIT FOR THE PERIOD		**289,185**	**198,625**
of which attributable to non-controlling interests	13	13,989	5,262
of which attributable to the owner of SCHOTT AG		275,196	193,363

Consolidated Statement of Comprehensive Income

FROM OCTOBER 1, 2020, TO SEPTEMBER 30, 2021

(in EUR thousands)	Notes	2020/2021	2019/2020
CONSOLIDATED PROFIT FOR THE PERIOD		**289,185**	**198,625**
AMOUNTS THAT ARE NOT TO BE RECLASSIFIED TO THE INCOME STATEMENT IN FUTURE PERIODS			
Actuarial gains/losses on pension plans	25	95,188	31,155
Deferred taxes	25	–25,861	–8,091
		69,327	**23,064**
AMOUNTS THAT ARE TO BE RECLASSIFIED TO THE INCOME STATEMENT IN FUTURE PERIODS			
Currency translation differences		17,175	–57,322
Non-controlling interests*		–78	–7,396
Other income/loss from investments accounted for using the equity method		723	–3,900
		17,820	**–68,618**
OTHER COMPREHENSIVE INCOME/LOSS		**87,147**	**–45,554**
TOTAL COMPREHENSIVE INCOME		**376,332**	**153,071**
of which attributable to non-controlling interests		13,911	–2,134
of which attributable to the owner of SCHOTT AG		362,421	155,205

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

Consolidated Statement of Financial Position

AS OF SEPTEMBER 30, 2021

ASSETS

(in EUR thousands)	Notes	Sept. 30, 2021	Sept. 30, 2020
NON-CURRENT ASSETS			
Intangible assets	14	124,621	123,987
Property, plant and equipment	15	1,375,713	1,221,354
Investments accounted for using the equity method	16	89,258	77,519
Deferred tax assets	11	287,679	331,001
Other financial assets	17	12,838	17,211
Other non-financial assets	18	2,530	3,106
		1,892,639	**1,774,178**
CURRENT ASSETS			
Inventories	19	433,227	418,962
Contract assets	20	82,134	84,922
Trade receivables	20	420,269	376,581
Income tax refund claims		6,952	6,547
Other financial assets	21	28,015	19,262
Other non-financial assets	22	68,786	46,910
Cash and cash equivalents	23	280,781	233,784
		1,320,164	**1,186,968**
Assets held for sale	24	56,212	0
TOTAL ASSETS		**3,269,015**	**2,961,146**

EQUITY AND LIABILITIES

(in EUR thousands)	Notes	Sept. 30, 2021	Sept. 30, 2020
EQUITY			
Subscribed capital	25	150,000	150,000
Capital reserve	25	322,214	322,214
Generated Group capital	25	846,372	511,815
Accumulated other Group capital	25	–51,360	–69,258
Non-controlling interests	25	83,614	82,505
		1,350,840	**997,276**
NON-CURRENT LIABILITIES			
Provisions for pensions and similar commitments	26	876,794	994,296
Provisions for income taxes		43,428	30,092
Other provisions	27	83,453	92,387
Deferred tax liabilities	11	36,640	29,959
Other financial liabilities	30	143,580	200,213
Other non-financial liabilities	31	20,378	7,504
		1,204,273	**1,354,451**
CURRENT LIABILITIES			
Provisions for income taxes		15,900	14,399
Other provisions	27	61,516	57,056
Accrued liabilities	28	207,806	175,646
Trade payables	29	247,963	223,908
Tax liabilities		15,520	14,938
Other financial liabilities	30	93,602	87,433
Other non-financial liabilities	31	54,317	36,039
		696,624	**609,419**
Liabilities in connection with assets held for sale	24	17,278	0
TOTAL EQUITY AND LIABILITIES		**3,269,015**	**2,961,146**

Consolidated Statement of Cash Flows

FROM OCTOBER 1, 2020, TO SEPTEMBER 30, 2021

(in EUR thousands)	2020/2021	2019/2020
Group earnings after taxes	289,185	198,625
Depreciation and amortization/impairment reversals on non-current assets	174,827	168,377
Increase/decrease in provisions and accrued liabilities	45,582	38,408
Other non-cash expenses and income	– 19,436	– 10,935
Gain/loss on the disposal of intangible assets and property, plant and equipment	1,434	543
Gain/loss from financial assets	1,900	– 1,591
Increase/decrease in inventories and prepayments made on inventories	– 19,424	– 19,826
Increase/decrease in contract assets (IFRS 15)	2,788	– 13,261
Increase/decrease in trade receivables	– 62,699	– 22,194
Increase/decrease in other assets	– 13,454	4,532
Increase/decrease in prepayments received	21,902	9,484
Increase/decrease in trade payables	30,830	22,142
Increase/decrease in other liabilities	16,836	– 2,758
Increase/decrease in deferred taxes	24,032	21,120
CASH FLOW FROM OPERATING ACTIVITIES (A)	**494,303**	**392,666**
Cash inflow from the disposal of property, plant and equipment/intangible assets	2,722	3,019
Cash outflow for investments in property, plant and equipment/intangible assets	– 321,057	– 296,929
Cash inflow from the disposal of financial assets	630	436
Cash outflow for the acquisition of consolidated companies and other business divisions	– 9,283	– 6,538
Cash outflow for investments in financial assets	– 1,349	0
Dividends received	6,278	2,667
CASH FLOW FROM INVESTING ACTIVITIES (B)	**– 322,059**	**– 297,345**
Dividends paid	– 11,935	– 21,169
Increase/decrease of non-controlling interests in the capital reserve	– 10,867	– 10,533
Raising of loans	5,654	40,653
Repayment of loans	– 44,281	– 3,675
Allocation of plan assets	– 27,515	– 7,671
Increase/decrease in financial receivables	– 3,148	2,104
Raising/repayment of financial liabilities	– 5,077	– 8,050
Payment of principal portion of lease liabilities	– 19,290	– 17,160
CASH FLOW FROM FINANCING ACTIVITIES (C)	**– 116,459**	**– 25,501**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**55,785**	**69,820**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	**233,784**	**171,548**
– Checks, cash on hand	252	213
– Deposits with banks	233,532	171,335
Change in cash and cash equivalents due to exchange rates	1,819	– 7,501
Changes in cash and cash equivalents due to changes in the scope of consolidation and recognition	– 10,607	– 83
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**280,781**	**233,784**
– Checks, cash on hand	50	252
– Deposits with banks	280,731	233,532

The Consolidated Statement of Cash Flows is discussed under Note 35.
* Restricted cash and cash equivalents have been reported under other assets since fiscal year 2020/2021.

(in EUR thousands)	2020/2021	2019/2020
ADDITIONAL NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**		
Interest paid	–4,446	–3,894
Interest received	1,457	1,698
Income taxes paid	–44,407	–33,310

** Included in cash flow from operating activities

Consolidated Statement of Changes in Equity

FROM OCTOBER 1, 2020, TO SEPTEMBER 30, 2021

	Attributable to the owner		
(in EUR thousands)	Subscribed capital	Capital-reserve	Generated Group capital
BALANCE ON OCT. 1, 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
BALANCE AS OF SEPT. 30, 2020	150,000	322,214	511,815
Consolidated profit for the year			275,196
Changes in value recognized directly in equity			69,327
TOTAL COMPREHENSIVE INCOME			344,523
Dividends			– 10,000
Transactions involving non-controlling interests			0
Change in the scope of consolidation			34
BALANCE AS OF SEPT. 30, 2021	150,000	322,214	846,372

Equity is discussed in Note 25.

Accumulated other Group capital			
Currency translation differences	Shareholder of SCHOTT AG	Non-controlling interests	SCHOTT Group equity
–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**
–69,258	**914,771**	**82,505**	**997,276**
	275,196	13,989	289,185
17,898	87,225	–78	87,147
17,898	**362,421**	**13,911**	**376,332**
	–10,000	–1,935	–11,935
0	0	–10,867	–10,867
	34	0	34
–51,360	**1,267,226**	**83,614**	**1,350,840**

Notes to the Consolidated Financial Statements

FOR FISCAL YEAR 2020/2021

GENERAL INFORMATION

1 PRELIMINARY REMARKS

SCHOTT AG, Mainz, (for 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, 2021, and the Group Management Report were released by the Board of Management on December 10, 2021. The plan is for the Supervisory Board to approve the financial statements at its meeting on December 16, 2021.

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			
Framework concept	Amendments to references to the framework in IFRS standards	Jan. 1, 2020	No
IFRS 3	Amendments to IFRS 3: Clarifications to the Definition of a Business	Jan. 1, 2020	No
IAS 1 / IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material	Jan. 1, 2020	No
IFRS 9, IAS 39, IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	Jan. 1, 2020	No
IFRS 16	Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond June 30, 2021	April 1, 2021	No

The application of the new standards did not result in any material impact on the values reported in these financial statements, but could affect the accounting for future transactions.

2.2 Published standards and interpretations that have not yet been 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
IFRS 4	Amendments to IFRS 4: Extension of the Temporary Exemption from the Application of IFRS 9	Jan. 1, 2021	Yes, Dec. 16, 2020
IFRS 9, IAS 39, IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 2	Jan. 1, 2021	Yes, Jan. 14, 2021
Various	Amendments to IFRS 3, IAS 16 and IAS 37; Annual amendment procedure 2018-2020	Jan. 1, 2022	Yes, July 2, 2021
IAS 1	Amendments to IAS 1: Classification of liabilities as current or non-current and Classification of liabilities as current or non-current – deferral of the effective date	Jan. 1, 2023	No
IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Guidance Document 2)	Jan. 1, 2023	No
IAS 8	Amendments to IAS 8: Definition of Accounting Estimates	Jan. 1, 2023	No
IAS 12	Amendments to IAS 12: Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction	Jan. 1, 2023	No

SCHOTT does not make use of any existing options for early adoption. These standards are implemented in the Consolidated Financial Statements on the date of mandatory adoption. 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 eleven consolidated companies (previous year: nine) based in Germany and 49 foreign consolidated companies (previous year: 50) were entirely included in the Consolidated Financial Statements. 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 2020/2021, three subsidiaries were included in the Consolidated Financial Statements for the first time in a year-on-year comparison, while the scope of consolidation decreased by two units as a result of two disposals. The changes are shown in the following table:

Additions to the consolidated Group	Share of voting rights	Date
SCHOTT Solar Verwaltungs GmbH, Mainz	100 %	Oct. 1, 2020
SCHOTT-Rohrglas AG & Co. KG, Mainz	100 %	July 31, 2021
SCHOTT Asia IT Services Sdn. Bdn., Kuala Lumpur/Malaysia	100 %	March 5, 2021

Disposals from the consolidated Group	Share of voting rights	Date
SCHOTT SFAM Société Française d'Ampoules Mécaniques S.à.r.l., Casteljaloux/France	100 %	Oct. 31, 2020
MiniFAB Inc, San Francisco/USA*	100 %	June 30, 2021

* Deconsolidation due to liquidation

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

Acquisitions/Divestments

Acquisitions

There were no acquisitions with a significant impact on the net assets, financial position and results of operations in fiscal year 2020/2021. SCHOTT-Rohrglas AG & Co. KG, Mainz, and SCHOTT Asia IT Services Sdn. Bdn., Kuala Lumpur/Malaysia are newly established companies. SCHOTT Solar Verwaltungs GmbH was not included in the scope of consolidation prior to the past fiscal year due to its minor significance.

