

ANNUAL REPORT  
2007/2008



**SCHOTT**  
glass made of ideas

# KEY FIGURES SCHOTT GROUP

IN EURO MILLIONS UNLESS OTHERWISE STATED	2007/2008	2006/2007	CHANGE IN %
<b>SALES</b>	2,228	2,143	4
Domestic	589	523	13
Foreign	1,639	1,620	1
<b>EBITDA</b>	450	423	6
as a percentage of sales	20	20	
<b>EBIT</b>	289	267	8
as a percentage of sales	13	12	
<b>EARNINGS OF CONTINUED OPERATIONS BEFORE INCOME TAXES</b>	257	250	3
<b>GROUP EARNINGS</b>	182	- 51	>100
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	254	226	12
<b>CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT</b>	289	296	- 2
<b>TOTAL ASSETS</b>	2,549	2,313	10
<b>EQUITY</b>	929	724	28
Equity ratio (%)	36	31	
<b>LONG-TERM FUNDS AVAILABLE<sup>1)</sup></b>	1,825	1,645	11
as a percentage of total assets	72	71	
<b>NET FINANCIAL ASSETS<sup>2)</sup></b>	- 84	- 107	- 21
<b>EXPENDITURE ON RESEARCH AND DEVELOPMENT</b>	71	74	- 3
as a percentage of sales	3	3	
<b>EMPLOYEES AS OF BALANCE SHEET DATE (NUMBER)</b>	17,363	16,671	4

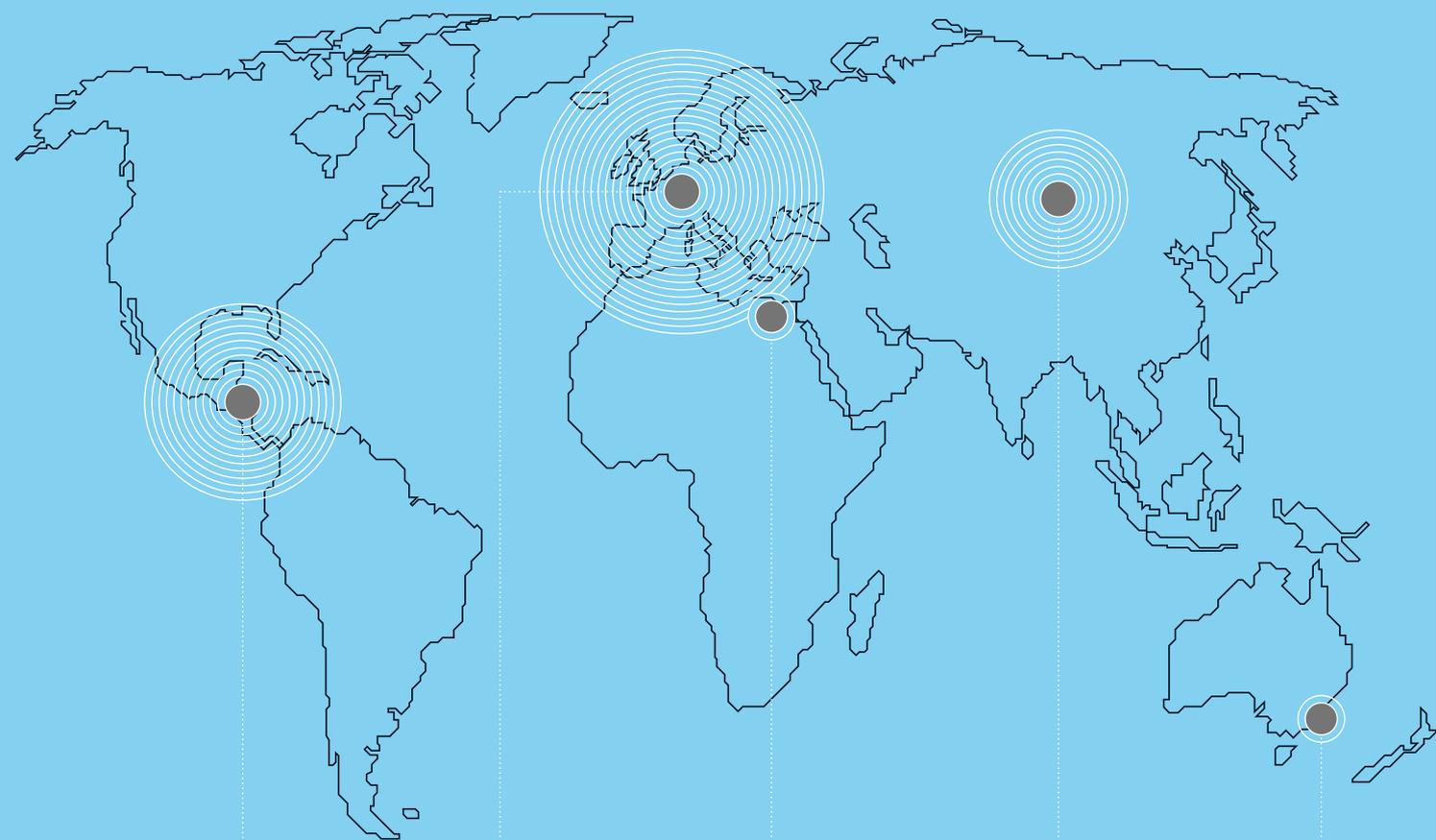
For computational reasons, rounding-off differences of +/- one unit (million euros, %) may occur in the table.

<sup>1)</sup> Equity, long-term provisions and long-term financial liabilities

<sup>2)</sup> Cash, cash equivalents and funds, less financial liabilities

# SCHOTT IN GLOBAL TERMS

SCHOTT MAINTAINS CLOSE RELATIONSHIPS WITH ITS CUSTOMERS IN ALL MAJOR MARKETS THROUGH HIGH-PERFORMANCE MANUFACTURING AND SALES UNITS.



## THE AMERICAS

- ARGENTINA
- BRAZIL
- CANADA
- COLOMBIA
- MEXICO
- USA

## EUROPE

- AUSTRIA
- BULGARIA
- CROATIA
- CZECH REPUBLIC
- DENMARK
- FRANCE
- GERMANY
- HUNGARY
- ITALY
- LITHUANIA
- NETHERLANDS
- POLAND
- ROMANIA
- RUSSIA
- SERBIA
- SPAIN
- SWEDEN
- SWITZERLAND
- TURKEY
- UKRAINE
- UNITED KINGDOM

## AFRICA

- EGYPT

## ASIA

- CHINA
- DUBAI
- INDIA
- INDONESIA
- ISRAEL
- JAPAN
- MALAYSIA
- SINGAPORE
- SOUTH KOREA
- TAIWAN
- THAILAND
- VIETNAM

## AUSTRALIA/ OCEANIA

- AUSTRALIA
- NEW ZEALAND

**VERY LARGE TELESCOPE:  
PRIMARY MIRRORS MADE OF ZERODUR® FROM SCHOTT**

One of the world's largest and most powerful observatories is located on top of the Cerro Paranal in the Chilean Atacama Desert at an altitude of 2,635 m: the Very Large Telescope (VLT) operated by the European Southern Observatory (ESO). The primary mirrors of the four telescopes in total are made of **Zerodur®** glass ceramic from SCHOTT. These each have a diameter of 8.2 m, weigh 23 tons and rank as the largest glass monoliths ever to be produced.

# THE SCHOTT GROUP

SCHOTT IS AN INTERNATIONAL TECHNOLOGY GROUP THAT VIEWS ACHIEVING A LASTING IMPROVEMENT IN PEOPLE'S LIVING AND WORKING CONDITIONS TO BE ITS MAIN OBJECTIVE. TO THIS END, WE HAVE BEEN DEVELOPING, MANUFACTURING AND SUPPLYING SPECIALIZED MATERIALS, COMPONENTS AND SYSTEMS FOR 125 YEARS.

OUR MAIN MARKETS ARE THE HOUSEHOLD APPLIANCES INDUSTRY, PHARMACEUTICALS, SOLAR ENERGY, ELECTRONICS, OPTICS AND THE AUTOMOTIVE INDUSTRY. WE AIM TO CONTRIBUTE TO OUR CUSTOMERS' SUCCESS WITH OUR PRODUCTS AND SERVICES.

SCHOTT MAINTAINS A CLOSE RELATIONSHIP WITH ITS CUSTOMERS IN ALL MAJOR MARKETS THROUGH ITS MANUFACTURING AND SALES UNITS.

THE GROUP'S TECHNOLOGICAL AND ECONOMIC EXPERTISE GOES HAND IN HAND WITH ITS SOCIAL AND ECOLOGICAL RESPONSIBILITIES.

THE PARENT COMPANY OF THE SCHOTT GROUP IS SCHOTT AG, WHOSE SOLE SHAREHOLDER IS THE CARL-ZEISS-STIFTUNG.

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### THE MYSTERY OF SPACE

'The future is in the stars' is a popular saying – and so is the past. Mankind has always been interested in both the past and the future. That is why we keep developing ever more powerful instruments in order to uncover the mysteries of the universe – and, thus, also understand our own existence. As 2009 is the International Year of Astronomy, this oldest of all sciences is again becoming the focus of attention.

SCHOTT has more than a hundred years of experience as a specialist in optical components for space research. **Zerodur®** glass ceramic, developed by us in the late sixties, set a milestone in the development of mirror substrates. Today, the main components of many major reflecting telescopes are made of this high-performance material.

## REPORT BY THE SUPERVISORY BOARD

### LADIES AND GENTLEMEN,

The Supervisory Board observed due diligence in performing its tasks in accordance with statutory requirements and the articles of association during the 2007/2008 fiscal year, as well. It regularly advised the Board of Management and monitored the Group's management. The Supervisory Board was involved in all decisions of fundamental importance to SCHOTT. The Management Board informed the Supervisory Board regularly, comprehensively and promptly, both in writing and verbally, on all important aspects of business development, significant transactions and the Group's earnings situation, including the risk position and risk management.

The Supervisory Board met four times in the year under review. All Supervisory Board members participated in at least half of the meetings. The audit committee met for three sessions, the executive committee sat four times. No sessions of the conference committee were necessary in the past fiscal year.

The Supervisory Board made decisions in accordance with statutory requirements and the articles of association. Its decisions were based on the Management Board's reports and draft resolutions. In addition, the chairmen of the executive and conference committees regularly issued comprehensive reports on the content and results of committee meetings. The Supervisory Board was informed promptly, outside of meetings, on projects and events of particular significance or urgency. If necessary, resolutions were adopted by circular resolution. Moreover, the Chairman of the Supervisory Board or his deputy was in constant contact with the Board of Management. Thus, events of extraordinary significance to the situation and development of the SCHOTT Group could be discussed without delay.

One central point of discussion for the Supervisory Board was SCHOTT Solar AG's impending initial public offering. The Supervisory Board was informed promptly of the delay in flotation resolved on October 8, due to unfavorable market conditions as a result of the financial crisis. Deliberations also focused on the extensive investment program in the 'solar' field. Acquisition of a majority interest in the listed Japanese Moritex Corporation was another focus of intensive discussions in several meetings.

Another important function of the SCHOTT AG Supervisory Board was, and is, to ensure that sound and responsible corporate governance is an integral part of the Group's management.

The 2007/2008 financial statements, the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to section 315a (3) of the German Commercial Code (HGB), and the relevant management reports including the Board of Management's report disclosing relations to associates were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Frankfurt am Main, and each issued with an unqualified audit opinion.

Report by the Supervisory Board  
Board of Management  
Foreword by the Board of Management



Dr. h.c. Eggert Voscherau,  
Chairman of the Supervisory Board

The documents relating to the financial statements and the auditor's reports were submitted to all members of the Supervisory Board. They were thoroughly examined by the audit committee and the Supervisory Board.

The documents relating to the financial statements were discussed at the Supervisory Board's balance sheet meeting in the presence of, and following a report by, the auditor. The Supervisory Board endorsed the result of this audit and concluded that its own audit had not led to

any reservations. The Supervisory Board approved the financial statements prepared by the Board of Management. The SCHOTT AG financial statements are thus adopted.

In compliance with section 312 of the German Stock Corporation Act (AktG), the Supervisory Board prepared the abovementioned subordinate status report for the period from October 1, 2007 through September 30, 2008. The auditor issued the following opinion on the result of his audit: "As a result of our statutory audit, we confirm that:

1. the actual disclosures in the report are correct;
2. the company's payments made in connection with legal transactions described in the report were not unreasonably high."

The Supervisory Board was in agreement with the auditor's results. The audit has not led to any reservations. The final examination of the audit findings by the Supervisory Board did not lead to any reservations to the Management Board's concluding remarks in the subordinate status report.

Both the Board of Management and the Supervisory Board propose that from the net profit for the year of EUR 72,072,397.73 generated by SCHOTT AG a dividend of EUR 10,000,000 be distributed on April 27, 2009, EUR 50,000,000 be transferred to retained earnings, and EUR 12,072,397.73 be carried forward to new account.

Two new members joined the Board of Management during the past financial year. Dr. rer. nat. Jürgen Dahmer was appointed with effect from January 1, 2008, and Dr.-Ing. Hans-Joachim Konz with effect from July 1, 2008.

There were also Supervisory Board changes during the past financial year: the previous Chairman of the Supervisory Board Mr. Tilman Todenhöfer withdrew from the Board at his own request with effect from July 31, 2008. Mr. Todenhöfer decided to withdraw after an acquisition by Robert Bosch GmbH – where he is a member of the Committee of Shareholders – which resulted in overlaps with business operations at SCHOTT AG.

Dr. Eggert Voscherau took over his position with effect from October 14, 2008. In addition, Dr. Michael Endres and Dr. Heribert Johann withdrew from the Supervisory Board with effect from December 31, 2007. The following gentlemen joined the Board as new members: Mr. Wolfgang Heinrich (from November 7, 2007, replacing Mr. Stephan Janetzko, who already withdrew as of September 30, 2007), as well as Mr. Jürgen Fitschen and Mr. Stephan Schaller (both from January 1, 2008).

The Supervisory Board would like to thank all of its former members for their constructive cooperation based on mutual trust in the past years.

We would also like to thank the Chairman and all employees of the SCHOTT Group for their high level of personal commitment and the successful completion of work in the 2007/2008 fiscal year.

February 26, 2009

On behalf of the Supervisory Board



Dr. h.c. Eggert Voscherau,  
Chairman

Report by the Supervisory Board  
Board of Management  
Foreword by the Board of Management



SCHOTT Group headquarters and main plant in Mainz



Report by the Supervisory Board

**Board of Management**

Foreword by the Board of Management

## BOARD OF MANAGEMENT

(from right to left)

PROF. DR.-ING. UDO UNGEHEUER

**Chairman of the  
Board of Management**

Born in 1950  
Joined SCHOTT in 1994  
Member of the Board since 1995  
Chairman of the Board of  
Management and Chief Human  
Relations Officer since 2004

**Responsibilities:**

- Pharmaceutical Systems
- Solar
- Corporate Legal
- Corporate Compliance Office
- Corporate Public Relations
- Corporate Strategy /  
Mergers & Acquisitions
- Corporate Offices in the U.S.  
and Switzerland
- Corporate Marketing

DR. RER. NAT. JÜRGEN DAHMER

Born in 1956  
Joined SCHOTT in 2008  
Member of the Board since 2008

**Responsibilities:**

- Advanced Materials
- Electronic Packaging
- Fiber Optics
- SCHOTT Asia

DR.-ING. HANS-JOACHIM KONZ

Born in 1960  
Joined SCHOTT in 1995  
Member of the Board since 2008

**Responsibilities:**

- Flat Glass
- Home Tech
- Research &  
Technology Development
- Corporate Machinery &  
Production Technology
- Melting Technology

KLAUS RÜBENTHALER

Born in 1960  
Joined SCHOTT in 2000  
Member of the Board since 2003

**Responsibilities:**

- Corporate Controlling &  
Accounting
- Corporate Information  
Technology
- Corporate Sales &  
Market Development
- Corporate Taxes & Insurance
- Corporate Treasury
- Global Purchasing
- Corporate Offices in Brazil,  
France and Spain

## FOREWORD BY THE BOARD OF MANAGEMENT

### LADIES AND GENTLEMEN,

SCHOTT looks back on a very successful 2007/2008 fiscal year. We were able to meet our forecasts and improve on key indicators:

- Group sales increased by 4% to EUR 2.23 billion. Not taking into account exchange rate movements, this figure would have been EUR 50 million higher.
- Earnings before interest and taxes (EBIT) increased by EUR 22 million to EUR 289 million.
- Cash flows from operating activities also improved by 12% to EUR 254 million.
- Group earnings totaled EUR 182 million, compared with EUR –51 million in the previous year, due to discontinuation of the display glass division.
- The equity of the SCHOTT Group also improved significantly to EUR 929 million as of balance sheet date, compared with EUR 724 million in the previous year.

This positive trend is all the more encouraging, considering the fact that the world economy had already started slowing down during the course of 2008. Moreover, consistently high commodity and energy prices, unfavorable currency parities – especially between the euro and the U.S. dollar and the euro and the Japanese yen – and also the U.S. real estate crisis, hampered business development in many of our markets. Nevertheless, we succeeded in maintaining and even improving, our market position in many business segments, due to outstanding products, genuine customer orientation, and the power of the SCHOTT brand.

We were able to record solid growth, particularly in the solar segment – both in photovoltaics and receivers for solar thermal power plants. It is becoming ever more evident how important and correct our strategic decision years ago was for the SCHOTT Group to enter the solar market. The importance of this growth market also became evident through the intended SCHOTT Solar AG IPO. However, we elected not to go ahead with the IPO, due to drastically deteriorating conditions in the international capital markets at the beginning of October, 2008. Nevertheless, we still intend to expand our solar business, as funding is guaranteed from within the Group even without flotation.

SCHOTT has expanded its production capacities in emerging markets and made a number of acquisitions in order to strengthen its position as one of the leading technology groups worldwide in the field of specialized glass and other high-tech materials. In the area of pharmaceutical packaging, this included opening a new plant for manufacturing ampoules and vials in Suzhou, China, and acquiring a 50% share in the leading Indian manufacturer of quality pharmaceutical packaging, Kaisha Manufacturers Private Ltd. By submitting a public tender offer, SCHOTT acquired a 70.8% stake in Moritex Corporation, listed on the Tokyo stock exchange, in October 2008. Moritex is the Japanese market leader for LED-based and fiber optic lighting systems.

Report by the Supervisory Board  
Board of Management  
Foreword by the Board of Management

In the area of photovoltaics, SCHOTT expanded its capacities across the entire value chain. For example, we expanded wafer production in Jena, Germany, at the joint venture WACKER SCHOTT Solar GmbH and also increased thin-film production. Cell production was significantly stepped up at the Alzenau location, and new module lines were established in the Czech Republic. SCHOTT also expects growth in receiver manufacturing for solar thermal power plants by expanding production in Spain and establishing a new facility in the U.S. With this expansion, we intend to strengthen our global technology and market leadership for this key component in supplying environmentally friendly and secure energy in the future.

Developing a forecast for the 2008/2009 financial year is rather difficult. The impact of the financial crisis has now become noticeable in the economy at large and will affect our business activities negatively. The anticipated negative economic development will result in greater competition globally, which we will have to face in the coming years. Demand has already fallen in the automotive sector, the semiconductor market and the appliances industry, while we expect stable sales in pharmaceutical tubing and packaging. In this segment, we are presently in the process of investing a double-digit million figure in two new tubing tanks at our site in Mainz. This will create 135 new jobs. In the solar division, we expect the growth momentum to continue, however at a slower pace. The broad range of products that SCHOTT offers and our presence in many markets and regions puts us in a better position than many other companies to weather the global economic crisis.

The Board of Management would like to thank all its employees for their high level of commitment and achievements in the 2007/2008 fiscal year and the Supervisory Board once again for their constructive support of our activities.

December 2008

SCHOTT AG  
Board of Management



Prof. Dr.-Ing. Udo Ungeheuer



Dr. rer. nat. Jürgen Dahmer



Dr.-Ing. Hans-Joachim Konz



Klaus Rübenthaler

# EYES OF THE WORLD

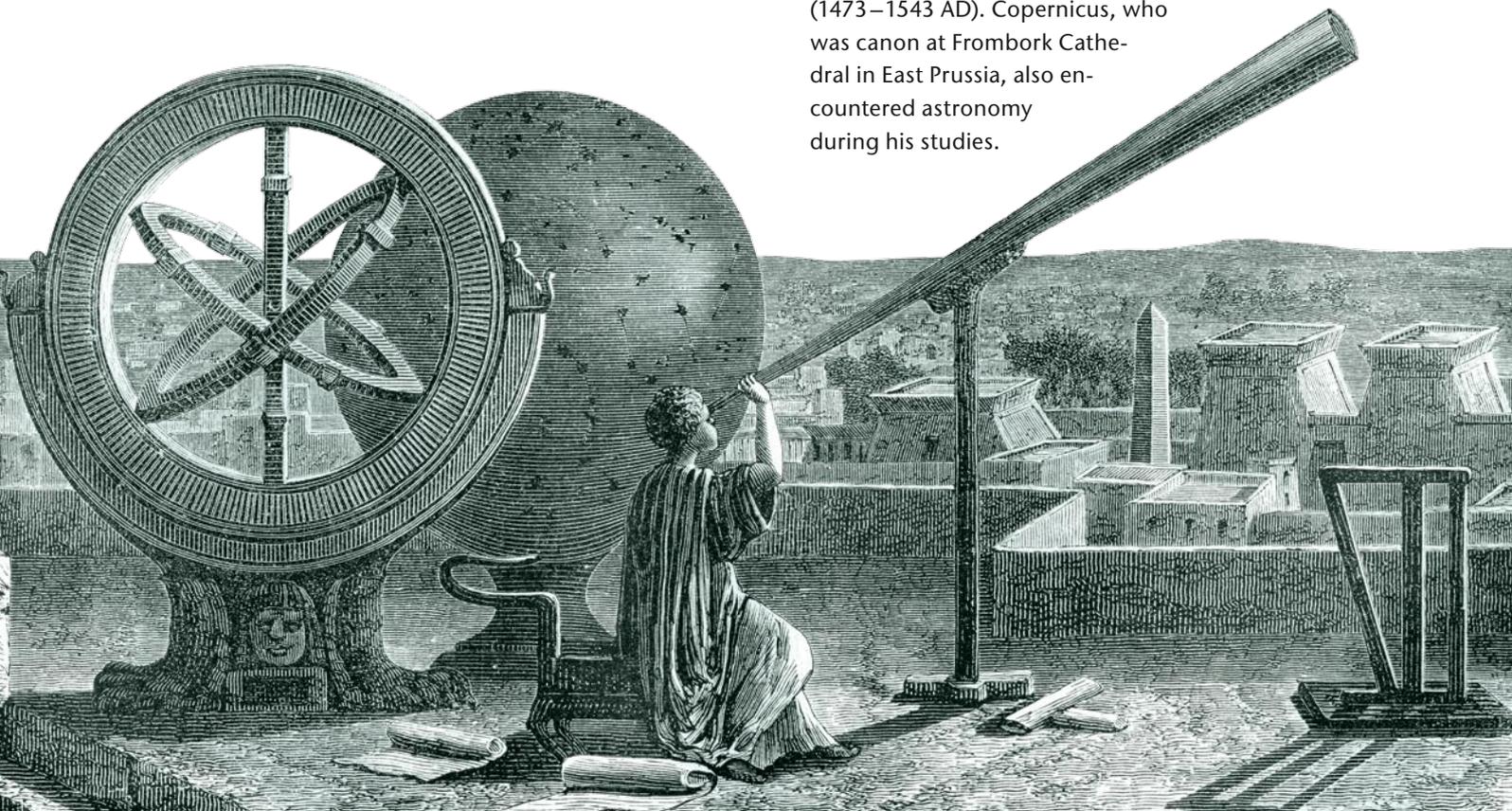
THE INTRODUCTION OF THE TELESCOPE EXACTLY 400 YEARS AGO MARKS THE BEGINNING OF MODERN-DAY ASTRONOMY. THE FURTHER DEVELOPMENT OF OBSERVATION TECHNOLOGY LED TO MANY SUCCESSFUL DISCOVERIES, WHICH DRAMATICALLY CHANGED OUR VIEW OF THE WORLD. THIS CHANGE IS ONGOING – NOT IN SMALL PART DUE TO **ZERODUR®** GLASS CERAMIC, WHICH HAS BECOME THE MATERIAL OF CHOICE FOR MIRROR SUBSTRATES USED IN LARGE MODERN TELESCOPES.

Of course, we all know this natural spectacle: the sun rises in the morning, moves across the horizon in circular motion during the day and disappears again in the evening. We are so familiar with this event that we no longer think about the contradiction between what we say and what really happens. As we learned in school, the earth orbits the sun. Nonetheless, we still say that the sun rises and sets – as if it were the sun that revolves around the earth.

Our language reflects our ancestors' anthropocentric or geocentric view of the world, in which man and the earth were at the center of the world. Countless generations before us saw the sun rise and set following the same pattern every day. Was it therefore not natural to assume that the sun – and with it all the other stars in the sky – actually revolved around the earth?

The one person who eventually dared to question the obvious was Nicolaus Copernicus (1473–1543 AD). Copernicus, who was canon at Frombork Cathedral in East Prussia, also encountered astronomy during his studies.

The Greek astronomer Hipparchos (190–120 BC) at the Alexandria Observatory, Egypt. This 19th century fantasy depiction shows him with a telescope, which was still unknown in antiquity.



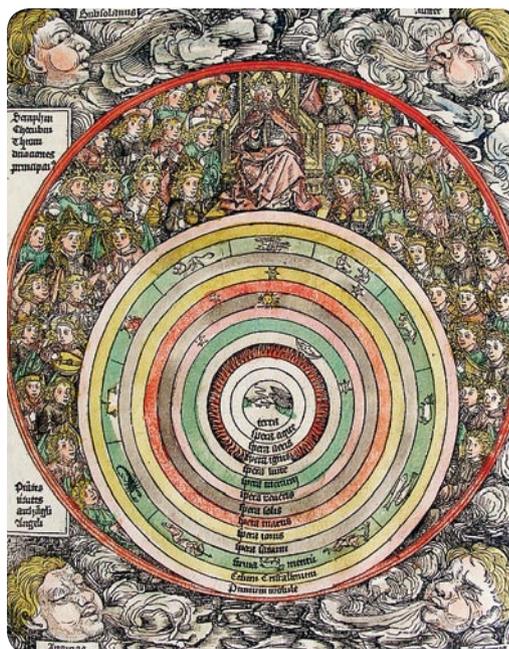
Eyes of the world  
40 years of Zerodur®  
Interview

He realized that the apparent movement of stars would have to look exactly the same, if the earth orbited the sun rather than the sun orbiting earth. Even more: in a heliocentric world view, which puts the sun at the center of the world, planets follow orbits that far better agreed with Copernicus' ideas of harmony than the complicated geocentric mechanics delivered to posterity by the Greek astronomer Ptolemy around 150 AD.

At the time, Copernicus' ideas put the existing view of the world completely on its head. His contemporaries had no problem with the idea of planets resting on transparent crystal spheres that were moved around earth by angels at a speed prescribed by God. However, as Copernicus realized, the earth is not the center of the universe, but rather one of several planets that orbit the sun. And, the daily path of stars across the horizon is only an apparent effect caused by the fact that the earth revolves around its own axis once in 24 hours.

#### A TELESCOPE CHANGES THE WORLD

However, mankind was not ready for the Copernican view of the world for many years to come. Eventually, three men with two things in common – an analytical mind and tenacity – provided enough momentum for change. The Danish aristocrat, Tycho Brahe (1546–1601 AD) had an observatory built with various protractors, with which he measured the positions of stars and planets with a level of accuracy unattainable up until then. His notes enabled the theologian and mathematician Johannes Kepler (1571–1630 AD) to discover certain laws of planetary motion for Mars. He published his findings in the spring of 1609, one of his most important pieces of work being 'Astronomia nova', which laid the foundation for modern



In the Nuremberg Chronicle published in 1493, the earth is at the center of the universe surrounded by spheres in the sky.

space mechanics. Kepler also discovered that the orbits of planets are not circular, but elliptical. And the force keeping planets in their orbits must have something to do with the sun, which – as Copernicus suspected – was at the center of planetary motion.

A third person finally provided proof of the heliocentric system. The Italian astronomer Galileo Galilei (1564–1642 AD) had heard of a strange Dutch invention: if two glass lenses – one convex and the other concave – are arranged in a tube at a certain distance, distant objects seem closer than they actually are, when looking through it. Galileo acquired such lenses in the summer of 1609 to build such an instrument.

Galilei's telescope was of poor quality by today's standards: the range of vision was very small, the lenses produced color fringes, and objects were only magnified four to one. A satisfactory view could only be created by



To commemorate the introduction of the telescope exactly 400 years ago and in order to recognize the significance of astronomy as one of the basic sciences, the United Nations Organization has declared 2009 the International Year of Astronomy.

covering the lenses' edges with paper rings. Nonetheless, Galilei succeeded in making groundbreaking discoveries with this 'tubus telescopius', as this instrument was soon to be called. He discovered that Venus – similarly to the earth's moon – has changing phases and that Jupiter is orbited by moons. Galilei drew the right conclusions, which were outrageous at the time: Venus orbits the sun, and Jupiter is surrounded by its own moons.

Such telescopic observations represented a breakthrough for the Copernican view of the world, and as such mark the beginning of modern astronomy, and have since been inseparable from the further development of observation devices and measuring instruments.

#### FROM LENSES TO REFLECTING TELESCOPES

Kepler elucidated an optical theory for the telescope soon after Galilei's sky observations, and introduced an improvement by using two convex lenses. This construction improved the range of vision compared to the Galilean telescope by using a concave curvilinear ocular lens. This had only one disadvantage, for terrestrial applications at least: the picture produced was upside down. However, the positives far outweighed the negatives in Kepler's construction for astronomical applications, and conse-

quently all subsequent refracting telescopes were constructed in this way.

As a general rule, the larger the light-collecting lens diameter, the fainter can be the objects observed, and thus the greater the resolution. Therefore, larger lenses were required. However, as the lens glass is penetrated by light, the image's quality largely depends on the quality of the material used. Of course, it turned out to be extremely difficult to manufacture large pieces of homogeneous glass. What is more, a single lens focuses light of different wavelengths (colors) at different focal points (thus causing the abovementioned color fringes); and in order to compensate for these color fringes, astronomers had to combine lenses made of different types of glass. Increasing diameters not only made it significantly more difficult to manufacture lenses, but also made them increasingly heavy. Large refracting telescopes are therefore expensive, heavy and consequently hard to handle. By the end of the 19th century, the limitations of technical feasibility had been reached: the 102 centimeter refracting telescope launched in 1897 at Yerkes Observatory near Chicago is the largest refracting telescope in the world.

Only a few years after the invention of the refracting telescope, attempts were made to use curved reflectors as light-collecting surfaces. As light is reflected in this case, and not refracted by the material as in the case of lenses, such reflectors do not produce color fringes. However, manufacturing parabolic reflectors presented a challenge for craftsmen. Hence, reflecting telescopes did not become dominant until the 18th century after Friedrich Wilhelm Herschel (1738–1822 AD) – who worked in England as a musician and astronomer – had perfected the art of building telescopes. In 1781, Herschel managed to make the exciting

The 183 centimeter 'Leviathan' reflecting telescope at Birr Castle, Ireland, built in 1845, was the largest telescope of its time. With it, Lord Rosse discovered the spiral nature of galaxies.



Photo: Uwe Reichert

Eyes of the world  
40 years of Zerodur®  
Interview



Photo: Heidelberg State Observatory

discovery of Uranus with one of his reflectors. This was the first time since antiquity that a new planet was added to the solar system.

In the beginning, reflecting telescopes were made of specialized alloys. However, once exposed to air, this material oxidized rather quickly, necessitating regular polishing. Herschel and other astronomers often got by producing two reflectors for each telescope, and exchanging them. Two reflectors were also made for the largest telescope fitted with a metal reflector, the 'Leviathan' built in Ireland in 1845. Each was 1.8 meters in diameter and weighed 3.5 tons.

It was not until the second half of the 19th century that it became possible to manufacture glass reflectors of sufficient quality by coating

them with a silver film to increase their reflectivity. A major breakthrough was achieved by the chemist Otto Schott (1851–1935 AD), who manufactured glass based on scientific principles.

The SCHOTT & Genossen glass technology laboratory – the predecessor of today's SCHOTT AG – set up by Otto Schott (1851–1935 AD) in Jena together with the physicist Ernst Abbe (1840–1905 AD) and the entrepreneur Carl Zeiss (1816–1888 AD) developed new optical glass that facilitated the manufacturing of more powerful telescopes.

The first large telescope with optics manufactured by SCHOTT was taken into operation at the Heidelberg-Königstuhl State Observatory in 1906. Its director, Max Wolf (1863–1932 AD), introduced astrophotographic techniques as a

The Waltz reflector that was put into operation at the Heidelberg-Königstuhl State Observatory in 1906 was the first large telescope with optics manufactured by SCHOTT. With an aperture of 72 centimeters, it was then one of the largest telescopes with a glass reflector in the world.