Divestments

There were no divestments with a significant impact on the net assets, financial position and results of operations in fiscal year 2020/2021.

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, 2021	
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, 2020.

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

(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020
SCHOTT Finanzierungs- und Verwaltungs GmbH, Mainz	5.222	15.712

The total result of SCHOTT Finanzierungs- und Verwaltungs GmbH in fiscal year 2019/2020 amounted to EUR 564 thousand (previous year: EUR 793 thousand). The equity of the company as of September 30, 2021, amounted to EUR 7,833 thousand (previous year: EUR 23,568 thousand).

The non-controlling interests in SCHOTT Flat Glass Holding B.V., Tiel/Netherlands, amounted to the unchanged amount of EUR 11.3 million compared to the previous year as of September 30, 2021, with a shareholding of 33 %. The aggregated assets and liabilities of the company, including the subsidiaries it held, amounted to EUR 180 million and EUR 73 million, respectively, as of the balance sheet date of the past fiscal year (previous year: EUR 155 million and EUR 66 million, respectively). Aggregate sales of EUR 231 million (previous year: EUR 186 million) and total income of EUR 17 million (previous year: EUR – 3 million) were achieved in fiscal year 2020/2021.

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 company it holds a share in, 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 IFRS 11 *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 functional currency of SCHOTT Envases Argentina S.A., Buenos Aires/Argentina, which is included in the Consolidated Financial Statements, is considered to be hyperinflationary within the meaning of IAS 29 *Financial Reporting in Hyperinflationary Economies*. Nevertheless, the effects on the Consolidated Financial Statements are of minor significance.

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 =	2021	2020	2020/2021	2019/2020
Chinese renminbi	7.49	7.97	7.82	7.83
Japanese yen	129.59	123.69	128.02	120.10
Swiss franc	1.08	1.08	1.09	1.08
Singapore dollar	1.57	1.60	1.61	1.54
Czech koruna	25.31	27.13	26.10	26.11
Hungarian forint	359.87	364.86	358.45	341.39
US dollar	1.16	1.17	1.20	1.11

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 not applicable.

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 32.2.

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 leasing relationships. 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 33);
- the recoverability of goodwill (Note 14);
- the recoverability of inventories (Note 19);
- the recoverability of receivables (Note 32);
- the recognition and measurement of provisions (Notes 26 and 27) 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 the future development can be revised due to market fluctuations and conditions outside the Group's sphere of influence. 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

With the exception of the measurement of certain financial instruments at fair value, the Consolidated Financial Statements of SCHOTT AG are prepared on the basis of accounting policies applied uniformly throughout the Group, based on historical purchase and production costs.

The main accounting policies have not changed since the previous year and are explained 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 showing 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 32.

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 on payment terms of up to 90 days, which are customary in the industry, depending on the market and region, and no noteworthy financing components are included in the contracts with customers.

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, if the underlying contracts have an expected original term of no more than one year.

When granting a license, SCHOTT examines 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 the company 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.

Besides 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 incurred.

Fair value measurement

SCHOTT measures certain financial instruments, derivatives, for example, at fair value on every balance sheet date. The fair value of financial instruments measured at amortized cost is presented in Note 32.

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 or 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 is available to measure fair value. The use of authoritative observable input factors is to 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 the 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 market knowledge, reputation, independence and compliance with professional standards, for example.

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 project 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 purchase and production 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.

The useful lives of intangible assets are generally as follows:

	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, is 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. In addition to direct material and labor costs, the production costs of self-constructed property, plant and equipment also include 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 specialty glass products and buildings.

Depreciation is generally 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.

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 other intangible assets as well as property, plant and equipment are only subjected to an impairment test if there are indications that there could be reasons for an impairment. 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 determined on the basis of the expected future cash inflows that the asset is likely to generate over the period of use, assuming no change in use. If there are indications 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. As in the previous year, 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 8.8 % and 12.2 % before taxes (previous year: between 7.9 % and 10.5 %), 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, dividends distributed 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. Purchase and production costs are determined on the basis of weighted average costs. Production cost includes directly attributable material and personnel expenses as well as appropriate portions of material and production overheads, including depreciation, determined on the basis of normal capacity utilization of the production facilities. Financing costs are taken into account in accordance with IAS 23.

Tax refund claims and tax liabilities

In accordance with IAS 12 *Income Taxes*, tax refund claims relate exclusively to claims for refunds of taxes on income and earnings. Tax refund claims are recognized if the Group can expect a corresponding refund on the basis of the applicable legal situation. Conversely, a liability for current income taxes is recognized when an obligation has arisen. SCHOTT regularly assesses individual tax matters to determine whether there is any scope for interpretation in light of applicable tax regulations. Tax provisions are recognized if 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. SCHOTT uses 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 it is likely that temporary differences, tax loss carry-forwards, or tax credits can 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 is not deducted.
- No value-added tax is deducted for Group companies for which no value-added tax refund is possible.

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 basis for calculating the fair value 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. When a division is reported as a discontinued operation for the first time, the previous year’s disclosures relating to the income statement and cash flow statement 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 is to be shown under the results and cash flows from continuing operations in accordance with IFRS 5.36. On the balance sheet date September 30, 2021, the former divisions Photovoltaics, Advanced Optics Lithotec, Display Glass and Traditional Television Glass met the requirements for discontinued operations. Even after they were discontinued in the years 2007 to 2012, these areas still generated follow-up expenses, income and cash flows in future years and in this fiscal year. 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.

If the discontinued operation does not meet the definition of a major line of business, it is reported as a disposal group.

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. 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 other comprehensive 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 26.

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 most likely (that means 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 liabilities 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 of 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.

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. It is presented in the income statement as a financing transaction, so that 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 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 incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an 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

	2020/2021		2019/2020	
	(in EUR thousands)	%	(in EUR thousands)	%
Germany	317,351	12.7	297,358	13.3
Europe excluding Germany	856,215	33.9	708,253	31.6
Asia and South Pacific	670,973	26.6	587,162	26.2
North America	536,105	21.2	514,119	23.0
South America	106,725	4.2	100,613	4.5
Middle East and Africa	36,540	1.4	30,889	1.4
	2,523,909	**100.0**	**2,238,394**	**100.0**

The sales revenue mainly results from the sale of goods.

The timing of revenue recognition is determined as follows:

(in EUR thousands)	2020/2021	2019/2020
Goods transferred at a certain point in time	2,260,909	1,990,394
Goods and services transferred over a certain period of time	263,000	248,000
	2,523,909	**2,238,394**

The table below shows sales by customer industry:

(in EUR thousands)	2020/2021	2019/2020
Precision Materials (electronics, automotive industry, pharmaceuticals)	1,300,412	1,167,116
Optical Industries (optics, electronics, automotive and aviation industries)	283,253	273,111
Home Appliances (home appliance industry)	948,279	787,551
Trade and others/consolidation	–8,035	10,616
	2,523,909	**2,238,394**

5 SELLING AND GENERAL ADMINISTRATIVE EXPENSES

Selling expenses 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 EXPENSES

Research and development expenses increased by EUR 0.2 million in fiscal year 2020/2021 to EUR 92.6 million (this equates to 3.7 % of sales; previous year: 4.1 %).

7 OTHER OPERATING INCOME

Other operating income includes income arising from operating activities that cannot be allocated to other functional areas.

(in EUR thousands)	2020/2021	2019/2020
Income from the reversal of provisions/accrued liabilities	7,990	6,673
Income from oncharging	7,387	8,024
Income from grants and reimbursements	5,454	4,383
Income from commissions, rentals and licenses	3,514	4,543
Exchange rate gains	3,111	7,269
Scrap proceeds	2,584	1,667
Income from write-ups of property, plant and equipment	2,479	1,909
Income from insurance payments	1,577	777
Adjustments to valuation allowances on receivables and other assets	682	4,690
Income from non-income taxes	594	595
Income from disposals of property, plant and equipment	357	1,530
Other	6,832	7,856
	42,561	**49,916**

In fiscal year 2020/2021, changes in allowances for doubtful accounts and other assets are reported on a net basis.

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 real estate and resulted from improved expectations compared to the previous year.

8 OTHER OPERATING EXPENSES

Other operating expenses include all expenses that are not specifically allocated to the functional areas of manufacturing, sales, research and development, or administration, or are not reported separately elsewhere.

(in EUR thousands)	2020/2021	2019/2020
Expenses for restructuring	6,582	6,200
Expenses from the formation of provisions/deferred liabilities	2,076	7,190
Expenses from non-income taxes	1,887	1,840
Bank charges	1,535	1,679
Impairment losses on property, plant and equipment and intangible assets	1,505	9,354
Donations	913	107
Impairment losses on receivables and other assets	0	3,678
Other	6,909	11,137
	21,407	**41,185**

In fiscal year 2020/2021, changes in allowances for doubtful accounts and other assets are reported on a net basis.

In the previous year, impairment losses on property, plant and equipment and intangible assets included 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)	2020/2021	2019/2020
SCHOTT KAISHA PRIVATE LIMITED, Mumbai/India	11,420	2,853
Empha SPA, Turin/Italy	2,206	2,649
SCHOTT-Italglas s.r.l., Genoa/Italy	872	653
Glaverpane S.A., Jemeppe-sur-Sambre/Belgium	98	104
Zhejiang Crystal-SCHOTT Optical Technology Co., Ltd., Taizhou/China	–355	–201
	14,241	**6,058**

10 FINANCIAL RESULT

(in EUR thousands)	2020/2021	2019/2020
Interest and similar income	1,457	1,698
of which from affiliated companies	0	1
Interest and similar expenses	–14,719	–13,655
of which to affiliated companies	–7	–32
of which net interest expense from pensions	–11,794	–10,943
NET INTEREST EXPENSE	**–13,262**	**–11,957**
Income from investments	3,053	917
Expenses/income from securities	–4,974	674
Other financial expenses	–1,492	–1,246
OTHER NET FINANCIAL INCOME/EXPENSE	**–3,413**	**345**
TOTAL NET FINANCIAL INCOME/EXPENSE	**–16,675**	**–11,612**

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 TAXES

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

(in EUR thousands)	2020/2021	2019/2020
Current taxes	–61,952	–41,041
Deferred taxes	–24,134	–20,787
INCOME TAX EXPENSE	**–86,086**	**–61,828**

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 11 % and 34 %).

As of September 30, deferred tax assets and liabilities are attributable to the following balance sheet items:

	Sept. 30, 2021		Sept. 30, 2020	
(in EUR thousands)	Assets	Liabilities	Assets	Liabilities
Intangible assets	9,909	9,836	11,179	10,057
Property, plant and equipment	11,217	42,643	10,846	40,022
Inventories	13,020	3,369	10,375	3,005
Current and non-current other assets	6,615	17,827	8,129	14,729
Provisions for pensions and similar commitments	220,146	0	241,687	0
Current and non-current other provisions and accrued liabilities	25,681	6,895	22,164	6,166
Current and non-current other liabilities	27,106	8,938	26,624	10,374
Tax loss carry-forwards	26,805	0	54,541	0
Other	48	0	0	150
GROSS DEFERRED TAXES	**340,547**	**89,508**	**385,545**	**84,503**
Offset amounts*	52,868	52,868	54,544	54,544
BALANCE SHEET STATEMENT	**287,679**	**36,640**	**331,001**	**29,959**

* Amounts offset with individual taxable entities

The change in deferred taxes in fiscal year 2020/2021 as well as in the previous year is presented below:

	2020/2021		2019/2020	
(in EUR thousands)	Consolidated income statement	Recognized in equity	Consolidated income statement	Recognized in equity
Intangible assets	–1,049		0	0
Property, plant and equipment	3,329	–5,579	379	–23,198
Inventories	2,281		–836	
Current and non-current other assets	–4,612		–850	0
Pension provisions	4,320	–25,861	–7,076	–8,091
Current and non-current other provisions and accrued liabilities	2,788		7,204	
Current and non-current liabilities	–3,661	5,579	–8,084	23,198
Tax loss carry-forwards	–27,736		–15,061	
Other	198		71	
DEFERRED TAXES BEFORE EXCHANGE RATE EFFECTS	**–24,142**	**–25,861**	**–24,253**	**–8,091**
Exchange rate effects	–11		3,010	
DEFERRED TAX EXPENSE	**–24,153**		**–21,243**	
of which for continuing operations	–24,134		–20,787	
of which for discontinued operations	–19		–456	

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 500 thousand for the tax group SCHOTT France SAS, Colombes/France, EUR 787 thousand for SCHOTT Tubing (Zhejiang) Co., Ltd., Huzhen Town/China, and EUR 1,184 thousand for SCHOTT MiniFAB Pty Ltd, Scoresby/Australia, although these companies suffered tax losses in the past fiscal year or in the previous year.

An assessment of recoverability in the context of a corresponding planning period resulted in no deferred tax assets being recognized for certain loss carry-forwards and deductible differences. Loss carry-forwards, interest carry-forwards and tax credits for which no deferred tax assets are recognized exist in the amount of EUR 89,502 thousand (previous year: EUR 117,379 thousand) for corporate income tax and comparable foreign taxes, in the amount of EUR 114,172 thousand (previous year: EUR 120,110 thousand) for trade tax and comparable foreign taxes, and in the amount of EUR 2,121 thousand (previous year: EUR 2,083 thousand) for tax credits. Furthermore, no deferred taxes were recognized on future deductible differences in the amount of EUR 14, 444 thousand (previous year: EUR 14,773 thousand). The resulting unrecognized deferred tax assets amount to EUR 30,735 thousand (previous year: EUR 37,717 thousand) for loss carry-forwards, interest carry-forwards and tax credits and EUR 3,867 thousand (previous year: EUR 3,824 thousand) for future deductible differences.

Of the unrecognized loss carry-forwards (corporate income tax), an amount of EUR 3,339 thousand expires within the next three years, EUR 85 thousand expires after four years and another EUR 16,227 thousand expires after five years or later. There is no time limit on the utilization of the other unrecognized tax loss carry-forwards.

In the reporting year, deferred taxes of EUR –25,861 thousand (previous year: EUR –8,091 thousand) were recognized in other comprehensive income. Of this amount, EUR –25,861 thousand (previous year: EUR –8,091 thousand) related to adjustments in the value of pension provisions recognized directly in equity and EUR –5,579 thousand (previous year: EUR –23,198 thousand) to property, plant and equipment and EUR 5,579 thousand (previous year: EUR 23,198 thousand) to lease liabilities. As in the previous year, no deferred tax liabilities were recognized in the reporting year for retained earnings of foreign subsidiaries, as these earnings are reinvested in the long term and their distribution is not planned. If these profits were distributed as dividends, an additional tax liability of a maximum of EUR 21,624 thousand (previous year: EUR 15,682 thousand) could arise if current tax law were to continue to apply.

The following table shows a reconciliation of the expected to the actually recognized tax expense. To determine the expected tax rate, the earnings before income taxes of the continuing operations are 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 income tax:

(in EUR thousands)	2020/2021	2019/2020
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**372,936**	**276,554**
Calculated tax expense at the anticipated tax rate (30.0 %)	111,881	82,966
Effect of tax rate changes	–521	–805
Non-deductible expenses	4,560	5,579
Tax-exempt components of income	–2,428	–2,473
Tax difference due to foreign tax rates	–15,407	–11,768
Change in valuation allowances on active deferred tax assets	–8,109	–8,087
Taxes relating to prior periods	–2,525	–3,795
Other	–1,365	211
INCOME TAX ACCORDING TO THE INCOME STATEMENT	**86,086**	**61,828**
Taxation rate according to the consolidated financial statements	23.1 %	22.4 %

Effects from losses and temporary differences for which tax assets could not be recognized relate to SCHOTT France SAS, Colombes/France, in the amount of EUR 390 thousand, SCHOTT Primoceler Oy, Tampere/Finland, in the amount of EUR 213 thousand, SCHOTT Gemtron Corporation, Sweetwater/USA, in the amount of EUR 318 thousand, and SCHOTT Flat Glass B.V., Tiel/Netherlands, in the amount of EUR 150 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 5,547 thousand at SCHOTT North America, Inc., Rye Brook/USA, of EUR 3,457 thousand at SCHOTT Japan Corporation, Shiga/Japan, and EUR 176 thousand at SCHOTT Flat Glass do Brasil, São Paulo/Brazil. Taxes for prior periods relate to current taxes in the amount of EUR –2,287 thousand and deferred taxes in the amount of EUR –238 thousand due to the adjustment of tax balance carried forward values.

12 DISCONTINUED OPERATIONS

In fiscal year 2020/2021, as in the previous year, the Photovoltaics Business Unit 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.

The results of the discontinued operations are as follows:

(in EUR thousands)	2020/2021	2019/2020
Sales	0	0
Cost of sales	0	0
GROSS PROFIT	**0**	**0**
Selling and administrative expenses	–717	–18,224
Other operating income	3,731	3,198
Other operating expenses	–287	–1,042
Financial result	–251	423
INCOME BEFORE TAXES	**2,476**	**–15,645**
Income tax expenses	–141	–456
INCOME FROM DISCONTINUED OPERATIONS	**2,335**	**–16,101**

The result before income taxes of the discontinued operation Photovoltaics mainly relates to the reversal of a provision for warranties and the write-down of an investment.

Earnings before income taxes amount to EUR 2,476 thousand (previous year: loss of EUR –15,645 thousand).

The following tables contain a breakdown of the results of the individual Business Units:

2020/2021

(in EUR thousands)	Photovoltaics	Other	Total
Sales	0	0	0
Cost of sales	0	0	0
GROSS PROFIT	**0**	**0**	**0**
Selling and administrative expenses	–707	–10	–717
Other operating income	3,731	0	3,731
Other operating expenses	–287	0	–287
Financial result	–251	0	–251
INCOME BEFORE TAXES	**2,486**	**–10**	**2,476**
Income tax expenses	–144	3	–141
INCOME FROM DISCONTINUED OPERATIONS	**2,342**	**–7**	**2,335**

2019/2020

(in EUR thousands)	Photovoltaics	Other	Total
Sales	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
Financial result	423	0	423
INCOME BEFORE TAXES	**–17,247**	**1,602**	**–15,645**
Income tax expenses	25	–481	–456
INCOME FROM DISCONTINUED OPERATIONS	**–17,222**	**1,121**	**–16,101**

The discontinued operations' cash flows are presented below:

(in EUR thousands)	2020/2021	2019/2020
Operating activities	–2,837	–2,301
Investing activities	0	573
Financing activities	0	–805

13 INCOME/LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Income attributable to non-controlling interests amounted to EUR 14,425 thousand (previous year: EUR 6,615 thousand). This was offset by losses of EUR 436 thousand (previous year: EUR 1,352 thousand).

14 INTANGIBLE ASSETS

The scheduled goodwill impairment test was performed on June 30, 2021. The value in use served as the basis for determining the recoverable amount for the cash-generating units to which goodwill is assigned. 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, 2021 EUR millions
Home Tech	1.0 %	7.8 %	10.6 %	28.9
Pharmaceutical Systems	1.0 %	7.3 %	9.9 %	28.0
Advanced Optics	1.0 %	9.0 %	12.2 %	7.0
Flat Glass	1.0 %	7.4 %	10.1 %	6.1
Lighting and Imaging	1.0 %	6.9 %	9.4 %	4.3

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

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

With all cash-generating units, the recoverable amount exceeds the carrying amount. A negative change in a key assumption could, only under the following circumstances, lead to an impairment loss for the cash-generating units Advanced Optics and Flat Glass. Key factors in determining the recoverable amount are, in particular, the weighted average cost of capital and the operating free cash flow ("OFCF") following the detailed planning period ("terminal value"). All other planning assumptions being equal, an increase in the WACC (after taxes) of more than 2.6 percentage points (Flat Glass) or more than 2.5 percentage points (Advanced Optics) would lead to an impairment loss. Analogously, failure to meet the planned OFCF in terminal value by more than 35 % (Flat Glass) or 30 % (Advanced Optics) would lead to an impairment loss.

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, 2019**	**2,740**	**93,977**	**185,129**	**281,846**
Change in the scope of consolidation	0	15,194	377	15,571
Additions	0	6,398	0	6,398
Disposals	0	826	3,699	4,525
Repostings	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
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**
HISTORICAL COST **BALANCE AS OF OCT. 1, 2020**	**2,740**	**115,000**	**180,157**	**297,897**
Additions	0	9,383	0	9,383
Disposals	1,509	21,339	0	22,848
Repostings	0	2,703	0	2,703
Reclassifications**	0	−1,999	−6,781	−8,780
Currency translation	0	1,267	1,340	2,607
BALANCE AS OF SEPT. 30, 2021	**1,231**	**105,015**	**174,716**	**280,962**
ACCUMULATED AMORTIZATION AND IMPAIRMENT **BALANCE AS OF OCT. 1, 2020**	**2,482**	**72,824**	**98,604**	**173,910**
Current amortization	164	9,557	0	9,721
Disposals	1,509	21,339	0	22,848
Reclassifications**	0	−1,875	−3,445	−5,320
Currency translation	0	830	48	878
BALANCE AS OF SEPT. 30, 2021	**1,137**	**59,997**	**95,207**	**156,341**
CARRYING AMOUNT **BALANCE AS OF SEPT. 30, 2021**	**94**	**45,018**	**79,509**	**124,621**

* Impairment losses are included in accumulated amortization.
** The reclassifications of assets held for sale in accordance with IFRS 5. Assets held for sale are discussed in the Notes under section 24.