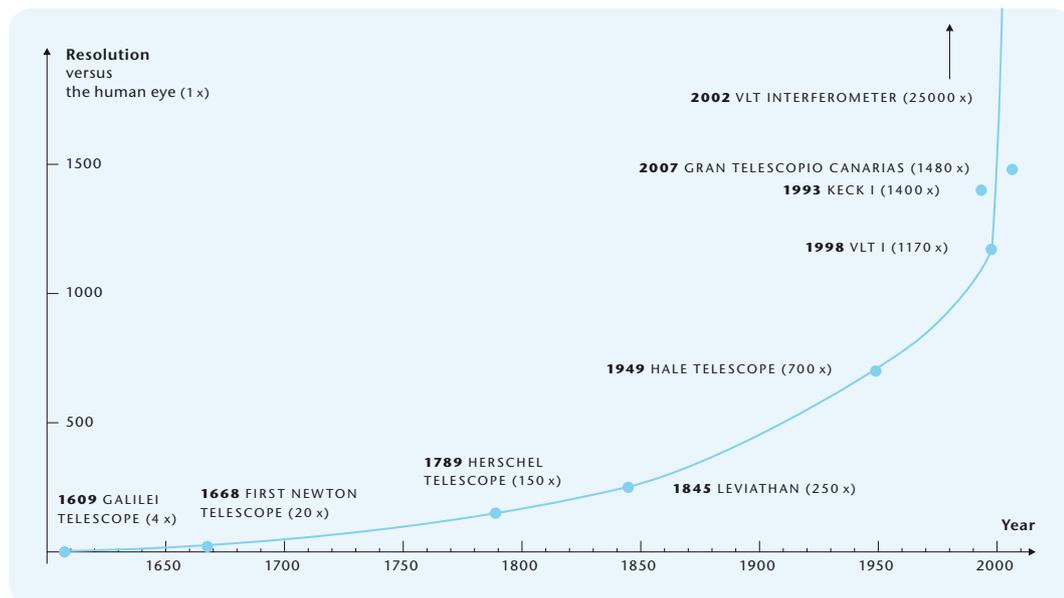
detection tool. Using photographic plates in conjunction with the new reflector, he succeeded in rediscovering Halley's Comet in 1909, whose reappearance had been eagerly awaited all over the world at the time. Wolf also used spectroscopic techniques to prove that some of the diffuse objects in the sky referred to as 'nebula' are actually gas clouds, while others are made up of stars.

#### THE BIG BANG: A NEW CHALLENGE FOR THE WORLD VIEW

At the time, i. e. exactly 100 years ago, it appeared that all stars in the sky belonged to our Milky Way, which was generally believed to fill the universe. But, more powerful telescopes and better detectors revealed a larger structure of space over the course of the following two decades: our galaxy, the Milky Way, is only one of many galaxies inhabiting an inconceiv-

ably large cosmos. And this cosmos is not unchanging, but rather expanding at an ever greater rate. As soon as one accepts this outrageous revelation and projects it back in time, one must come to the inevitable conclusion that all matter – and thus all space – must once have been concentrated in a tiny, extremely hot original state. The Big Bang theory was born.

The Big Bang theory changed our view of the world radically, comparable to the impact of the Copernican ideas. And comparable to 400 years ago, it was new instruments that confirmed this model. In 1965, the physicists Robert W. Wilson and Arno Penzias discovered microwave radiation, which appeared to emanate from all directions with the same intensity, by using a radio telescope. Today, this cosmic background radiation is considered the strongest proof for the Big Bang.



A telescope's resolution increases with the diameter of its main reflector. The human eye can see a one euro coin at a distance of about 100 meters; the Keck telescope can still detect the same coin at a distance of about 100 kilometers. Resolution increases rapidly with the use of interferometric methods: it would even be possible to spot an astronaut on the moon with the Very Large Telescope (VLT) Interferometer!

Eyes of the world  
40 years of Zerodur®  
Interview

With four 8.2 meter telescopes that are operated separately or jointly, the Very Large Telescope at the European Southern Observatory is one of the most powerful observatories in the world. As is the case in most telescopes of this size, the mirror substrates are made of Zerodur® glass ceramic from SCHOTT.

Since the beginning of the space age, this radiation has been precisely measured by satellites and used to elucidate the structure and development of our universe.

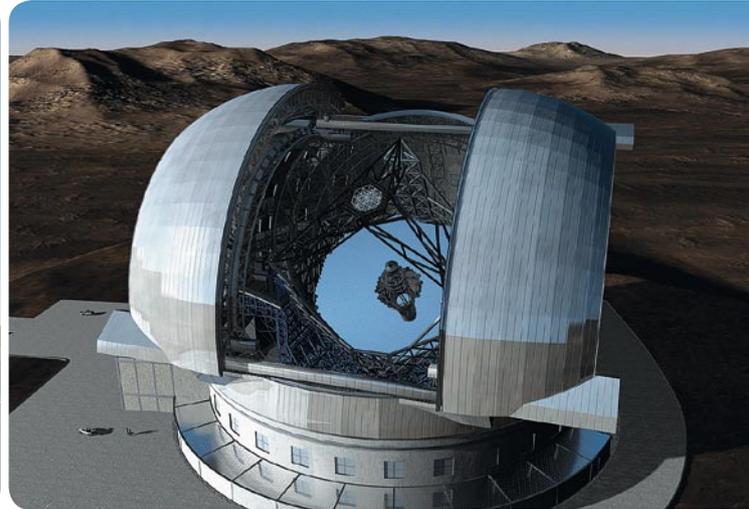
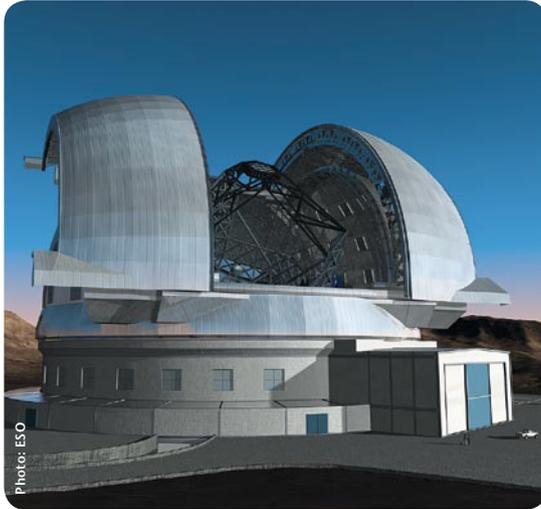
But this is not all. On earth, a new generation of large telescopes started to emerge, thanks to Zerodur® glass ceramic. The first reflecting telescopes made with this material, which barely deforms with changes in temperature, were produced by SCHOTT at the beginning of the 1970s – first for the 3.5 meter observatory at the Max Planck Institute for Astronomy on Calar Alto in Spain, and later for ever larger reflectors. The four 8.2 meter reflectors of the four main telescopes in the Very Large Telescope (VLT) in Chile are the largest reflectors made from one piece ever to be manufactured from this material. Even larger telescopes are composed of numerous reflector segments. For example, the 10 meter mirrors of the two Keck telescopes on Mauna Kea (Hawaii) each consist of 36 hexagonal Zerodur® glass ceramic segments. The same construction was used for the 10.4 meter reflector in the Gran Telescopio Canarias, the largest telescope in the world, for which SCHOTT also manufactured 36 reflector segments.

Such powerful telescopes can reflect galaxies that are several billion light years away. It was even possible to investigate explosions of individual stars – so-called supernovae – in such distant galaxies using these telescopes. This led to another revolutionary discovery made by astronomers in 1998: the speed with which the universe expands is not constant, but even increases with time!



One of the four 8.2 meter telescopes of the Chilean VLT took photographs of the NGC 1097 spiral galaxy, which is approximately 16 million light years away. There is a very noticeable ring of star-forming regions at the center of this galaxy.

With a reflector diameter of 42 meters, the planned European Extremely Large Telescope (E-ELT) will be the largest telescope in the world.



#### A NEW GENERATION OF LARGE TELESCOPES

According to this discovery, we live in a universe that is expanding ever more rapidly. In the maze of billions and billions of galaxies, the earth and our solar system, even our Milky Way, is no more than a statistic. There seems to be nothing special about our sun or home planet. Even man's position in the universe may not be unique. In 1995, astronomers succeeded in discovering the first planet outside our solar system. In the meantime, the number of known extrasolar planets has risen to more than 300. While most of them are so far away from us that we cannot see them directly, a group of scientists was able to provide the first direct pictures of such distant worlds in November 2008. What progress in only 400 years of telescope-driven astronomy!

In the same way that Galilei saw Jupiter's moons dance around its central planet, today we see distant planets orbiting their central stars. And in the same way as 400 years ago, we still ask the question: could there be life on these distant worlds? Will we ever get an answer?

Telescopes will continue to be developed in any case. It will be decided shortly what the next generation of large telescopes should look like: the European Southern Observatory (ESO) intends to build a large telescope 42 meters in diameter. So far, it is not possible to predict what exactly this European Extremely Large Telescope (E-ELT) will discover. But one thing is for sure: it will again open up unimagined prospects for mankind.

Eyes of the world  
40 years of Zerodur®  
Interview

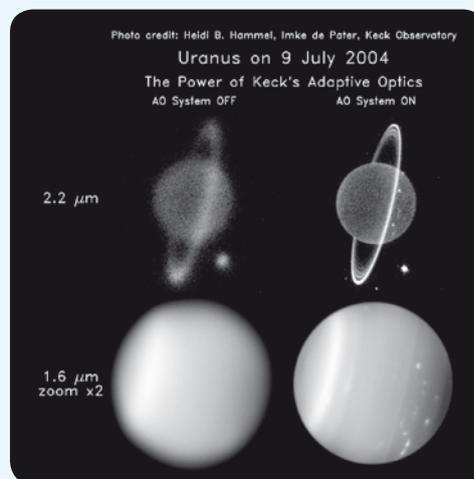
#### ACTIVE AND ADAPTIVE OPTICS: OUTSMARTING MOTHER NATURE

By nature, large reflecting telescopes are heavy. For example, the five-meter reflector of the Mount Palomar Observatory weighs twenty tons. Even larger mirror substrates require materials that exhibit great mechanical stability, in addition to the lowest possible thermal expansion, so that they can be made as thin as possible. However, thin reflectors present a new problem: they deform when the telescope is tilted, due to their own weight, so that the reflector's surface deviates from its ideal shape.

The reflector's shape is readjusted in order to avoid associated reflection errors. To achieve this, the reflector is mounted on a number of mechanical correcting elements, so-called actuators. A control unit detects the deviation of the reflector's shape from its ideal geometry and compensates for deformation by means of actuators. This principle of active optics was first used in ESO's New Technology Telescope, which started operations in 1989. Its 3.6 meter reflector is made of **Zerodur®** glass ceramic and weighs only six tons, as it is only 24 centimeters thick. A classic reflector of equal size would be twice as thick.

Active optics differ from another innovative procedure: adaptive optics. The latter is used for correcting optical obstructions caused by the earth's atmosphere. Light

waves emitted by objects in the sky are distorted by turbulence in the earth's atmosphere (so-called astronomical seeing). This effect can be seen with the naked eye as 'flickering' of the stars. This distortion is even greater in a telescope with the image of a point-shaped star jumping about on the detector, blurring the light across a wide area. Adaptive optics measures the distortions of light waves and quickly deforms a corrective reflector in the telescope's optical path via tip-tilt correction, thus compensating for this obstruction. This corrective procedure significantly increases the quality of optical images.



These photos of Uranus taken at two different wavelengths illustrate the effectiveness of adaptive optics. The two images on the left were taken without, and the two on the right with adaptive optics. The rings of Uranus and its moon Miranda are clearly visible, even detailed surface structures.

Dr. Uwe Reichert | a physicist, has worked as a scientific editor for many years – first for the journal 'Spektrum der Wissenschaft' and later for 'Sterne und Weltraum', where he became editor-in-chief at the beginning of 2007.



Casting of a telescope mirror substrate: 1500°C molten glass flows into a heated mold.

## OUTSMARTING MOTHER NATURE

FOR FOUR DECADES, ZERODUR® GLASS CERAMIC HAS BEEN OFFERING THE HIGHEST POSSIBLE PRECISION, AND THE SUCCESS STORY CONTINUES.

**F**orty years ago, a new material was born: a glass ceramic with the brand name **Zerodur®**. The name says it all: through clever process technology, a SCHOTT development team headed by the materials specialist and physicist Dr. Jürgen Petzoldt succeeded in manufacturing a material with an expansion coefficient of virtually zero. In so doing, the experts who work for the company in Mainz outsmarted mother nature in a way, because all materials usually expand with rises in temperature and contract when temperatures decline. This does not apply to **Zerodur®** glass ceramic: fluctuations in temperature hardly affect it, making it inherently stable.

The secret lies in a balanced mixture of 30 to 50 nanometer crystals embedded in a glass matrix made of lithium, aluminum and silicon oxides. SCHOTT used this technology long before 'nanotechnology' became fashionable.

Due to its outstanding material properties, this material is in demand for many applications: it is isotropic, homogeneous and also highly polishable. Its particular strength lies in applications that require the highest level of precision: for example, optical applications in which light and shade are only one wavelength apart. Such applications require fractions of thousandths of millimeters in precision.

Eyes of the world  
40 years of Zerodur®  
Interview

Who should be surprised that the impulse for developing this unique material came from science, or more precisely, astronomy? In the 1960s, Germany was on the verge of losing touch with the international community. The University of Heidelberg Observatory therefore approached SCHOTT and asked the company to develop a mirror substrate for a large telescope. Following extensive tests, Petzoldt's work group gave the green light and SCHOTT was awarded the contract by the Heidelberg Max Planck Institute for Astronomy – which was founded as a result of these discussions – in November 1968.

SCHOTT had a long way to go before completing the instrument. Almost 150 qualified experts worked for a good nine years until the center piece of the first large German telescope was completed: possibly a record-breaking mirror substrate with a diameter of over 3.6 meters that was nearly 60 centimeters thick. "We were all very proud of our team's achievement, which was absolutely not common back then in the 1960s," emphasizes Petzoldt, who even became a member of the SCHOTT Board of Manage-



After casting, the mold is transported to a cooling oven. During the next step, the glass blank is preprocessed and then ceramicized over the course of several months. Glass turns into glass ceramic.

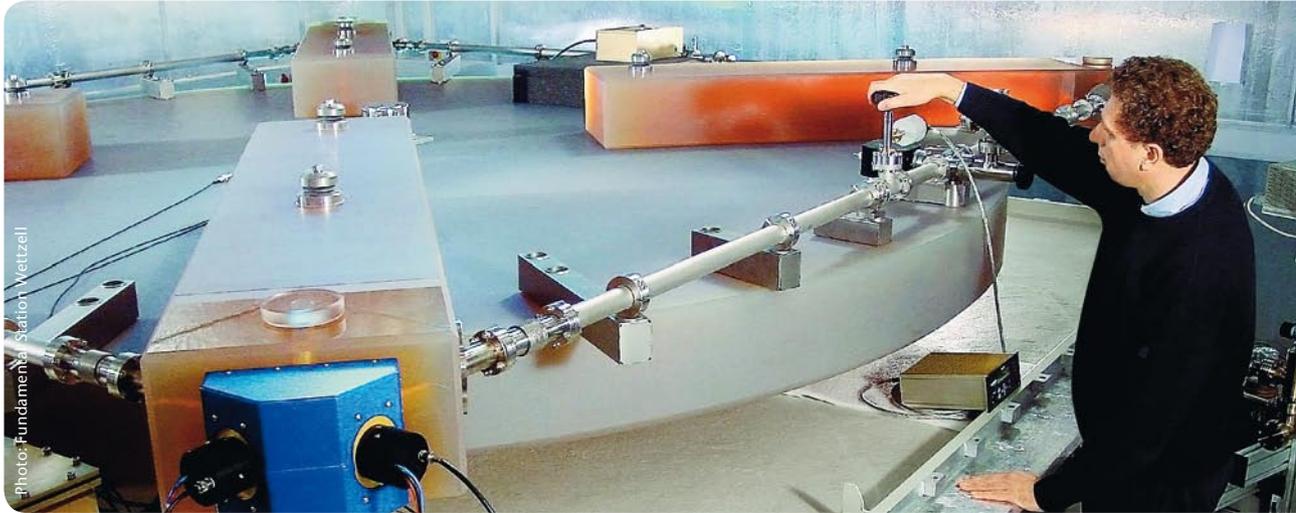
ment later on and was also responsible for research and development.

However, all of the effort has certainly paid off: this instrument has been providing first-class services to this very day. For example, it was used by Max Planck Society astronomers to detect the largest black hole ever discovered to date. This devouring galactic monster from which not even light can escape is 3.5 billion light years away from earth in the constellation of Cancer and, based on astronomical calculations, around 18 billion times heavier than our sun.



Placing the glass blank on quartz sand before ceramicization.

The center piece of the most precise ring laser gyroscope in the world at the Wettzell Fundamental Station in Germany is a 4.25 meter diameter glass ceramic disk. Four additional **Zerodur®** bars extend the surface that is closed in by two oppositely propagating laser beams to 4 x 4 square meters.



It is therefore not surprising that many observatories knocked on the door at SCHOTT following this success. Nowadays, the main components of almost all major reflecting telescopes are made of **Zerodur®** glass ceramic, and thus also the center piece of the largest reflecting telescope in the world, the Gran Telescopio Canarias on the Canary Island of La Palma, and those of the two 10 meter Keck telescopes in Hawaii. The telescope at the Big Bear Solar Observatory in California, as well as the flying observatory SOFIA, which is actually on board an airliner jointly operated by the German Aerospace Center and NASA, are both also made of this material.

The fact that this material can be polished rather easily really pays off in aerospace applications. SCHOTT engineers have succeeded in removing material from the back of mirror substrates and, thus, manufacturing superlight mirror substrates that are nevertheless extremely resilient. If necessary, it is even possible to cauterize **Zerodur®**

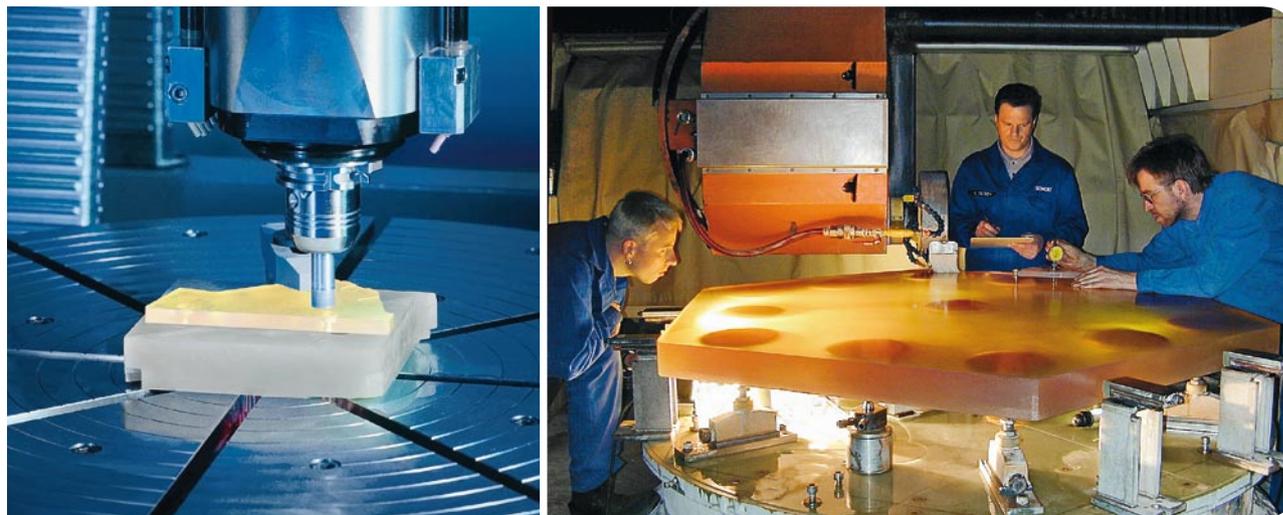
into millimeter-thin structures for the production of delicate satellite optics.

#### FIT FOR A WIDE RANGE OF APPLICATIONS

Even for large telescopes built in the future, there will hardly be any alternatives. For example, the United States is planning to build a 30 meter diameter telescope together with Canada, and the European Southern Observatory one that is even 42 meters in diameter. A few hundred reflector segments are required for each of these telescopes, which SCHOTT could mass produce.



Eyes of the world  
40 years of Zerodur®  
Interview



Zerodur® glass ceramic can be used in high-precision manufacturing (left). SCHOTT provided 36 segments made from Zerodur® glass ceramic for the primary mirror of the world's largest telescope, Grantecan.

However, Zerodur® cannot only be used to obtain a clear view of the universe. There are also highly terrestrial areas of application. However, there is always an optical connection. For example, the German Federal Agency for Cartography and Geodesy and the Satellite Geodesy Research Institution use a ring laser resting on a massive glass ceramic substrate structure to obtain high-precision measurements of the earth's rotation. This is of great importance for the navigation of ships, airplanes, cars and satellites.

Precision is also of utmost importance in manufacturing semiconductor chips. On silicon wafers, feature size has shrunk to only a few nanometers – i.e. a few millionths of millimeters. Very short wavelengths are required for the exposure of such wafers. Transmitting materials no longer exist, thus excluding lenses for this purpose. Therefore, the semiconductor industry increasingly employs reflector systems – in the same way as astronomers have done for years. The SCHOTT material is a material of choice for such applications, as well, due to its

stability of shape, because even the tiniest flaw on the template is multiplied millionfold during mass production of computer components.

Nowadays, flat LCD (liquid crystal display) screens for TVs, laptops or cell phones are manufactured in a way comparable to computer chips, as they are made up of thousands or even millions of circuits to produce color. Many leading manufacturers are therefore now using mirror optics made from Zerodur® to produce their liquid crystal display screens.

There is no limit to our imagination. SCHOTT project manager Dr. Thorsten Döhring already has his eye on other industries: "Increasing pressure to manufacture with ever greater precision has increased the demand for Zerodur® components in precision engineering and measurement engineering," says Döhring with conviction. The next chapters in the glass ceramic success story seem to be preprogrammed already.

Gerhard Samulat | freelance journalist for science and technology

# “ASTRONOMY ENRICHES OUR EVERYDAY LIFE”

PROFESSOR TIM DE ZEEUW, GENERAL DIRECTOR OF THE EUROPEAN SOUTHERN OBSERVATORY, ON THE UNIVERSE AND WHAT WE CAN LEARN FROM IT.

**SCHOTT:** How far into the universe can we look today?

**de Zeeuw:** Due to the fact that it takes a very long time for the light from the stars and galaxies to reach earth, it really isn't a matter of a physical distance, but rather a view into the past of our universe. With telescopes, like the Very Large Telescope (VLT), we are able to look back around 13 billion years, into a period some 700 million years before the Big Bang that created the universe.

**SCHOTT:** What has been ESO's most remarkable discovery most recently?

**de Zeeuw:** I would say the planets that circle around foreign suns. We suspect that nearly every third sun-like star has at least one planet that is similar to earth. Only recently, we discovered three celestial bodies all at once circulating around the star HD 40307.

The black hole located at the center of our galaxy that is capable of swallowing everything is yet another important discovery. The VLT has allowed us to prove that it is approximately three million times heavier than our sun.

**SCHOTT:** What do we learn from looking into the universe?

**de Zeeuw:** We learn something about our place in the universe, that we were formed by the Big Bang around 13.7 billion years ago and basically come from the dust from previous stars. Or how long our sun will still be able to provide us with light. Astronomy allows us to learn more about the physical laws of the universe and their importance to us here on earth. For instance, whether there are more than the three dimensions known to us? Or if there is something like a “dark energy” that presses space apart? Or “dark matter” that fills up the galaxies? Here, at least our observations sug-



Eyes of the world  
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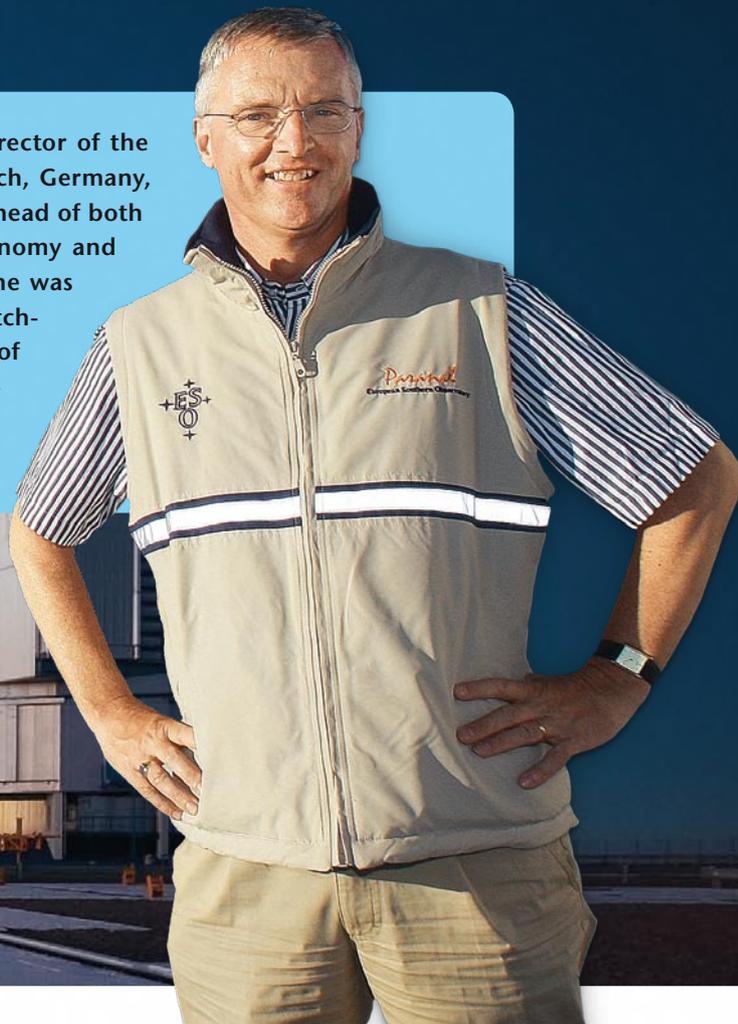
gest that this is the case. However, astronomy also brings a number of achievements that enrich our daily lives. Scratch-resistant coating of plastic glasses was originally developed for the visors of space suits. The clinical thermometer for measuring temperatures in the ear also comes from aviation. The intelligent Mars rover is nearly independent and capable of making many decisions on its own. This holds immense potential for industry.

**SCHOTT:** Why have telescopes become larger and larger?

**de Zeeuw:** The most important function of a telescope is to capture as much light as possible. After all, the further away objects are from us, the darker they appear. In other words, we can only locate them with a lot of light. This prin-

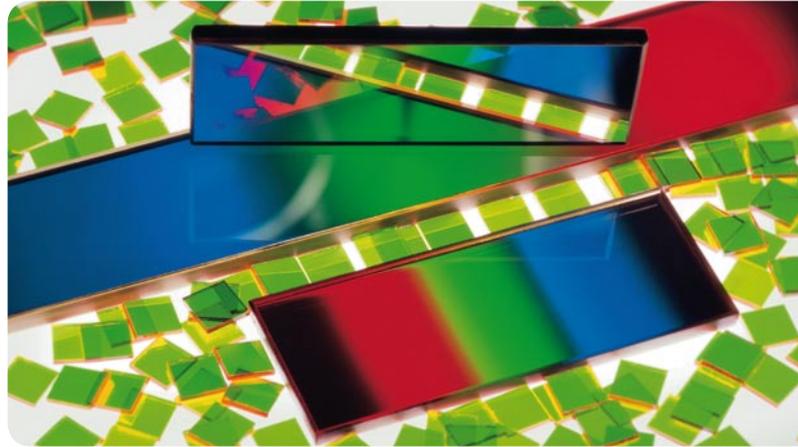
ciple is similar to that of our pupils. They too widen at night to collect more light, so we can see much better. Nevertheless, there are, of course, limitations. Many of these are related to the design of the telescope or the size of the mirrors. Here, SCHOTT achieved a milestone in 1986 by using the glass ceramic Zerodur® in the New Technology Telescope (NTT). This highly temperature resistant material enabled us to produce active lenses from what are now thin and relatively light mirror substrates. This allows for even the slightest unevenness in the reflector to be compensated for and increases the quality of the images. Thanks to this technology, the NTT and the VLT have revolutionized modern astronomy.

**Prof. Tim de Zeeuw** has been General Director of the ESO headquartered in Garching near Munich, Germany, since September 2007. Before that, he was head of both the Netherlands Research School for Astronomy and the Leiden University Observatory, where he was awarded a doctorate in astronomy. The Dutchman has been responsible for a number of projects with leading astronomical institutions. His research focuses on the creation, structure and dynamics of galaxies.



SCHOTT is increasingly relying on LED technology for use in lighting components (left).

Progressive interference filters are manufactured for analytic science, environmental analytics, biotechnology, genetic technology and fluorescence measuring applications.



## GROUP MANAGEMENT REPORT

FOR THE FINANCIAL YEAR FROM OCTOBER 1, 2007, THROUGH SEPTEMBER 30, 2008

### BUSINESS AND GENERAL CONDITIONS

#### SLOWDOWN IN THE GLOBAL ECONOMY

Economic recovery slowed down significantly across the globe in 2008. In addition to rising energy and commodity prices, this slowdown was caused mainly by the ongoing real estate crisis in the U.S. and the resulting global financial crisis. According to the most recent autumn report published by leading German economic institutes, global gross domestic product will only increase by 2.5% in 2008, compared with 3.5% in 2007. Domestic demand weakened also in the United States, despite considerable economic policy impulses. US GDP is projected to grow by 1.6% this year, compared with 2.0% in the previous year. Europe has not been able to escape the effects of the U.S. downturn. A decline in the GDP growth rate from 2.9% to 1.4% year-on-year is expected across the eurozone. In Germany, GDP is expected to rise by between 1.5% and 1.7%. Japan and emerging markets overall have also not been able to escape the downturn. During the 2007/2008 fiscal year, the U.S. dollar continued to depreciate in value against the European central currency. However, as the crisis in the financial markets became more severe in October 2008, corrective measures were taken that resulted in the depreciation of the euro.

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**GROUP STRUCTURE**

The parent company of the SCHOTT Group is SCHOTT AG in Mainz, Germany. The reporting entity includes, in addition to SCHOTT, an additional 15 domestic and 55 foreign companies. The sole shareholder of SCHOTT AG is Carl-Zeiss-Stiftung with registered offices in Heidenheim an der Brenz and Jena, Germany.

Group business operations are carried out in three segments and/or seven businesses. The following description allocates these segments to the corresponding main markets:

<b>Segments and Businesses</b>	<b>Main Markets</b>
<b>Precision Materials</b>	
• Electronic Packaging	• Electronics/Automotive
• Pharmaceutical Systems	• Pharmaceuticals
<b>Optical Industries</b>	
• Advanced Materials	• Optics/Architecture
• Fiber Optics	• Electronics/Automotive
<b>Home Appliances</b>	
• Home Tech	• Household appliance industry
• Flat Glass	• Household appliance industry
• Solar	• Solar energy

**INDUSTRY-SPECIFIC CONDITIONS AND SEGMENT DEVELOPMENT**

In 2007/2008, growth in the global economy has also had a positive influence on the SCHOTT Group. However, persistently high commodity and energy prices, unfavorable currency parities and also the U.S. real estate crisis have hampered business development in many of our markets.

**Precision Materials Segment**

The development in the Electronic Packaging markets was not uniform. These products primarily include glass-to-metal seals for current feedthrough, hermetic encapsulation, and products for the long-term protection of sensitive electronics against environmental influences. We recorded satisfactory demand in medical technology, thermal fuses for electronics and large seals, such as high performance pumps. However, there was a slump in demand in the automotive and cell phone sectors. Accordingly, business development was rather differentiated in the various product groups. However, business development was satisfactory overall in the period under review, largely due to our leading edge innovations and close customer relationships. We are particularly pleased with our significant growth in Asia and Europe.

We recorded sustained growth in Pharmaceutical Tubing and associated Pharmaceutical Packaging. In particular, the trend towards higher-quality products has continued, resulting in stable business development. Great demand for Pharmaceutical Tubing required expansion of manufacturing capacities in Mitterteich and Baroda, India. In September, we opened a new production line for primary pharmaceutical packaging at our site in Suzhou, China. This makes SCHOTT the first multinational manufacturer of high-quality glass packaging for the pharmaceutical industry with domestic production facilities in China. In order to further improve our solid international position, we acquired a 50% stake in Kaisha Manufacturers Private Ltd., the leading Indian manufacturer of quality primary pharmaceutical packaging. We also significantly increased production of syringes at our plant in St. Gallen, Switzerland. The development in Technical Tubing also met expectations. The market for background lighting for TFT-LCDs has stabilized again, following a significant downturn in the previous year. At the same time, we were able to stabilize our position as one of the leading suppliers of UV-blocked backlighting tubes. Our specialized products make it possible to significantly extend the durability of LCD flat screens.

#### **Optical Industries Segment**

The market for semiconductors suffered from sustained weakness. In the Advanced Materials segment, this resulted in a noticeable downturn in order volume for high-performance optical materials for the semiconductor industry, e.g. calcium fluoride crystals and synthetic quartz glass. The market for optical glass for consumer applications, such as digital cameras, camcorders and cell phones, was characterized by persistent price pressures. However, market development was positive for **Zerodur®** glass ceramic components for LCD lithography. Our products fulfill a key function in the manufacturing of LCD displays. We have been commissioned to supply a **Zerodur®** glass ceramic mirror substrate with a diameter of 3.7 meters for the largest Indian telescope ever built. The construction boom in Asia, Eastern Europe, and the countries in the Gulf region ensured a good order situation in these regions, due to accelerated project acquisition.

The market for fiber optic or LED-based lighting and image transmission solutions weakened significantly during the course of the financial year. This was caused by a weakening semiconductor industry and delays in various airplane projects. Thus, the positive trend in Fiber Optics of previous years could not be sustained. One exception was automotive components for daytime running lights and medical technology for diagnostics and sensor technology. The market trend toward Light Emitting Diodes (LEDs) continued and therefore affected our product portfolio. We expanded our manufacturing capacities in Amatlan, Mexico, and Southbridge, Massachusetts, U.S.A. In September 2008, SCHOTT submitted a public tender offer for Moritex Corporation, Tokyo, Japan, which is listed on the Tokyo stock exchange. The company is Japan's leading manufacturer of LED-based and fiber optic lighting systems and optical imaging systems for industrial image processing.

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**Home Appliances Segment**

The global market for home appliances stagnated in the year under review. Especially the difficult situation in the U.S. real estate market hampered development, as both the volume of original kitchen fittings and replacement investments declined further. However, the trend was positive in European and South American countries. Eastern Europe gained in significance as a production site and market. Therefore, SCHOTT succeeded in maintaining its market and technology lead in Europe in the core Home Tech business with the **SCHOTT Ceran®** brand of glass ceramic cooktop panels. We were able to continue the introduction of **Ceran Cleartrans®**, a completely novel metallic effect glass ceramic cooktop panel in Europe. **Ceran Suprema®** from SCHOTT's was exceptionally well received in the home appliances industry. This is the world's first and currently only glass ceramic cooktop panel produced without the heavy metals arsenic and antimony by means of patented melting technology. Discussions on fine dust generated by fireplaces and stoves have resulted in buying restraint in the important German market. This was aggravated by an extensive stock reduction by fireplace and stove manufacturers. We were also unable to counteract this trend with **Robax®** viewing panels for stoves and fireplaces. Sales declined after many years of positive growth. Nonetheless, we were still able to increase market share.

There were first signs of a decline in European demand for refined flat glass for the home appliances industry, e.g. for oven glass panels, glass doors for grills and microwave ovens, or shelves for refrigerators. However, the South American market remained strong, while the frailty of the U.S. market continued, due to the real estate crisis. We were able to maintain our market share in this heterogeneous environment and even gained market share, for example in the United States. We were able to follow the current trend in design by offering a range of glasses with different metal effects and distinguished ourselves even further as a partner of the home appliances industry. In an effort to further improve our competitiveness, we expanded our manufacturing capacities for refined flat glass in Indaiatuba, Brazil, and set up a new production facility at our site in Valasske Mezirici, Czech Republic. High energy prices and environmental aspects have convinced supermarket chains to equip their coolers with transparent doors. Therefore, our Food Display product group has received many orders for such energy-efficient solutions.



**Ceran Suprema®** is the world's first and only glass ceramic cooktop panel produced without the toxic heavy metals arsenic and antimony (left).

The Food Display product group provides energy-efficient solutions for previously open coolers in supermarkets.

The global importance of solar energy as an environmentally friendly form of energy continued to increase over the past year. Numerous incentive schemes – such as an amendment of the German Renewable Energy Sources Act or the extended and significantly improved investment tax credits in the U.S. – have supported the industry on its way to achieving competitiveness.

The photovoltaics industry continues to report high double-digit growth figures – despite limited supplies of ultrapure silicon. The partnership with Wacker Chemie AG, Munich, one of the leading manufacturers of solar silicon, secures our supply and thus provides the right conditions for the ambitious growth targets that SCHOTT Solar has adopted in this business segment. On the sales side, growth is ensured via numerous master agreements with key clients in Europe and the United States. Accordingly, SCHOTT has been expanding its capacities considerably across the entire value chain. New module lines have been established in Valasske Mezirici, Czech Republic, while cell production has been stepped up in Alzenau. In addition, wafer capacities have been expanded by starting up operations in Jena as part of our WACKER SCHOTT Solar GmbH joint venture.

This capacity offensive was rounded off by starting up silicon-based thin-film production in Jena. With its activities, SCHOTT was also able to underscore the importance of the solar growth market for the Group during the period under review. In particular, this was accomplished by concentrating all solar activities at SCHOTT Solar AG and planning to float the company on the stock exchange, which the company did not go through with, due to drastic deterioration of the conditions in the international capital markets at the beginning of October 2008.

The potential for solar thermal parabolic trough power plants is increasingly recognized and utilized in power generation. SCHOTT receivers are a key component of this future-oriented technology. “AndaSol 1” will be the first such commercially operated power plant in Europe, for which SCHOTT will provide receivers. In the year under review, we were able to conclude contracts in all important regions – the U.S., the Middle East and Southern Europe – which has allowed us to significantly improve our order balance. We have stepped up our solar thermal production capacity considerably so that many such power plants can be built as planned in sunbelt regions around the world. Our facility in Aznalc  llar (near Seville, Spain), which only became operational in March 2008, is already being expanded. A new production facility is under construction as planned in Albuquerque, New Mexico, U.S.A. that will produce photovoltaic modules and receivers for solar thermal power plants. Production is scheduled to start in the spring of 2009 at the facility that will cost an estimated EUR 70 million. For SCHOTT, this secures the company’s global technology and market leadership in receivers for solar thermal power plants, which is underscored by its nomination for the German Future Prize.

#### RESEARCH AND DEVELOPMENT PROVIDES GROWTH OPPORTUNITIES

Our Research and Development work focuses mainly on generating or improving new products, materials and production processes. Innovation is mostly driven by customer needs and technological progress. A number of innovations and technologies with great potential ensure sustainable business success for SCHOTT.

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**First transparent floated glass ceramic meets fire protection and architectural requirements**

Transparent floated glass ceramic – which is extremely strong and resistant to thermal shock, as smooth as glass and transparent, environmentally friendly in its production and easily processable – has many superior features that allow it to be used as fire resistant glass and architectural glass in the most demanding markets.

First-time production of this product has put us in an outstanding technological position for manufacturing floated glass and for subsequent thermal transformation processes. This process leads to unique surface quality, making any subsequent polishing processes redundant.

**“SCHOTT TopLyo” vials for the protection of lyophilized biotech pharmaceuticals**

SCHOTT forma vitrum AG presented SCHOTT TopLyo as an advanced pharmaceutical packaging material for an important growth field area at the Düsseldorf Interpack 2008 fair. These vials have a hydrophobic coating on the inside surface and an improved geometric design. This offers advantages and solves problems when used for lyophilized (freeze-dried) biotech medications. Lyophilization is used to extend the shelf life of highly sensitive biomolecules.

**Light management increases the efficiency of solar modules**

We also use our research expertise in optical technologies and coatings to improve the efficiency of solar modules by means of intelligent light management. The aim is to maximize the amount of sunlight entering a solar cell, retain it and use it as electricity. For this purpose, we make the front glasses of photovoltaic modules as transparent as possible, on the one hand, and work on solutions to disperse light in the cell so that efficiency is maximized, on the other.

**Ceran Hightrans® eco without heavy metals and with a blue display panel**

**Ceran Hightrans® eco** completes our family of environmentally friendly cooktop panels and replaced its predecessor **Ceran Hightrans®** in the fall of 2008. This black glass ceramic is produced using environmentally compatible chemical purification substances that contain no heavy metals and already complies with anticipated future eco standards. Moreover, it is the only cooktop of its kind that allows for the integration of a blue residual heat indicator or touch electronics and is, therefore, in line with the dominant market trend.

**Sol Gel coatings add color to Ceran Cleartrans®**

Induction cooking is literally becoming even more colorful with the development of decorative layers for the undersides of transparent **Ceran Cleartrans®** glass ceramic cooktops. By using screen printing techniques, layers can be applied in a new range of colors and designs that are chemically extremely resistant and far more temperature resistant than comparable products on the market. SCHOTT plans to expand its patent portfolio significantly with its existing patent applications pertaining to Sol Gel underside coatings, and thus protect the uniqueness of this product internationally.

### Protective glazing: not only for special purpose vehicles

There is increasing demand for protective glazing. Therefore, SCHOTT has entered into extensive technological cooperation with a maximum protection laminated glass specialist. SCHOTT contributes its expertise in materials development, trial melts and shaping, while the partner lends its leading expertise in laminated glass and synthetics. Their joint focus is to develop new protective glass systems, primarily for special purpose vehicles, but also for ships, airplanes and buildings.

## RESULTS OF OPERATION

### GROUP SALES RISE BY 4%

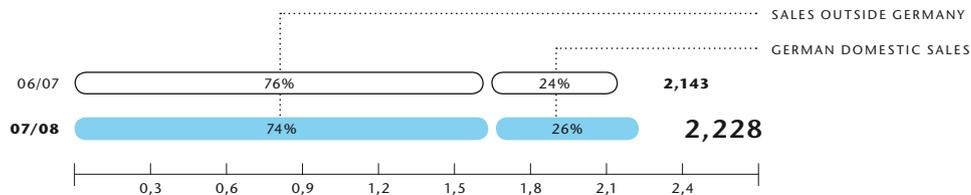
During the 2007/2008 fiscal year, Group sales increased by 4% from EUR 2.143 billion to EUR 2.228 billion. This increase is mainly the result of the dynamic development in the Solar business segment. In this segment, sales increased by EUR 195 million in comparison to the previous year. This compensated for opposing trends, particularly in the Optical Industries segment resulting from the sale of the Lighting Components business segment (EUR –46 million).

As in the previous year, exchange rate movements in the euro, especially against the U.S. dollar, had a negative effect on Group sales. In total, such currency effects reduced sales by EUR 50 million (previous year: EUR 54 million), of which EUR 41 million (prior year: EUR 28 million) can be attributed to the weakness of the U.S. dollar against the euro. The negative impact of fluctuations in the Japanese yen against the euro totaled EUR 4 million (previous year: EUR 16 million).

The proportion of Group sales generated in Europe rose from 54% to 59%. The North American share in Group sales decreased from 23% to 18%. As in the previous year, approximately 18% of sales were generated in Asia. During the 2007/2008 fiscal year, the South and Central American contribution remained stable at 4%.

## SALES

in EUR million



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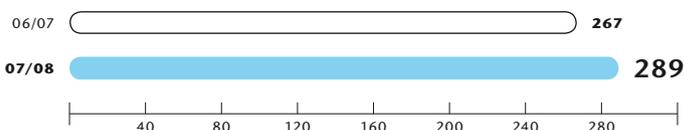
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**EBIT**

in EUR million

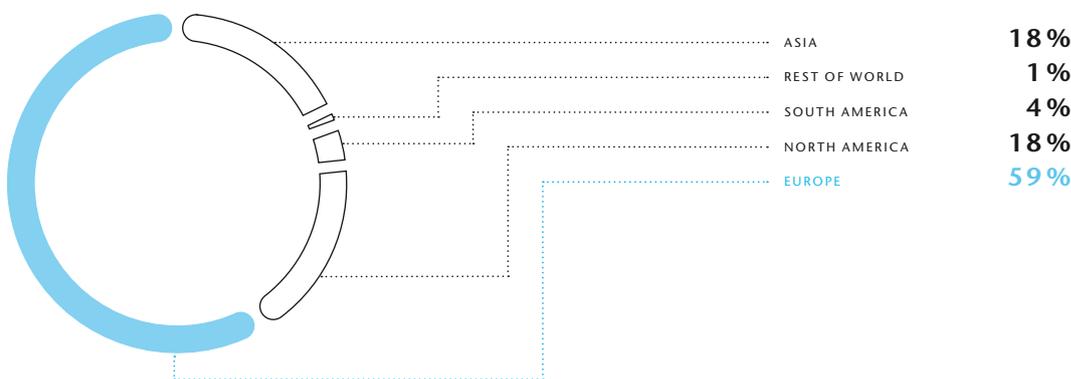


Sales improved slightly in the **Precision Materials segment**. As a result of stable demand for Pharmaceutical Packaging, the production of glass and plastic syringes was expanded at SCHOTT forma vitrum AG, St. Gallen, Switzerland. Production was also stepped up at the Indian facility by acquiring a new melting tank in August 2008. In addition, the Pharmaceutical Packaging facility in Suzhou, China, received a license to produce Pharmaceutical Packaging for the local Chinese market in April 2008, making it possible to extend production. While demand for Pharmaceutical Tubing was also good, it was affected negatively by unfavorable currency translation ratios compared to the previous year, in particular the devaluation of the U.S. dollar against the euro during the year. The Electronic Packaging business segment achieved nearly the same level of sales as the previous year.

Overall, the **Optical Industries segment** recorded a decline in sales. While sales largely remained unchanged in the Fiber Optics segment year-on-year, sales declined further in optical glass for special applications. This was caused by the sale of the Lighting Components business segment, but also persistent price pressures, mainly in the area of optical glass for consumer applications in Asia. Only the Advanced Optics Materials & Components segment recovered substantially, compared to the previous year, due to the positive trend in consumer markets and major sales channels.

**SALES BY REGION**

IN % OF SALES: EUR 2,228 million



SCHOTT supplied many thousands of receivers for the solar thermal parabolic trough power plant Andasol 1 in Spain (left).

The many different versions of Robax® open up a wide range of possibilities for individual fireplace designs.



It was possible to significantly improve sales in the **Home Appliances segment** year-on-year as a result of the positive trend in the Solar business segment. The disproportionate rise in sales compared to other business segments was caused mainly by demand for receivers for solar thermal power plants that use parabolic trough technology and the end of the production line start-up phase in Aznalc6llar, Spain. In addition, there was strong demand for photovoltaic products, which resulted in increased utilization of SCHOTT Solar production facilities, due to an increase in production capacities and improved conditions for procuring solar silicon.

Home appliance sales showed the opposite trend. Here, increasing price pressures and the difficult situation in the U.S. real estate market resulted in sluggish sales and even a decline in sales for some product lines. In the area of flat glass for home appliances, industrial and commercial cooling, increased sales at the new Russian plant and high demand in Eastern Europe and South America largely compensated for a decline in sales in other local markets, in particular the U.S. With the exception of special float glass applications, the trend in other segments was rather disappointing, especially in transparent glass ceramic for stoves and fireplaces. The product segment glass panels for stoves and fireplaces was influenced negatively by relatively mild weather and also public discussions on particulate matter and CO<sub>2</sub> emissions from fireplaces and stoves.

#### EBIT INCREASED BY 8%

During the 2007/2008 fiscal year, earnings before interest and taxes (EBIT) increased by EUR 22 million to EUR 289 million (previous year: EUR 267 million). This corresponds to an EBIT margin (EBIT to sales ratio) of 13% compared to 12% in the previous year.

In contrast to Group development as a whole, EBIT declined in the **Precision Materials segment**. This decline was mainly caused by a rise in commodity and energy costs and also additional expenses incurred by an increase in remelting, due to glass type changes.

Developments were inconsistent in the **Optical Industries segment**: although EBIT improved as a result of the economic recovery in the Advanced Optics segment, this improvement did not completely compensate for the EBIT decline in the area of fiber optics. Here, increased administrative costs, such as higher IT and personnel expenses, had a negative effect. In addition, there were one-off expenditures for moving the Auburn, New York, production facility to Mexico.

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EBIT rose disproportionately compared to sales revenue in the Solar division of the **Home Appliances segment**. This was caused primarily by the end of the start-up phase for the receiver production line in Aznalcóllar, Spain, the establishment and expansion of cell and module production lines, as well as a reduction in start-up costs. However, this did not completely compensate for the EBIT decline in the home appliance industry. Apart from a decline in sales, EBIT was particularly impacted by a rise in energy costs.

Gross profit on sales increased from EUR 708 million in the previous year to EUR 719 million in the 2007/2008 fiscal year. The gross margin (ratio between gross profit on sales and sales revenue) stood at 32% (previous year: 33%).

At EUR 201 million, the costs of sales changed only slightly year-on-year (previous year: EUR 198 million).

The decline in Research and Development expenses from EUR 74 million in the previous year to EUR 71 million this year results from the sale of the Lighting Components production line and the associated Research and Development costs. Other factors were a decrease in expenses in the Advanced Materials segment caused by a weakening semiconductor industry.

General administrative expenses remained unchanged at 11% of sales revenue.

Other operating income increased by EUR 50 million to EUR 246 million when adjusted for special income of EUR 32 million from the sale of a U.S. company in the previous year. EUR 21 million of this increase is the result of foreign currency and price gains, which were matched by equivalent currency and price losses under other operating expenses. For the first time, other operating income includes EUR 23 million in royalties resulting from an agreement for the use of SCHOTT Group patents and know-how concluded in 2008.

Other operating expenses increased by EUR 4 million to EUR 159 million, of which EUR 26 million resulted from a rise in currency and price losses. By contrast, expenses arising from additions to accruals decreased by EUR 30 million year-on-year.

During the 2007/2008 fiscal year, restructuring expenses of EUR 10 million were incurred, which will include measures to be implemented in the following year in various domestic and international divisions in response to price competition. Unplanned depreciation on property, plant and equipment of the continued divisions amounted to EUR 5 million (previous year: EUR 8 million), which was reported in full (previous year: EUR 3 million) under other operating expenses.

Other operating expenses also include EUR 4 million in expenses incurred for the intended stock exchange flotation of SCHOTT Solar AG, Mainz, which was abandoned due to the financial crisis.

The increase in interest expenses by EUR 8 million to EUR 58 million was mainly caused by an increase in short-term borrowing requirements during the fiscal year, due to expanded business volume, and increased interest expenses arising from pension commitments.

Interest income increased by EUR 2 million to EUR 13 million year-on-year. As in the previous year, interest income includes income on both interest-bearing securities and interest derivatives.

The remaining financial result decreased by EUR 9 million to EUR 13 million, which included EUR 15 million in gains on the sale of securities in the 2007/2008 fiscal year. In addition, one-time capital gains of EUR 18 million were generated from the disposal of the minority interest in NimbleGen Systems Inc., Madison, Wisconsin.

The tax ratio for the continued divisions decreased from 43% in the prior year to 30% in the year under review. High tax expenses in the previous year were incurred mainly by impairment allowances of EUR 24 million on deferred taxes on the assets side in 2007, which became necessary due to the tax rate reduction that came into effect in Germany in 2008. This tax rate reduction also reduced current taxes in 2008. The Board points out that – once adjusted for this effect – the tax ratio has remained virtually unchanged.

The main cause for the EUR 233 million improvement in the Group result to EUR 182 million is EUR 2 million in income generated by discontinuation of the Display Glass division (previous year: EUR –193 million). The Group result also includes a EUR –1 million balance arising from the disposal of shares in SCHOTT Korea Processing Ltd., Ochang, South Korea, and expenses relating to losses on exchange and reclassified operating losses. These operating losses also relate to adjustments of the fair value of technical equipment and machinery, which could not be resold as of balance sheet date. The Group result also takes account of EUR 3 million in tax relief on the capitalization of deferred taxes.

## FINANCIAL POSITION AND NET ASSETS

In the year under review, cash flows from operating activities amounted to EUR 254 million (previous year: EUR 226 million). This increase was caused by negative cash flows (EUR –93 million) of the discontinued Display Glass division that had been reported in the previous year. Once adjusted for this effect, cash flows from operating activities decreased by EUR 65 million, primarily due to an increase in inventories and trade receivables.

In the year under review, cash flows from investing activities amounted to EUR 223 million (previous year: EUR 146 million). Cash outflows for investments in property, plant and equipment and intangible assets decreased by EUR 23 million to EUR 297 million (previous year: EUR 320 million), while cash inflows decreased by EUR 122 million overall, due to lower inflows from the disposal of financial assets (EUR 38 million; prior year: EUR 116 million) and consolidated Group companies (EUR 9 million; prior year: EUR 53 million).

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In the 2007/2008 fiscal year, cash flows from financing activities totaled EUR 1 million, which includes an increase of EUR 78 million year-on-year. Contrary to the previous year, EUR 15 million in cash and cash equivalents was used to repay financial liabilities. In the previous year, cash outflows for the repayment of financial liabilities amounted to EUR 92 million.

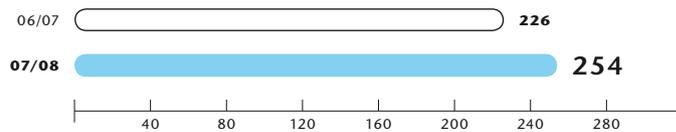
In the year under review, cash and cash equivalents increased by EUR 32 million compared with EUR 3 million in the preceding year.

Taking into account changes due to exchange rates, cash and cash equivalents rose by EUR 29 million from EUR 74 million in the previous year to EUR 103 million in the year under review.

As of reporting date, undrawn credit lines amounted to EUR 380 million. Outstanding orders for investments in property, plant and equipment totaled EUR 37 million (prior year: EUR 64 million).

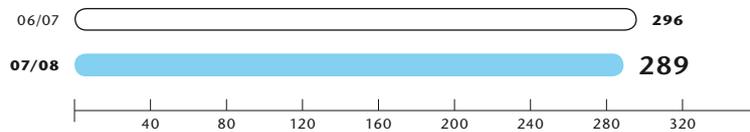
**CASH FLOWS FROM OPERATING ACTIVITIES**

in EUR million



**INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT**

in Mio. Euro



**10% INCREASE IN TOTAL ASSETS DUE TO EXPANSION IN BUSINESS VOLUME**

Working capital, which equals trade receivables plus inventories less payables, increased from EUR 491 million to EUR 559 million in the past financial year. This increase was caused mainly by significantly increased trade receivables and inventories in the Solar division compared to the previous year. The increase in receivables resulted from the increase in sales volume. SCHOTT Solar reported an increase in unfinished products and services under inventories, mainly due to an increase in output resulting from a boost in in-house production of solar modules, once external procurement had been abandoned.

As of September 30, 2008, EUR 60 million in trade receivables due to domestic SCHOTT companies were sold and eliminated from the balance sheet, as the SCHOTT Group no longer covers the relevant credit risks. This resulted in liquidity inflows of EUR 55 million for the Group.

Property, plant and equipment increased by EUR 137 million to EUR 1,135 million with an investment volume well above the rate of depreciation. In the past accounting year, SCHOTT invested a total of EUR 289 million in property, plant and equipment alone (previous year: EUR 296 million). The investment activities of the Solar division focused on establishing and expanding production sites in Germany, the Czech Republic and Spain. Depreciation on fixed assets totaled EUR 152 million, of which EUR 5 million was attributable to special write-downs.

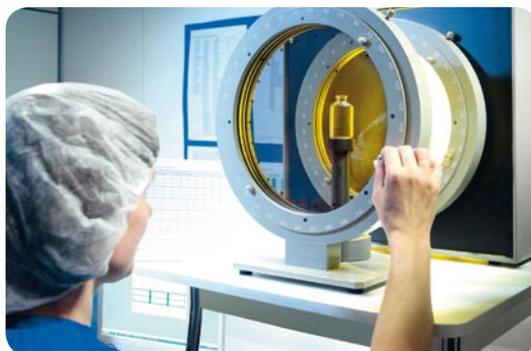
The EUR 47 million increase to EUR 67 million in investments measured at equity is mainly attributable to the initial recognition of the joint ventures WACKER SCHOTT Solar GmbH (EUR 32 million) and WACKER SCHOTT Solar Vertriebs GmbH (EUR 3 million), and also to the 50% investment in Kaisha Manufacturers Private Ltd., Mumbai, India (EUR 11 million).

With effect from October 1, 2007, SCHOTT Solar AG, Mainz, entered into a joint venture with Wacker Chemie AG, Munich, for the development, production and marketing of multi-crystalline solar wafers. With this joint venture SCHOTT Solar AG largely secures the supply of solar wafers at a fixed price over the coming years, while WACKER SCHOTT Solar GmbH has ensured almost its entire supply of solar silicon via long-term supply contracts. SCHOTT Solar AG has a 50% equity share in the manufacturing company of WACKER SCHOTT Solar GmbH and a 49% share in its sales company. As of September 30, 2008, the carrying amounts of the two joint ventures recognized in accordance with equity accounting totaled EUR 35 million. Equity contributions and contributions in kind of EUR 37 million were impaired by the contribution of EUR 2 million in start-up losses.

By purchase agreement dated March 18, 2008, SCHOTT acquired 50% of Kaisha Manufacturers Private Ltd., the Indian market leader in pharmaceutical packaging. As of the reporting date, the investment carrying amount, consisting mainly of acquisition costs, totaled EUR 11 million.

Ultra-thin and highly effective barrier layers on the inside of pharmaceutical containers protect sensitive pharmaceuticals (left).

The WACKER SCHOTT Solar joint venture ensures the supply of wafers, the pre-product for shimmering blue solar cells.



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Compared to the previous year, cash and cash equivalents increased by EUR 29 million to EUR 103 million, of which EUR 28 million was a cash contribution by Deutsche Bank AG, Frankfurt am Main, to increase SCHOTT Solar AG's capital stock for the planned IPO of the solar business.

As of the balance sheet date, the SCHOTT Group reported equity of EUR 929 million compared to EUR 724 million in the previous year. The EUR 205 million increase is mainly attributable to Group profit of EUR 182 million. The adjustment of pension provisions due to a rise in the annual interest rate from 5.2% to 6.0% also impacted equity, as actuarial gains are recognized directly in equity taking deferred taxes into account, in accordance with the provisions under IAS 19, section 93 A–D. The increase in equity also improved the equity ratio from 31% to 36%. Total assets increased by EUR 236 million year-on-year.

Compared to the previous year, pension provisions decreased by EUR 55 million to EUR 551 million as of balance sheet date, due to the rise in interest stated above.

Long-term funds for financing purposes (equity, long-term provisions and long-term financial liabilities) amounted to EUR 1,825 million, or 72% of total assets, as of balance sheet date. The EUR 181 million increase compared to the previous year (EUR 1,644 million) result from the increase in equity.

Overall, financial liabilities increased from EUR 332 million in the previous year to EUR 341 million, due to a rise in other financial liabilities, of which EUR 28 million was a cash contribution by Deutsche Bank AG, Frankfurt am Main, to increase SCHOTT Solar AG's capital stock for the initially planned IPO of the solar business.

#### VALUE-ORIENTED COMPANY MANAGEMENT

The SCHOTT Group pursues a strategy of increasing the company's value over the long term. Here, the 'SCHOTT Value Added' key performance indicator represents an essential management instrument; it is derived from the difference between earnings before interest and taxes (EBIT) and costs of capital. The costs of capital are calculated as the weighted average of equity and borrowing costs. It is the aim of all entities in the SCHOTT Group to make a positive value contribution.

#### GOOD ORDER SITUATION

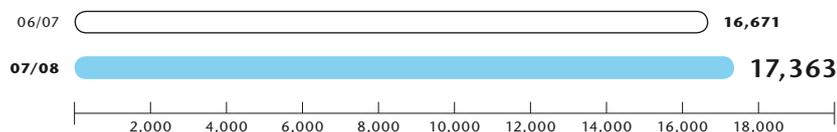
The order backlog as of balance sheet date ensures capacity utilization of our production facilities for an average of approximately five months. As a rule, our customers' orders are placed short-term, due to our reasonably short delivery periods. In some sectors, annual blanket agreements are made with customers.

## EMPLOYEES

### RISE DUE TO GROWTH IN SALES

As of balance sheet date, the number of employees had increased by 692 year-on-year. As of September 30, 2008, SCHOTT employed 17,363 people on a global basis (previous year: 16,671). This increase is mainly due to the recruitment of new employees in the Solar and Pharmaceutical Systems business segments.

### EMPLOYEES AS OF BALANCE SHEET DATE



## SUPPLEMENTARY REPORT

### SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

The following significant events occurred between the balance sheet date (September 30, 2008) and the date of preparation of the financial statements (November 25, 2008).

- Initial public offering of Solar**  
 On October 8, 2008, SCHOTT Solar AG together with SCHOTT AG decided to inform the joint coordinators and joint bookrunners Commerzbank, Deutsche Bank and JP Morgan that the planned IPO was being cancelled. The flotation of stocks had been suspended for an indefinite period, due to the downturn in international capital markets. Further action will be considered once capital market conditions have stabilized sufficiently. This decision does not affect the business operations of SCHOTT Solar AG. Further expansion plans will be financed through SCHOTT AG and its own credit lines.
- Majority interest in the listed Moritex Corporation**  
 SCHOTT acquired a 70.8% majority interest in Moritex Corporation, Tokyo, Japan, by way of a bid for tender published on September 25, 2008, at a purchase price of EUR 57 million. Moritex is listed on the Tokyo Stock Exchange. With some 450 employees and sales income of approximately EUR 100 million for its 2007/2008 fiscal year, the company is the market leader in Japan for LED-based and fiber optic lighting systems, as well as optical imaging systems for industrial image

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CIOE in Shenzhen/China: SCHOTT presented the latest developments in optoelectronics (left).

The ceiling illuminated with Opalika® white flashed opal glass provides uniform lighting of the exhibits at Liebieghaus, Frankfurt am Main, Germany.

processing. As early as June 2007, SCHOTT and Moritex signed a declaration of intent for strategic cooperation and have since cooperated successfully in the areas of sales, purchasing and also research and development. The technology platforms of Moritex and SCHOTT complement each other well. Moritex has technological know-how that is of interest to markets targeted by SCHOTT. In addition, Moritex, with its strong presence in Asia, affords SCHOTT better access to the strategically important Asian market. The purchase was financed by utilizing the syndicated credit line.

The Group's economic situation had not changed significantly compared to the balance sheet date by the time the financial statements were prepared.

## RISK REPORT

### GROUP-WIDE RISK MANAGEMENT

The risk management system at SCHOTT consists of the three elements 'centralized and decentralized controlling', 'early warning system' and 'internal monitoring system'. It includes all organizational measures, regulations and processes for the early detection and control of opportunities and risks.

Overall responsibility for the risk management system is carried by the Board of Management. Decentralized controlling is responsible for sector planning, the systematic identification, evaluation and documentation of relevant opportunities and risks and also for the continuous monitoring of results analysis. The Corporate Controlling & Accounting Group division centrally analyzes the opportunities and risks of individual business units and the Group as a whole in close cooperation with operating units during the course of the annual planning process and also continuously in monthly reports. Regular reports to Group Management on the results, coupled with appropriate recommendations for action, ensure value-oriented portfolio management tailored to these opportunities and risks.

In addition to the activities of specialized personnel and committees, the internal monitoring system includes most notably internal auditing. These staff members monitor the function and effectiveness of the systems and processes employed by means of systematic and regular audits.

#### **Risks attributable to technological innovation**

SCHOTT is active in markets characterized by constant technological innovation. Therefore, the Group's sales and earnings depend both on the continuous development of innovative and marketable products and on recognizing and implementing new trends in technology. Recent scientific and research knowledge may result in ever shorter product and development cycles or alternative methods. Moreover, products may even be partially or completely replaced by alternative technologies. SCHOTT counters this risk through continuous investments in Research and Development, as well as market observation and strategic business development.

#### **Financial risks**

SCHOTT, as a Group that operates internationally, is exposed to currency, interest and commodity price risks. The Corporate Treasury group division is responsible for the hedging and financing activities of all SCHOTT Group companies and, as such, is also responsible for the Group's cash management.

We have entered into a binding agreement regarding a syndicated credit line of EUR 400 million with a defined banking syndicate that expires in 2012 to hedge the value-oriented growth strategy of the SCHOTT Group. As of September 30, 2008, EUR 20 million of this credit line had been drawn down. In September 2007, a program for the sale of receivables up to EUR 100 million was set up in order to expand the funding base. We refer to the additional information provided in the notes on our financial position.

Financial Risk Management is responsible for hedging the exposure of operations to short and medium-term risks associated with market fluctuations in exchange rates, interest rates and commodity prices. The type and scope of hedging activities are bindingly regulated Group-wide in a financing guideline issued by the Board of Management. Derivative financial instruments are used exclusively for hedging purposes. Hedging transactions are only concluded with prime-rated business partners within fixed limits. Only marketable instruments with sufficient liquidity are used to minimize credit and counterparty risks.

The purpose of currency management is hedging the exposure of operations to risks (transaction risks) associated with earnings and cash flow fluctuations; transaction risks arise from the exchange of foreign currency cash flows into the relevant local currencies. Both forward exchange transactions and currency options are used as hedging instruments. Transaction risks from financing activities are avoided by financing investments primarily in the relevant local currencies. Any other risks arising from the foreign currency translation of the balance sheet and earnings figures of foreign Group companies (translation risks) are generally not hedged. The majority of our operational transaction and translation risks result from the development in exchange rates between the euro and the U.S. dollar and the euro and the Japanese yen.

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The purpose of interest management is to protect Group earnings against the negative effects of market interest rate fluctuations. Interest risk is managed by using original and derivative financial instruments. This is accomplished by achieving an appropriate ratio of fixed to variable interest rates while considering costs and risks.

The aim of commodity price management is hedging the exposure of business operations to risks associated with price rises. This is also accomplished by using original and derivative financial instruments.

#### **Procurement risks**

The development in energy prices has a major influence on production costs at SCHOTT, due to the large energy requirement of melting operations. For this reason, there is close cooperation between Strategic Procurement and Corporate Treasury with respect to market observation and the development and implementation of their procurement strategy. The relevant processes and responsibilities are also set out in the financing guideline issued by the Board of Management.

The SCHOTT Group continuously monitors procurement markets in an effort to hedge the exposure of production to risks associated with supplier dependencies and price fluctuations. To this end, we have concluded supply contracts for all relevant commodity groups. However, regardless of these contracts, there is a general risk that commodity price rises cannot be billed to our customers and could, therefore, have a negative effect on earnings. Furthermore, supply shortages in the commodities sector can result in lost output in the short term and consequently to a decline in sales.

#### **Market and competitive risks**

As a Group with international operations, SCHOTT is also dependent on economic conditions. Moreover, intense competition in the company's core markets could become even fiercer, due to new suppliers, especially in Asia, or increasing competition for market share. This would either increase price pressures or reduce sales volumes and, thus, negatively affect sales and earnings in the business segments concerned. We are expanding Customer Relationship Management continuously in order to boost our marketing activities and detect market risks early so that they can be minimized. In addition, we have networked our SAP-based customer credit management in major SCHOTT units worldwide, so that our sales staff can access current orders and payments made by our customers at any time.