15 PROPERTY, PLANT AND EQUIPMENT

Impairment losses on property, plant and equipment were recognized in the amount of EUR 7,611 thousand (previous year: EUR 1,956 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. Impairment losses attributable to property, plant and equipment include EUR 4,673 thousand (previous year: EUR 217 thousand) for technical equipment and machinery, EUR 1,565 thousand (previous year: EUR 1,547 thousand) for land, land rights and buildings, and EUR 1,373 thousand (previous year: EUR 192 thousand) for other equipment, factory and office equipment.

Impairment losses of EUR 4,187 thousand (previous year: EUR 1,743 thousand) were recognized in other operating expenses, thereof EUR 2,682 thousand (previous year: EUR 1,734 thousand) in restructuring expenses. Impairment losses of EUR 3,424 thousand (previous year: EUR 213 thousand) were recognized in the functional areas, thereof EUR 3,237 thousand (previous year: EUR 213 thousand) in cost of sales.

Reversals of impairment losses of EUR 2,479 thousand (previous year: EUR 1,909 thousand) mainly relate to technical equipment and machinery and real estate and are included in other operating income.

Government grants for assets amounting to EUR 3,871 thousand (previous year: EUR 952 thousand) have been deducted from acquisition costs on the assets side of the balance sheet. These grants are mainly attributable to the subsidiary SCHOTT Hungary Kft., Lukácsháza/Hungary, which received grants for production-related development projects. Purchase commitments for fixed assets amounted to EUR 161,436 thousand as of the balance sheet date (previous year: EUR 141,240 thousand). As in the previous year, no significant borrowing costs as defined under IAS 23 were capitalized during the current fiscal year, as 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 asset classes include the rights of use under leases. Further information on leasing relationships in SCHOTT Group is provided in Note 33.

(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, 2019	720,092	1,690,993	313,742	230,988	2,955,815
Initial application IFRS 16	47,615	33,259	3,917	0	84,791
Change in the scope of consolidation	–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
Reposting	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 AMORTIZATION AND IMPAIRMENT BALANCE AS OF OCT. 1, 2019	465,244	1,221,250	233,319	218	1,920,031
Change in the scope of consolidation	–4,092	0	0	0	–4,092
Current amortization*	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
Repostings	–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
HISTORICAL COST BALANCE AS OF OCT. 1, 2020	791,116	1,756,852	327,609	313,442	3,189,019
Change in the scope of consolidation	–1,441	–3,116	–448	0	–5,005
Additions	31,342	84,389	17,545	199,500	332,776
Disposals	3,273	58,177	19,654	0	81,104
Repostings	41,599	150,133	20,844	–215,279	–2,703
Reclassifications**	–18,144	–47,748	–7,383	–2,178	–75,453
Currency translation	6,690	12,883	2,303	4,212	26,088
BALANCE AS OF SEPT. 30, 2021	847,889	1,895,216	340,816	299,697	3,383,618
ACCUMULATED AMORTIZATION AND IMPAIRMENT BALANCE AS OF OCT. 1, 2020	475,017	1,251,328	240,825	495	1,967,665
Change in the scope of consolidation	–1,321	–3,371	–433	0	–5,125
Current amortization*	34,613	102,990	29,464	517	167,584
Revaluations	2,225	109	89	56	2,479
Disposals	2,326	55,121	18,641	0	76,088
Repostings	–1	–16	17	0	0
Reclassifications**	–11,865	–39,093	–5,963	0	–56,921
Currency translation	3,448	8,013	1,762	46	13,269
BALANCE AS OF SEPT. 30, 2021	495,340	1,264,621	246,942	1,002	2,007,905
CARRYING AMOUNT BALANCE AS OF SEPT. 30, 2021	352,549	630,595	93,874	298,695	1,375,713

* Impairment losses are included in accumulated amortization.
** The reclassifications of assets held for sale in accordance with IFRS 5. Assets held for sale are discussed in the Notes under section 24.

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, 2021	Share in the capital Sept. 30, 2020
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%):

2020/2021

(in EUR thousands)	Assets as of Sept. 30	Debt as of Sept. 30	Equity as of Sept. 30	Sales	Result
Empha SPA*	15,597	25	15,572	0	2,702
Glaverpane S.A.*	29,632	15,425	14,207	52,980	281
SCHOTT-Italglas s.r.l.	5,300	2,730	2,570	7,767	1,956
SCHOTT KAISHA PRIVATE LIMITED	130,406	47,456	82,950	94,877	22,839
Zhejiang Crystal-SCHOTT Optical Technology Co., Ltd.	19,944	3,469	16,475	1,308	–868
	200,879	**69,105**	**131,774**	**156,932**	**26,910**

* Last available financial statements December 31, 2020

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**

* Last available financial statements December 31, 2019

The change in equity recognized directly in equity due to currency differences at SCHOTT KAISHA PRIVATE LIMITED amounts to EUR 300 thousand (previous year: EUR –3,250 thousand), at Zhejiang Crystal-SCHOTT Optical to EUR 417 thousand (previous year: EUR –164 thousand), and due to goodwill at SCHOTT KAISHA PRIVATE LIMITED to EUR 7 thousand (previous year: EUR –486 thousand).

The development of the carrying amount of the investment is summarized in the following table:

(in EUR thousands)	2020/2021	2019/2020
BALANCE AS OF OCT. 1	**77,519**	**77,111**
Proportionate at-equity result	14,241	6,058
Dividend distributions	– 3,225	– 1,750
Exchange rate-related changes OCI	723	– 3,900
BALANCE AS OF SEPT. 30	**89,258**	**77,519**

17 OTHER NON-CURRENT FINANCIAL ASSETS

(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020
Shareholdings	5,903	8,366
Shares in affiliates not consolidated	5,847	8,120
Loans/credits to third parties and employees	441	436
Shares not measured at equity	24	24
Other financial receivables	623	265
	12,838	**17,211**

Non-current other financial assets are divided into the measurement categories “financial assets not subject to IFRS 9” with EUR 8,960 thousand (previous year: EUR 8,120 thousand), assets recognized at fair value through profit or loss (FVTPL) with EUR 2,791 thousand (previous year: EUR 8,366 thousand) and “loans and receivables” with EUR 1,087 thousand (previous year: EUR 725 thousand (see also the comments under Note 32.1 “Financial Assets and Financial Liabilities”).

In the fiscal year, three investments amounting to EUR 3,812 thousand were adjusted to their lower fair value. These investments are recognized at fair value through profit or loss. In return, shares in another investment, which is not subject to IFRS 9, were acquired for EUR 1,349 thousand. The change in shares in non-consolidated affiliated companies mainly results from write-downs of two investments to their lower fair value.

There is no collateral on non-current financial assets.

There are no non-current financial assets whose terms have been renegotiated and which would otherwise be past due or impaired.

Shares in non-consolidated affiliated companies are recognized at cost. 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, 2021	Sept. 30, 2020
Receivables from tax authorities	943	1,128
Prepaid expenses and accrued income	608	546
Other non-financial receivables	979	1,432
	2,530	**3,106**

19 INVENTORIES

(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020
Raw materials and supplies	221,339	197,570
Work in progress	146,015	149,417
Finished goods and merchandise	188,347	183,486
Valuation allowances	– 122,474	– 111,511
	433,227	**418,962**

In the year under review, write-downs of inventories to their net realizable value amounting to EUR 12,220 thousand (previous year: EUR 11,687 thousand) and reversals of write-downs due to changes in estimates of future sales volumes amounting to EUR 1,257 thousand (previous year: EUR 1,221 thousand) were recognized. The carrying amount of inventories recognized at fair value less costs to sell is EUR 141,323 thousand (previous year: EUR 120,257 thousand). The amount of inventories recognized as an expense in fiscal year 2020/2021 is EUR 1,278 million (previous year: EUR 1,162 million).

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

20 TRADE RECEIVABLES AND CONTRACT ASSETS

(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020
Trade receivables from third parties	404,971	362,463
Trade receivables from companies in which investments are held	6,593	5,890
Trade receivables from affiliates	2,472	1,814
Notes receivable from third parties	6,233	6,414
TRADE RECEIVABLES (AFTER VALUATION ALLOWANCES)	**420,269**	**376,581**
Contract assets	82,134	84,922
TRADE RECEIVABLES AND CONTRACT ASSETS (AFTER VALUATION ALLOWANCES)	**502,403**	**461,503**

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 valuation allowances on trade receivables developed as follows compared to the previous year:

(in EUR thousands)	2020/2021	2019/2020
BALANCE AS OF OCTOBER 1	**11,844**	**13,308**
Currency translation	–69	–754
Additions	2,277	3,509
Utilization	–864	–795
Reversals	–2,893	–3,424
BALANCE AS OF SEPTEMBER 30	**10,295**	**11,844**

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 32.2 “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 47,352 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 insurance contracts.

As of September 30, 2021, there were contract assets of EUR 82,134 thousand (previous year: EUR 84,922 thousand). This includes an allowance for expected credit losses of EUR 101 thousand (previous year: EUR 104 thousand).

As of the balance sheet date, contract assets decreased by EUR 2,788 thousand. The decrease is due to reduced portfolios compared to the previous year.

21 OTHER CURRENT FINANCIAL ASSETS

(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020
Difference on the assets side from the offsetting of assets	9,942	0
Positive market values from derivatives	3,576	13,918
Restricted cash and cash equivalents	2,784	0
Creditors with debit balances	2,597	1,967
Loan receivables	2,434	2,046
Loan receivables from companies in which shares are held	1,236	147
Factoring receivables	282	603
Receivables from affiliates	1	21
Time deposits (maturity > 3 months, < 1 year)	465	0
Other miscellaneous financial receivables	4,894	766
Valuation allowances	–196	–206
	28,015	**19,262**

Due to the overfunding of plan assets in one of the contractual trust arrangements, a difference on the assets side of the balance sheet was recognized. Miscellaneous other financial receivables include various refund claims amounting to EUR 4.1 million.

Results from impairment losses and derecognitions of other financial assets are reported under other operating income as income from the reversal of impairment losses or under other operating expenses as expenses from impairment losses.

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, 2021	Sept. 30, 2020
Receivables from other taxes	30,876	25,150
Prepaid expenses and deferred charges	20,119	11,392
Advance payments made*	8,118	4,193
Emission certificates	1,832	0
Asset value from reinsurance policies	225	219
Miscellaneous other non-financial receivables	7,616	5,956
	68,786	**46,910**

* Advance payments made include advance payments made on inventories that were still reported separately in the previous year (September 30, 2020: EUR 533 thousand).

23 CASH AND CASH EQUIVALENTS

(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020
Checks, cash-on-hand	50	252
Deposits with banks (terms up to 90 days)	208,506	221,360
Fixed term deposits (terms up to 90 days)	72,225	12,172
	280,781	**233,784**

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. Since fiscal year 2020/2021, restricted cash has been reported under other assets (previous year: EUR 5,873 thousand).