The markets for solar products are strongly influenced by government aid programs. Changes in these programs can lead to significant fluctuations in demand from end-users. In addition, desired growth in this area is also dependent on future climate policies – especially in Europe and the U.S. We have entered into a joint venture with Wacker Chemie AG in order to secure the necessary supply of silicon.

Another factor that influences the future development of our business is the financing power of customers. Therefore, a shortage of available loans or increase in finance charges for end-users could impact the demand for SCHOTT products negatively.

Success in the home appliances division largely depends on the development of real estate markets in North America. Therefore, the current crisis could impact our future sales and earnings targets. In addition, several of our product lines are subject to demand fluctuations in the electronics and automotive industries or to semiconductor industry cycles, which could impact sales revenues.

The diversification of our product portfolio, our global presence and our strong position in specialized markets allow us to respond quickly to potentially disadvantageous developments.

For some products, the SCHOTT Groups provides guaranties for several years, particularly in the Solar business segment. For this reason, we have set aside risk provisions in the consolidated financial statements, as it cannot be excluded that the Group will be subject to warranty and liability claims in the future.

#### **IT risks**

An internationally active technology Group like SCHOTT is particularly dependent on the continuing availability of its IT equipment. For this reason, we have installed state-of-the art protection systems that are continuously being further developed to ensure IT availability at all times.

#### **Legal and regulatory risks**

As a Group that operates internationally, SCHOTT is exposed to a variety of legal risks. For the most part, these include risks associated with product liability, fair trade and anti-trust laws, industrial property rights, international commercial law, tax law and environmental protection. It is often impossible to predict the outcome of pending or future legal disputes and proceedings with sufficient certainty, so that expenses may be incurred due to court rulings or administrative decisions or the agreement of settlements, which are not, or not fully, covered by provisions and insurance benefits and could therefore affect our business and results.

Several Group companies become parties to various legal and arbitration proceedings during the course of normal business. This also includes proceedings involving suits for damages in high figures. The outcome of legal disputes, in which SCHOTT is involved as a party, cannot be predicted with certainty. However, based on the current state of proceedings, the Group expects that all legal disputes will be resolved without notable negative effects on the Group's financial or earnings position. All necessary precautionary measures for the remaining legal disputes have been taken into consideration in the consolidated financial statements in accordance with IFRS, having assessed the trial risk concerned.

Violations of our industrial property rights (including those pertaining to intellectual property and patents) may jeopardize the technological leadership of the SCHOTT Group and therefore its competitive position. The same applies to trademark infringements with a view to our competitive position, which would also affect our earnings negatively. Internal security rules and an actively pursued industrial property rights strategy has so far served us well in countering such dangers. Furthermore, by regularly monitoring third-party intellectual property rights, we ensure that any conflicts with patents of third parties is avoided. Nonetheless, infringements of third-party intellectual property rights in Germany and internationally cannot be completely ruled out.

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### External risks

SCHOTT is also exposed to external risks, such as natural disasters, fire and accidents. In addition, damage to buildings, production facilities and the warehouses owned by the Group or its suppliers, and to goods in transit, may result in property damage or interruption of business. We meet these challenges in a number of ways. In addition to our extensive insurance coverage, we have implemented emergency plans to minimize potentially negative effects.

### Overall risk situation

Based on the information available to us today, and in view of the measures that have either been undertaken or are planned, we are currently not aware of any discernible risks that could endanger the existence of the SCHOTT Group either individually or in combination, in the foreseeable future.

## FORECAST REPORT

### WORLD ECONOMY SUFFERS MAJOR DOWNTURN

In their expert opinion dated October 14, 2008, the leading German economic institutes give a basic forecast which anticipates a further decline of the global gross domestic product from 2.5% in 2008 to 1.8% in 2009. However, this is based on the assumption that it would be possible to stabilize the global banking sector by the end of 2008 and that, as of midyear 2009, the world economy will slowly start to recover. Should financing costs rise, due to the financial crisis and insecurity of private households, the result would be a recession and a decline in the gross domestic product of the industrial nations.

In its forecast from November 6, 2008, the International Monetary Fund (IMF) still expects a growth rate of 2.2% for the global economy in 2009. This is based on the assumption by the IMF that the economic output of the leading G7 industrial nations will drop by 0.3% in the coming year. On the other hand, the IMF predicts a growth rate of 5% in emerging markets. The German Council of Economic Experts estimates that the German gross domestic product will stagnate in 2009.

At present, the effects of the global financial crisis cannot be reliably assessed. It is therefore impossible to predict with certainty the volatility of currencies, the development of commodity prices and liquidity in the markets. SCHOTT addresses this unusually high unpredictability by implementing relevant measures in controlling, liquidity monitoring and risk management.

Expecting that the financial markets will stabilize in 2009, we assume the following developments in each segment. However, material changes to these assumptions could lead to significant deviations from forecasts.

## DEVELOPMENT OPPORTUNITIES AND RISKS IN THE SEGMENTS

### “Precision Materials” Segment

Even during a global economic downturn, we expect the health sector to remain relatively stable. In particular, there is still potential in the high-quality glass tubing and Pharmaceutical Packaging sectors. Asian, East European and Russian markets will continue to grow in importance. However, we still expect pressure on quantity and pricing in the backlighting tubes sector. The Electronic Packaging sector will remain volatile during the coming months. The automotive industry, in particular, shows signs of declining order volumes. The continued relaxation in the currency sector – euros in relation to U.S. dollars and Japanese yen – should, combined with our high degree of innovation and solid global position in production and sales, lead to an improvement in our competitive position.

### “Optical Industries” Segment

We expect the weak semiconductor market to recover in the second half of 2009, at the earliest. Hence, we assume a very low demand for our advanced optical materials for chip production in the coming months. The classic Optical Glass sector remains under high competitive pressure. We are addressing this issue by implementing measures to increase our productivity and efforts in the area of development. In the LCD Lithography sector, we anticipate a downturn in business for **Zerodur®** glass ceramic, due to the cyclicity of the market. We expect a stable development for astronomy materials. For our fiber optic components, we anticipate a decline in orders from the aviation and automotive industries, our target markets, while we expect a stable development in the laboratory and health sector. The trend towards utilizing LED technology-based lighting system solutions will continue. We have already integrated these solutions into our product portfolio to a large extent. The emerging decline in the construction industry will have negative effects on our expansion plans in the architecture sector.

### “Home Appliances” Segment

The home appliances industry continues to suffer from the crisis in the U.S. real estate market. Business trends in Europe, South America and Asia will depend on how badly the receding global economy will deter consumers from investing in new home appliances. SCHOTT is determined to secure its strong market position with **SCHOTT Ceran®** glass ceramic cooktop panels for ranges and processed flat glass for the home appliance industry. Here, products like **Ceran Hightrans® eco** glass ceramic cooktop panels that contain no heavy metals will provide important impulses. In the spring of 2009, we will be manufacturing the 100 millionth **Ceran®** cooktop panel. After running down the stocks of **SCHOTT Robax®**, we expect our customers to place more orders again. The still young “Protection” business that deals in special safety glass will reach expected growth rates.

Even though the global market for photovoltaic will continue to grow in double figures in the 2008/2009 fiscal year, competition will become more intense and financing large projects will be difficult. Thanks to our focus on distribution, SCHOTT Solar is well prepared and, together with the joint venture WACKER SCHOTT Solar GmbH, covers the whole value chain from wafers to cells to solar modules. Client contracts that were concluded early secure a majority of production in the 2008/2009 fiscal year. Therefore, we will continue to increase capacity at the Jena, Alzenau/Germany and Valasske Mezirici/Czech Republik plants as planned.

Course of business and underlying conditions  
Results of operation  
Financial position and net assets  
Employees/Supplementary report  
Risk report  
**Forecast report**

Apart from photovoltaic, solar thermal parabolic trough power plants also play an important part in supplying energy for the future. Approximately 100 projects located in the earth's sunbelt region are at different stages of planning or completion. The receiver developed by SCHOTT is a key component for this technology and the company has an excellent client base. In the 2008/2009 fiscal year, based on already concluded contracts, we expect a significant rise in sales delivered by production capacities in Germany, Spain and the U.S.A. which are currently being upgraded. All in all, our solar activities will continue to substantially contribute towards the success of the SCHOTT Group in the 2008/2009 fiscal year.

We anticipate – according to current knowledge and assuming that the financial markets will stabilize soon – a slight rise in Group sales and EBIT and also clearly positive annual Group profits for the 2008/2009 fiscal year. For the 2009/2010 fiscal year, we expect a further rise in Group sales, EBIT and annual Group profits in comparison to the 2008/2009 fiscal year. We see growth potential especially for our solar products. Due to positive developments of our earning position and despite the economic downturn, we consider our liquidity to be safe during the forecast period. In the future, SCHOTT will continue to heavily invest and aggressively examine possibilities for acquisitions and cooperative agreements in order to hedge its growth curve.

Mainz, November 25, 2008  
The Board of Management of SCHOTT AG

Prof. Dr.-Ing. Udo Ungeheuer      Dr. rer. nat. Jürgen Dahmer

Dr.-Ing. Hans-Joachim Konz      Klaus Rübenthaler



“KARL STORZ IS ONE OF THE WORLD’S LEADING MANUFACTURERS OF ENDOSCOPES FOR MEDICAL AND TECHNICAL APPLICATIONS. FOR DECADES, HIGH GRADE GLASS AND FIBER OPTIC COMPONENTS FROM SCHOTT HAVE BEEN THE BASIS FOR OUR ENDOSCOPES.”

**Dr. h.c. mult. Sybill Storz**

Managing Partner, KARL STORZ GmbH & Co. KG, Tuttlingen/Germany





Testing a pressurized glass cable feedthrough for liquefied natural gas applications (left).

SCHOTT is the first multinational manufacturer of high quality glass Pharmaceutical Packaging to establish production in China.



## SEGMENT REPORT

### PRECISION MATERIALS

#### **SAFETY ENGINEERING IN DEMAND: SEALS FOR GAS MADE FROM GLASS**

The Electronic Packaging segment develops, produces and distributes materials and components for highly reliable protection of sensitive electronic equipment. We benefit from the trend towards miniaturization in many areas of application. Following several years of steady growth, we were unable to continue this development to the same extent in the 2007/2008 fiscal year. We received significantly fewer incoming orders, due to cutbacks in the inventories of our customers. As suppliers to the automotive industry, we felt the sudden and profound crisis in this sector. This resulted in declining sales of glass-to-metal seals that are used in safety applications, such as airbags, ESP (Electronic Stability Programs) and pressure sensors. We also experienced a decline in the demand for cell phone components, oscillating crystals, for example.

Trade in thermal interruption fuses, on the other hand, remained steady. These reliably protect home appliances, such as hair dryers or toasters, from inflammation. As soon as the ambient temperatures rise unusually, the sensitive fuse material melts upon reaching a defined heat limit and the circuit is interrupted. Our thermal fuses are completely free from heavy metal, a competitive advantage which our customers are starting to appreciate more and more.

Trade in large seals for high performance pumps, used for loading liquid gas onto tankers, has seen a positive development. In order to be shipped, gas is liquefied by cooling it down to minus 165 degrees Celsius and then pumped into the tanks on board the ship. This means that 600 times as much gas can be stored in comparison to ambient temperature. The pumps must be sealed perfectly, especially where the electrical connections from the deck of the ship lead into the pump. The compression glass seal technique used by SCHOTT has definite advantages over other processes that use organic compounds or a ceramic-to-metal bond. Due to the technology of compression

glass-to-metal sealing that SCHOTT has brought to perfection by optimizing material combinations and manufacturing processes for these extreme applications, the company has captured the lead position in this market.

#### **INCREASING CAPACITY IN THE SPECIALIZED GLASS TUBING SECTOR**

SCHOTT is one of the leading manufacturers of tubing glass in the world with over 60 different special glasses and production capacity of more than 110,000 tons per year. Tubes made from special highly-resistant glass are pre-products for pharmaceutical packaging. With **SCHOTT Fiolax®** clear and brown, we offer one of the highest quality specialized glasses for ampoules, vials, cartridges and syringes. We have increased our production capacities in Mitterteich/Germany and Baroda/India, due to continued demand for pharmaceutical tubing. Work on a new melting tank has already started at the plant in Mainz/Germany. This should be ready for use by September 2009 at the latest and produce up to 10,000 tons of **Fiolax®** specialized glass tubing per year. Another tank for specialized glass will also be installed in the future. Specialized glass tubing has important functions in technical applications, for example electronics, automotive or environmental technology. We are satisfied with trade developments in technical tubing during the reporting period, especially now that the market for background lighting for TFT-LCDs has stabilized again.

#### **POSITION OF ASIAN PHARMACEUTICAL PACKAGING SEGMENT STRENGTHENED**

In the 2007/2008 fiscal year, the Pharmaceutical Packaging segment was again geared towards growth. In September 2008, we opened a new production line for primary pharmaceutical packaging at our site in Suzhou/China, after obtaining the official license for the production and sale of ampoules and vials in China from the "State Food and Drug Administration" in the spring. The high quality products manufactured in Suzhou are distributed solely to local pharmaceutical companies. Annual production capacity is 100 million units, but can be increased in line with growing demand. SCHOTT is the first global supplier of primary pharmaceutical packaging made of glass with its own local production line in China. In order to further develop our position in Asia, we also invested in the Indian company Kaisha Manufactures Private Ltd. This new joint venture, SCHOTT KAISHA Private Ltd., in which SCHOTT owns a 50% interest share, manufactures primary pharmaceutical packaging made of glass for the Indian market. We also significantly increased production of syringes at the plant in St. Gallen/Switzerland. At the "Interpack 2008", we introduced our extended range of pharmaceutical vials made of plastic for the first time. In the future, the "SCHOTT TopPac" range will offer six sizes between 2 and 100 ml capacity, strategically expanding our range of plastic articles.

The new exhibition in the Victoria and Albert Museum, London, displays jewelry in intricately rounded display cases made of **Amiran**<sup>®</sup> anti-reflective glass (left).

SCHOTT delivered 37 hexagonal segments made of **Zerodur**<sup>®</sup> glass ceramics for the mirror of LAMOST in China, which is six meters in diameter.



## OPTICAL INDUSTRIES

### OPTICAL SECTOR REMAINS UNDER HIGH COMPETITIVE PRESSURE

Competition for our optical lenses for consumer products, such as digital cameras, camcorders or cell phones, continued to be very high in the 2007/2008 fiscal year. Japanese competitors continued to benefit from the weak position of the yen. In addition, there was continued pricing pressure from competitors in various low-wage countries. We also clearly experienced a downturn for ophthalmic and electronic products, yet demand for radiation shielding glass increased. We agreed on a brand cooperation with Suzhou Synta Optical Technology, the largest Taiwanese manufacturer of telescopes for the amateur astronomy sector with its headquarters in China.

SCHOTT is one of the leading manufacturers of materials and components for present and future lithographic technologies in the semiconductor industry. At the site in Jena/Germany, we have the best-performing manufacturing facility for calcium fluoride crystals in the world. The market for semiconductors started to show signs of economic downturn as early as the beginning of the 2007/2008 fiscal year. This led to a reduction in order volumes for high performance optical materials for use in manufacturing chips.

### 40 YEARS OF ZERODUR<sup>®</sup> GLASS CERAMIC

In the reporting period, **Zerodur**<sup>®</sup> glass ceramic, developed and introduced to the market by SCHOTT 40 years ago, continued to be in high demand as a high performance material for many areas of application. Today, this material sets the standard for manufacturing mirror substrates for telescopes. Advantages are its easy machining properties, especially the extremely low coefficient of expansion. Even high shifts in temperatures have practically no effect on the dimensions of the material. In the reporting period, we produced a 12-ton substrate with a diameter of 3.7 meters for India's largest telescope. In the middle of October 2008, the "Large Sky Area Multi-Object Fiber Spectroscopic Telescope", LAMOST for short, of the Xinglong Observatory in China also became operational. The main mirror with a diameter of six meters contains 37 hexagonal **Zerodur**<sup>®</sup> glass ceramic elements.

We also supply **Zerodur**<sup>®</sup> glass ceramic components for LCD lithography. Our large-size prism components and spherical discs take on key functions in the relevant steppers in manufacturing LCD displays. In the 2007/2008 fiscal year, demand was quite good in this area of application.

#### **ALMOST INFINITE POSSIBILITIES FOR ARCHITECTURE AND DESIGN**

Glass stands for modern architecture all over the world like almost no other material. In combination with new technological solutions, this variable material offers an abundance of possibilities. The SCHOTT product range spans from anti-reflective and decorative glass to fire resistant glazing and lighting with LED technology or fiber optics to thin-film solar modules for integration into buildings. With the bundling of all architectural activities into a single sales platform, we offer our customers attractive and networked one-stop solutions. With this presence, we establish ourselves even more strongly as a contact in the early phase of a project and furthermore are in a position to cultivate regions with increased building activity, such as the Middle East, China, or Russia, even more intensively. Significant projects in the year under review, in which our products were used, include the fitting of the circular trading counters at the Frankfurt Stock Exchange with **Opalika**<sup>®</sup> white flashed opal glass and special display cases of the Victoria and Albert Museum, London, Jewellery Gallery made of **Amiran**<sup>®</sup> anti-reflective glass. To enhance the overall effect, pieces of jewelry are presented in the right light using fiber optic lighting from SCHOTT. We are particularly proud of our involvement in the Museum of Islamic Arts in Doha/Qatar. We supplied **Amiran**<sup>®</sup>, as well as fiber optic lighting for display cases.

#### **SUCCESSFUL ACQUISITION OF A COMPANY IN JAPAN**

In October 2008, SCHOTT made a takeover bid and acquired the majority interest of 70.8% in the Moritex Corporation, a corporation listed on the Tokyo Stock Exchange. The company is the leading manufacturer of LED-based and fiber optic lighting systems, optical imaging systems and industrial image processing in Japan. This acquisition gives us improved access to the strategically important Asian market. The trend towards LED solutions continued in the lighting component sector. One of the important future markets for SCHOTT is the aviation industry, even though there was less demand in the reporting period, due to several aircraft manufacturing projects suffering delays. SCHOTT is a certified direct supplier to the aviation industry. This gave us the chance to use our expertise and ideas in the area of cabin design. We have increased production capacities in the U.S.A. and Mexico in order to be prepared for further growth in the sectors of fiber optic applications and LED technology.

New marketing campaign for Robax® glass ceramic viewing panels (left).

Metallic effects for processed flat glasses set trends.



## HOME APPLIANCES

### CERAN HIGHTRANS® ECO IS OF BENEFIT TO THE ENVIRONMENT

Environmental protection and sustainability are subjects of high importance to the general public and affect more and more areas of our daily lives. SCHOTT sets a milestone for environmental protection – and also for the home appliances industry and kitchen manufacturers – with the **Ceran Suprema®** and **Ceran Hightrans® eco** glass ceramic cooktop panels. The special composition of the base materials, as well as an optimized and patented manufacturing process, makes the further use of the heavy metals arsenic and antimony unnecessary. These toxic substances were necessary for the production process in order to obtain smooth cooktop surfaces. SCHOTT is the first and currently only global manufacturer to offer black glass ceramic cooktop surfaces that do not contain toxic heavy metals. Our customers also expressed a strong interest in our **Ceran Cleartrans®** glass ceramic cooktop panels especially for induction cookers. The cooktop gains a particularly elegant-looking metallic look from the interplay of the coated underside and the decorative upper surface.

These new products are part of an innovation offensive in the Home Tech division to produce the 100 millionth **Ceran®** glass ceramic cooktop panel sometime in 2009. At that point, we also expect the low in the North American real estate market to have passed and that it will again gain its momentum, especially with the help of the economic policy program of the new U.S. government. Particularly in the 2007/2008 fiscal year, we experienced declining sales of kitchen and household appliances in the U.S. market. Brand cooperation with selected strategic customers in Europe, the United States and Asia open up new prospects.

### PROCESSED FLAT GLASS ALLOWS THE KITCHEN TO SHINE

SCHOTT, as one of the world's leading suppliers of processed flat glass for home appliances, offers a wide range of glass panels for ovens, control panels for cookers, glass doors for microwave ovens, and shelves for refrigerators. In the year under review, we focussed especially on the development of new products to offer our customers more individual solutions. This gives them a higher market profile. This is why we constantly continued to develop our flat glass products in order to be able to offer glass with different metal effects or in trendy colors, such as cream or chocolate, to obtain a substantial competitive edge.

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We have increased production capacities at our Brazilian and Czech plants, in order to meet growing demand in South America and Europe. However, sales in the United States again suffered from the weakness in the U.S. home appliance market.

**LEAP IN SALES AND RESULTS FOR SCHOTT SOLAR**

In the 2007/2008 fiscal year, SCHOTT Solar increased its growth momentum for photovoltaic and receivers for solar thermal parabolic trough power plants. Sales rose by approximately 70% to EUR 482 million (past year: EUR 283 million). At the same time, the EBIT increased overproportionally to EUR 52 million (past year: EUR 9 million). We have increased production capacity as planned. We expanded the production capacities for crystalline cell and module production to 185 megawatts and 170 megawatts. We also significantly increased the production capacity for thin-film production to 35 megawatts. Our production capacity for receivers rose by a total of 400 megawatts, as a result of the first production line at the new plant in Aznalcóllar/Spain.

**SCHOTT SOLAR RESEARCHERS NOMINATED FOR THE GERMAN FUTURE AWARD 2008**

SCHOTT has a long-standing successful engagement in the solar energy sector and this was honored by the nominations of Dr. Nikolaus Benz and Dr.-Ing. Thomas Kuckelkorn of SCHOTT Solar for the German Future Award 2008. This most important award for Technology and Innovation is awarded by Germany's Federal President. A new type of receiver was developed under the management of these two researchers that increases the efficiency of solar thermal parabolic trough power plants manifold. SCHOTT has managed to develop the huge technological potential of solar power plants to a large degree. With this new technology, an area of the Sahara, 300 x 300 Kilometers in size and equipped with solar technology, would be sufficient to produce enough energy for the entire planet.



German Future Award ceremony in Berlin, December 3, 2008: Dr. Nikolaus Benz and Dr.-Ing. Thomas Kuckelkorn of SCHOTT Solar, German Federal President, Dr. Horst Köhler, Prof. Dr.-Ing. Udo Ungeheuer, Chairman of the Board of Management of SCHOTT AG (from left to right).

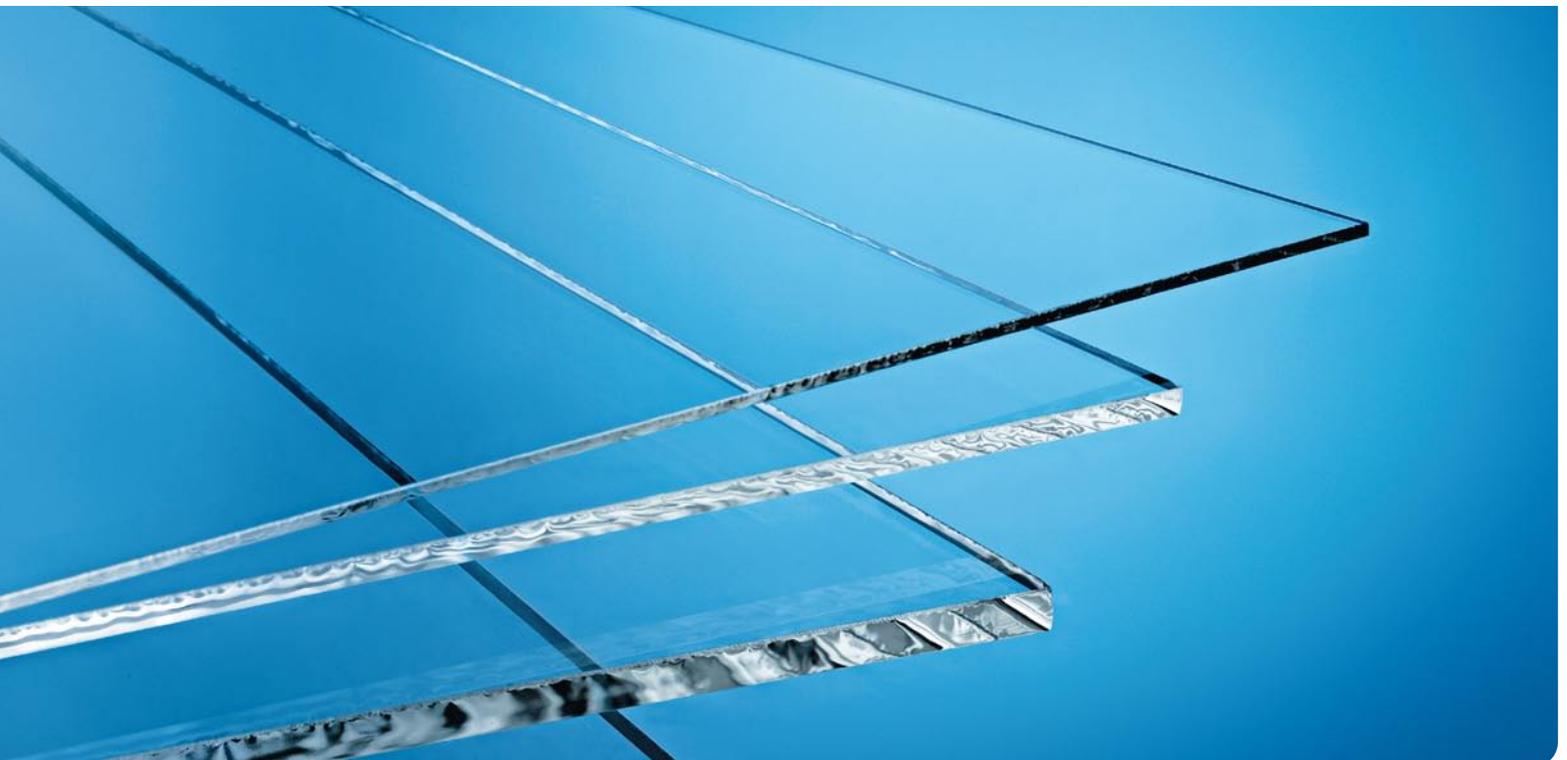




“THE TRANSPARENCY OF GLASS MAKES IT POSSIBLE FOR ME TO DEPICT SEVERAL LEVELS OF THOUGHT AND EXPERIENCES IN ONE PICTURE. I ONLY USE SPECIALIZED B 270™ GLASS FROM SCHOTT AS THE SUBSTRATES, BECAUSE THE COEFFICIENT OF EXPANSION OF THIS FLAT GLASS FITS IN BEST WITH THE COLOR GLASS MASSES THAT ARE ADDED.”

**Nabo Gaß**

Artist and creator of new images from Wiesbaden/Germany



## IDEAS DEFINE PROGRESS

*SCHOTT seeks to play an active role in shaping the future and that is why we continuously invest in promising technological fields. Our global Research and Development is a driving force and paves the way for innovation within the Group – for the success of our customers, to ensure our competitiveness and to improve living and working conditions for people everywhere.*

### HIGHLY INNOVATIVE CAPABILITIES

The SCHOTT Group has the necessary resources to realize further future opportunities through Research and Development activities. We feel that customer needs and technological progress are fields for future innovation. By now, the central Research and Technology Development facility increasingly uses its resources for the development of strategic development areas and preliminary research.

### NUMBER OF PATENTS HAS RISEN TO NEARLY 2,500

After the increase in the 2006/2007 fiscal year, SCHOTT was again able to expand its patent portfolio in this reporting period. The total amount of patents issued globally grew by approximately 9% to nearly 2,500 at present. In comparison with the past year, the number of reported inventions grew even more significantly by 54%. Original applications submitted to the patent office increased slightly to 142. This yet again secures our competitive advantage when implementing R&D findings in products and technology. SCHOTT uses its patents strategically and does not shy away from legal disputes to prevent imitations.

### GLOBAL NETWORKING FOR EFFICIENT RESEARCH

Our research always aims at innovation, application and customer benefit. Approximately 600 employees at the central Research and Technology Development facility and in numerous laboratories in various business units work on this basis. In their roles as global networkers and project managers, they identify and assess new trends and develop ideas and concepts for new products and production processes – especially for our core and future-oriented businesses.

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Preparation of trace analysis of the dissolved raw materials with an atomic emission spectrometer (left).

Experts at the Suzhou/China Application Center offer valuable on-site support with their modern infrastructure and comprehensive know-how.

With the Otto Schott Research Center in Germany, we possess one of the world's leading facilities for glass research with comprehensive customer service for analysis and measurement processes. Yet another base is in Duryea, Pennsylvania/U.S.A.

We always look to take the shortest route to the customer, especially where research meets application. Our technical support centers in North America, Europe and Asia provide technical support on-site to local units, customers and partners and, in doing so, perform many tasks. They carry out development projects, offer solutions for customer demands, scout around for interesting new technologies, help with the recruiting of young researchers in foreign countries, and maintain contact with an ever growing number of colleges, research facilities and development units of other companies.

SCHOTT cooperates globally with more than 150 such research partners. We are keen to expand this network, especially in the Asian growth region. This is why we established another technical support center in Minakuchi/Japan in the 2007/2008 fiscal year and also are expanding the existing facility in Suzhou/China.

#### COMPREHENSIVE EXPERTISE

New production, melting and molding processes are the permanent focus of R&D. More and more often, SCHOTT looks beyond its traditional core competencies of specialized glass and glass ceramic to components and system solutions in order to remain at the pulse of technological progress and market developments.

#### Fast Track to New Materials and Processes

The continuous new and further development of melting and molding processes is essential to manufacturing competitive products. Our pacemaker is the mathematical simulation which makes it possible to recreate and produce stable and environmentally friendly processes in a relatively short time. This enables us to make accurate predictions, do away with unnecessary trials and, thus, save time and money.

Analytics at the nano level: ions are fired at a surface to remove material at the molecular level inside a state-of-the-art mass spectrometer. SCHOTT researchers use this method to detect even the finest contaminations or determine the composition of coatings.



#### **Coating Technology becoming More Important**

The refinement of a wide variety of products and materials with the help of special coating techniques is one of the core competencies of SCHOTT that is gaining in importance. We meet the constantly growing demands for quality in the market with:

- anti-reflective treatments
- scratch protection
- easy-to-clean coatings
- barrier coatings for packaging purposes
- decorative layers

High-performance technologies ensure the lasting durability and adhesiveness of each of these coating applications.

#### **Analysis and Measurement Service also for Customers**

Structural characteristics, defects, chemical composition, optical and mechanical core sizes of glass, ceramic and thin layers – our analysis and measurement specialists also offer their know-how to third-party customers in these fields. SCHOTT provides more than 300 measurement techniques and processes for the identification and scientific processing of the most complex problems. All analytical laboratories in Mainz/Germany are regularly accredited in accordance with DIN EN ISO 17025 regulations.

### **Reliable Materials, Components and Systems**

Components and complex system solutions that combine the advantageous properties of glass and other materials are becoming increasingly important for the success of SCHOTT as a business. This is why we employ more qualified employees and use modern instruments and processes in order to test the reliability and lifespan of materials, components and systems. Analyses and reliability assessments during the early stages of our product development are therefore the norm. Our catalogue of processes includes, for example, experimental test and measurement techniques, fractographies, statistical evaluations and finite element simulations.

### **IMPORTANT RESEARCH AND DEVELOPMENT FINDINGS**

The following examples of development, products and processes illustrate the success of our R&D activities in the 2007/2008 fiscal year:

#### **Transparent Floated Glass Ceramic Produced for the First Time**

In 2007, SCHOTT presented a transparent floated glass ceramic for the first time that has now met with enthusiasm, especially among architects. The glass ceramic manufactured using the float process and subsequent ceramification has a glassy surface with a transparency previously unmatched in commercial glass ceramic and a high resistance to temperature changes. The product is not thermally toughened, easy to process and, at the same time, sets an example for environmental friendliness. Its advantages make this glass ceramic highly usable, as resilient fire resistant glazing for the demanding U.S. architecture market, for example.

#### **Vials with Hydrophobic Coating for Lyophilized Preparations**

Biotech preparations are an important field for the future for the pharmaceutical industry. The highly sensitive proteins found in such complex biotech medication are lyophilized (freeze-dried) in order to improve their storability. The lyophilization process places high demands on pharmaceutical packaging made of glass. As a manufacturer of such primary pharmaceutical packaging, SCHOTT forma vitrum has developed a modern solution with the help of our research sector: vials with a hydrophobic (water-resistant) coating. Coatings applied using the PICVD technology developed by SCHOTT reduce the adhesion of ingredients to the insides of vials, improve their durability and make it possible to extract all of the medication. We presented "SCHOTT TopLyo" vials that feature a hydrophobic coating, as well as an improved geometry, at Interpack 2008 in Düsseldorf/Germany. This combination increases resistance to breakage and brings advantages for the lyophilization process. This has been confirmed by studies of surface properties in cooperation with the University of Munich.

The Otto Schott Research Center in Mainz/Germany, is one of the world's leading glass research facilities.

PICVD technology opens up many possibilities to increase the shelf-life of sensitive biotech medications by coating the inside surfaces of pharmaceutical packaging.



#### Further Development of Micromorphous Technology for Thin-Film Solar Cells

Micromorphous thin-film modules have a double-layer structure consisting of an amorphous and a microcrystalline silicon film, in contrast to the purely amorphous version. The arrangement results in improved exploitation of sunlight, because the two silicon layers convert a greater portion of the light spectrum into power. Experts are confident that this will make it possible to increase efficiency and thus module performance by up to 50% in comparison to amorphous technologies. SCHOTT formed an alliance for joint development with a partner in order to bundle research resources and accelerate progress in the production technologies. Our research sector makes an important contribution to the design and characterization of thin films with its know-how.

#### Intelligent Direction of Light for Efficient Solar Modules

The more sunlight enters a solar cell, is stored and converted to electricity, the more efficient a solar module will be. Our researchers are conducting laboratory experiments to optimize all individual components of photovoltaic modules, in order to achieve highly intelligent direction of light. This is accomplished by using optical glass solutions, but especially prepared layer systems that act as so-called light traps and can be designed and optimized using optical simulations and special software.

#### Environmentally Friendly Ceran Hightrans® eco Glass Ceramic Cooktop Panel

With **Ceran Hightrans® eco**, we succeeded in developing our established product **Ceran Hightrans®** into an environmentally friendly glass ceramic cooktop panel that is manufactured without using toxic heavy metals, such as arsenic or antimony. Until now, these were necessary purification substances for the conventional production process in order to ensure high quality of materials and homogeneity of the cooktops. The new product combines an altered material mix and optimized production process. In addition, **Ceran Hightrans® eco** is the only black glass ceramic cooktop panel that allows for the use of blue light diodes or seven segment displays.

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Promising development projects are carried out for the Japanese electronic and optical industry at the Application Center in Minakuchi/Japan (left).

Test melting, such as here at the U.S. research center in Duryea, helps ensure the best possible composition of raw materials for different customer demands.

#### Patents Protect Colored Sol-Gel Underside Coatings for Ceran Cleartrans®

Special color underside coatings offer new and different design possibilities for the transparent glass ceramic cooktop panel **Ceran Cleartrans®** for industrial cookers. Screen printing techniques are used for the coating and offer a much larger variety of color design possibilities than before. These techniques also meet the highest demands with respect to chemical consistency and are extremely resistant to temperature. Even the high temperatures of high-performance industrial cookers will not damage the coating. SCHOTT has systematically compiled a patent portfolio for this sector in order to ensure that this type of underside coating remains unique.

#### Fiber Optic Lightguides for Global Medical Innovation

For the first time ever, a newly developed spectroscopic measuring device makes it possible to carry out a non-invasive, quantitative measurement of oxygen levels in blood and cell tissue. A lightguide and sensor are applied to the skin and white light is radiated into the cell tissue beneath. Light is reflected back via a second lightguide, dissected into its individual wavelengths and immediately analyzed. This mobile device makes it unnecessary to carry out time-consuming laboratory analyses and offers great advantages for emergency medical and preterm pregnancy care, for example. SCHOTT supported the manufacturer MBR Optical Systems with the speedy development of the fiber optic lightguide and, thus, played an important role in the success of this innovation.

On the occasion of the 10th presentation of the Otto SCHOTT Research Award, an international conference with numerous workshops took place in Mainz (left).

Dr. Akio Ikesue was the winner of the Otto SCHOTT Research Award 2008.



#### OTTO SCHOTT RESEARCH AWARD

##### Award for an Internationally Renowned Glass Scientist

The Otto SCHOTT Research Award 2008 was presented to Dr. Akio Ikesue. He received the award for his pioneering work in the field of optical transparent polycrystalline ceramics. His work has paved the way for research on polycrystalline ceramic lasers. As early as 1995, he was able to produce laser performances similar to those produced by monocrystals by manufacturing these new-style laser materials. His results have already been accredited in the professional world and implemented in many laboratories around the world. Dr. Ikesue is the first Asian project leader chosen by the U.S. government for the development of ceramic materials for the production of megawatt laser outputs. He is the owner of World Lab. Co. Ltd. in Nagoya, "Invited Professor" at the Paris Université Pierre et Marie Curie and Executive Scientist at SCHOTT.

Valued at 25,000 euros, the Otto SCHOTT Research Award has been presented on an alternating basis with the Carl Zeiss Research Award for excellent scientific achievements and to encourage greater cooperation between science and industry. The honor that is highly respected in the glass industry recognizes ground-breaking expert contributions in the fields of glasses, glass ceramics and similar materials, as well as areas of application, such as optics, optoelectronics, solar technology and pharmaceuticals. The research award is managed and issued on an international basis by the Stifterverband, an organization committed to German science. Researchers from China, Germany, France, Japan, the Netherlands, Russia and the United States are among the previous award winners.

##### International Conference as Part of the Tenth Award Ceremony

The tenth presentation of the Otto SCHOTT Research Award was held at the beginning of November 2008, as part of a two-day internal expert conference at SCHOTT AG in Mainz. 11 of the 20 previous award winners contributed towards this anniversary event by holding scientific presentations.

One main focus of the discussion forums was the growing role of glass and other optical transparent materials in the 21st century. The use of these materials enables progress in areas of application, such as high-performance lasers (laser fusion) in photonics or high-temperature supra-conductors, used, for example, for electricity conductors. There are also new possibilities of application in the medical sector, such as scintillators or computer tomography. As the case of optical transparent ceramics shows, the development of entirely new materials can significantly expand existing uses and applications.

#### WINNERS OF THE OTTO SCHOTT RESEARCH AWARD

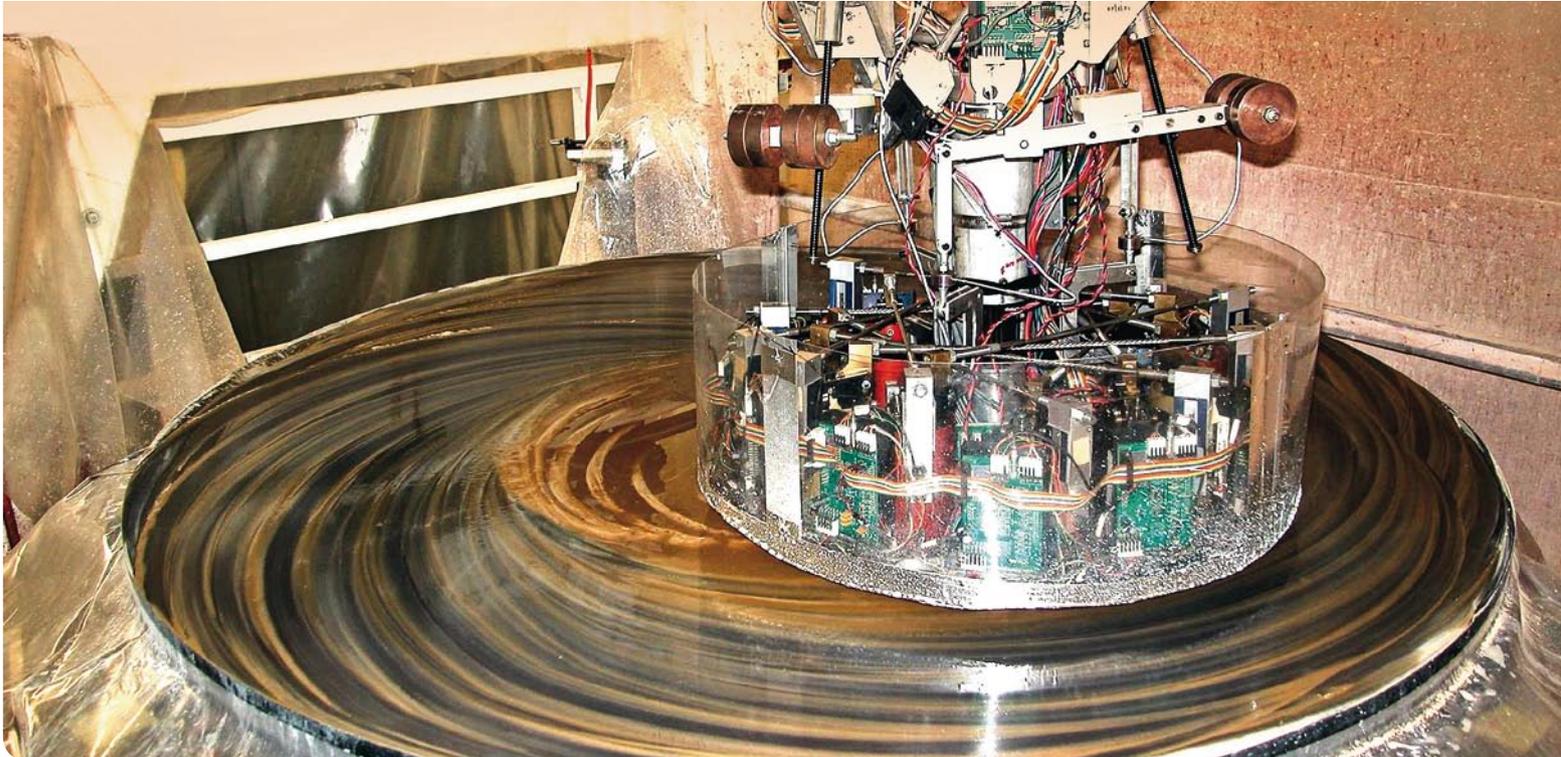
- 1991** Prof. Dr. Werner Vogel, Friedrich-Schiller University Jena, Jena/Germany  
Dr. Hideo Hosono, Nagoya Institute of Technology, Nagoya/Japan
- 1993** Dr. rer. nat. Dieter R. Fuchs, Fraunhofer-Institut für Silicatforschung, Würzburg/Germany  
Prof. Prabhat K. Gupta, Ohio State University, Ohio/U.S.A.
- 1995** Dr. David Griscom, Naval Research Laboratory, Washington D.C./U.S.A.
- 1997** Prof. Dr. Ruud Beerkens, Dr.s Anne-Jans Faber, Erik Muysenberg, Dipl.-Ing. Frank Simonis,  
TNO Institute of Applied Physics (TPD), Eindhoven/Netherlands
- 1999** Prof. Elias Snitzer, Rutgers University, Piscataway/U.S.A.  
Dr. John H. Campbell, Lawrence Livermore National Laboratory, Livermore, California/U.S.A.
- 2001** Prof. Dr. Reinhard Conradt, Institut für Gesteinshüttenkunde, Head of Glass and Ceramic  
Compound Materials, RWTH Aachen/Germany  
Dr. Boris Anatoljevich Shakhmatikin, Dr. Natalia Mikhailovna Vedishcheva, Institute of  
Silicate Chemistry of the Russian Academy of Sciences, St. Petersburg, Russia
- 2003** Prof. Dr. Andreas Tünnermann, Institute of Applied Physics, Friedrich-Schiller University  
Jena, Jena/Germany
- 2005** Prof. Kazuyuki Hirao, Kyoto University, Kyoto/Japan  
Dr. Kiyotaka Miura, Kyoto University and Central Glass Co. Ltd./Japan  
Prof. Jianrong Qiu, Shanghai Institute of Optics and Fine Mechanics, Chinese Academy of  
Science/China
- 2007** Prof. Himanshu Jain, Lehigh University, Bethlehem, Pennsylvania/U.S.A.  
Prof. Walter Kob, Université Montpellier 2, Montpellier/France
- 2008** Dr. Akio Ikesue, World Lab. Co. Ltd., Nagoya/Japan



“DUE TO THE STRONG FORCES THEY WOULD HAVE TO FACE, WE DECIDED TO HAVE BOTH THE PRIMARY AND SECONDARY MIRRORS MADE FROM TEMPERATURE-STABLE ZERODUR® GLASS CERAMIC FROM SCHOTT. WHEREAS OTHER MATERIALS GIVE UP MORE QUICKLY, THESE MIRRORS ENABLE US TO OBSERVE THE SUN ALL DAY LONG.”

**Dr. Philip R. Goode**

Director of the Big Bear Solar Observatory, California/U.S.A.





## EMPLOYEES AS A SUCCESS FACTOR

*The success of our company depends on the performance and commitment of our employees. The recruitment of qualified staff, the encouragement of the individual potential of our employees, and also the ability to combine professional and private goals are at the focus of our personnel policy. We particularly value the ongoing dialog between employees and executives. This creates trust and promotes innovative forces inside the company.*

### DEVELOPMENT OF THE WORKFORCE: NEW RECRUITS FOR SOLAR AND PHARMACEUTICAL SYSTEMS

The SCHOTT Group employed 17,363 people in total as of September 30, 2008, 692 more than in the past year. In addition, 400 new jobs were created in the newly established joint venture WACKER SCHOTT Solar GmbH. The main reason for this increase in employee numbers is the recruitment of new staff in the Solar and Pharmaceutical Systems business sectors. 10,698 employees worked in companies outside Germany, which corresponds to 62% of the Group workforce.

### STRATEGIC PERSONNEL MARKETING

The core task of our personnel management is the recruitment of high-performing employees and their further development within the Group. We especially encourage entrepreneurial thinking and action, the development of intercultural skills, taking more personal responsibility and being more flexible and innovative.

We have further strengthened the international focus of our personnel development. The skills of professional and executive employees are developed to accommodate for our increasingly international requirements. It is the norm to transfer personnel to foreign countries and across different sectors. The majority of our executives have now gained international experience from activities outside their native countries.

“Employer Branding” was a particular focus in the past fiscal year. Executives and new employees were asked why they applied for work with SCHOTT and what distinguishes our company from other employers. On the one hand, our employees valued the fact that they have a high degree of freedom of design and action. On the other, the combination of tradition and high-tech at SCHOTT makes for an interesting environment for our staff, which time and time again provides the basis for innovative and customer-related solutions. The global presence of SCHOTT is another important factor. This enables our employees to act at an international level and, thus, gives them the chance to enhance their personal development. These results will be used for further personnel marketing activities.

In the fight for the very best young academics, SCHOTT has focussed its college marketing on so-called focus universities in Germany. With the “SCHOTT Campus Contact”, the Group has established an exclusive ongoing platform for presenting its diverse business activities and professional opportunities for employees.



Three sites work hand-in-hand: U.S. employees are trained at Spanish and German facilities to prepare for manufacturing receivers in the United States in the spring of 2009 (left).

There is a special team spirit at SCHOTT Glass India created by combining a business meeting with a family event.

#### “ZERO ACCIDENTS – YOU ARE IMPORTANT TO ME”

SCHOTT uses this program to further improve its promotion of health and safety in the workplace. Committed and healthy employees are the most important factor for the success of our company.

Our comprehensive health management offers employees well-established occupational medical support and well-organized emergency medical care, as well as general preventive health measures, such as skin and colon cancer screenings, examinations for the early detection of diseases of the circulatory system and metabolism and advice and training on health-related issues. In case of personal and occupational health problems, a third-party help service offers confidential advice and, if necessary, arranges the implementation of further therapeutic measures. Since it was established, employees have been continuously using this service.

The “Health and Safety” team at the facility in Mainz works on further health management activities under the management of the Medicine and Prevention department, representatives of the Personnel Department, Works Council, Health and Safety, Disability Representative and BKK advita (previously: BKK SCHOTT-ZEISS).

The “Stärke durch Vernetzung” (Strength through Networking) model project, a cooperative agreement with BKK and our pension insurance, supports the prompt treatment of employees in need of rehabilitation, tailored to meet the interest of the company. A fully trained disability manager helps employees to become a part of working life once again.

These measures are all part of the strategy for facing the challenge of an aging workforce, a sign of demographic change. Special seminars for executives were developed for this purpose. They make executives more aware of new problems.

The comprehensive health management that SCHOTT practices is the most important part of a sustainable personnel policy. This is emphasized by the signing of the Luxembourg Declaration for the Promotion of Health and Safety in the Workplace in September 2008, in which SCHOTT committed itself to increasing the health and safety potential of the company and improving the well-being in the workplace.

In-house exhibition to promote health and safety at work (left).

Trainee job-rotation: Trainees of commercial professions take a look behind the scenes of the training for technical professions (center).

Federal Minister of Family Affairs, Dr. Ursula von der Leyen, congratulates Prof. Dr.-Ing. Udo Ungeheuer, Chairman of the Board of Management, on the participation of SCHOTT in the "Success Factor Family" competition.



#### RECOGNIZING AND AVOIDING RISKS IN THE WORKPLACE

We continued to improve the ongoing occupational health and safety improvement process in the past fiscal year. The aim of the accident prevention program "Zero Accidents – You Are Important to Me" is to reduce the accident figures to zero. Every employee working for SCHOTT should be able to expect to return home after a working day without having suffered any ill effects on their health. You will find more information on this in the chapter "Environmental Protection and Work Safety".

#### TRAINING AND ADVANCED EDUCATION AS AN INVESTMENT IN THE FUTURE

Training and integrating the young generation into working life are important measures in ensuring that there is enough qualified young talent to meet our demand. But we also see this as part of our social responsibility. We place great importance on up-to-date and modern training in technical, scientific, and commercial professions. We address students with our specially targeted training marketing.

In the year under review, we once again trained distinctly more young people than the company has a need for. Taking all trainee years together, SCHOTT employed 413 trainees in Germany, as of balance sheet date. We offer a host of opportunities to obtain additional qualifications to the original training content. Our trainees are able to become involved in challenging projects, such as the "SCHOTT Junior Firm", or spend part of their training at an international subsidiary. Combining college and employment, high school graduates can begin a dual course of studies with us that leads to a university degree as a Bachelor of Engineering specializing in Mechanical Engineering, Electrical Engineering or Industrial Engineering, or as a Bachelor of Arts specializing in Industrial Studies or International Business, at the Mannheim Vocational University. In addition to standard training, suitable trainees are offered dual courses of studies combining college and employment that lead to a Bachelor of Arts degree or technical correspondence courses in specialized areas, such as mechatronics.

SCHOTT offered its staff a tailored and future-oriented further education program once again in the past fiscal year. In 2008, many attractive offers were used to improve the study area of health. In all, about 10,000 employees have extended or refreshed their expertise in such areas as communication, languages, or technology.

#### **EMPLOYEE SUGGESTION SYSTEM SHOWS EXCELLENT RESULTS**

The company employee suggestion system showed a significant rise in proposal submissions at all German sites in the 2007/2008 fiscal year. Figures for proposal submissions (9,443), as well as average proposal per employee (1.59), increased significantly by more than 50%; the participation quota rose by seven percentage points to 40%. The company managed to save EUR 4.5 million, as a result. These outstanding results are the best for the German sites since the introduction of statistical records in 1996.

#### **FAMILY AND CAREER: SCHOTT THINKS ABOUT TOMORROW TODAY**

SCHOTT is one of the top companies in Germany, when it comes to combining career and family life. This was certified when several facilities were awarded the "Career and Family" certificate and by our successful participation in the German national competition for companies "Success Factor Family". We support the families of employees, for example, with especially variable working hour schemes, telework jobs, trust based working hours, assistance in returning to working life after parental leave, and holiday care for school children. For example, in the SCHOTT day nursery at the Mainz/Germany site, children from six months to 12 years of age are looked after between 7:30 a.m. and 6 p.m. We will continue to systematically improve and extend our family-conscious personnel policy through numerous projects.

#### **INFORMATION CASCADE FOR PASSING ON INFORMATION QUICKLY**

Fast communication of all important company news to the international SCHOTT units is essential for the performance of the Group. The passing-on of information and decisions emanating from Group management meetings to the next management level on the same day is secured by the regular "info cascades". This news is then cascaded on to the organization within the shortest time. The regular rounds of discussions between members of Group management and middle management, as well as the meetings between top executives and shift managers, called the "Sounding Board", have also become a firm fixture. Moreover, we make use of conventional and new media as instruments of staff communication. The employee newspaper "SCHOTT WORLD" appears every two months and presents a broad range of company information in eight languages. Our intranet with its "newsroom" section is a particularly efficient way to provide information rather quickly.

#### **SCHOTT PERFORMANCE SHARE – A PIECE OF SUCCESS**

The SCHOTT performance share is an attractive program that enables employees to participate in the opportunities and risks of the whole Group within the framework of their financial capabilities. In the meantime, our employees in 27 countries can take advantage of this program. Currently, more than 3,500 employees have subscribed to SCHOTT Performance Shares.

## ENCOURAGING SAFETY AWARENESS, MINIMIZING DANGER

*SCHOTT is committed to the highest goals when it comes to safety and people's health and sustainable environmental and climate protection. The international Group program "Zero Accidents – You are important to me", introduced globally during the period under review, and our "Integrated Management System for Safety and Environmental Protection" (IMS) are signs of our commitment.*

With our accident prevention program “Zero Accidents – You Are Important to Me”, all global sites are now striving to achieve the same goal: zero accidents. Quite a few different strategies and accident prevention measures have been developed and implemented as part of this program. A list of all activities carried out by approximately 50 production units can be accessed via the Group Intranet to make it easier to coordinate measures inside the company. This compilation can be used as an internal benchmarking instrument.

The integrated management system IMSU also encourages taking action on industrial safety, environmental protection, health care, and emergency management throughout the Group. In the meantime, 57 SCHOTT sites, in other words 86% of all sites, around the globe have been certified under IMSU. They are all part of one standardized and continuously monitored improvement process implemented across the Group which often sets higher standards than local regulations require. IMSU is becoming ever more important to executives and their sense of responsibility. The large number of participants in a recent questionnaire and its results confirm this to be true. According to the survey, 70% of all participants are familiar with the IMSU requirements and the same number feels the system is “of vital importance” or “very important”.

Every two years, IMSU conferences are held in each of the respective business regions. In the prior fiscal year, IMSU representatives from North America and Mexico participated in an exchange.

### ALL SCHOTT PRODUCTS COMPLY WITH CURRENT ENVIRONMENTAL REGULATIONS

SCHOTT has responded early to ecological demands from society and the environment. Products like **Ceran Suprema®**, that conserve resources and are the only glass ceramic cooktop panels in the world that are manufactured without additional harmful heavy metals, or the change-over of part of our special glass range for electronic applications to international eco standards, clearly document this. We also accept our responsibility with respect to the EU regulation REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) that regulates the registration, evaluation, approval and restriction of chemical substances. We are working together with the associations of the European glass industry to show that glass is generally harmless to humans and the environment in order to avoid the elaborate registration process which would be the result of the special regulations planned by the European Union. SCHOTT gives environmental protection the highest priority and guarantees that all Group products comply with the law today and in the future.



SCHOTT has set environmental protection standards in the specialized glass industry, especially for the prevention of air pollution (left).

An additional handle on the hoisting gear for heavy glass pieces reduces the risk of injury.

#### MAINZ RECORDS SECOND LOWEST ACCIDENT RATE

In the period under review, there were 32 accidents resulting in more than three lost working days at our main site in Mainz/Germany. This is the second best result to ever be achieved in the many years that statistics have been recorded on accidents. Improvements were made in the environmental sector by building a new waste hall as a central collection point for the entire site in order to optimize waste disposal management. As a preventive environmental protection measure that resulted from managing ideas, five canal liners impermeable to liquids were installed at the plant to prevent the soiling of floors. The introduction of the legally compliant document management system INNO-Dok in Mainz, which can be used nationwide at all sites in Germany in the future, helps to improve our implementation of statutory regulations. The software helps to recognize inspection periods in time or to document employee training and instructions, for example.

#### REDUCTION IN ENERGY COSTS IN BRAZIL

In the 2007/2008 fiscal year, SCHOTT Brazil was able to lower its energy costs for the Pharmaceutical Packaging sector by approximately 10% at the site in Itupeva. This was achieved by installing two emergency power generators which now ensure production at the plant during acute periods of bad weather, as well as during peak periods, when electricity costs more than twice as much as usual.

#### SWEETWATER PLANT IS ROLE MODEL FOR OCCUPATIONAL SAFETY IN THE U.S.A.

The SCHOTT Gemtron plant in Sweetwater, Tennessee/U.S.A., received a prestigious award for its record results when a large variety of its work safety aspects were inspected. In 2008, the "Safety View" survey, conducted annually by the leading U.S. insurance company Travelers at North American companies, showed the best results ever recorded in the U.S.A. at our site in Sweetwater. The expert report recognizes, for example, the extremely high safety consciousness of the workforce, internal safety regulations and also the high level of responsibility shown by the management.

#### PROGRESS IN THE AREA OF ENVIRONMENTAL PROTECTION AT THE CHINESE PLANT

In the summer of 2008, the Chinese environmental protection authorities in Suzhou awarded our SCHOTT Glass Technologies (Suzhou) plant the rating "Green" for its many environmental protection activities.

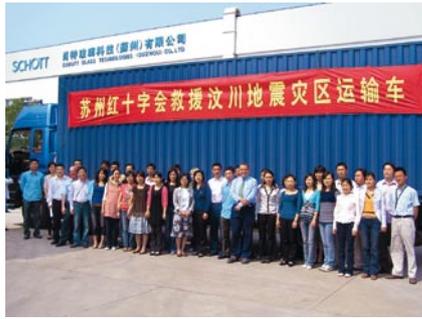
## SOCIAL RESPONSIBILITY



NOVEMBER 26, 2007

### Sponsoring Young Musical Talent

Every year, SCHOTT awards six scholarships to study classical orchestral instruments. This is designed for children and teenagers of between eight and 14 years of age. On the one hand, three talented young musicians receive a scholarship. On the other, three more children are chosen from families who would not be able to afford professional music lessons. Dr. Gerhard Scholz (back right), Director of the Peter Cornelius Conservatory in Mainz, and Prof. Dr.-Ing. Udo Ungeheuer, Chairman of the Board of Management at SCHOTT AG, introduced the first year's group.



MAY 12, 2008

### Aid for Earthquake Victims in China

On May 12, 2008, a major earthquake devastated the Sichuan province. SCHOTT launched relief operations immediately after the catastrophe. A truck was loaded with relief supplies at the Suzhou production plant and sent to Mianyang City, one of the hardest hit cities. In addition, private donations were collected at all Chinese SCHOTT sites. The amounts were matched by the company. On top of that, SCHOTT offered interest-free loans to employees and their relatives so they could quickly rebuild their destroyed homes.



JUNE 14, 2008

### EUR 80,000 for Children in Need

1,300 runners in 66 teams participated in the third "Run for Children" charity run at the sports facilities of the TSV SCHOTT in Mainz. SCHOTT was represented by 14 teams. After 10 sweaty hours, the result was phenomenal: 21,176 rounds. This is the equivalent of 8,470 Kilometers or the distance between Mainz and Seoul, the South Korean capital. Each team sponsor paid at least one euro for each completed round, catapulting the record donation to EUR 80,000 at the end. This amount was shared between 14 children's aid organizations in Mainz and nine national agencies.

**AUGUST 1, 2008****Children Make Music with Justus Frantz**

Together with the internationally-known pianist and conductor, Justus Frantz, SCHOTT conducted a project that remains unique even until today. In cooperation with the musicians of his "Philharmonia of the Nations" orchestra, the artist holds several days of classical workshops twice a year. Children from schools in Mainz and SCHOTT employees are allowed to participate. The climax and closing event is a public concert at which the young musicians perform with the professionals, as, for example, in the summer of 2008 on a floating stage on the Rhine in front of an audience of more than 4,500. We are continuing this project in 2009, due to the extremely positive feedback.

**SEPTEMBER 27, 2008****New Bells for St. Stephan**

In a festive church service at St. Stephan, Bishop Karl Cardinal Lehmann from Mainz consecrated three new bells for the house of worship in Mainz. The old bells were destroyed during World War II. SCHOTT donated EUR 200,000 for the new bells and the necessary building works to the bell tower. The bells are to ring for the first time at a memorial service held by the city of Mainz on February 27, 2009. Approximately 200,000 people visit the church of St. Stephan every year, mostly to see the world-famous window designed by Marc Chagall.

**DECEMBER 2, 2008****Using Solar Energy to Fly Around the World**

One of the greatest pioneers of our time, Bertrand Piccard from Switzerland, introduced his new project in a series of events called "Points of View. SCHOTT Forum on Questions of Our Times". In 2011, he plans to fly around the earth in his solar-powered plane "Solar Impulse" – without fuel, powered solely by solar energy. Just like SCHOTT, he is seeking to convert long-standing visions into sustainable solutions with his solar activities. In 1999, Piccard was the first human to fly around the earth in one non-stop flight in a hot air balloon.

## BARACK OBAMA VISITS SCHOTT SITE IN DURYEA, PENNSYLVANIA



While at SCHOTT, Barack Obama called for strong support for the development of renewable energies. He was accompanied by Stephen Krenitsky, Vice President of SCHOTT North America and also Duryea site manager, on his tour through manufacturing.

On September 5, 2008, the next American President, Barack Obama, visited the SCHOTT U.S. plant, as well as the American Center for Research and Development in Duryea, Pennsylvania, as part of his election campaign.

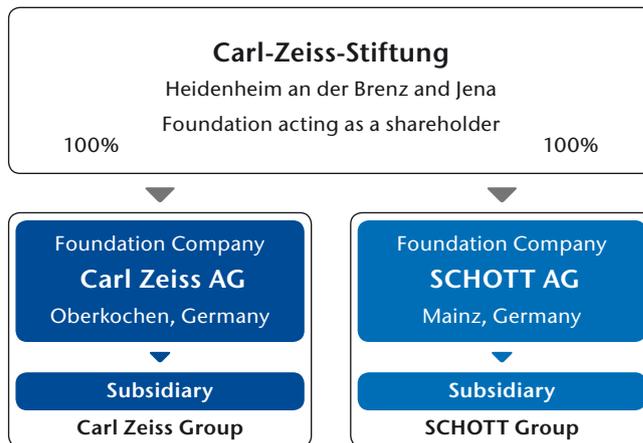
Obama was accompanied by 40 international media representatives. The news channel CNN transmitted a one hour live broadcast of his speech at the SCHOTT plant in the U.S. During this, he praised SCHOTT as an innovative company that covers important U.S. market sectors and carries out “outstanding manufacturing work” at the site. Obama also held personal talks with employees and executives, and learned more about the importance of training and further education at SCHOTT. The President spent a total of five hours at the plant.

SCHOTT is the only manufacturer of optical glass in the United States. Obama was particularly interested in the outstanding position of SCHOTT, as well as its solar technology.

One of the most recent activities of SCHOTT in the United States is the construction of new production facilities in Albuquerque, New Mexico, which will produce photovoltaic modules and receivers for solar thermal power plants, starting in the spring of 2009. In the long term, a total of 500 million dollars are to be invested at this site and 1,500 people are to work here.

## LONG-TERM PERSPECTIVE

*The Carl-Zeiss-Stiftung is the sole shareholder of SCHOTT AG, Mainz. This gives the company independence and a long-term perspective. Ernst Abbe established the foundation in 1889. It works to ensure the future existence of its companies – SCHOTT AG and Carl Zeiss AG – and promotes science and research, especially in the areas of natural sciences and engineering.*



The Carl-Zeiss-Stiftung, sole owner of SCHOTT and Carl Zeiss, ensures the long-term future of its two subsidiaries: in accordance with its constitution, shares may not be sold, for example, on the stock market. The Boards of Management are able to concentrate their managerial efforts on sustainable and strategic further development.

The physicist Ernst Abbe established the Carl-Zeiss-Stiftung in 1889. The main goal of the foundation was to use the results of its foundation companies for the development of natural and mathematical sciences for research and study purposes. The foundation was also meant to secure the futures of the foundation companies, SCHOTT and Carl Zeiss, uphold corporate social responsibility to employees and represent the general interests of the precision engineering industry.

In 2004, a comprehensive reform of the foundation was carried out. The Carl-Zeiss-Stiftung adapted its constitution and the legal forms of both its foundation companies to meet the demands of significant changes in general conditions. The two dependent companies were converted into joint stock companies.

Today, the Carl-Zeiss-Stiftung offers programs to support young scientists and strengthen research structures at universities. In accordance with its constitution, support activities are limited to the German Federal States of Baden-Württemberg, Rheinland-Palatinate and Thuringia, where the foundation and foundation companies have their registered head offices.

The Carl-Zeiss-Stiftung receives its support funds from dividend payments made by the foundation companies SCHOTT and Carl Zeiss. The dividend contribution is determined by Group equity and the consolidated net income of the companies.

Once the shareholders meeting has ratified the dividend for the 2007/2008 fiscal year in the spring of 2009, SCHOTT will have paid dividends to the Carl-Zeiss-Stiftung totaling EUR 16 million in the last four years.

At present, these funds are used for the benefit of 34 doctoral candidates, 14 postgraduates and eight junior professorships which are supported by the advancement training program for young scientists. In 2007, the foundation offered an additional program to strengthen research structures at universities. The aim of this initiative is to close gaps in research structures at colleges and universities. Since September 2008, the foundation has supported the “Center for Mathematical and Computational Modelling” (CMCM) at the Kaiserslautern Technical University and the “Center for Applied Photonics” (CAP) at Konstanz University with one million euros each.

Organs of the Carl-Zeiss-Stiftung include the Foundation Administration, Foundation Council and the Management Advisory Board. The Foundation Administration – including the Ministers of Science of Baden-Württemberg and Thuringia – is responsible, amongst other things, for the distribution of support funds, appointment of Foundation Council members and for implementing changes in the constitution.

The Foundation Council looks after the economic interests of the foundation in its role as sole shareholder of SCHOTT AG and Carl Zeiss AG. The Chairman of the Foundation Council – who is supported on the Foundation Council by two leading personalities from science and trade and industry – is also Chairman of the Supervisory Board of both foundation companies. The Boards of Management of both companies are members of the third organ – the Management Advisory Board. The Advisory Board supports and advises the Foundation Administration and the Foundation Council.