24 ASSETS AND LIABILITIES HELD FOR SALE

As of September 30, 2021, the following assets and liabilities are classified as held for sale:

(in EUR thousands)	Sept. 30, 2021
Intangible assets	3,460
Property, plant and equipment	18,532
Other financial assets	1
Other non-financial assets	136
NON-CURRENT ASSETS	**22,129**
Inventories	7,819
Trade receivables	21,485
Income tax refund claims	788
Other financial assets	47
Other non-financial assets	984
Cash and cash equivalents	2,960
CURRENT ASSETS	**34,083**
ASSETS	**56,212**
Pension accruals and similar obligations	204
Income tax provisions	760
Other financial liabilities	38
NON-CURRENT LIABILITIES	**1,002**
Other provisions	1,101
Accrued liabilities	4,413
Trade payables	7,272
Tax liabilities	2,444
Other financial liabilities	287
Other non-financial liabilities	759
SHORT-TERM LIABILITIES	**16,276**
LIABILITIES	**17,278**

In fiscal year 2020/2021, EUR 56.2 million in assets and EUR 17.3 million in liabilities were reclassified to assets and liabilities held for sale, respectively, in accordance with IFRS 5. This reclassification relates to the sale of the companies SCHOTT Gemtron Corporation, Sweetwater/USA, SCHOTT Gemtron Canada Corporation, Midland/Canada and Gemtron de México S.A. de C.V., San Luis Potosí/Mexico. SCHOTT holds a total of 51 % of the capital shares in each of these companies. The sale was completed on December 1, 2021 (see also Note 39 Events after the balance sheet date). The requirements for accounting for a disposal group in accordance with IFRS 5 were met as of June 2021. Accumulated actuarial losses from pension provisions after deferred taxes amounting to EUR 32 thousand and losses from currency translation amounting to EUR 3,455 thousand were recognized directly in equity in other comprehensive income. Of the above amounts, other comprehensive income includes cumulative losses attributable to non-controlling interests totaling EUR 1,179 thousand.

No further scheduled depreciation is taken for the non-current assets held for sale; instead, the fair value is determined. Impairment losses are recognized to the extent that the carrying amount of these assets is higher than their fair value reduced by the expected costs to sell. The fair value to be recognized is based on an estimate of the realizable sales proceeds. As of September 30, 2021, no impairment losses have been recognized on assets held for sale as the selling price less costs to sell exceeds the carrying amounts of these assets.

The operating results of the entity held for sale are reported within income from operations. The companies are not discontinued operations as defined by IFRS 5, as they do not represent a separate major line of business or geographical area of operations, nor are they part of a single coordinated plan to dispose of such a line of business or geographical area of operations.

25 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, 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**
BALANCE AS OF OCT. 1, 2020	**–438,027**	**–69,258**	**–507,285**
Changes with no effect on income	95,188	17,910	113,098
Reclassification adjustments	0	–12	–12
Deferred taxes	–25,861	0	–25,861
BALANCE AS OF SEPT. 30, 2021	**–368,700**	**–51,360**	**–420,060**

The range of the possible dividend distribution 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 the consolidated earnings after non-controlling interests. In accordance with the resolution of the shareholders' meeting on March 1, 2021, for fiscal year 2020/2021, a dividend of EUR 10,000 thousand was paid to the Carl Zeiss Foundation. The Board of Management of SCHOTT AG has proposed a dividend of EUR 30,000 thousand for fiscal year 2021/2022.

Non-controlling interests

Non-controlling interests relate mainly to externally-held shares in 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, EUR 16,300 thousand was withdrawn from the capital reserves of SCHOTT Finanzierungs- und Verwaltungs GmbH, Mainz, and two-thirds of this amount (EUR 10,867 thousand) were paid out to the non-controlling shareholder in accordance with the capital share.

Capital management

The purpose 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 value. SCHOTT seeks to successfully utilize its business assets and create value in excess of the Group's capital costs.

SCHOTT's managerial planning and monthly reporting 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 constantly reviews the capital structure. 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, 2021, the equity ratio is 41.3 % (previous year: 33.7 %).

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

(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020
Cash and cash equivalents	280,781	233,784
Time deposits (term > 3 months, < 1 year)	465	0
Liabilities from cash clearing	–7,862	–11,141
Lease liabilities	–100,841	–99,723
Liabilities to banks	–93,427	–132,001
Other financial liabilities	–151	–2,304
NET FINANCIAL ASSETS	**78,965**	**–11,385**

The overall strategy remained unchanged compared to last year.

26 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

For defined contribution plans abroad, EUR 13,295 thousand (previous year: EUR 12,526 thousand) and in Germany EUR 32,066 thousand (previous year: EUR 30,624 thousand) were recognized as expenses, thereof EUR 38,568 thousand (previous year: EUR 36,615 thousand) contributions to state pension insurance institutions. Pension provisions in Germany also include employee-financed pension commitments (so-called deferred compensation) in the amount of EUR 6,638 thousand (previous year: EUR 7,106 thousand). The asset values were netted against the corresponding obligations. The pension provisions from defined benefit obligations include current pensions as well as company- and employee-funded pension entitlements. In addition, provisions of the US companies for health care obligations are recognized as liabilities under this item. Under IAS 19, these allowances 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, 2021			Sept. 30, 2020		
(in %)	Total	Domestic	Abroad	Total	Domestic	Abroad
Discount rate	1.45	1.40	1.66	1.25	1.20	1.45
Future salary increases	2.42	2.50	1.63	2.42	2.50	1.59
Future pension increases	1.35	1.50	0.00	1.35	1.50	0.00
Expected rate of inflation	1.52	1.50	1.64	1.51	1.50	1.59

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

	Sept. 30, 2021			Sept. 30, 2020		
(in %)	Discount rate	Future salary increases	Expected rate of inflation	Discount rate	Future salary increases	Expected rate of inflation
USA	2.25 – 2.60	N/A	2.30	1.90 – 2.30	N/A	2.20
Switzerland	0.35	1.00	0.70	0.20	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, 2021			Sept. 30, 2020		
(in EUR thousands)	Total	Domestic	Abroad	Total	Domestic	Abroad
Present value of obligation not financed by a fund	52,462	25,243	27,219	53,151	26,671	26,480
Present value of obligation wholly or partly financed by a fund	1,505,050	1,261,169	243,881	1,573,218	1,317,422	255,796
TOTAL PRESENT VALUE OF BENEFIT OBLIGATION	**1,557,512**	**1,286,412**	**271,100**	**1,626,369**	**1,344,093**	**282,276**
BENEFIT OBLIGATION RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**1,557,512**	**1,286,412**	**271,100**	**1,626,369**	**1,344,093**	**282,276**
PLAN ASSETS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**680,718**	**468,380**	**212,338**	**632,073**	**425,563**	**206,510**
FUNDED STATUS	**876,794**	**818,032**	**58,762**	**994,296**	**918,530**	**75,766**
PENSION PROVISIONS	**876,794**	**818,032**	**58,762**	**994,296**	**918,530**	**75,766**

Net pension expense can be broken down as follows:

	2020 / 2021			2019 / 2020		
(in EUR thousands)	Total	Domestic	Abroad	Total	Domestic	Abroad
Service cost	29,725	23,096	6,629	29,921	22,898	7,023
Net interest expense	11,794	10,748	1,046	10,942	9,640	1,302
Past service cost	0	0	0	– 507	0	– 507
Administration expenses	6	0	6	6	0	6
TOTAL EXPENSES RECOGNIZED IN THE CONSOLIDATED STATEMENT OF INCOME	**41,525**	**33,844**	**7,681**	**40,362**	**32,538**	**7,824**

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:

	2020/2021			2019/2020		
(in EUR thousands)	Total	Domestic	Abroad	Total	Domestic	Abroad
DEFINED BENEFIT OBLIGATION AT THE BEGIN OF THE FISCAL YEAR	**1,626,369**	**1,344,093**	**282,276**	**1,683,251**	**1,397,951**	**285,300**
Changes in the scope of consolidation	–271	0	–271	0	0	0
Changes in exchange rates	1,131	0	1,131	–10,935	0	–10,935
Service cost	29,725	23,096	6,629	29,921	22,898	7,023
Past service cost	0	0	0	–507	0	–507
Interest expense	19,874	15,892	3,982	18,394	13,792	4,602
Actuarial gains (–) or losses (+) from changes in financial assumptions	–50,211	–42,608	–7,603	–37,561	–45,887	8,326
Actuarial gains (–) or losses (+) from changes in demographic assumptions	–7,948	0	–7,948	–2,195	0	–2,195
Actuarial gains (–) or losses (+) from experience-related adjustments	–11,621	–10,105	–1,516	–2,068	–225	–1,843
Pension payments	51,843	44,523	7,320	53,770	44,952	8,818
Other changes	2,510	567	1,943	1,839	516	1,323
DEFINED BENEFIT OBLIGATION AT THE END OF THE FISCAL YEAR	**1,557,715**	**1,286,412**	**271,303**	**1,626,369**	**1,344,093**	**282,276**
Reclassification to liabilities in connection with assets held for sale	–203	0	–203	0	0	0
DEFINED BENEFIT OBLIGATION AT THE END OF THE FISCAL YEAR AFTER RECLASSIFICATION IFRS 5	**1,557,512**	**1,286,412**	**271,100**	**1,626,369**	**1,344,093**	**282,276**
of which committed without plan assets	52,462	25,243	27,219	53,151	26,671	26,480
of which partially covered by plan assets	1,505,050	1,261,169	243,881	1,573,218	1,317,422	255,796

Plan assets developed as follows in the fiscal year:

	2020/2021			2019/2020		
(in EUR thousands)	Total	Domestic	Abroad	Total	Domestic	Abroad
PLAN ASSETS AT THE BEGINNING OF THE FISCAL YEAR	**632,073**	**425,563**	**206,510**	**612,752**	**412,402**	**200,350**
Interest income from plan assets	8,080	5,144	2,936	7,452	4,152	3,300
Changes in exchange rates	1,053	0	1,053	–7,862	0	–7,862
Changes in the scope of consolidation	–31	0	–31	0	0	0
Actuarial gains (+) or losses (–)	25,408	24,119	1,289	–10,669	–21,094	10,425
Employer contribution	27,515	23,432	4,083	35,131	29,921	5,210
Benefits paid	–5,943	–503	–5,440	–6,971	–334	–6,637
Other changes	2,505	567	1,938	2,240	516	1,724
FAIR VALUE OF PLAN ASSETS	**690,660**	**478,322**	**212,338**	**632,073**	**425,563**	**206,510**
Overfunding of plan assets	–9,942	–9,942	0	0	0	0
PLAN ASSETS RECOGNIZED IN THE BALANCE SHEET AT THE END OF THE FISCAL YEAR	**680,718**	**468,380**	**212,338**	**632,073**	**425,563**	**206,510**
Actual return (+) and loss (–) on plan assets	33,489	29,264	4,225	–3,217	–16,942	13,725

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 payment of EUR 10,867 thousand to the shareholder, the fair value of the CTA's investment in the Group company amounts to EUR 5,222 thousand as of the balance sheet date. The shares in two real estate special purpose entities amounting to 89.9 % in one of the CTAs have a total value of EUR 26,194 thousand as of the end of the fiscal year. SCHOTT rents a partial area from one company and the entire property back from the other company.

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, 2021			Sept. 30, 2020		
(%)	Total	Domestic	Abroad	Total	Domestic	Abroad
Securities quoted on active markets	34	40	20	13	9	20
Fixed-interest securities quoted on active markets	49	43	64	56	52	64
Qualified insurance	4	4	5	4	4	5
Cash and cash equivalents	2	2	1	12	18	1
Other	11	11	10	15	17	10
	100	**100**	**100**	**100**	**100**	**100**

Allocations to plan assets are as follows:

	2020/2021			2019/2020		
(in EUR thousands)	Total	Domestic	Abroad	Total	Domestic	Abroad
TOTAL ALLOCATION	**27,515**	**23,432**	**4,083**	**35,131**	**29,921**	**5,210**

At least EUR 8,147 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, 2021			
	Increase by	in EUR thousands	Decrease by	in EUR thousands
Discount rate	+50 basis points	–121,681	–50 basis points	136,218
Future change in salary	+50 basis points	13,308	–50 basis points	–12,504
Future change in pensions	+50 basis points	76,724	–50 basis points	–64,401
Life expectancy	+1 year	68,388	–1 year	–66,406

The above sensitivity analysis was carried out by means of a procedure that 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)	2022	2023	2024	2025	2026	2027–2031
Domestic	47,163	46,461	46,465	47,484	48,031	256,647
Abroad	12,292	12,773	12,903	13,283	13,164	63,064
TOTAL	**59,455**	**59,234**	**59,368**	**60,767**	**61,195**	**319,711**

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

27 OTHER PROVISIONS

	Sept. 30, 2021		Sept. 30, 2020	
(in EUR thousands)	up to 1 year	over 1 year	up to 1 year	over 1 year
Sales	15,033	49,332	10,666	58,543
Personnel costs	1,209	23,269	1,354	21,919
Other	45,274	10,852	45,036	11,925
	61,516	**83,453**	**57,056**	**92,387**

(in EUR thousands)	Balance on Oct. 1, 2020	Utilization	Reversal	Addition	Reclassification IFRS 5	Change in the consolidated Group	Currency changes	Balance on Sept. 30, 2021
Sales	69,209	5,095	7,608	7,552	–62	0	368	64,364
Personnel costs	23,273	7,799	–19	8,953		–14	47	24,479
Other	56,961	14,516	3,730	20,777	–1,039	–3,025	698	56,126
	149,443	**27,410**	**11,319**	**37,282**	**–1,101**	**–3,039**	**1,113**	**144,969**

The sales provisions mainly comprise warranty provisions of EUR 51.4 million (previous year: EUR 56.6 million) and losses from delivery obligations. Of this amount, EUR 34.1 million (previous year: EUR 39.2 million) relates to discontinued operations. Of these provisions, EUR 2.4 million were utilized (previous year: EUR 0.8 million) and EUR 3.0 million were reversed (previous year: addition EUR 14 million).

Non-current provisions were compounded by EUR 433 thousand in fiscal year 2020/2021 (previous year: EUR 21 thousand); the amount is taken into consideration in the additions column.

The anniversary obligations shown under personnel provisions in the amount of EUR 15.4 million (previous year: EUR 14.7 million) were measured at an actuarial interest rate of 1.1 % (previous year: 1.3 %) for domestic obligations in the amount of EUR 14.0 million (previous year: EUR 13.4 million). Obligations stemming from partial retirement in the amount of EUR 15.3 million (previous year: EUR 14.7 million) are determined on the basis of actuarial calculations based on biometric calculation bases in accordance with the 2018 G mortality tables by Klaus Heubeck applying an actuarial interest rate of – 0.16 % (previous year: – 0.05 %) 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 9,673 thousand (previous year: EUR 9,005 thousand), whereby the obligations are netted against the value protection credit.

The reversals of provisions recognized in previous years are reported in other operating income and the result of discontinued operations (EUR 3.0 million) in the income statement.

Miscellaneous other provisions include, among other items, provisions for litigation risks of EUR 17.8 million (previous year: EUR 17.4 million), for taxes not dependent on income of EUR 1.7 million (previous year: EUR 1.8 million), for restoration obligations and clean-up of contaminated sites totaling EUR 2.5 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), EUR 2.2 million for precious metal losses (previous year: EUR 1.6 million), EUR 1.8 million for user fees (previous year: EUR 0.0 million), EUR 0.0 million for the sale of a company (previous year: EUR 2.9 million) and various other risks and precautionary measures.

28 ACCRUED LIABILITIES

(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020
Christmas bonuses	56,513	49,079
Other personnel commitments	107,418	93,044
Outstanding invoices	24,215	14,767
Commission/bonuses	17,125	17,981
Other accrued liabilities	2,535	775
	207,806	**175,646**

29 TRADE PAYABLES

(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020
Trade payables to third parties	247,313	223,226
Trade payables to affiliates	460	375
Trade payables to shareholdings	190	307
	247,963	**223,908**

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 3,659 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.

30 OTHER FINANCIAL LIABILITIES, NON-CURRENT AND CURRENT

	Sept. 30, 2021		Sept. 30, 2020	
(in EUR thousands)	up to 1 year	over 1 year	up to 1 year	over 1 year
Liabilities to banks	39,559	53,869	24,457	107,544
Lease liabilities	15,627	85,214	16,376	83,346
Negative market values from derivatives	10,357	0	5,627	0
Other liabilities to affiliates	6,174	0	8,638	0
Debtors with credit balances	4,251	0	2,967	0
Liabilities to shareholdings	2,925	0	2,671	0
Factoring liabilities	2,784	0	5,873	0
Interest on precious metal lease	625	0	462	0
Liabilities to non-banks	151	0	2,304	0
Other financial liabilities	11,149	4,497	18,058	9,323
	93,602	**143,580**	**87,433**	**200,213**

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 2020/2021.

Liabilities to banks include promissory note loans in the amount of EUR 80,000 thousand. Due to the positive liquidity development in the Group, the variable-interest loan in the amount of EUR 20 million was repaid early on June 30, 2021, instead of originally on March 31, 2022. The reform of the reference interest rates ("IBOR reform") is not expected to have any significant impact on SCHOTT Group.

The changes in lease liabilities are discussed in more detail in Note 33 "Leases."

The liabilities to affiliated companies of EUR 6,174 thousand (previous year: EUR 8,638 thousand) and to investments of EUR 2,925 thousand (previous year: EUR 2,671 thousand) relate to cash clearing liabilities that are subject to interest at arm's length conditions.

As of September 30, 2021, other financial liabilities (non-current and current) include EUR 10.5 million in liabilities due to contingent purchase price obligations from company acquisitions (previous year: EUR 23.5 million). Due to existing agreements from company acquisitions made in Japan and the USA in past years, earn-out payments totaling EUR 9,258 thousand were made in the year under review.

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

	Sept. 30, 2021		Sept. 30, 2020	
(in EUR thousands)	up to 1 year	over 1 year	up to 1 year	over 1 year
Advances received on orders	26,907	19,849	13,333	6,905
Income tax withheld from salaries and wages	5,804	0	5,641	0
Social security liabilities	6,293	0	5,352	0
Liabilities due to tax authorities	2,588	0	1,292	0
Deferred income	1,734	529	1,159	599
Other miscellaneous non-financial liabilities	10,991	0	9,262	0
	54,317	**20,378**	**36,039**	**7,504**

Advance payments received on orders represent contractual liabilities within the meaning of IFRS 15. All current advance payments received on orders reported as of September 30, 2020, 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 2034/2035. The increase compared to the prior year is mainly due to two major series supply contracts with long-term terms concluded in the fiscal year for which advance payments were made. The order backlog as of September 30, 2021, is expected to generate total sales of EUR 334 million in the period from fiscal year 2021/2022.

FURTHER INFORMATION

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1 Financial Assets and Financial Liabilities

In accordance with IFRS 9 *Financial Instruments*: Recognition and Measurement, 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, 2021	Sept. 30, 2020
FINANCIAL ASSETS		
Positive market values of derivatives	3,576	13,918
Offsettable due to framework contracts	–1,877	–4,542
NET AMOUNT OF THE FINANCIAL ASSETS	**1,699**	**9,376**
FINANCIAL LIABILITIES		
Negative market values of derivatives	10,357	5,627
Offsettable due to framework contracts	–1,877	–4,542
NET AMOUNT OF THE FINANCIAL LIABILITIES	**8,480**	**1,085**

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.

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 valuation allowances. 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 valuation allowances. 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 receivables 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, 2021, and September 30, 2020:

CLASSIFICATION, MEASUREMENT CATEGORIES AND RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS AS OF SEPTEMBER 30, 2021

Measurement:			At amortized cost		At fair value	
Measurement category:			Financial assets measured at amortized costs		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	89,258	n.a.[2]	0	0	0	0
Other financial assets	12,838	26,800	1,087	1,087	2,791	2,791
CURRENT ASSETS						
Trade receivables	420,269	420,269	348,169	348,169	0	0
Other financial assets	28,015	28,015	14,497	14,497	0	0
Cash and cash equivalents	280,781	280,781	280,781	280,781	0	0
	831,161	**755,865**	**644,534**	**644,534**	**2,791**	**2,791**

Measurement:			At amortized cost			
Measurement category:			Financial liabilities measured at amortized costs			
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 AND LIABILITIES						
NON-CURRENT LIABILITIES						
Other financial liabilities	143,580	59,157	58,366	59,157	85,214	n.a.[2]
CURRENT LIABILITIES						
Accrued liabilities	207,806	207,806	41,340	41,340	0	0
Trade payables	247,963	247,963	247,963	247,963	0	0
Other financial liabilities	93,602	77,975	67,618	67,618	15,627	n.a.[2]
	692,951	**592,901**	**415,287**	**416,078**	**100,841**	**0**

[1] Financial assets not subject to IFRS 7 also relate to EUR 680,718 thousand in plan assets at fair value, which were offset by provisions for pensions of EUR 1,557,512 thousand. The overfunding of pension obligations in the amount of EUR 9,942 thousand existing as of September 30, 2021, is recognized under other financial assets.
[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	89,258	n.a.[2]
	0	0	0	0	8,960	22,922
	72,100	72,100	0	0	0	0
	0	0	3,576	3,576	9,942	9,942
	0	0	0	0	0	0
	72,100	**72,100**	**3,576**	**3,576**	**108,160**	**32,864**

			At fair value			
			Financial liabilities at fair value through profit or loss			
			Derivatives		Financial liabilities not subject to IFRS 7[1]	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
			0	0	0	0
			0	0	166,466	166,466
			0	0	0	0
			10,357	10,357	0	0
			10,357	**10,357**	**166,466**	**166,466**

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 costs		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 costs			
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 AND 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	65,430	65,430	65,430	16,376	n.a.[2]
	687,200	**584,176**	**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 pensions of 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 (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	77,519	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 (FVTPL)			
			Derivatives		Financial liabilities 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**

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, 2021:

			Measurement of 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:					
Shareholdings	Sept. 30, 2021	2,791	0	0	2,791
Trade receivables tendered under the ABS program	Sept. 30, 2021	72,100	0	0	72,100
Derivatives	Sept. 30, 2021	3,576	0	3,576	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, 2021	10,357	0	10,357	0
Liabilities for which a fair value is disclosed:					
Non-current liabilities to banks and other non-current financial liabilities	Sept. 30, 2021	59,157	0	59,157	0
There were no regroupings between the Levels in the valuation hierarchy in the reporting period.					