# SCHOTT AG

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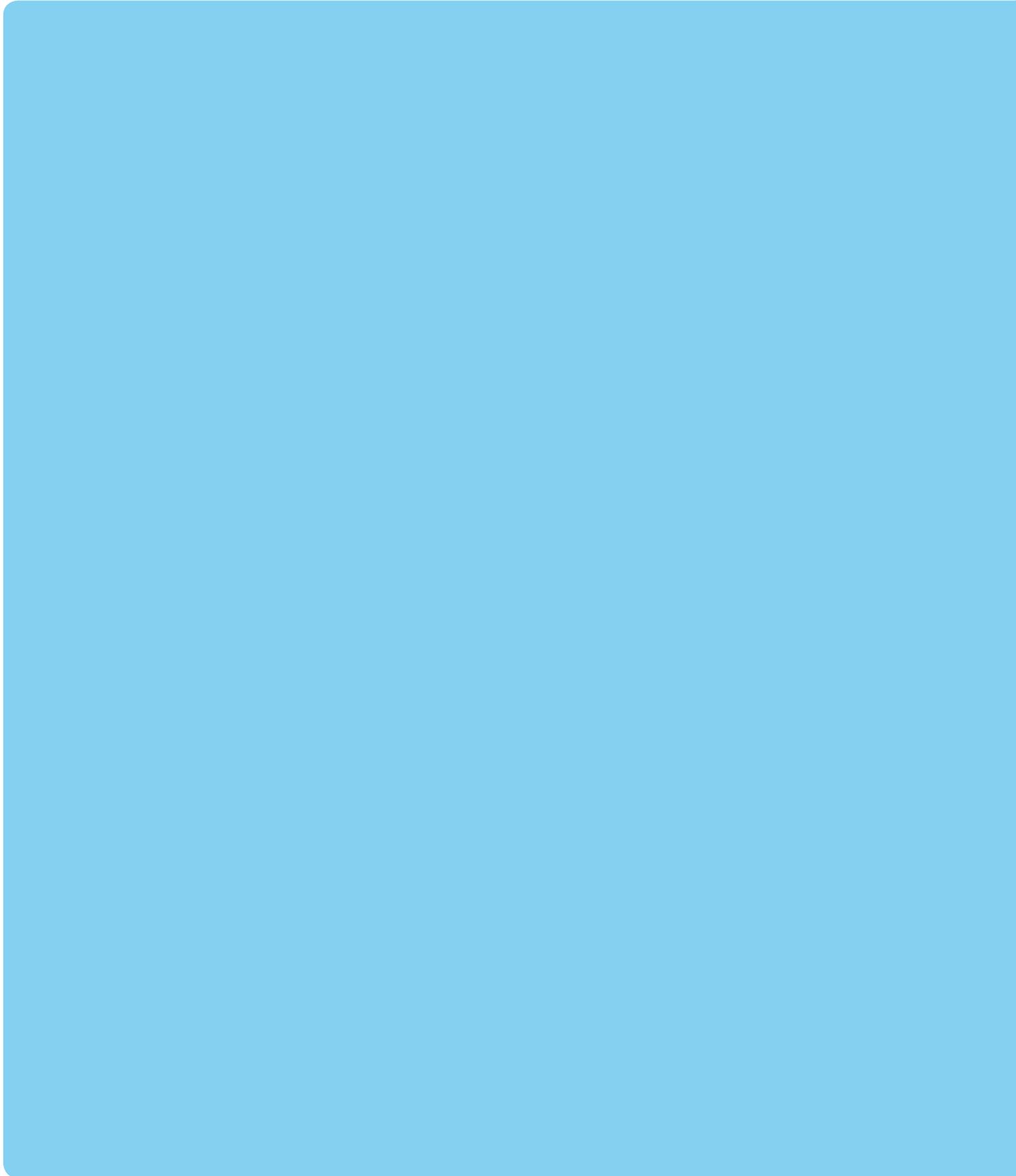
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# CONSOLIDATED STATEMENT OF INCOME

OCTOBER 1, 2007, THROUGH SEPTEMBER 30, 2008

IN € THOUSANDS	NOTE	2007/08	2006/07
<b>SALES</b>	<b>4</b>	<b>2,228,392</b>	<b>2,142,872</b>
Cost of sales		-1,509,760	-1,434,450
<b>GROSS PROFIT ON SALES</b>		<b>718,632</b>	<b>708,422</b>
Selling expenses	5	-201,162	-197,827
Research and development costs	6	-71,262	-73,790
General administrative expenses	5	-242,803	-243,811
Other operating income	7	245,718	228,000
Other operating expenses	8	-158,690	-154,624
Income from investments measured at equity	9	-1,604	258
<b>INCOME FROM BUSINESS ACTIVITIES</b>		<b>288,829</b>	<b>266,628</b>
Interest income	10	12,846	10,778
Interest expense	10	-58,150	-50,144
Other financial result	10	13,488	22,688
<b>NET FINANCIAL RESULT</b>		<b>- 31,816</b>	<b>- 16,678</b>
<b>EARNINGS OF CONTINUED OPERATIONS BEFORE INCOME TAXES</b>		<b>257,013</b>	<b>249,950</b>
Taxes on income	11	-76,127	-107,905
<b>EARNINGS OF CONTINUED OPERATIONS</b>		<b>180,886</b>	<b>142,045</b>
Earnings of discontinued divisions (after taxes)	12	1,596	-193,411
<b>GROUP NET LOSS (-)/PROFIT FOR THE YEAR</b>		<b>182,482</b>	<b>- 51,366</b>
of which minority interests	13	18,647	25,942
of which attributable to shareholders of SCHOTT AG		163,835	-77,308

# CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 30, 2008

## ASSETS

IN € THOUSANDS	NOTE	SEPT. 30, 2008	SEPT. 30, 2007
<b>NON-CURRENT ASSETS</b>			
Intangible assets	14	130,609	136,249
Property, plant and equipment	15	1,135,096	998,310
Associated companies measured at equity	16	66,824	19,329
Deferred taxation	11	102,586	110,968
Other financial assets	17	142,335	151,672
Other non-financial assets	18	30,635	32,984
		<b>1,608,085</b>	<b>1,449,512</b>
<b>CURRENT ASSETS</b>			
Inventories	19	441,070	402,296
Trade receivables	20	311,932	271,351
Tax refund entitlements		20,051	11,630
Other financial assets	21	27,037	33,703
Other non-financial assets	22	36,272	43,590
Cash and cash equivalents	23	103,433	74,097
		<b>939,795</b>	<b>836,667</b>
Assets held for sale	12	949	26,684
<b>TOTAL ASSETS</b>		<b>2,548,829</b>	<b>2,312,863</b>

Consolidated Statement of Income  
**Consolidated Balance Sheet**  
 Statement of Recognized Income  
 and Expense  
 Consolidated Cash Flow Statement  
 Notes to the Consolidated Financial Statements

## EQUITY & LIABILITIES

IN € THOUSANDS	NOTE	SEPT. 30, 2008	SEPT. 30, 2007
<b>EQUITY</b>			
Subscribed capital	24	150,000	150,000
Capital reserves	24	322,214	322,214
Group earnings	24	325,222	124,198
Accumulated other Group earnings	24	-4,037	-1,310
Minority interests	24	135,311	128,708
		<b>928,710</b>	<b>723,810</b>
<b>NON-CURRENT LIABILITIES</b>			
Pension provisions and similar liabilities	25	550,532	605,232
Other provisions	26	109,091	66,588
Deferred taxation	11	45,664	59,712
Financial liabilities	29	237,057	248,642
Other non-financial liabilities	30	40,096	38,802
		<b>982,440</b>	<b>1,018,976</b>
<b>CURRENT LIABILITIES</b>			
Other provisions	26	86,931	106,629
Accrued liabilities	27	153,874	128,932
Trade payables	28	193,867	183,013
Liabilities for taxes		9,752	5,803
Other financial liabilities	29	104,105	83,601
Other non-financial liabilities	30	89,150	62,099
		<b>637,679</b>	<b>570,077</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>2,548,829</b>	<b>2,312,863</b>

## STATEMENT OF RECOGNIZED INCOME AND EXPENSE OF THE SCHOTT GROUP

IN € THOUSANDS	2007/2008	2006/2007
Gains/losses on the market valuation of derivatives	534	892
Gains/losses on the market valuation of securities	-15,748	2,585
Actuarial gains/losses on pension provisions	54,311	109,242
Difference from currency translation	12,770	-20,353
Deferred taxation	-17,292	-19,560
Minority interests	228	-586
<b>VALUE CHANGES DIRECTLY RECOGNIZED IN EQUITY</b>	<b>34,803</b>	<b>72,220</b>
Group net loss/profit for the year	182,482	-51,366
<b>TOTAL OF RESULTS FOR THE PERIOD AND VALUE CHANGES DIRECTLY RECOGNIZED IN EQUITY</b>	<b>217,285</b>	<b>20,854</b>
of which minority interests	18,875	25,356
of which attributable to shareholders of SCHOTT AG	198,410	-4,502

# CONSOLIDATED CASH FLOW STATEMENT

OCTOBER 1, 2007, THROUGH SEPTEMBER 30, 2008

IN € THOUSANDS	2007/2008	2006/2007
Profit from operating activities	288,829	266,628
Earnings of discontinued divisions (after taxes)	1,596	-193,411
Write-downs/write-ups of non-current assets	162,791	306,419
Gain on the disposal of non-current assets and other reclassifications*	-14,733	-84,455
Other expenses and income not affecting payments	-55,314	-28,606
Increase/decrease in inventories, trade receivables and other receivables	-105,663	-33,445
Increase/decrease in trade payables and other liabilities	42,122	12,928
Increase/decrease in provisions	-2,412	46,669
Interest payments	-29,806	-25,276
Interest receipts	8,885	5,489
Income tax payments	-41,979	-47,324
<b>CASH FLOW FROM CURRENT OPERATING ACTIVITIES (A)</b>	<b>254,316</b>	<b>225,616</b>
<b>OF WHICH RELATING TO DISCONTINUED OPERATIONS</b>	<b>376</b>	<b>-92,548</b>
Cash inflow from the disposal of property, plant and equipment/intangible assets	52,998	28,888
Cash outflow for investments in property, plant and equipment/intangible assets	-296,538	-320,365
Cash inflow from the sale of consolidated companies/company divisions	8,720	53,031
Cash inflow from the disposal of non-current financial assets	38,394	116,080
Cash outflow for the acquisition of consolidated companies	-25,945	0
Cash outflow for investments in non-current financial assets	-800	-23,273
<b>CASH FLOW FROM INVESTMENT ACTIVITIES (B)</b>	<b>-223,171</b>	<b>-145,639</b>
<b>OF WHICH RELATING TO DISCONTINUED OPERATIONS</b>	<b>40,677</b>	<b>-60,457</b>
Dividends	-12,422	-11,042
Raising of financing facilities	51,258	46,817
Repayment of financing facilities	-14,510	-91,858
Allocation of fund assets	-7,037	-6,143
Decrease in financial receivables	10,230	5,652
Decrease in other financial liabilities	-26,265	-20,695
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>1,254</b>	<b>-77,269</b>
<b>OF WHICH RELATING TO DISCONTINUED OPERATIONS</b>	<b>0</b>	<b>6,036</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>32,399</b>	<b>2,708</b>
Opening balance of cash and cash equivalents	74,097	72,803
Checks, cash on hand	2,084	801
Deposits with banks	72,013	72,002
Changes in cash and cash equivalents due to exchange rates	-3,063	-1,414
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>103,433</b>	<b>74,097</b>
Checks, cash on hand	1,711	2,084
Deposits with banks	101,722	72,013

\* other reclassifications relate only to the 2006/2007 fiscal year

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 2007/2008 FISCAL YEAR

## PRINCIPLES AND METHODS

1

### INTRODUCTORY COMMENTS

SCHOTT AG is an unquoted company incorporated under German law that operates internationally in more than 30 countries in the precision components, industrial optics and home appliances sectors. The registered head office of the Group is on Hattenbergstr. 10, 55122 Mainz, Germany. The sole shareholder of SCHOTT AG is Carl-Zeiss-Stiftung, 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, solar energy, electronic, optical, automotive and architectural industries.

The consolidated financial statements of SCHOTT AG, Mainz, for the fiscal year ending September 30, 2008, consist of the consolidated balance sheet, the consolidated statement of income, the statement of recognized income and expense (SORIE), the consolidated cash flow statement, and the notes to the consolidated financial statements. These were prepared for the 2007/2008 fiscal year on the legal basis of § 315a (3) HGB, in accordance with International Financial Reporting Standards (IFRSs/IASs) and their interpretations (IFRICs/SICs) promulgated by the International Accounting Standards Board (IASB), as applicable in the European Union, supplemented by the applicable commercial law regulations under § 315a (1) HGB. Insofar as the national-law financial statements of the companies included diverge from these principles, the necessary adjustments under IFRSs and IFRICs were made. Interim financial statements are taken as the basis for subsidiary companies where the balance sheet date differs from the cut-off date for the consolidated financial statements. All pronouncements of the IASB required to be applied were taken into account. The prior year figures are determined according to the same principles.

The consolidated financial statements have been drawn up in euros. Unless otherwise noted, all amounts are stated in thousand euros (T €).

For the sake of clarity, individual items in the consolidated balance sheet and in the consolidated statement of income have been aggregated and disclosed separately in the notes to the consolidated financial statements. The consolidated statement of income is arranged according to the cost of sales (operational) method.

The consolidated financial statements prepared as of September 30, 2008, and the Group management report were released at the Board Meeting on November 25, 2008.

## APPLICATION OF NEW AND ALTERED ACCOUNTING STANDARDS

2

### Standards and interpretations applicable in the current fiscal year

In the current fiscal year, the Group has used IFRS 7 *Financial Instruments: Disclosures* and the related alteration of IAS 1 *Presentation of Financial Statements*. These must be applied for the fiscal years starting on or after January 1, 2007.

Extended disclosures of the Group financial instruments presented in these financial statements must be made due to the first-time application of IFRS 7 and the alteration of IAS 1. In addition, the names and composition of balance sheet line items were adjusted and separated into financial and non-financial assets and liabilities for the current, as well as the prior fiscal year. The application of IFRS 7 did not have any consequences for the recognition and measurement methods. Adjustments made in the prior year are detailed in explanatory note 3.

Due to the changes made to IAS 1, additional Group disclosures on capital management must be made for the first time in the Group financial statements for the period ending September 30, 2008. These additional disclosures are only for the notes and do not affect recognition and measurement methods. The required disclosures are stated in explanatory note 24 “Equity”.

The International Financial Reporting Interpretations Committee (IFRIC) published five interpretations which must be applied in the current fiscal year:

- IFRIC 7 *Applying the Restatement Approach* under IAS 29 *Financial Reporting in Hyperinflationary Economies*
- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

The application of these interpretations does not lead to any consequences for Group accounting policies.

### Published standards and interpretations which have not yet been applied

At the time of publication of the financial statements, the following standards and interpretations had already been published, although their application was not yet compulsory:

- IFRS 2 (revised) *Share-Based Payment* (applicable for fiscal years starting on or after July 1, 2009)
- IFRS 3 (revised) *Business Combinations* (applicable for fiscal years starting on or after July 1, 2009)
- IAS 1 (revised) *Presentation of Financial Statements* (applicable for fiscal years starting on or after January 1, 2009)

- IAS 23 (revised) *Borrowing Costs* (applicable for fiscal years starting on or after January 1, 2009)
- IAS 27 (revised) *Consolidated and Separate Financial Statements* (applicable for fiscal years starting on or after July 1, 2009)
- IAS 28 (revised) *Investments in Associates* (applicable for fiscal years starting on or after July 1, 2009)
- IAS 31 (revised) *Interests in Joint Ventures* (applicable for fiscal years starting on or after July 1, 2009)
- IAS 32 (revised) *Financial Instruments: Presentation* (applicable for fiscal years starting on or after January 1, 2009)

The Board of Management believes that the standards and interpretations listed above have been applied in the current Group financial statements, as their use is compulsory for SCHOTT and that the application of these standards and interpretations has no material consequences for the Group financial statements in their first year of use.

## 3

### IMPORTANT ACCOUNTING, MEASUREMENT, AND CONSOLIDATION METHODS

Changes applied to the balance sheet structure in order to comply with XBRL (eXtensible Business Reporting Language), resulting in the adoption of XBRL taxonomy, as well as the first-time application of IFRS 7 in connection with the changes made to IAS 1 alter the presentation of the balance sheet. XBRL is a language based on XML (eXtensible Markup Language) which is used to create electronic financial reporting documents. In contrast to the prior year, non-current assets are stated before current ones on the asset side. On the liabilities side, equity is stated before liabilities. Balance sheet line items are divided into financial and non-financial assets and liabilities.

Changes made to the presentation due to IFRS 7 resulted in the following material reclassifications of disclosures in the prior year: The amount of T € 15,074 was reclassified from the non-current line item “Other assets”, re-named to “Non-financial assets”, to “Other financial assets”, of which T € 11,998 are from receivables under finance leases. When sub-dividing other current assets into financial and non-financial assets, T € 33,703 were reclassified as other financial assets and T € 40,115 as non-financial assets. T € 27,911 were reclassified from other liabilities, which now contain only non-financial liabilities, to other current financial liabilities – previously: “Financial liabilities”. The reclassified financial liabilities mainly include liabilities attributable to customer payments relating to receivables already paid as at the balance sheet date, as well as negative market values of derivatives.

Individual liabilities which do not have to be stated under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, are reported in the line item “Accrued liabilities” for the first time in the current fiscal year. These mainly comprise liabilities to employees (pro rata Christmas bonus payments, claims arising from outstanding vacations, etc.), as well as obligations arising from invoices still outstanding, customer rebates and discounts. A total of T € 128,932 from the prior year was reclassified. It used to be stated under other provisions.

Payments made for inventories are stated under other current and non-current non-financial assets. A total of T € 31,833, stated under inventories in the prior year, was reclassified, of which T € 4,472 were reclassified as current non-financial assets and T € 27,361 as non-current non-financial assets. On the liabilities side, payments received were stated under other current and non-current non-financial liabilities. The amount of the prior year was adjusted and this resulted in the reclassification of T € 50,773 from trade receivables to other current (T € 35,977) and non-current (T € 14,796) non-financial liabilities.

In contrast to the prior year, actuarial gains and losses recognized directly in equity which arise from the measurement of pension obligations in accordance with IAS 19 are stated under Group earnings and not under accumulated other Group earnings. The amounts stated in the prior year were adjusted and this resulted in a reclassification of T € 93,193 within equity.

#### Scope of Consolidation and Business Combinations

In addition to SCHOTT AG, 15 (prior year 11) domestic and 55 (prior year 54) foreign subsidiaries have been included in the consolidated financial statements. The inclusion of a subsidiary according to the full consolidation method takes place from the time SCHOTT exercises a controlling influence on it (control concept). As a rule, a controlling influence is present if SCHOTT directly or indirectly owns the majority of voting rights. As of the balance sheet date of the year under review, five companies (prior year: one company) were included according to the equity method.

Changes of the scope of consolidation in the 2007/2008 fiscal year did not materially affect the presentation of the net assets, financial position and results of operations, as well as cash flows, of the Group. Comparability with the previous year is not impaired.

In all, nine subsidiaries have been included in the consolidated financial statements for the first time, while the scope of consolidation has been reduced by four units as a result of two disposals and two mergers. The changes can be seen in the following table:

SCOPE OF CONSOLIDATION (ADDITIONS)	VOTING RIGHTS	DATE
SCHOTT Mexicana S.A. de C.V., Mexico City/Mexico	100%	October 1, 2007
SCHOTT Solar S.L., Aznalcóllar/Spain (commencement of business operations)	100%	October 1, 2007
SCHOTT Solar Thin Film GmbH, Jena/Germany (spin-off)	100%	October 1, 2007
SCHOTT forma vitrum Europe AG, St. Gallen/Switzerland (formation)	100%	June 1, 2008
SCHOTT Pharmaceutical Packaging GmbH, Mainz/Germany (commencement of business operations)	100%	July 1, 2008
SCHOTT Pharmaceutical Packaging OOO, Nizhegorodskaja obl., Bor/Russia (formation)	100%	August 1, 2008
SCHOTT Nippon Holding K.K., Tokyo/Japan (formation)	100%	Sept. 30, 2008
Panasch Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	100%	Sept. 30, 2008
TOJ GmbH, Erfurt/Germany (share acquisition)	94%	Sept. 30, 2008

MERGERS WITHIN THE SCOPE OF CONSOLIDATION	VOTING RIGHTS	DATE
SCHOTT Display Glass Korea Co. Ltd., Ochang/South Korea	100%	January 1, 2008
SCHOTT Applied Energy Systems LLC, Warwick/U.S.A.	100%	October 1, 2007

SCOPE OF CONSOLIDATION (DISPOSALS)	VOTING RIGHTS	DATE
SCHOTT Processing Korea Co. Ltd., Ochang/South Korea (sale of shareholding)	100%	July 1, 2008
SCHOTT Advanced Packaging Singapore Pte. Ltd., Singapore/Singapore	100%	Sept. 30, 2008

As in the prior year, the assets, liabilities, and transactions of 28 subsidiaries are not included in the consolidated financial statements. Their influence on the net assets, financial position, and results of operations of the SCHOTT Group is of subordinate significance, both individually and in total.

In all, five companies are included according to the equity method. The following summary shows the companies that were accounted for using the equity method for the first time as of September 30, 2008:

ASSOCIATED COMPANIES MEASURED AT EQUITY (ADDITIONS)	VOTING RIGHTS	DATE
WACKER SCHOTT Solar GmbH, Jena/Germany	50%	Oct. 1, 2007
WACKER SCHOTT Solar Vertriebs GmbH, Jena/Germany	49%	Oct. 1, 2007
DiamondView Armor Products, LLC, Boothwyn/U.S.A.	49%	April 1, 2008
Kaisha Manufacturers Pvt. Ltd., Mumbai/India	50%	July 1, 2008

The remaining 10 associated companies not included by the equity method are of subordinate significance for the net assets, financial position, and results of operations of the SCHOTT Group.

The list of shareholdings is published in the electronic Federal Gazette (Bundesanzeiger). An appendix listing the material Group companies is attached to the notes.

#### Consolidation Methods

In accordance with IFRS 3 *Business Combinations*, business combinations are accounted for using the purchase method. With this method, the acquisition costs of the shares acquired are offset against the parent company's share in equity at the time of acquisition. Any difference between the acquisition costs and proportionate equity is attributed to the identifiable assets and liabilities of the subsidiary up to the level of the fair values, independently of the participation quota. Correspondingly, minority interests must be recognized at the fair value of the share in equity attributable to them. Any remaining positive difference is recognized as goodwill. Negative differences are taken immediately to loss.

Shares in equity held by third-parties are reported in the consolidated balance sheet as "minority interests" under equity.

Intragroup receivables and payables and also the expenses and income of the consolidated companies are offset against each other within the framework of consolidation. Intermediate results from intercompany deliveries and services are likewise eliminated.

In accordance with SIC 12, special purpose entities are consolidated independently of their legal form, if the company is governed by SCHOTT.

The income, assets and liabilities of material associated companies are included using the equity method in accordance with IAS 28 *Investments in Associates*. An investment is an associated company on which the Group has a significant influence. The accounting policies at SCHOTT are also generally applied to the associated company. Companies subject to joint management for the purposes of IAS 31 *Interests in Joint Ventures* are shown using the equity method in accordance with the method option set out in IAS 31.38.

On initial recognition, the investment is reported in the balance sheet at cost, which is adjusted within the framework of subsequent measurement for post-acquisition changes in the Group's share in the equity (net assets) and also impairment losses.

All goodwill resulting from the acquisition of a Group share in an associated or jointly managed company is reported in accordance with the accounting and measurement principles of the Group for the goodwill resulting from the acquisition of subsidiaries.

#### Currency Translation

The financial statements of the foreign Group companies were translated in accordance with the functional currency concept as stated in IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The functional currency of each of the affected companies is their national currency, as 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 at 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 middle rate on balance sheet date, their expenses and income at the relevant monthly average rate. Equity is translated at historic rates of exchange. Translation differences arising herefrom are not reported in the statement of income, but recognized as a separate line item of equity. The following table shows the exchange rates of the foreign currencies of greatest importance to the SCHOTT Group:

1 EURO =	MIDDLE RATE ON BALANCE SHEET DATE SEPT. 30.		AVERAGE RATE FOR THE FISCAL YEARS	
	2008	2007	2007/2008	2006/2007
U.S. dollar	1.42	1.42	1.50	1.32
Japanese yen	149.80	163.58	162.24	157.25
Swiss franc	1.57	1.66	1.63	1.62
Czech crown	24.64	27.48	25.62	28.14
Brazilian real	2.73	2.62	2.58	2.72

## Accounting and Measurement Principles

### General

The Group financial statements of SCHOTT AG were prepared on the basis of historic purchase and production costs, with the exception of remeasurements of certain financial instruments. The material accounting and measurement principles are explained below.

### Recognition of Sales and Other Income

Sales are posted after deducting sales rebates, cash discounts, and sales-dependent taxes. They are recognized when the deliveries and services due have been supplied or the significant risks and rewards of ownership have been transferred. In addition, payment must be sufficiently probable. Sales also include sales of services, which are, however, of subordinate significance overall. Licensing income is recorded on an accrual basis in accordance with contract conditions. In economic terms, the issuing of a license for an indefinite period is treated as a sale and results in an immediate realization of income. The issuing of a license for a limited period is spread pro rata over the period of use. Interest income is recognized pro rata temporis. Dividend income is recognized at the time the right to receive payment arises. This is as a rule the shareholder resolution on the distribution.

### Use of Estimates

For the preparation of financial statements under IFRSs, estimates are necessary which influence both the measurement of assets and liabilities, the type and scope of contingencies, the concrete details of purchase commitments as of balance sheet date and also the levels of income and expenses during the period under review. The assumptions and estimates relate primarily to the Group-wide determination of useful economic lives, the collectability of receivables, the recognition and measurement of provisions, and the likelihood of realizing future tax relief. Actual results may differ from these estimates. Changes are recognized in profit or loss on gaining better knowledge.

### Impairment of Non-Financial Assets

On every balance sheet date, the Group determines if there is evidence of an impairment of non-financial assets. Goodwill and other intangible assets with indefinite useful economic lives are tested for impairment at least once a year and also if there is evidence of impairment. Other non-financial assets are examined for their intrinsic values when there is evidence that their carrying amounts exceed their recoverable amounts. In order to estimate the value in use of an asset or a cash-generating unit, management must estimate its anticipated future cash flows and choose an appropriate discount rate in order to determine the present value of these cash flows. Explanatory notes 14 and 15 show further details including book values.

#### Deferred Tax Assets

Deferred tax assets are recognized for all unused tax loss carry-forwards to the extent that it is probable that taxable income will be available to do this so that it will be actually possible to use the loss carry forwards. When determining the amount of deferred tax assets, management must use considerable discretion with respect to when these are expected to occur, the amount of income to be taxed in future, as well as future tax planning strategies. Explanatory note 11 lists further details including carrying amounts.

#### Pensions and Other Benefits Due After Termination of Employment

An actuarial calculation is carried out to determine the expenses arising from benefits due after termination of employment. It is based on assumed discount rates, anticipated income from plan assets, future increases in wages and salaries, the mortality rate and future pension increases. Such estimates are subject to significant uncertainty due to the long-term nature of these plans. Explanatory note 25 shows further details including carrying amounts.

#### Research and Development Costs

Research costs are always expensed. Recognition of development costs is compulsory if certain conditions can be proven and are cumulatively fulfilled. It must be possible, among other things, to use or sell the self-created intangible assets and additionally an economic benefit for the company must result therefrom. Initial recognition of the costs is based on the assumption made by management that their technical and economic feasibility is proven; this is usually the case when a product development project has reached a certain milestone in an existing project management model. In order to determine the recognizable amounts, management estimates the amount of expected future asset cash flows, applicable discount rates and the period over which the anticipated future asset-generating cash flows will occur. Explanatory notes 6 and 14 show further details including carrying amounts. Development costs not recognized as assets are recognized as an expense.

#### Intangible Assets

Intangible assets are recognized in accordance with IAS 38 *Intangible Assets*. These are recognized if (a) the intangible asset is identifiable (i. e., it is separable or arises from contractual or other legal rights), (b) it is probable that a future economic benefit will flow to the SCHOTT Group from the intangible asset, and (c) the cost of the intangible asset can be measured reliably. Intangible assets with finite lives are recognized at their purchase or production costs and systematically amortized over the estimated useful life or a shorter contract duration by the straight-line method. Except goodwill, there are no intangible assets with infinite lives. Goodwill is not systematically amortized but regularly examined for impairment.

Useful lives of intangible assets with finite lives:

	YEARS
Development costs	6 to 8
Patents and licenses	3 to 20
Software	3 to 7

The production costs include all costs directly attributable to the production process and also an appropriate share of indirect costs attributable to the production process. Financing costs are not taken into account.

Property, Plant and Equipment

Property, plant and equipment are recognized at their purchase or production cost less accumulated depreciation. Subsequent measurement is carried out in accordance with the cost model (IAS 16.30). The production costs of self-created property, plant and equipment also include a share of indirect costs in addition to direct materials and labor costs. Property, plant and equipment are depreciated by the straight-line method. Additions during the course of the fiscal 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 systematically depreciated (component accounting). In the SCHOTT Group, this affects in particular large machines for manufacturing specialized glass products and buildings.

Depreciation is based on the following useful lives:

	YEARS
Buildings	15 to 50
Technical equipment, plant and machinery	3 to 20
Other equipment, factory and office equipment	3 to 15

Maintenance and repairs are expensed, while investment in replacement and extension and also 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 expenditure respectively. Financing costs are expensed in the period in which they are incurred.

#### Government Grants

Government grants are not recognized until it is reasonably certain that SCHOTT will be able to meet the terms and conditions and the grant will actually be approved. Government grants for assets are deducted from the purchase and/or production costs. Other 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 Intangible Assets and Property, Plant and Equipment

Goodwill acquired for consideration within the framework of business combinations is subjected to an impairment test at least annually. This takes place independently of whether concrete matters are present which indicate that an impairment adjustment may be needed. For purposes of this impairment test, the assets are attributed to cash-generating units which benefit from the use of these assets. In accordance with the regulations of IAS 36, an impairment loss is recognized if the carrying amount of the cash-generating unit to which the asset is attributed exceeds the recoverable amount. The "recoverable amount" is calculated as fair value less costs of sale for each cash-generating unit, using a discounted cash flow method. The fair value less costs of sale is then compared with the carrying amount of the cash-generating unit. There is a general prohibition of the reversal of an impairment loss for goodwill.

The planning periods used comprise at the most five years. This planning is based on values drawn from past experience and also best possible estimates by management concerning future development. Longer planning periods of up to ten years are only made use of for the building up of new business fields, as meaningful historical figures are not yet available here. Moreover, the weighted average growth rates used in planning correspond to expectations in the relevant market forecasts and amount to 0.5% p.a. in mature segments and 2% p.a. in growth segments.

Anticipated cash flows are discounted with 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 sector (peer group). In the year under review, discount rates determined in this manner were between 8.2% and 10.4% (prior year 6.7% and 10.7%) net of tax, adjusted to other currency zones, where necessary.

The remaining intangible assets and also property, plant and equipment are only subjected to an impairment test if there are indications of reasons for an unscheduled write-down. Assets must be adjusted for impairment if the carrying amount exceeds the net sales proceeds that would result from a sale in an arm's length transaction, or the value in use. The value in use is ascertained on the basis of the expected future cash flows that the asset will probably generate over the period of use. If there are indications that reasons which led to a write-down in the past are no longer present, a test is made as to whether a write-up to the level of the amortized carrying amount must be made.

#### Associated Companies Measured at Equity

The carrying amounts of associated companies that were accounted for using the equity method are written up or down annually by the amount of proportionate income, distributed dividends or other changes in equity.

#### Other Non-Current Financial Assets

All other equity investments and securities are classified as “available for sale” and measured at fair value as a matter of principle. Unrealized gains and losses on securities (losses insofar as they are temporary) are reported under accumulated other Group earnings, taking deferred taxation into account. Loans are assigned to the category “Loans and receivables” and as a result are measured at amortized costs; non- and low-interest-bearing loans are measured at present value. In the event of permanent impairment, write-downs are expensed on all long-term equity investments and securities. If the reasons for this can be shown to have reversed, a reversal is recognized. A write-up may not exceed the amortized carrying amount.

Within the scope of one individual transaction, SCHOTT acts as lessor of property, plant and equipment. The non-current financial receivable resulting therefrom is reported at the level of the net investment in the lease under Other Non-Current Assets. The interest income is distributed over the reporting periods such that a constant periodic return on the outstanding net investment in the lease is achieved.

#### Other Non-Current Non-Financial Assets

Payments and advance payments for non-financial assets are recognized at fair value.

#### Inventories

Inventories are measured at the lower of purchase or production costs and net realizable value, i. e., 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 purchase and production costs are determined on the basis of the weighted average cost. Production costs include materials and personnel costs and also direct overheads including depreciation, ascertained on the basis of normal capacity utilization of production plant. Financing costs are not taken into account.

#### Trade Receivables

Trade receivables are capitalized under “Loans and receivables” at amortized cost. Default risks are accounted for by impairment adjustments, insofar as they not covered by insurance. Receivables bearing no or little interest are carried at their present values.

SCHOTT sells selected trade receivables on a revolving basis. Financial assets sold in this manner are reversed out of the consolidated balance sheet at the time of sale, insofar as essentially all opportunities and risks are transferred to the purchaser and the channeling through of the cash flows associated with these financial assets is guaranteed.

#### Tax Refund Entitlements

In accordance with IAS 12 *Income Tax*, *tax refund entitlements* exclusively affect refund entitlements for taxes on income.

#### Other Current Financial Assets

Other current financial assets include in particular financial assets categorized under “Loans and receivables” and mainly affect loans and receivables from Group and associated companies. They also include derivatives not designated as hedging instruments and therefore must be classified as financial instruments which are “held for trading”, measured at fair value and recognized in income (see also comments on financial instruments in this explanatory note).

#### Other Current Non-Financial Assets

This line item records deferred expenses for goods or services received that have been paid in advance, receivables from other taxes and receivables due from employees, and entitlements to government investment grants or 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 at hand, demand deposits and time deposits with original maturities of up to three months as cash or cash equivalents. These cash and cash equivalent funds meet the criteria of IAS 7 *Cash Flow Statements*.