Shareholdings measured at fair value through profit or loss are generally measured using the discounted cash flow method. Where there are significant intrinsic values in the shareholdings to be assessed, supplementary valuation methods, such as real estate appraisals, are also used.

Receivables tendered under the ABS program are generally measured at nominal value less expected discount. Resulting fluctuations in value are immaterial. Details are presented in Note 32.2.

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

(in EUR thousands)	Valuation date	Total	Measurement of fair value using: 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:					
Shareholdings	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 measured 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 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 measured 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 2020/2021:

		From subsequent measurement			
(in EUR thousands)	From interest and similar income/ expenses	At fair value	Allowances/ reversals	From disposal	Net income 2020/2021
Financial assets measured at amortized cost	1,066	0	1,559	3	2,628
Financial assets and financial liabilities measured at fair value through profit or loss (FVTPL)	0	2,227	–5,319	0	–3,092
Financial liabilities measured at amortized cost	–2,261	0	0	0	–2,261
TOTAL	**–1,195**	**2,227**	**–3,760**	**3**	**–2,725**
Net foreign exchange result					884
TOTAL					**–1,841**

Fiscal year 2019/2020:

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

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.

Allowances 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 gain of EUR 884 thousand (previous year: currency loss of EUR 4,836 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/expense.

32.2 Derecognition of financial instruments

In 2007, a framework agreement was concluded with a purchasing company for the purchase of trade accounts receivable, which was extended for an indefinite period in fiscal year 2020/2021 and can be terminated by either party by giving three months' notice. 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 50 million). SCHOTT can freely decide whether and in which volume to sell receivables. The volume of receivables sold amounted to EUR 7.7 million as of September 30, 2021, and is thus significantly below the previous year's level of EUR 16.5 million. SCHOTT already received payments in the amount of EUR 2.7 million on the receivables sold as of the reporting date and has a corresponding obligation to forward this amount. Insofar, trade receivables are reduced by the sale of receivables in the net amount of EUR 5.0 million as of the balance sheet 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 borne by SCHOTT based on this credit risk is limited to the purchase price discount of 1.19%, which is retained by the special purpose entity upon sale and reimbursed in proportion to the unconsumed portion.

Retransfer of overdue or defaulted receivables to SCHOTT by the special purpose entity is contractually excluded. 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 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 97 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 59 thousand were incurred during the transfer of receivables outstanding as of the balance sheet date. SCHOTT recognized a total of EUR 616 thousand as an expense from its continuing involvement, including program fees, in fiscal year 2020/2021.

32.3 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 identified regularly 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 and adjusted, if necessary.

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.

There were no significant changes in processes, goals or methods of risk management compared to 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, 2021	Sept. 30, 2020
Loans, receivables and cash and cash equivalents	644,534	565,332
Financial assets not subject to IFRS 7	108,160	85,639
Financial instruments measured at fair value through profit or loss:		
– Derivatives	3,576	13,918
– Shareholdings	2,791	8,366
– Tendered receivables	72,100	51,102
	831,161	**724,357**

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 his 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 valuation allowances for cash and cash equivalents. Cash and cash equivalents totaling EUR 281 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	370,296	0.3 %	956	No
1 – 30 days overdue	37,908	0.2 %	62	No
31 – 60 days overdue	6,970	4.4 %	308	No
61 – 90 days overdue	4,968	1.5 %	74	No
More than 90 days overdue	9,146	97.3 %	8,895	Yes
Market value adjustments (without breakdown by maturity)	1,276			
TOTAL TRADE RECEIVABLES	**430,564**		**10,295**	
CONTRACT ASSETS (not due)	**82,235**	**0.1 %**	**101**	**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	337,271	0.2%	626	Nein
1–30 days overdue	24,517	0.9%	209	Nein
31–60 days overdue	6,800	2.0%	139	Nein
61–90 days overdue	1,461	2.7%	40	Nein
More than 90 days overdue	17,115	63.3%	10,830	Ja
TOTAL TRADE RECEIVABLES	**387,164**		**11,844**	
CONTRACT ASSETS (not due)	**85,026**	**0.1%**	**104**	**Nein**

The allowances for trade receivables that are more than 90 days overdue include specific allowances of EUR 7,666 thousand for the past fiscal year due to individual risks and loss events (prior year: EUR 9,117 thousand).

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, 2021					
Liabilities	415,287	415,688	356,918	57,590	1,180
Lease liabilities	100,841	128,956	16,809	43,084	69,063
Derivatives	10,357	10,357	10,357	0	0
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

The derivatives reported as of the balance sheet date are forward exchange contracts. The volume of the hedge corresponds to a triple-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 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 through September 2024. It can be extended for a maximum of 1 year by drawing an extension option. As in the previous year, the credit line was not utilized in fiscal year 2020/2021.

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 have been made available until further notice, amount to a total of EUR 130 million, bear variable interest rates and have fixed guarantee commissions at standard market conditions. Of this amount, EUR 98 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, 2021, trade receivables were reduced by EUR 5.0 million (previous year: EUR 10.8 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, 2021	Exposure Sept. 30, 2020
Australian dollar	−6.4	−4.3
Indian rupee	−48.8	0.7
Japanese yen	5.7	6.0
Mexican peso	−12.1	−4.5
Swiss franc	−147.7	−134.3
Singapore dollar	−6.7	−4.1
Thai baht	−9.2	−8.3
Czech koruna	−14.4	−8.7
Hungarian forint	−5.9	−8.3
US dollar	203.5	176.0
Other	1.0	−3.0

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

Value-at-risk is calculated using a stochastic simulation; based on observed changes in exchange rates over the last 250 trading days, possible future developments in exchange rates are simulated, taking their correlations into account. Value-at-risk represents the potential loss that the exposure will not exceed based on a confidence interval of 95 % and a holding period of one year. As of September 30, 2021, value-at-risk amounted to EUR 12.4 million (previous year: EUR 11.9 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, 2021, a parallel positive shift of the euro yield curve by 100 basis points would lead to income in the income statement of EUR 1.6 million (previous year: EUR 1.5 million). A parallel negative shift in the euro yield curve by 100 basis points would result in a loss in the income statement of EUR 1.8 million (previous year: EUR 1.8 million). This sensitivity analysis as of the balance sheet date forms 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 2020 and 2021. As a result, SCHOTT has not conducted a sensitivity analysis for these financial instruments.

33 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.

The carrying amounts of the leasing usage rights as of September 30, 2021, are as follows:

(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020
Land and buildings	55,394	58,317
Technical equipment, plant and machinery	36,429	32,937
Other equipment, operating and office equipment	3,133	2,836
	94,956	**94,090**

Due to the application of the option not to recognize leases for low-value assets and short-term leases, these are not recognized as rights of use, but rather recognized directly in profit or loss.

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 121
Technical equipment, plant and machinery	2 to 22
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 from leases totaling EUR 20,961 thousand were capitalized as additions. These are broken down as follows:

(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020
Land and buildings	9,066	24,315
Technical equipment, plant and machinery	9,460	1,540
Other equipment, operating and office equipment	2,435	1,256
	20,961	**27,111**

The following leasing expenses are included in the income statement:

(in EUR thousands)	2020/2021	2019/2020
Depreciation on right-of use assets for land and buildings	10,937	10,444
Depreciation on right-of use assets for machinery and technical equipment and machinery	6,549	6,203
Depreciation from rights of use of other equipment, furniture and fixtures	2,129	2,139
Interest on lease liabilities	1,400	1,208
Short-term lease expenses	2,841	4,353
Lease expenses for small value items	557	518
Variable lease expense not included in the lease liabilities	138	290
	24,552	**25,155**

In fiscal year 2020/2021, the total cash outflows for leases amounted to EUR 24,226 thousand (previous year: EUR 24,743 thousand). The breakdown of undiscounted future cash outflows from leases is included in Note 32.

Future cash outflows of EUR 35.1 million were not included in lease liabilities, as it is not reasonably certain that the leases will be extended or not be terminated.

Future cash outflows for leases that SCHOTT has entered into in fiscal year 2020/2021, but which have not yet begun, amount to EUR 8.6 million.

In the past fiscal year, income of EUR 196 thousand (previous year: EUR 272 thousand) was received from the subleasing of rights of use.

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)	2020/2021
Due within 1 year	1,628
Due within 1 and 5 years	5,814
due after more than 5 years	209
	7,651

34 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 assets as of the balance sheet date.

35 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, bank deposits and checks in the amount of EUR 280,781 thousand (previous year: EUR 233,784 thousand). Of this amount, none (previous year: EUR 5,873 thousand) are subject to restrictions on disposal as of the balance sheet date.

Change in debt from financing activities
Fiscal year 2020/2021:

(in EUR thousands)	Balance on Oct. 1 2020	Cash flows	Changes in exchange rates	New leasing contracts	Other	Balance on Sept. 30 2021
Other liabilities to affiliates	8,638	–2,726	4	0	258	6,174
Liabilities to banks	132,001	–38,627	82	0	–28	93,428
Lease liabilities	99,722	–19,290	460	20,245	–296	100,841
Liabilities to shareholdings	2,671	254	0	0	0	2,925
Liabilities to non-banks	2,304	–2,353	200	0	0	151
Other	36,229	–252	27	0	–12,906	23,098
	281,565	**–62,994**	**773**	**20,245**	**–12,972**	**226,617**
Other financial liabilities whose cash flows are not contained in the cash flows from financing activities include:						
Negative market values of derivatives	5,627					10,357
Non-current trade payables	454					208
	287,646					**237,182**

Fiscal year 2019 / 2020:

(in EUR thousands)	Balance on Oct. 1 2019	Cash flows	Changes in exchange rates	New leasing contracts	Other	Balance on Sept. 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
Liabilities under finance leases	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**

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.

36 EMPLOYEES

Average number of employees for the year	2020/2021	2019/2020
Germany	5,590	5,559
Europe (excluding Germany)	3,918	3,868
Americas	3,498	3,328
Asia and Southern Pacific	3,511	3,257
	16,517	**16,012**
Apprentices	344	314
TOTAL	**16,861**	**16,326**

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, 2021, the number of employees on the reporting date increased by 847 (+5.1 %) to 17,313 (previous year: 16,466).