#### Non-Current Assets and Liabilities Held for Sale/Discontinued Operations

If assets are held for sale, no further systematic amortization/depreciation is undertaken, but the fair value is calculated instead. An unscheduled write-down is made, insofar as the carrying amount of these assets is higher than the fair value less the costs to sell that are likely to be incurred. The basis for the fair value is an estimate of the sales proceeds that are likely to be obtained. The operating results and the valuation adjustments to assets that are held for sale are disclosed in the profit from operating activities. In the year under review, as in the previous year, no assets from continued operations were listed as held for sale.

Discontinued operations are disclosed separately, as soon as a component of the entity that represents a separate major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale is available for sale and management has initiated an active selling process.

Discontinued operations are measured at fair value less costs to sell. In the income statement, the results of the discontinued operations, consisting of the current and disposal result, are disclosed separately.

#### Capital Reserves

Capital reserves primarily include premiums resulting from the divestment and transfer of the foundation company SCHOTT Glas.

#### Group Earnings

Group earnings consist of the past earnings of the companies included in the consolidated financial statements, insofar as they have not been distributed. This line item also includes capital reserves from the first-time application of the IFRSs and the actuarial gains and losses directly recognized in equity which are a result of the measurement of pension commitments in accordance with IAS 19 (net of tax).

#### Accumulated other Group Earnings

In accordance with IAS 39, unrealized gains and losses from fluctuations in the fair value of available-for-sale securities – insofar as there is no permanent impairment – are recognized in a separate item in equity (Accumulated other Group earnings) without affecting profit. Changes in the valuation of derivatives used to hedge future cash flows are likewise included in this item, provided that the relevant conditions of IAS 39 are satisfied. The amounts required to be recognized in the special items must fundamentally be reported net of tax. In addition, accumulated other Group earnings include the discrepancies arising from translating the currencies of financial statements of foreign Group companies.

#### Pension Provisions and Similar Obligations

Contribution-orientated pension plans (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 (defined benefit plans) are valued using the projected unit credit method prescribed by IAS 19 *Employee Benefits*. This takes future salary and pensions adjustments into account. Actuarial gains and losses are recognized directly in equity. The pension commitments in Germany are calculated taking into account the biometric bases of calculation pursuant to the Heubeck Guideline tables 2005 G.

Pension commitments outside Germany are calculated taking into account local bases of calculation and parameters. In addition, there are contributions to health care insurance and life insurance in the U.S.A.

The fair value of the plan assets is compared with the present value of the expectancy as of year-end (financing status). The asset values are set off against the corresponding commitments. The pension provisions also include employee-financed pension commitments to a minor extent (so-called pay commutation).

#### Other Provisions

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, SCHOTT recognizes provisions for taxes and other obligations towards third parties if a present obligation of the company has arisen as a result of a past event, it is furthermore probable (i. e., more likely than not) that settlement of the obligation will result in an outflow of economically useful resources, and the amount of the obligation can be estimated reliably. The measurement of other provisions takes place at full cost. Provisions with a remaining term to maturity of more than one year are measured at their discounted settlement amount.

#### Restructuring Provisions

Restructuring provisions are recognized if a restructuring plan is available and restructuring has already begun or has been announced publicly on the balance sheet date. The amount of the provision includes all direct expenditure necessarily incurred within the scope of the restructuring which is not associated with the ongoing activities of the enterprise.

#### Warranty Provisions

The 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.

### Provisions for Litigation Risks

Provisions are recognized for risks arising from litigation in which a SCHOTT Group company appears either as the defendant or as the plaintiff. The amount of the provision is the amount that is most likely to be paid in the event of a negative outcome of the proceedings. These include in particular compensation for damages, settlements, and also the expected litigation costs. A provision in connection with a litigation in which a SCHOTT company only appears as the plaintiff includes only the litigation costs.

### Deferred Taxation

Under IAS 12 *Income Taxes*, deferred tax assets and liabilities are recognized for all temporary differences between tax and IFRS balance sheet figures, tax credits, and tax loss carry-forwards. We use the tax rates applicable as of balance sheet date when calculating deferred tax assets and liabilities. The effects of tax rate changes on deferred taxes are recognized on enactment of the changes to the laws concerned. Deferred tax assets are recognized only to the extent that temporary differences, tax loss carry-forwards, or tax credits can be offset against taxable income in the future.

### Accrued Liabilities

In the current fiscal year, liabilities arising from unpaid invoices for bonuses and rebates, as well as employee obligations, such as Christmas bonuses, until now recognized under Other Provisions, were reclassified in the new additional line item "Accrued liabilities". A deferred liability is set up when a current legal or factual liability to third parties has occurred which will probably lead to the outflow of resources, whereas the point in time or amount of the probable outflow of resources (in contrast to provisions) are no longer uncertain. Financial debts are recognized at amortized purchase cost.

### Liabilities for Taxes

According to IAS 12, this line item includes actual liabilities for taxes on income.

### Other Financial Liabilities

Liabilities are recognized at amortized purchase costs using the effective interest method – as far as they are non-current. Liabilities under finance leases are recognized at the present value of the lease payments and disclosed under financial liabilities.

Financial liabilities include in particular liabilities to credit institutions. Derivatives not designated as hedging instruments are also listed. In accordance with IAS 39, it is compulsory to recognize these at fair value as "held for trading".

### Other Non-Financial Liabilities

Other non-financial liabilities include payments received on account of orders, other tax liabilities, and other liabilities which do not meet the definition of financial liabilities. They are recognized at fair value.

### Leasing

SCHOTT has entered into lease transactions primarily as lessee. Insofar as SCHOTT, within the framework of lease transactions, substantially bears all the risks and rewards of the use of the leased asset and is thus to be seen as the economic owner (finance lease), the leased asset is recognized under non-current assets at the present value of the non-terminable minimum lease payments. Depreciation of these assets takes place over the useful life or the shorter lease term. A lease liability of equal amount is recognized. All other lease agreements in which SCHOTT is lessee are treated as operating leases with the result that the lease payments are recognized as an expense at the time of payment.

### 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, where the outflow of resources as a result would be improbable or cannot yet be reliably determined. In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, they are not recognized.

### Risk Management

Within the course of their business operations, the SCHOTT Group companies are subject to various financial risks such as, for example, currency or commodity price risks. The aim of risk management, which is controlled centrally by the Corporate Treasury department, is to discover risks that arise from market fluctuations in interest rates, currency rates, and raw material prices in the course of business operations and to hedge against them in accordance with hedging strategy. Business transactions are carried out subject to strict functional separation into trade, back-office, documentation, and risk controlling. Risk exposures are regularly determined by Risk Controlling. Hedging strategies are examined at least on a quarterly basis by the Treasury Committee. The maximum accepted market risk is continuously monitored and limited in the form of limit guidelines by the Treasury Committee. Moreover, the Treasury Committee is informed monthly by Risk Controlling about business transactions, their current market values, and results of hedging activities.

For further information on risk management, please refer to the Risk Report in the Management Report.

### Credit Risk

A credit risk occurs when a business partner of a financial instrument is unable to meet contractual obligations. Hence the maximum amount of receivables is equal to the gross carrying amount of each counterparty. Most of the credit risks incurred by SCHOTT are the result of trade receivables from third parties.

Derivatives are used exclusively for hedging purposes, i. e., only in connection with corresponding underlying transactions arising from original business activities that display a risk profile contrary to the hedging transaction. The type and scope of underlying transactions to be hedged are bindingly regulated Group-wide in a financing guideline issued by the Board of Management. All hedging transactions are recorded and measured centrally in the Treasury Management System and their risks are continuously monitored.

The credit risk arising from cash and cash equivalents, derivatives and “available for sale” financial assets is limited by exclusively working with contracting parties and/or credit institutions with first-class credit ratings. In addition, only marketable instruments with sufficient market liquidity are used which have been authorized in accordance with the financing guideline.

SCHOTT reduces the credit risks of the receivables portfolio by constantly monitoring the credit rating and payment history of business partners. Each business partner is allocated 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.

The following table outlines the fair values of the financial assets. These are divided into classes and are equivalents of the maximum default risk and/or credit exposure of the SCHOTT Group on balance sheet date:

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Financial assets at fair value through profit and loss: held for trading	4,313	9,841
Financial assets available for sale	123,543	128,449
Receivables under finance leases	11,015	11,998
Loans and receivables	342,433	306,438
Cash and cash equivalents	103,433	74,097
Financial instruments not subject to IFRS 7	66,824	19,329
	<b>651,561</b>	<b>550,152</b>

On balance sheet date, as in the previous year, no securities were held which may either be sold or provided as the company’s own security in the event that the debtor has not defaulted.

The following table outlines overdue trade receivables from third parties. The values of financial assets are adjusted if they are more than 90 days overdue.

IN € THOUSANDS	NEITHER IMPAIRED NOR OVERDUE ON BALANCE SHEET DATE	IMPAIRED ON BALANCE SHEET DATE	OVERDUE AND NOT VALUE-ADJUSTED ON BALANCE SHEET DATE		
			1 TO 30 DAYS	31 TO 60 DAYS	61 TO 90 DAYS
<b>SEPT. 30, 2008</b>					
Trade receivables	258,825	10,968	20,423	3,920	2,848
<b>SEPT. 30, 2007</b>					
Trade receivables	236,764	18,728	18,761	3,921	2,026

On balance sheet date, as in the previous year, no other financial assets existed that are overdue and have not been impaired.

#### Liquidity Risk

Liquidity risk describes the risk that a company is unable to sufficiently meet its financial obligations. The financial liabilities of SCHOTT mainly consist of trade payables and liabilities to credit institutions. The item Financial Instruments Held for Trading includes only derivatives with negative

market values as far as these lead to a net outflow of funds. The following table outlines the contractual remaining lives of undiscounted financial liabilities:

	CARRYING AMOUNT	GROSS OUT- FLOW	UP TO ONE YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
<b>SEPT. 30, 2008</b>					
Liabilities	518,208	550,499	343,833	189,136	17,530
Liabilities for finance leases	47,308	64,511	4,206	17,302	43,003
Held for trading	4,397	4,397	4,397	0	0
Hedging instruments	1,173	2,130	0	2,130	0
<b>SEPT. 30, 2007</b>					
Liabilities	488,484	530,028	298,277	205,925	25,826
Liabilities for finance leases	55,040	73,198	10,057	16,150	46,991
Held for trading	6,590	6,590	6,590	0	0
Hedging instruments	1,567	2,057	0	2,057	0

The Group division Corporate Treasury manages the liquidity risk. It uses an efficient cash management system. The liquidity risk is controlled by sending monthly liquidity reports to the management of SCHOTT. The Group safeguards its ability to pay and its liquidity supply by implementing rolling liquidity planning and by retaining liquidity reserves. A syndicated credit facility totaling T € 400,000 with a residual term life until August 2012 has been set up for this purpose. Loans with fixed interest reset periods of up to 12 months can be drawn down in various currencies from this credit line at any time. Interest is based on EURIBOR or LIBOR, in each case depending on the term. On balance sheet date, September 30, 2008, EUR 20 million of this credit had been drawn down.

In September 2007, a revolving factoring program with a volume of T € 100,000 was set up so as to broaden the refinancing base. The program runs for seven years. The Group achieved a liquidity inflow of EUR 55 million from the sale of trade receivables until balance sheet date on September 30, 2008.

### 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 Group and therefore particularly susceptible to currency, interest rate, security price and commodity price risks.

### Currency Risk

Currency risks arise from investments, financing measures and business operations not in functional currency. The aim of currency management is to hedge business operations against earnings and cash flow fluctuations. Within the framework of currency management, basically only such risks as result from an exchange of foreign currency cash flows into the local currency concerned (transaction risks) are hedged. Risks arising from the foreign currency translation of the balance sheet and earnings figures of foreign Group companies (translation risks) are principally not hedged by SCHOTT.

Forward exchange transactions and currency options are used to hedge transaction risks. In addition, transaction risks are minimized by financing investments in corresponding national currencies as much as possible. The majority of currency risks are the result of the price performance of the euro against the U.S. dollar and Japanese yen.

The 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. It is shown in the following table.

CURRENCY IN THOUSANDS	EXPOSURE SEPT. 30, 2008	EXPOSURE SEPT. 30, 2007
Brazilian real	-41,234	-16,763
Pound sterling	4,983	5,852
Japanese yen	3,731,138	10,966,615
Swedish krona	-133,342	-17,503
Swiss franc	-105,182	23,740
Singapore dollar	-27,052	-12,572
U.S. dollar	106,041	88,438
South Korean won	3,051,179	-42,114,204
Czech crown	-910,059	-1,258,711
Turkish lira	-34,234	-22,417
Other (in T€)	-24,448	3,000

Value at risk represents the anticipated maximum amount of loss of the exposure based on an observation period of 250 business days, a confidence interval of 95% and a holding period of 20 days. The value at risk calculation is based on the Monte Carlo simulation which can be used to simulate various exchange rates. The calculation takes into account correlations between the examined transactions.

On September 30, 2008, the value at risk amounted to EUR 4.2 million (prior year EUR 4.1 million). This value at risk analysis carried out on balance sheet date is a representative analysis of the currency risk of SCHOTT.

#### Interest Rate Risk

Variable interest loans are also a part of the financial liabilities reported. In addition, short-term deposits with variable interest rates are used within the framework of cash management. Future interest rate changes thus lead to changes in future cash flows and net interest income.

The aim of interest management is to protect Group earnings against the negative effects of market interest rate fluctuations. The interest risk is managed with the help of original and derivative financial instruments. In addition, attention is paid to an appropriate ratio between fixed and variable interest rates and/or short-term and long-term financing arrangements while taking costs and risks into consideration.

The interest rate risk is recorded in accordance with internal reporting using a sensitivity analysis, and a 100 basis point parallel shift in the yield curve is carried out. In this connection, effects of changes in market interest rates on the financial result are illustrated. This analysis takes into account only financial instruments with variable interest rates. Fixed-interest financial instruments are not taken into account, as changes in market interest rates would only affect fair value. However, SCHOTT measures fixed-interest financial instruments at amortized purchase costs, therefore they do not lead to changes in equity or gain in case of changing interest rates.

A 100 basis point parallel shift of the EUR yield curve on September 30, 2008, would have affected the income statement by EUR 0.2 million (prior year EUR 0.3 million) and equity by EUR 0.7 million (prior year EUR 1.3 million). This sensitivity analysis on balance sheet date is a representative analysis of the interest rate risk of SCHOTT.

#### Security Price Risk

Other non-current financial assets include a special fund that contains shares, as well as interest-bearing securities. This fund is categorized as "Financial assets available for sale". The resulting security price risk has been insignificant in prior years and also at present. For this reason, SCHOTT forgoes a separate sensitivity analysis for security price risks.

### Commodity Price Risks

SCHOTT continues to be 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 against price increases. The SCHOTT purchasing department is responsible for the operative management of the commodity price risks. This is carried out on the basis of internal, centrally determined principles and limits. For example, in order to hedge commodity price risks, long-term contracts with various suppliers were entered into. Furthermore, the Group also holds original and derivative financial instruments to a small extent. In 2006, 2007 and at present, commodity price risks for financial instruments have been of rather minor significance to SCHOTT. A sensitivity analysis for these financial instruments has therefore not been executed.

### Financial Instruments

#### Definition

A financial instrument is a contract which leads simultaneously to a financial asset on the part of one entity and to a financial liability or to an equity instrument on the part of the other entity. The financial assets of SCHOTT include in particular cash and cash equivalents, shares in other entities (e.g. equity, GmbH shareholdings), trade receivables, other loans and receivables granted by the Company, and derivatives held for trading. Financial liabilities are the result of obligations to make payments or other financial assets. This includes liabilities to credit institutions, trade payables, liabilities under finance leases and other original and derivative financial instruments.

#### Accounts Presentation

The following categories of financial instruments are in use at the SCHOTT Group, as defined by IAS 39 *Financial Instruments: Recognition and Measurement*:

- Loans and receivables
- Liabilities
- Available-for-sale financial assets
- Assets and liabilities held for trading

Financial instruments are categorized at acquisition and dependent on their type and intended use.

Within the Group, commercial purchases and sales are recognized irrespective of their categorization on settlement date. Settlement date is the day on which an asset is delivered to or by the company. The trading date, on the other hand, is the day on which the company has committed itself to buy or sell an asset.

Derivative financial instruments are recognized on trading date. As a rule, financial assets and liabilities are not offset unless there is a netting option and SCHOTT intends to settle on a net basis.

At first recognition, financial assets are measured at fair value. In case of assets not measured at fair value, transaction costs directly attributable to their purchase are taken into account. Fair values recognized in the balance sheet regularly correspond to market prices. If these cannot be directly determined by referring to an active market, they are measured using measurement models usual in the market on the basis of market parameters.

The category “**Loans and receivables**” comprises loans, trade receivables and other original financial assets. Assets stated in this category are measured at amortized cost using the effective interest method. Long-term non-interest-bearing loans and receivables are discounted to their present value using this method.

In case of impairment to trade receivables, the company distinguishes between individual value adjustments and flat-rate value adjustments. They appropriately consider default risks which are determined on the basis of empirical values and individual risk assessments. Impairments of trade receivables are recorded in a value adjustment account. As soon as there is proof that a receivable has defaulted, its carrying amount is immediately impaired. Trade receivables are not discounted, due to their short contractual terms (<1 year).

On each balance sheet date, other financial assets, excluding financial assets measured at fair value, are examined for indications of impairment. Financial assets are impaired when there are objective indications that there are negative changes to anticipated future cash flows which occurred after the initial recognition of the asset. Subsequently, the difference between carrying amount and present value of the anticipated future cash flows is determined using a value adjustment account.

Objective indicators for impairment could be the following:

- considerable financial difficulties of the contracting party
- interest or principal payment defaults or arrears
- increased likelihood that the borrower will become insolvent or enter into other reorganization procedures

Group shares and repayable bonds that are traded in an active market are categorized as “**available for trading**” and recognized at fair value, which is the same as the market value. Gains and losses resulting from fair value fluctuations are recognized directly in equity. Changes in value directly recognized in equity in the current and prior fiscal years are described in the Consolidated Statement of Changes in Equity, explanatory note 24. If a financial asset is sold or impaired, gains and losses that had been aggregated until that point in the accumulated other Group earnings are now recognized in income for the period.

Dividends from equity instruments categorized as “available for sale” are recognized on the income statement as soon as the Group has a claim to the dividend.

Shares in unconsolidated subsidiaries and participating interests are recognized at amortized purchase cost, as there is no active market and therefore no reliable market value can be determined with justifiable time and effort.

SCHOTT categorizes derivatives that are not in an effective hedging relationship in accordance with IAS 39 as “**held for trading**”. Derivatives are measured at fair value which corresponds to the market value and can be positive as well as negative. Fair value is calculated on the basis of present value models and option price models. Relevant market prices and interest rates obtained on balance sheet date from recognized sources are used as input parameters for these models. Gains or losses resulting from subsequent measurements are recognized as income or expenses.

In accordance with the principles of economic risk management, all derivatives serve to effectively hedge financial risks. Market value changes of derivatives categorized as “held for trading” are almost compensated for by market value changes from hedged underlying transactions. For example, gains and losses from underlying transactions, which are the result of currency translations in accordance with IAS 21 and which must be recognized in equity, are recognized together with gains and losses from derivatives used as hedges. Therefore, even without using hedge accounting in accordance with IAS 39, currency risks are always hedged.

SCHOTT only uses hedge accounting in the following situation: In order to hedge cash flows of a variable interest finance loan of T € 70,000 of SCHOTT Solar AG, interest swap transactions of equal amount were concluded and designated as cash flow hedges. The amount recognized in equity and not affecting the result during the course of cash flow hedge accounting is T € + 251 (prior year T € + 892). The interest rate swap effectively transforms the originally variable interest credit 100% into a fixed interest credit. The agreed interest terms and the cash flows of the interest rate swap and the variable interest credit are congruent. The changes in market value of these interest rate swaps are therefore recognized under accumulated other Group earnings without affecting the result. The interest rate hedging transactions, like the loan of T € 70,000, are due on December 15, 2009.

Neither in the 2007/2008 fiscal year nor the year before were any financial instruments transferred to other measurement categories.

#### Write-off of Financial Instruments

A financial asset (and/or part of a financial asset or part of a group of similar financial assets) is written off when one of the three following conditions has been met:

- Contractual rights for the purchase of cash flows from a financial asset have expired.
- The SCHOTT Group retains the rights to receive cash flows from financial assets, but has the contractual obligation to immediately pay these cash flows to a third party within the framework of an agreement compliant with IAS 39.19 (“pass through arrangement”).
- The SCHOTT Group has transferred its contractual rights for the purchase of cash flows from a financial asset and thereby has (a) in essence transferred all opportunities and risks related to the ownership of the financial asset, or (b) in essence neither transferred nor retained all opportunities and risks related to the ownership of a financial asset, but transferred control of the asset instead.

When the SCHOTT Group transfers its contractual rights for cash flows from a financial asset, in essence neither transfers nor retains all opportunities and risks related to the ownership of this asset and at the same time also retains control of the transferred asset, the SCHOTT Group continues to recognize the transferred asset within the scope of its continuous engagement. When the continuous engagement formally guarantees the transferred asset, the scope of the continuous engagement corresponds to the lower value of the initial fair value of the asset and the maximum amount the Group might have to repay for services received.

When the continuous engagement takes the form of a written and/or purchased option on the transferred asset (including an option which is settled in cash or a similar manner), the scope of the continuous engagement of the SCHOTT Group corresponds to the amount of the transferred asset which the company can repurchase. However, in the case of a written purchase option (including an option which is settled in cash or a similar manner) on an asset which is measured at fair value, the scope of the continuous engagement of the Group is limited to the lower value of the fair value of the transferred asset and the exercise price of the option.

A financial liability is written off when the underlying obligation has been fulfilled, terminated or has expired. If an existing financial liability is exchanged for another financial liability to the same creditor with substantially different contract terms, or if the terms and conditions of an existing liability are significantly altered, such exchange or alteration is treated as derecognition of the original liability and recognition of a new liability. The difference between their fair values is recognized in the income statement.

#### Disclosures of Financial Instruments

The following table outlines carrying amounts and fair values according to measurement categories and classes of financial instruments on September 30, 2008, and September 30, 2007:

## Grouping, measurement categories and conversion of balance sheet items on September 30, 2008

MEASUREMENT:			NOMINAL VALUE		AT AMORTIZED PURCHASE COST	
MEASUREMENT CATEGORY:			CASH AND CASH EQUIVALENTS		LOANS AND RECEIVABLES	
GROUP:			CASH AND CASH EQUIVALENTS		LOANS AND RECEIVABLES	
BALANCE SHEET ITEM IN € THOUSANDS	TOTAL CARRYING AMOUNT	TOTAL FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Associated companies measured at equity	66,824	66,824	0	0	0	0
Other financial assets	142,335	142,335	0	0	11,128	11,128
<b>CURRENT ASSETS</b>						
Trade receivables	311,932	311,932	0	0	311,932	311,932
Other financial assets	27,037	27,037	0	0	19,373	19,373
Cash and cash equivalents	103,433	103,433	103,433	103,433	0	0
	<b>651,561</b>	<b>651,561</b>	<b>103,433</b>	<b>103,433</b>	<b>342,433</b>	<b>342,433</b>

MEASUREMENT:					AT AMORTIZED PURCHASE COST	
MEASUREMENT CATEGORY:					LIABILITIES	
GROUP:					LIABILITIES	
BALANCE SHEET ITEM IN € THOUSANDS	TOTAL CARRYING AMOUNT	TOTAL FAIR VALUE			CARRYING AMOUNT	FAIR VALUE
<b>EQUITY AND LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Other financial liabilities	237,057	237,057			191,874	191,874
<b>CURRENT LIABILITIES</b>						
Accrued liabilities	153,874	153,874			36,057	36,057
Trade liabilities	193,867	193,867			193,867	193,867
Other financial liabilities	104,105	104,105			96,410	96,410
	<b>688,903</b>	<b>688,903</b>			<b>518,208</b>	<b>518,208</b>

\* Shares in unconsolidated subsidiaries and participating interests (T€13,025) are recognized at amortized purchase cost, as there is no active market and therefore no reliable market value can be determined with justifiable time and effort.

\*\* Financial assets which are not subject to IFRS 7 also affect plan assets of T€177,893 at market value which were off-set with T€728,425 in pension provisions.

		MEASURED AT FAIR VALUE									
		FINANCIAL INSTRUMENTS AVAILABLE FOR SALE				FINANCIAL INSTRUMENTS RECOGNIZED IN INCOME					
FINANCE LEASES		FINANCIAL INSTRUMENTS AVAILABLE FOR SALE		HELD FOR TRADING		HEDGING INSTRUMENTS		FINANCIAL ASSETS NOT SUBJECT TO IFRS 7**			
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	
	0	0	0	0	0	0	0	0	66,824	66,824	
	11,015	11,015	120,192	120,192*	0	0	0	0	0	0	
	0	0	0	0	0	0	0	0	0	0	
	0	0	3,351	3,351	4,313	4,313	0	0	0	0	
	0	0	0	0	0	0	0	0	0	0	
	11,015	11,015	123,543	123,543	4,313	4,313	0	0	66,824	66,824	

		MEASURED AT FAIR VALUE									
						FINANCIAL INSTRUMENTS RECOGNIZED IN INCOME					
FINANCE LEASES				HELD FOR TRADING		HEDGING INSTRUMENTS		FINANCIAL LIABILITIES NOT SUBJECT TO IFRS 7**			
	CARRYING AMOUNT	FAIR VALUE			CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	
	45,183	45,183			0	0	0	0	0	0	
	0	0			0	0	0	0	117,817	117,817	
	0	0			0	0	0	0	0	0	
	2,125	2,125			4,397	4,397	1,173	1,173	0	0	
	47,308	47,308			4,397	4,397	1,173	1,173	117,817	117,817	

Furthermore, financial guarantees amounting to T€34,685 (prior year T€0) form their own group of financial instruments. The financial guarantees were measured at fair value.

## Grouping, measurement categories and conversion of balance sheet items on September 30, 2007

MEASUREMENT:			NOMINAL VALUE		AT AMORTIZED PURCHASE COST	
MEASUREMENT CATEGORY:			CASH AND CASH EQUIVALENTS		LOANS AND RECEIVABLES	
GROUP:			CASH AND CASH EQUIVALENTS		LOANS AND RECEIVABLES	
BALANCE SHEET ITEM IN € THOUSANDS	TOTAL CARRYING AMOUNT	TOTAL FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Associated companies measured at equity	19,329	19,329	0	0	0	0
Other financial assets	151,672	151,672	0	0	11,384	11,384
<b>CURRENT ASSETS</b>						
Trade receivables	271,351	271,351	0	0	271,351	271,351
Other financial assets	33,703	33,703	0	0	23,703	23,703
Cash and cash equivalents	74,097	74,097	74,097	74,097	0	0
	<b>550,152</b>	<b>550,152</b>	<b>74,097</b>	<b>74,097</b>	<b>306,438</b>	<b>306,438</b>

MEASUREMENT:					AT AMORTIZED PURCHASE COST	
MEASUREMENT CATEGORY:					LIABILITIES	
GROUP:					LIABILITIES	
BALANCE SHEET ITEM IN € THOUSANDS	TOTAL CARRYING AMOUNT	TOTAL FAIR VALUE			CARRYING AMOUNT	FAIR VALUE
<b>EQUITY AND LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Other financial liabilities	248,642	248,642			202,296	202,296
<b>CURRENT LIABILITIES</b>						
Accrued liabilities	128,932	128,932			36,425	36,425
Trade liabilities	183,013	183,013			183,013	183,013
Other financial liabilities	83,601	83,601			66,750	66,750
	<b>644,188</b>	<b>644,188</b>			<b>488,484</b>	<b>488,484</b>

\* Shares in unconsolidated subsidiaries and participating interests (T€20,091) are recognized at amortized purchase cost, as there is no active market and therefore no reliable market value can be determined with justifiable time and effort.

\*\* Financial assets which are not subject to IFRS 7 also affect plan assets of T€169,669 at market value which were off-set with T€774,901 in pension provisions.

Consolidated Statement of Income  
 Consolidated Balance Sheet  
 Statement of Recognized Income and Expense  
 Consolidated Cash Flow Statement  
 Notes to the Consolidated Financial Statements

		MEASURED AT FAIR VALUE									
		FINANCIAL INSTRUMENTS AVAILABLE FOR SALE				FINANCIAL INSTRUMENTS RECOGNIZED IN INCOME					
FINANCE LEASES		FINANCIAL INSTRUMENTS AVAILABLE FOR SALE		HELD FOR TRADING		HEDGING INSTRUMENTS		FINANCIAL ASSETS NOT SUBJECT TO IFRS 7**			
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	
	0	0	0	0	0	0	0	0	19,329	19,329	
	11,998	11,998	128,290	128,290*	0	0	0	0	0	0	
	0	0	0	0	0	0	0	0	0	0	
	0	0	159	159	9,841	9,841	0	0	0	0	
	0	0	0	0	0	0	0	0	0	0	
	11,998	11,998	128,449	128,449	9,841	9,841	0	0	19,329	19,329	

		MEASURED AT FAIR VALUE									
		FINANCIAL INSTRUMENTS AVAILABLE FOR SALE				FINANCIAL INSTRUMENTS RECOGNIZED IN INCOME					
FINANCE LEASES		FINANCIAL INSTRUMENTS AVAILABLE FOR SALE		HELD FOR TRADING		HEDGING INSTRUMENTS		FINANCIAL LIABILITIES NOT SUBJECT TO IFRS 7**			
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	
	46,346	46,346			0	0	0	0	0	0	
	0	0			0	0	0	0	92,507	92,507	
	0	0			0	0	0	0	0	0	
	8,694	8,694			6,590	6,590	1,567	1,567	0	0	
	55,040	55,040			6,590	6,590	1,567	1,567	92,507	92,507	

Market values of financial instruments which must be recognized at fair value are always determined on the basis of stock market prices. If stock market prices are not available, they are measured using the discounted cash flow method, which takes into account market conditions in the form of commercial credit rating and/or liquidity spreads when calculating their present values.

Shares in unconsolidated subsidiaries and participating interests are recognized at amortized purchase cost, as there is no active market and therefore no reliable market value can be determined with justifiable time and effort.

There are no liquid markets for financial instruments categorized as “Loans and receivables” and which are measured at amortized purchase cost. If the issued loans and receivables are of a short-term nature, it is assumed that their market values are the same as their carrying amounts. For all other issued loans and receivables, the carrying amount is calculated by discounting future cash flows. In principle, these calculations use interest rates which would be valid at the time of renegotiating loans with corresponding risk structure, original currency and maturity.

In general, trade payables and other current liabilities have a remaining life of less than one year, therefore their carrying amounts are approximately the same as their fair values.

The following tables show net earnings according to measurement category:

2007/2008 FISCAL YEAR:

IN € THOUSANDS	FROM INVESTMENT INCOME	FROM INTEREST AND SIMILAR INCOME/ EXPENSES	FROM SUBSEQUENT MEASUREMENT		FROM DISPOSAL	NET RESULT 2007/2008
			AT FAIR VALUE	VALUE ADJUSTMENTS		
Loans and receivables	0	-1,865	0	1,990	0	125
Financial assets available for sale	4,093	22,064	0	-4,311	0	21,846
Financial instruments held for trading	0	0	10,469	0	0	10,469
Financial liabilities measured at amortized purchase cost	0	-16,440	0	0	0	-16,440
<b>TOTAL</b>	<b>4,093</b>	<b>3,759</b>	<b>10,469</b>	<b>-2,321</b>	<b>0</b>	<b>16,000</b>

2006/2007 FISCAL YEAR:

IN € THOUSANDS	FROM INVESTMENT INCOME	FROM INTEREST AND SIMILAR INCOME/ EXPENSES	FROM SUBSEQUENT MEASUREMENT		FROM DISPOSAL	NET RESULT 2006/2007
			AT FAIR VALUE	VALUE ADJUSTMENTS		
Loans and receivables	0	400	0	2,147	0	2,547
Financial assets available for sale	3,900	14,212	0	-6,845	18,230	29,497
Financial instruments held for trading	0	-32	14,488	0	0	14,456
Financial liabilities measured at amortized purchase cost	0	-13,216	0	0	0	-13,216
<b>TOTAL</b>	<b>3,900</b>	<b>1,364</b>	<b>14,488</b>	<b>-4,698</b>	<b>18,230</b>	<b>33,284</b>

Interest on financial instruments is reported in net interest income. Besides interest income from financial instruments in the categories “Loans and receivables” and “available for sale”, as well as interest expenses from liabilities, this also affects the difference between spot transactions and forward rates of derivatives which are held as hedges or are categorized as “held for trading”.

Write-ups and/or allowances for loans and receivables are recognized in other operating income/expenses. Income and expenses from financial instruments held for trading which are recognized in income are also recognized in other operating income/expenses. This applies to derivatives.

All other components of subsequent measurements of financial instruments are included in other financial results.

## NOTES TO THE STATEMENT OF INCOME

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### SALES

The sales revenues are classified by region as follows:

	2007/2008		2006/2007	
	IN € THOUSANDS	%	IN T EURO	%
Germany	589,190	26	522,722	24
Rest of Europe	734,486	33	642,178	30
North America	408,986	18	502,484	23
South America	86,728	4	76,798	4
Asia and Southern Pacific	398,825	18	387,047	18
Other regions	10,177	1	11,643	1
	<b>2,228,392</b>	<b>100</b>	<b>2,142,872</b>	<b>100</b>

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### SELLING AND ADMINISTRATIVE EXPENSES

The selling costs include in particular personnel and non-personnel costs, depreciation in the sales area, logistics, market research, shipping, advertising, certification, and guarantee costs. The 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.