37 OTHER INFORMATION

The following personnel expenses were incurred during the fiscal year:

(in EUR thousands)	2020/2021	2019/2020
Wages and salaries	712,261	666,975
Social security contributions	125,807	125,811
Expenses for retirement benefits	37,313	37,112
TOTAL	**875,381**	**829,898**

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)	2020/2021	2019/2020
Audit	1,012	819
Other certification services	195	19
Other services	46	53
TOTAL	**1,253**	**891**

38 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 the Carl Zeiss Group in fiscal year 2020/2021 amounted to EUR 10,126 thousand (previous year: EUR 7,690 thousand). As in the previous year, no significant services were rendered during this period. The companies of the Carl Zeiss Group only provided a small number of deliveries or other services to SCHOTT in fiscal year 2020/2021. All business transactions with companies of the Carl Zeiss Group were carried out as between third parties. As of the balance sheet date, an advance payment of EUR 4,760 thousand was received from Carl Zeiss SMT GmbH, Oberkochen. There were no other significant outstanding balances 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 26 “Pension plans 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.

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

In fiscal year 2020/2021, SCHOTT companies engaged in the following transactions with joint ventures and associated companies:

	Sale of goods		Purchase of goods	
(in EUR thousands)	2020/2021	2019/2020	2020/2021	2019/2020
Joint ventures	28,559	4,686	1,133	0
Associated companies	180	17,792	412	2,381
	28,739	**22,478**	**1,545**	**2,381**

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

	Receivables		Liabilities	
(in EUR thousands)	Sept. 30, 2021	Sept. 30, 2020	Sept. 30, 2021	Sept. 30, 2020
Joint ventures	6,431	1,196	55	1
Associated companies	141	4,868	102	231
	6,572	**6,064**	**157**	**232**

Due to the change in shareholders at SCHOTT KAISHA PRIVATE LIMITED, Mumbai/India, in the current fiscal year, the disclosure is now made under joint ventures. In the current year, allowances for doubtful accounts were made against associated companies in the amount of EUR 2 thousand (previous year: EUR 174 thousand). Allowances for doubtful receivables in the amount of EUR 17 thousand (previous year: EUR 0 thousand) were recognized against joint ventures.

As in the previous year, there were no other significant business transactions between companies of the SCHOTT Group and members of the Board of Management and the Supervisory Board of SCHOTT AG and their close family members and the pension plans in fiscal year 2020/2021.

39 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On October 20, 2021, SCHOTT signed an agreement regarding the sale of the shares held by SCHOTT in the companies SCHOTT Gemtron Corporation, Sweetwater/USA, SCHOTT Gemtron Canada Corporation, Midland/Canada, and Gemtron de México S.A. de C.V., San Luis Potosí/Mexico. The activities in the Home Appliance segment of the Flat Glass Business Unit in the NAFTA region were previously bundled in these companies. The sale was completed on December 1, 2021.

Effective October 1, 2021, SCHOTT acquired 100% of the voting shares in Applied Microarrays Inc. based in Tempe, Arizona/USA. Applied Microarrays Inc. is a manufacturer of customized DNA and protein biosensors and other microarrays on glass, plastic and semiconductors. The purpose of the acquisition is to expand the diagnostics business in the Home Tech Business Unit, including the expansion of SCHOTT's manufacturing presence in the United States. The purchase price includes a purchase price payment of USD 18 million and contingent purchase price liabilities of up to USD 42 million. Information on the value of the assets acquired and liabilities assumed, including goodwill, is not included in these financial statements as the determination is still underway.

40 REMUNERATION OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

The total remuneration of the members of the Board of Management in fiscal year 2020/2021 comprises short-term benefits of EUR 8,586 thousand (previous year: EUR 5,435 thousand) and long-term benefits of EUR 2,282 thousand (previous year: EUR 596 thousand) as well as post-employment benefits of EUR 1,584 thousand (previous year: EUR 1,589 thousand).

The members of the Supervisory Board received EUR 999 thousand (previous year: EUR 990 thousand) in compensation for their work on the Supervisory Board in fiscal year 2020/2021.

The following short-term benefits are reported as of the balance sheet date for the past fiscal year:

- Members of the Board of Management: EUR 6,846 thousand (previous year: EUR 4,377 thousand)
- Members of the Supervisory Board: EUR 999 thousand (previous year: EUR 990 thousand)

Of the pension accruals as of the balance sheet date, EUR 20,819 thousand (previous year: EUR 17,437 thousand) relate to termination benefits for members of the Board of Management.

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 3,261 thousand (previous year: EUR 3,293 thousand) in fiscal year 2020/2021. A total of EUR 60,040 thousand (previous year: EUR 64,564 thousand) was provided for pension commitments to this group of individuals as of September 30, 2021.

Mainz, December 10, 2021

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

Independent auditor's report

TO SCHOTT AG

Opinions

We have audited the consolidated financial statements of SCHOTT AG, Mainz, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2021, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 October 2020 to 30 September 2021, and 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 1 October 2020 to 30 September 2021. In accordance with the German legal requirements, we have not audited the content of the group statement on corporate governance pursuant to Sec. 315d HGB ["Handelsgesetzbuch": German Commercial Code] included in the section "Provision for the promotion of women's participation in executive positions according to Section 76(4) and Section 111(5) of the German Stock Corporation Act" of the group management report (disclosures on the quota for women on executive boards).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 30 September 2021 and of its financial performance for the fiscal year from 1 October 2020 to 30 September 2021 and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group statement on corporate governance pursuant to Sec. 315d (4) HGB included in the section "Provision for the promotion of women's participation in executive positions according to Section 76(4) and Section 111(5) of the German Stock Corporation Act" (disclosures on the quota for women on executive boards).

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other information

The Supervisory Board is responsible for the Report by the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the group statement on corporate governance pursuant to Sec. 315d (4) HGB included in the section "Provision for the promotion of women's participation in executive positions according to Section 76(4) and Section 111(5) of the German Stock Corporation Act" of the group management report (disclosures on the quota for women on executive boards) as well as the following parts to be included in the annual report: Report by the Supervisory Board pursuant to Sec. 171 (2) AktG ["Aktiengesetz": German Stock Corporation Act] and "Foreword by the Board of Management" We obtained a version of this other information prior to issuing our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude 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.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined 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 executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."

Eschborn/Frankfurt/Main, December 10, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Eckl	Eichenauer
Wirtschaftsprüferin	Wirtschaftsprüfer

Group Shareholdings

LIST OF SHAREHOLDINGS PURSUANT TO THE REQUIREMENTS OF SECTION 313 (2) HGB [HANDELSGESETZBUCH] (“GERMAN COMMERCIAL CODE”)

Position as of September 30, 2021

Name and registered office of the company	Capital share in %	Comment
Subsidiaries included and not included in the Consolidated Financial Statements		
Germany		
ECORAN GmbH, Mainz (formerly ECORAN AG, Mainz)	100.0	
LIB Industrie Beteiligung GmbH, Mainz	100.0	
MiniFAB Europe GmbH, Saarbrücken	100.0	9, 10
Psephit Grundstücksverwaltungsgesellschaft mbH, Mainz	100.0	2, 4
ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG, Düsseldorf	100.0	2, 4, 7, 10
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-Rohrglas AG & Co. KG, Mainz	100.0	8
SCHOTT-Rohrglas Beteiligungs GmbH	100.0	2
SCHOTT Solar CSP GmbH, Mainz	100.0	
SCHOTT Solar Verwaltungs GmbH, Mainz	100.0	
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, Scoresby/Australia	100.0	
MFB New Ventures Pty Ltd, Scoresby/Australia	100.0	
Tearlab Australia Pty Ltd, Scoresby/Australia	100.0	2
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., Hong Kong Special Administrative Region/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., 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	
SCHOTT France Pharma Systems SAS, Pont-sur-Yonne/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/Indonesien	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, 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 Asia IT Services Sdn. Bhd., Kuala Lumpur/Malaysia	100.0	
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, Wien/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	
SCHOTT Government Services, LLC, Rye Brook/USA	100.0	
SCHOTT Gemtron Corporation, Sweetwater/USA	51.0	
SCHOTT Corporation, Rye Brook/USA	100.0	
SCHOTT Lithotec USA Corporation, Rye Brook/USA	100.0	2
SCHOTT North America, Inc., Rye Brook/USA	100.0	
SCHOTT Scientific Glass, Inc., Rye Brook/USA	100.0	
SCHOTT Solar CSP, LLC, Rye Brook/USA	100.0	
SCHOTT Solar PV, LLC, Rye Brook/USA	100.0	

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	16.4	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	5.3	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
[10] This company is in liquidation

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, Operational Excellence, Operational Technology, Environment, Health & Safety

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

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

SUPERVISORY BOARD

Dr. Dieter Kurz
Lindau
Chairman
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 und 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 Chairman of the Employee Council of SCHOTT AG, Mainz site

Hartmuth Baumann[1) 2)]
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
Landshut
Vice Chairman and CEO of the Dräxelmaier Group, Vilsbiburg

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

Matthias Hille[5)]
Nieder-Olm
Regional Manager of the Industrial Trade Union of Mining, Chemicals and Energy (IG BCE), District Mainz, Mainz

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

Dr. Stefan Marcinowski
Mannheim
Member of the Presiding Committee
Former Member of the Board of Management of BASF SE, Ludwigshafen/Rhein

Manfred Miehe[1)]
Mainz
Member of the Presiding Committee[3)]
Member of the Audit Committee[4)]
Former 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/Rhein

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
Member of the Presiding Committee[4)]
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) 3)]
Rudolf Wagner[4)]

Audit Committee
Dr. Eckhard Müller (Chairman)
Dr. Dieter Kurz
Hartmuth Baumann[1) 2)]
Salvatore Ruggiero[1)]
Manfred Miehe[4)]

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

1) Workers' representative
2) up to Feb. 28, 2021
3) up to April 16, 2021
4) from April 16, 2021
5) from April 15, 2021

Imprint, Contact, Disclaimer

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EDITORIAL

SCHOTT AG
Finance

Product names marked with an ® or a TM are used in numerous countries as SCHOTT trademarks.

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.

Product designations and names that are the property of SCHOTT are marked accordingly. Other product and company names mentioned in this report may be trademarks of their respective owners.

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.

Notes

Notes

SCHOTT worldwide

The company is represented by efficient production sites and sales offices in all important markets close to its customers.

21%

North America

SCHOTT is represented in North America (USA, Canada and Mexico) with production, sales and research. In fiscal year 2020/2021, 2,150 employees generated sales of EUR 536 million in this region.

4%

South America

SCHOTT has been represented in this region with its own production facilities since 1954. In fiscal year 2020/2021, 1,400 employees generated sales of EUR 107 million there.

47%

Europe

Europe continues to be the most important economic region for SCHOTT. Here, the technology Group generated sales of EUR 1,173 million in fiscal year 2020/2021 with 10,000 employees (including 6,000 in Germany).

1%

Middle East and Africa

In the Middle East and Africa regions, SCHOTT generated sales of EUR 37 million in the reporting period.

27%

Asia and South Pacific

With its great growth potential, this economic region represents one of the most important markets of the future. In fiscal year 2020/2021, SCHOTT generated sales of EUR 671 million with 3,750 employees in this region.

Share of worldwide sales by regions

schott.com

SCHOTT AG, Hattenbergstrasse 10,
55122 Mainz, Germany

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