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### RESEARCH AND DEVELOPMENT COSTS

Research and development costs include, apart from research costs, development costs not recognized as assets, as well as write-downs of development costs recognized as assets.

## OTHER OPERATING INCOME

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The other operating income item reports income which accrues within the framework of operating activities that are not to be attributed to other individual items.

IN € THOUSANDS	2007/2008	2006/2007
Foreign exchange gains	111,107	89,647
Income from commissions, rentals and licensing	30,529	7,694
Income from on-charging	25,010	9,639
Income from the disposal of property, plant and equipment	21,683	7,185
Income from the release of provisions	20,437	32,828
Income from the release of allowances on receivables and other assets	7,351	3,991
Income from final consolidation	5,685	4,466
Income from options	5,315	5,012
Income from government grants	3,111	3,173
Income from insurance compensation	1,397	1,864
Income from the sale of subsidiaries and other business units	0	36,074
Other	14,093	26,427
	<b>245,718</b>	<b>228,000</b>

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## OTHER OPERATING EXPENSES

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

IN € THOUSANDS	2007/2008	2006/2007
Foreign exchange losses	105,306	79,503
Restructuring costs	10,136	9,894
Impairment write-downs to receivables and other assets	5,361	3,309
Expenses for the setting-up of provisions	4,912	34,604
Impairment expenses for non-current assets	4,443	2,865
Expenses for preparing the initial public offering of SCHOTT Solar AG	4,353	0
Expenses on options	2,820	4,499
Charitable contributions	2,579	1,312
Rent/lease shares in empty property	1,427	1,706
Losses on the disposal of non-current assets	332	322
Impairment expenses for goodwill	0	59
Other	17,021	16,551
	<b>158,690</b>	<b>154,624</b>

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## INCOME FROM INVESTMENTS MEASURED AT EQUITY

Comments on this subject are included in explanatory note 16 "Associated companies measured at equity".

## NET FINANCIAL RESULT

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IN € THOUSANDS	2007/2008	2006/2007
Interest and similar income	12,846	10,778
of which from affiliated companies	135	113
Interest and similar expenses	-58,150	-50,144
of which to affiliated companies	-582	-612
of which interest expense in pension provisions	-30,944	-29,953
<b>NET INTEREST RESULT</b>	<b>-45,304</b>	<b>-39,366</b>
Income from investments	4,093	3,900
Income from the disposal of investments	0	18,230
Income from securities	16,051	7,403
Losses on securities	-4,311	-6,845
Other financial expenses	-2,345	0
<b>OTHER FINANCIAL RESULT</b>	<b>13,488</b>	<b>22,688</b>
<b>TOTAL FINANCIAL RESULT</b>	<b>-31,816</b>	<b>-16,678</b>
of which financing income	32,990	40,311
of which financing expenses	-64,806	-56,989

Interest expenses on pension provisions are stated as net amounts after offsetting them against anticipated income of plan assets.

## TAXES ON INCOME

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Income taxes are classified by their origin as follows:

IN € THOUSANDS	2007/2008	2006/2007
Actual taxes	-95,041	-42,023
Deferred taxation	18,914	-65,882
<b>TAXES ON INCOME</b>	<b>-76,127</b>	<b>-107,905</b>

Deferred taxes are computed on the basis of the tax rates that are expected to apply at the time of realization under the legal situation in the countries concerned at the time of realization. Trade tax together with the solidarity surcharge results in a tax rate totaling 30% for German companies. The tax rates outside Germany lie between 5% and 41%.

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

IN € THOUSANDS	SEPT. 30, 2008		SEPT. 30, 2007	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Intangible assets	34,129	5,867	44,907	7,990
Property, plant and equipment	8,979	58,869	8,563	61,080
Inventories	8,670	1,900	10,456	2,886
Current and non-current other assets	8,898	16,016	4,997	34,089
Pension provisions	32,332	1,351	36,612	395
Short and long-term provisions and deferred liabilities	18,712	3,057	14,576	5,638
Current and non-current liabilities	18,612	4,228	27,868	1,428
Tax loss carry-forwards	17,878	0	16,783	0
<b>DEFERRED TAXES BEFORE SET-OFFS</b>	<b>148,210</b>	<b>91,288</b>	<b>164,762</b>	<b>113,506</b>
Set-offs*	45,624	45,624	53,794	53,794
<b>NET DEFERRED TAXATION</b>	<b>102,586</b>	<b>45,664</b>	<b>110,968</b>	<b>59,712</b>

\* Set-offs within individual taxable entities

An assessment of the intrinsic worth led to non-recognition of deferred tax assets for certain loss carry-forwards and deductible differences. There are loss carry-forwards, interest rate carry-forwards and tax credits, for which no deferred taxes have been recognized, of which for corporation tax: T € 77,218 (prior year T € 211,827), of which for trade tax and/or similar foreign taxes: T € 79,770 (prior year T € 171,946), and of which for interest rate carry-forwards: T € 5,488 and/or tax credits: T € 2,416. In the prior year, unrecognized interest rate carry-forwards and tax credits were included in the tax loss carry-forward. Furthermore, no deferred taxes were recognized for future deductible differences amounting to T € 12,620 (prior year T € 82,300). The resulting deferred tax assets in respect of loss carry-forwards, interest rate carry-forwards and tax credits amounting to T € 30,885 (prior year T € 63,747) and of future deductible differences amounting to T € 2,650 (prior year T € 23,191) were not recognized as of balance sheet date.

Of the unrecognized loss carry-forwards, T € 75 expire after two years, T € 16,432 after three years, T € 75 after four years and a further T € 5,906 after five years plus. There is no time limit on the use of additional unrecognized loss carry-forwards.

The decline in unrecognized deferred tax assets from T € 63,747 in the prior year to T € 30,885 in the year under review is mainly due to SCHOTT AG using loss carry-forwards and the remeasurement of loss carry-forwards in the U.S.A. The use of loss carry-forwards not included in the prior year amounting to T € 75,015 (corporation and trade tax) and the initial recognition of temporary differences amounting to T € 46,500 are included in the addition to tax provisions at T € 36,482.

In the year under review, reductions in deferred tax assets amounting to T € 17,212 (prior year T € 41,832) were recognized under Accumulated other Group Earnings without affecting profit.

In the year under review, deferred tax liabilities for retained earnings of foreign subsidiaries were not included, as these gains are re-invested on a long-term basis or the time and amount of contingent contributions are not yet known. If these gains were distributed in the form of dividends or if the Group was to sell its investment in the subsidiaries, this could lead to an additional tax liability under current tax law.

The following table shows a reconciliation between anticipated and actually reported tax expense. In order to determine the anticipated calculated tax expense, the pre-tax profits of the continued divisions were multiplied by a tax rate of 30.0% (prior year 38.6%). This is composed of a tax rate of 15.8% (prior year 26.4%) for corporation tax including solidarity surcharge and 14.2% (prior year 12.2%) for trade tax:

IN € THOUSANDS	2007/2008	2006/2007
<b>EARNINGS OF CONTINUED DIVISIONS BEFORE INCOME TAXES</b>	257,013	249,950
Calculated tax expense at anticipated tax rate (30.0%, prior year 38.6%)	77,104	96,481
Effect of tax rate changes	-2,643	28,087
Non-deductible expenses	6,286	7,826
Tax-free components of income	-4,079	-9,894
Tax difference due to foreign tax rates	-2,902	-12,652
Losses and temporary differences for which it was possible to recognize tax claims for the first time (prior year: not possible to recognize)	-11,082	4,874
Taxes relating to earlier periods	7,479	1,091
Permanent balance sheet effects	5,664	-10,468
Other	300	2,560
<b>INCOME TAXES PER STATEMENT OF INCOME</b>	<b>76,127</b>	<b>107,905</b>
Overall tax ratio per consolidated financial statements	29.6%	43.2%

Losses and temporary differences for which it was possible to recognize tax claims for the first time amounting to T € 7,936 mainly concern SCHOTT Solar Inc., Billerica, Massachusetts/U.S.A.

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#### NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In the year under review, as well as the prior year, the “Display Glass” (DG) segment met the requirements for discontinued operations in accordance with IFRS 5.

SCHOTT had classified high-quality thin glass for TFT-LCDs as a business field with growth potential and had begun to build up the corresponding technology. The competitive situation in this market had become much more critical, accompanied by a fall in prices. This was amplified by the rise of the euro against the Japanese yen of over 60% since 2000. The exchange rate loss that resulted brought an enormous price advantage for our competitors producing in Asia. Moreover, the rapid further technological development of thin glass for TFT-LCDs led to high market entry barriers. Owing to these developments, our ambitious economic plans in this business were no longer achievable within a reasonable period of time. Accordingly, the display glass division was reclassified to the results of discontinued operations pursuant to the regulations of IFRS 5 concerning the presentation of discontinued operations in the income statement for the year under review and the prior year.

Results for the discontinued operations DG:

IN € THOUSANDS	2007/2008 DG	2006/2007 DG
Sales income	2,964	16,271
Cost of sales	-53,874	-99,627
<b>GROSS PROFIT</b>	<b>-50,910</b>	<b>-83,356</b>
Selling and administrative expenses	-9,689	-21,552
Research and development costs	-568	-5,243
Other operating income	49,938	2,352
Other operating expenses	-12,034	-136,431
Income from final consolidation	22,511	0
Interest expense	-26	-4,841
<b>PROFIT BEFORE TAXES</b>	<b>-778</b>	<b>-249,071</b>
Taxes on income	2,374	55,660
<b>INCOME AFTER TAX</b>	<b>1,596</b>	<b>-193,411</b>

Income from the final consolidation of the discontinued operations SCHOTT Processing Korea Co. Ltd. amounts to T € 22,511. The sale of the shares resulted in non-taxable gains. Impairment expenses incurred by the recognition of non-current assets at fair value less costs of sale amount to T € 7,165. This results in a tax reduction of T € 1,300.

In the year under review, assets belonging to the discontinued operations DG amounting to T € 949 are recognized as held for sale (prior year: assets amounting to T € 24,723 and inventories amounting to T € 1,961).

Cash flows for the discontinued operations DG:

IN € THOUSANDS	2007/2008 DG	2006/2007 DG
Operating activities	376	-92,548
Investment activities	40,677	-60,457
Financing activities	0	6,036

PROFIT SHARES OF OTHER SHAREHOLDERS

13

The profit shares of third-party shareholders amount to T € 19,994 (prior year T € 37,624). These contrast with losses amounting to T € 1,347 (prior year T € 11,682).

NOTES TO THE CONSOLIDATED BALANCE SHEET

INTANGIBLE ASSETS

14

Goodwill is subjected to an annual impairment test. An impairment loss is recognized if the recoverable amount is less than the carrying amount of the cash-generating unit. The recoverable amount is derived from future cash inflows. Further details are listed in explanatory note 3.

In the year under review, impairment tests did not show any impairment of goodwill recognized in the balance sheet (prior year T € 59). The main reason for the reduction of goodwill by T € 452 to T € 106,425 was the adjustment of historical costs within the scope of an earn-out agreement. The following table shows the material goodwill recognized in the consolidated balance sheet with each corresponding segment allocation:

CASH-GENERATING UNITS IN EUR MILLION	SEGMENT	SEPT. 30, 2008	SEPT. 30, 2007
Solar	Home Appliances	57.6	57.6
Flat Glass	Home Appliances	16.3	16.3
Pharmaceutical Systems	Precision Materials	15.4	15.4

Write-downs on development costs, as well as patents, licenses and similar rights, include impairment losses amounting to T € 122 (prior year T € 51) which were recognized in Other Operating Expenses.

IN € THOUSANDS	DEVELOPMENT COSTS	PATENTS, LICENSES AND SIMILAR RIGHTS	GOODWILL	TOTAL
<b>PURCHASE AND PRODUCTION COSTS</b>				
<b>ON OCT. 1, 2006</b>	<b>40,526</b>	<b>78,390</b>	<b>129,089</b>	<b>248,005</b>
Additions	5,188	656	1,192	7,036
Disposals	0	3,327	5,611	8,938
Transfers	263	51	4,322	4,636
Currency changes	1	-1,346	-1,697	-3,042
Changes in reporting entity	0	-3,637	-4,107	-7,744
<b>BALANCE ON SEPT. 30, 2007</b>	<b>45,978</b>	<b>70,787</b>	<b>123,188</b>	<b>239,953</b>
<b>ACCUMULATED AMORTIZATION</b>				
<b>ON OCT. 1, 2006</b>	<b>19,480</b>	<b>65,660</b>	<b>15,005</b>	<b>100,145</b>
Additions	6,451	5,043	59	11,553
Disposals	0	4,070	2,038	6,108
Transfers	0	-3,737	4,099	362
Currency changes	0	-523	-677	-1,200
Changes in reporting entity	0	-911	-137	-1,048
<b>BALANCE ON SEPT. 30, 2007</b>	<b>25,931</b>	<b>61,462</b>	<b>16,311</b>	<b>103,704</b>
<b>CARRYING AMOUNT</b>				
<b>ON SEPT. 30, 2007</b>	<b>20,047</b>	<b>9,325</b>	<b>106,877</b>	<b>136,249</b>
<b>PURCHASE AND PRODUCTION COSTS</b>				
<b>ON OCT. 1, 2007</b>	<b>45,978</b>	<b>70,787</b>	<b>123,188</b>	<b>239,953</b>
Additions	5,277	2,263	0	7,540
Disposals	9,440	1,155	415	11,010
Transfers	-15	722	0	707
Currency changes	8	-134	-51	-177
<b>BALANCE ON SEPT. 30, 2008</b>	<b>41,808</b>	<b>72,483</b>	<b>122,722</b>	<b>237,013</b>
<b>ACCUMULATED AMORTIZATION</b>				
<b>ON OCT. 1, 2007</b>	<b>25,931</b>	<b>61,462</b>	<b>16,311</b>	<b>103,704</b>
Additions	5,633	2,693	0	8,326
Disposals	4,426	1,155	0	5,581
Transfers	0	72	0	72
Currency changes	0	-103	-14	-117
<b>BALANCE ON SEPT. 30, 2008</b>	<b>27,138</b>	<b>62,969</b>	<b>16,297</b>	<b>106,404</b>
<b>CARRYING AMOUNT</b>				
<b>ON SEPT. 30, 2008</b>	<b>14,670</b>	<b>9,514</b>	<b>106,425</b>	<b>130,609</b>

#### PROPERTY, PLANT AND EQUIPMENT

15

During the fiscal year, unscheduled write-downs to the net realizable value (impairment loss according to IAS 36) amounting to T € 4,443 (prior year T € 142,491), as well as reversals amounting to T € 0 (prior year T € 770), were recognized on property, plant and equipment.

Changes to inventories of precious metals in comparison to the balance sheet date of the previous year are shown net in the fixed asset movement schedule under plant and machinery.

Impairment losses amounting to T € 4,443 (prior year T € 2,865) were recognized under other operating expenses. Cost of sales includes impairment losses amounting to T € 0 (prior year T € 8,109).

IN € THOUSANDS	LAND, LAND RIGHTS AND BUILDINGS	TECHNICAL EQUIPMENT AND MACHINERY	OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
<b>PURCHASE AND PRODUCTION COSTS</b>					
<b>ON OCT. 1, 2006</b>	<b>506,685</b>	<b>1,451,747</b>	<b>234,959</b>	<b>234,190</b>	<b>2,427,581</b>
Additions	32,879	106,629	25,524	131,308	296,340
Disposals	46,934	190,158	43,927	951	281,970
Transfers	32,117	137,491	24,779	-199,062	-4,675
Currency changes	-8,799	-21,353	-4,149	-2,763	-37,064
Changes in reporting entity	-365	-2,498	-1,881	0	-4,744
<b>ON SEPT. 30, 2007</b>	<b>515,583</b>	<b>1,481,858</b>	<b>235,305</b>	<b>162,722</b>	<b>2,395,468</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>ON OCT. 1, 2006</b>	<b>229,658</b>	<b>964,425</b>	<b>172,523</b>	<b>2,432</b>	<b>1,369,038</b>
Additions	52,138	220,177	22,760	562	295,637
Disposals	27,848	179,981	34,521	276	242,626
Transfers	3	-11,903	12,255	-716	-361
Write-ups	172	392	206	0	770
Currency changes	-3,763	-14,520	-2,620	10	-20,893
Changes in reporting entity	-260	-1,249	-1,358	0	-2,867
<b>ON SEPT. 30, 2007</b>	<b>249,756</b>	<b>976,557</b>	<b>168,833</b>	<b>2,012</b>	<b>1,397,158</b>
<b>CARRYING AMOUNT</b>					
<b>ON SEPT. 30, 2007</b>	<b>265,827</b>	<b>505,301</b>	<b>66,472</b>	<b>160,710</b>	<b>998,310</b>
<b>PURCHASE AND PRODUCTION COSTS</b>					
<b>ON OCT. 1, 2007</b>	<b>515,583</b>	<b>1,481,858</b>	<b>235,305</b>	<b>162,722</b>	<b>2,395,468</b>
Additions	42,891	75,716	18,254	152,507	289,368
Disposals	11,493	150,306	16,239	6,173	184,211
Transfers	13,667	122,984	13,468	-150,826	-707
Currency changes	5,399	1,151	-43	5,418	11,925
Additions to reporting entity	29,748	222	144	787	30,901
<b>ON SEPT. 30, 2008</b>	<b>595,795</b>	<b>1,531,625</b>	<b>250,889</b>	<b>164,435</b>	<b>2,542,744</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>ON OCT. 1, 2007</b>	<b>249,756</b>	<b>976,557</b>	<b>168,833</b>	<b>2,012</b>	<b>1,397,158</b>
Additions	19,498	110,381	21,826	677	152,382
Disposals	3,920	129,394	13,359	70	146,743
Transfers	67	-2,305	3,590	-1,424	-72
Currency changes	-5,512	-864	-92	89	-6,379
Additions to reporting entity	11,235	0	67	0	11,302
<b>ON SEPT. 30, 2008</b>	<b>271,124</b>	<b>954,375</b>	<b>180,865</b>	<b>1,284</b>	<b>1,407,648</b>
<b>CARRYING AMOUNT</b>					
<b>ON SEPT. 30, 2008</b>	<b>324,671</b>	<b>577,250</b>	<b>70,024</b>	<b>163,151</b>	<b>1,135,096</b>

Government grants for assets have been deducted from their purchase costs on the asset side of the balance sheet and amounted to T € 20,543 (prior year T € 15,590) in the year under review. In the prior year, the subsidiary SCHOTT Solar AG was the main recipient of these grants issued to support various solar-related projects. Within the scope of the discontinuation of SCHOTT Solar Thin Film GmbH, grants previously recognized under SCHOTT Solar AG were almost completely transferred to the new company.

#### Rent and lease agreements

The following carrying amounts were recognized under tangible non-current assets for finance leasing:

IN € THOUSANDS	2007/2008	2006/2007
Land and buildings	38,862	45,392
Technical equipment and machinery	8,099	7,980
	<b>46,961</b>	<b>53,372</b>

SCHOTT rents and leases land, buildings, technical equipment and operating equipment. These involve either finance leases or payments for use, depending on the terms of the contracts. The leasing commitments are repaid over the respective contract term. Certain leasing contracts include early cancellation, continuation, and purchase options. Future financial obligations under rental and leasing agreements as of September 30 are as follows:

FINANCE LEASES IN € THOUSANDS	UP TO ONE YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
<b>SEPT. 30, 2008</b>				
Total leasing commitments	4,206	17,302	43,003	64,511
less interest portion included	2,081	7,216	7,906	17,203
Present value of lease payments	2,125	10,086	35,097	47,308
<b>SEPT. 30, 2007</b>				
Total leasing commitments	10,057	16,150	46,991	73,198
less interest portion included	1,363	4,045	12,750	18,158
Present value of lease payments	8,694	12,105	34,241	55,040
<b>OPERATING LEASES</b>				
IN € THOUSANDS				
<b>SEPT. 30, 2008</b>				
Leasing commitment	21,395	56,616	57,298	135,309
<b>SEPT. 30, 2007</b>				
Leasing commitment	23,969	48,940	83,803	156,712

The finance leases recognized under property, plant and equipment relate almost exclusively to domestic property leasing contracts.

In the year under review, T € 31,507 (prior year T € 31,139) were recognized as rent and lease expense. The anticipated future minimum payments under non-cancellable sublease relationships as of balance sheet date amount to T € 194 (prior year T € 0).

As in the previous year, no securities to third parties, such as registered property charges, were provided.

ASSOCIATED COMPANIES MEASURED AT EQUITY

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The associated companies measured at equity were measured at their purchase cost less impairments, as no market prices were available.

	PARTICIPATION QUOTA		
	COUNTRY	SEPT. 30, 2008	SEPT. 30, 2007
Glaverpane S.A.	Belgium	35%	35%
WACKER SCHOTT Solar GmbH	Germany	50%	0%
WACKER SCHOTT Solar Vertriebs GmbH	Germany	49%	0%
DiamondView Armor Products, LLC	U.S.A.	49%	0%
Kaisha Manufacturers Pvt. Ltd.	India	50%	0%

The proportionate income of the SCHOTT Group from investments measured at equity is recognized in the consolidated income statement:

INCOME FROM INVESTMENTS MEASURED AT EQUITY IN € THOUSANDS	2007/2008	2006/2007
	Glaverpane S.A.	292
WACKER SCHOTT Solar GmbH	-2,185	-
WACKER SCHOTT Solar Vertriebs GmbH	333	-
DiamondView Armor Products, LLC	-431	-
Kaisha Manufacturers Pvt. Ltd.	387	-
	-1,604	258

## Summary of financial information on investments measured at equity (basis 100%):

2007/2008 IN € THOUSANDS	ASSETS	LIABILITIES	EQUITY CAPITAL	SALES INCOME	RESULT
Glaverpane S.A.	27,947	18,243	9,704	50,806	833
WACKER SCHOTT Solar GmbH	185,917	121,029	64,888	75,706	-883
WACKER SCHOTT Solar Vertriebs GmbH	52,203	46,522	5,681	15,321	681
DiamondView Armor Products, LLC	2,744	176	2,568	178	-901
Kaisha Manufacturers Pvt. Ltd.	20,344	11,030	9,314	7,742	774

2006/07 IN € THOUSANDS	ASSETS	LIABILITIES	EQUITY CAPITAL	SALES INCOME	RESULT
Glaverpane S.A.	24,258	15,387	8,871	47,937	737

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## OTHER FINANCIAL ASSETS (NON-CURRENT)

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Securities	107,167	108,200
Receivable under finance lease	11,015	11,998
Loans	7,556	8,308
Investments	6,774	4,718
Shares in associated companies	6,251	15,373
Other miscellaneous receivables	3,572	3,075
	142,335	151,672

The other non-current financial assets amount to T € 130,396 (prior year T € 136,598) and mainly relate to financial instruments in the measurement category “available for sale”.

The shares in associated companies and other investments were measured at their purchase cost less impairments, as no market prices were available. The securities are held in the form of shares in investment funds.

Besides financial instruments categorized as “available for sale”, other financial assets include in particular receivables under finance leases amounting to T € 11,015 (prior year T € 11,998). The receivables are a result of an agreement in which SCHOTT acts as the lessor of precious metals and grants the lessee the option to purchase any partial quantities during the contract period.

The reduction of receivables in comparison to the previous year is mainly due to the lessee purchasing precious metals to the value of T € 984 in 2008.

In comparison with the previous year, the lease is based on the following data:

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
<b>GROSS INVESTMENT</b>	<b>12,256</b>	<b>13,950</b>
2007/2008	551	600
2008/2009 to 2011/2012	11,705	13,350
Later maturity	0	0
<b>PRESENT VALUE OF OUTSTANDING MINIMUM LEASE PAYMENTS</b>	<b>11,015</b>	<b>11,998</b>
2007/2008	534	582
2008/2009 to 2011/2012	10,481	11,416
Later maturity	0	0
<b>UNREALIZED GAINS</b>	<b>1,241</b>	<b>1,952</b>

No securities from long-term investments are held.

No long-term investments exist with newly negotiated conditions, which would be otherwise overdue or impaired.

#### OTHER NON-FINANCIAL ASSETS (NON-CURRENT)

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IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Payments made for inventories	26,743	27,361
Deferred items	2,806	3,195
Tax claims	200	1,652
Other miscellaneous non-financial receivables	886	776
	<b>30,635</b>	<b>32,984</b>

Other miscellaneous non-financial assets mainly include security deposits.

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## INVENTORIES

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Raw materials, consumables and supplies	173,507	150,941
Unfinished goods and work in process	149,403	149,444
Finished goods and merchandise	183,882	165,668
Impairment write-downs	-65,722	-63,757
	<b>441,070</b>	<b>402,296</b>

In the year under review, impairment write-downs to the net realizable value amounting to T € 11,599 (prior year T € 6,310) and also write-ups due to changes in the estimated future sales volume amounting to T € 8,452 (prior year T € 2,879) were recognized on inventories. The carrying amount of inventories that were recognized at fair value less selling costs amounts to T € 96,518 (prior year T € 85,635). The cost of sales in the year under review amounted to T € 795,542 (prior year T € 752,148). There were no orders on hand as of balance sheet date requiring recognition in accordance with IAS 11 *Construction Contracts*.

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## TRADE RECEIVABLES

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Trade receivables from third parties	296,984	280,200
Trade receivables from long-term investees and investors	12,434	408
Trade receivables from affiliated companies	7,726	6,620
Notes receivable from third parties	3,325	2,700
Impairment write-downs	-8,537	-18,577
	<b>311,932</b>	<b>271,351</b>

All trade receivables have terms to maturity of less than one year. The fair value of the receivables thus corresponds to their carrying amount. The trade receivables from affiliated companies relate to current business relations with companies not included in the consolidated financial statements of SCHOTT AG.

The Group achieved a liquidity inflow of EUR 55 million from the sale of trade receivables by balance sheet date on September 30, 2008. As the SCHOTT Group no longer bears the associated credit risks, the trade receivables were reversed out.

In comparison to the previous year, the value adjustment account has developed as follows:

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
<b>BALANCE ON OCT. 1</b>	18,577	19,082
Changes in reporting entity	-18	-162
Currency changes	-3,648	1,193
Additions	2,760	3,064
Disposals	-1,855	-1,064
Write-offs	-7,279	-3,536
<b>BALANCE ON SEPT. 30</b>	8,537	18,577

The total amount of additions of T € 2,760 (prior year T € 3,064) consists of additions due to individual impairment allowances amounting to T € 1,834 (prior year T € 2,491) and flat-rate impairment allowances amounting to T € 669 (prior year T € 573). The write-offs included reversed-out individual impairment allowances amounting to T € 6,858 (prior year T € 2,151) and reversed-out flat-rate impairment allowances amounting to T € 421 (prior year T € 1,385).

Overdue receivables are written down after 90 days. A summary of overdue trade receivables is listed in the risk management report under the credit risk notes.

The receivables portfolio does not include receivables with newly negotiated conditions, which would be otherwise overdue or impaired. Apart from customary title retentions, there are no loan securities for trade receivables. Trade credit insurance was taken out for part of the trade receivables.

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## OTHER FINANCIAL ASSETS (CURRENT)

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Loan receivables	8,714	8,124
Positive market prices from derivatives	4,313	9,841
Receivables under the sale of receivables	3,444	3,675
Short-term securities	3,351	159
Other receivables from affiliated companies	2,223	3,465
Creditors with debit balances	1,845	1,869
Other receivables from long-term investees and investors	843	639
Other miscellaneous receivables	7,694	11,370
Impairment write-downs	-5,390	-5,439
	27,037	33,703

As in the prior year, the loan receivables included amounts totaling T € 8,000 that have been deposited as security for employee entitlements under partial retirement agreements.

The development of the impairment account is presented in the following table:

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
<b>BALANCE ON OCT. 1</b>	5,439	7,082
Changes in reporting entity	-1	0
Currency changes	0	5
Additions	24	2,033
Disposals	0	-3,169
Write-offs	-72	-512
<b>BALANCE ON SEPT. 30</b>	5,390	5,439

The results from write-downs and write-offs of other financial assets are recognized in other operating income as income from impairment write-offs and/or in other operating expenses as expenses from write-downs. The result from write-downs and write-offs of impairments on other financial assets amounts to T € 48 (prior year T € -1,521).

In the periods under review, other financial assets did not include any assets with newly negotiated conditions, which would otherwise be overdue or impaired.

In comparison to the prior year, current non-financial assets are recognized in a separate balance sheet item. A total of T € 39,117 from the prior year was reclassified.

#### OTHER NON-FINANCIAL ASSETS (CURRENT)

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IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Receivables from other taxes	13,211	13,386
Deferred items	6,408	8,572
Payments made for inventories	5,995	4,472
Grant entitlements	1,765	8,477
Other miscellaneous non-financial receivables	8,893	8,683
	<b>36,272</b>	<b>43,590</b>

Other non-financial receivables include in particular refund claims from other taxes, grant receivables, prepayments to suppliers and also other non-financial receivables.

#### CASH AND CASH EQUIVALENTS

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IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Checks, cash on hand	1,711	2,084
Deposits with banks (term up to 90 days)	101,722	72,013
	<b>103,433</b>	<b>74,097</b>

The effective interest rates for deposits with banks having a term up to 90 days are in the area of 4.2% to 5.7% in the Euro zone (prior year 2.8% to 4.7%) and between 2.4% to 5.7% (prior year 4.7% to 5.9%) in the U.S. dollar area. The fair value of liquid assets corresponds to their carrying amount. In the year under review, deposits with banks did not include pledged time deposits (prior year T € 400).

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## EQUITY

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

The individual components of equity and also their development in the 2007/2008 and 2006/2007 fiscal years may be derived from the following Consolidated Statement of Changes in Equity. In comparison to the presentation in the financial statements of the previous year, actuarial gains and losses from pension provisions after taxes amounting to T € 130,495 (prior year T € 93,193) are shown under “Group Earnings” (and not in “Accumulated Other Group Earnings”).

## PARENT COMPANY

IN € THOUSANDS	SUBSCRIBED CAPITAL	CAPITAL RESERVES	GROUP EARNINGS
<b>BALANCE ON OCT. 1, 2006</b>	<b>150,000</b>	<b>322,214</b>	<b>115,746</b>
Value changes directly recognized in equity			89,682
Dividend payments			-4,000
Group loss/profit for the year			-77,308
Changes in the scope of consolidation			
Other			78
<b>BALANCE ON SEPT. 30, 2007</b>	<b>150,000</b>	<b>322,214</b>	<b>124,198</b>
<b>BALANCE ON OCT. 1, 2007</b>	<b>150,000</b>	<b>322,214</b>	<b>124,198</b>
Value changes directly recognized in equity			37,302
Dividend payments			
Group profit for the year			163,835
Changes in the scope of consolidation			24
Other			-137
<b>BALANCE ON SEPT. 30, 2008</b>	<b>150,000</b>	<b>322,214</b>	<b>325,222</b>

Consolidated Statement of Income  
 Consolidated Balance Sheet  
 Statement of Recognized Income  
 and Expense  
 Consolidated Cash Flow Statement  
 Notes to the Consolidated Financial Statements

#### ACCUMULATED OTHER GROUP EARNINGS

	CURRENCY TRANSLATION	MEASUREMENT OF MARKETABLE SECURITIES AT MARKET VALUES	CASH FLOW HEDGES	MINORITY INTERESTS	SCHOTT GROUP EQUITY
	4,185	10,687	694	118,689	722,215
	-20,353	2,585	892	-586	72,220
				-6,867	-10,867
				25,942	-51,366
				-10,013	-10,013
				1,543	1,621
	-16,168	13,272	1,586	128,708	723,810
	-16,168	13,272	1,586	128,708	723,810
	12,770	-15,748	251	228	34,803
				-12,422	-12,422
				18,647	182,482
				13	37
				137	0
	-3,398	-2,476	1,837	135,311	928,710

Income and expenses recognized directly in equity (excluding minority interests) developed as follows:

IN € THOUSANDS	ACTUARIAL GAINS AND LOSSES	CURRENCY TRANSLATION	MEASUREMENT OF MARKETABLE SECURITIES AT MARKET VALUES	CASH FLOW HEDGES	TOTAL AMOUNT OF INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY
<b>BALANCE ON OCT. 1, 2006</b>	<b>3,511</b>	<b>4,185</b>	<b>10,687</b>	<b>694</b>	<b>19,077</b>
Addition	109,242	0	2,585	892	112,719
Write-off	0	-20,353	0	0	-20,353
Deferred taxation	-19,560	0	0	0	-19,560
<b>BALANCE ON SEPT. 30, 2007</b>	<b>93,193</b>	<b>-16,168</b>	<b>13,272</b>	<b>1,586</b>	<b>91,883</b>
<b>BALANCE ON OCT. 1, 2007</b>	<b>93,193</b>	<b>-16,168</b>	<b>13,272</b>	<b>1,586</b>	<b>91,883</b>
Addition	54,311	12,770	0	534	67,615
Write-off	0	0	-15,748	0	-15,748
Deferred taxation	-17,009	0	0	-283	-17,292
<b>BALANCE ON SEPT. 30, 2008</b>	<b>130,495</b>	<b>-3,398</b>	<b>-2,476</b>	<b>1,837</b>	<b>126,458</b>

The range of the possible dividend distribution is determined according to Article 24 of the Foundation Charter of the Carl-Zeiss-Stiftung and depends on the Group equity ratio and Group earnings after minority interests. In accordance with the Foundation Charter, no dividend was distributed in the 2006/2007 fiscal year, due to the Group losses for that year.

#### Minority interests

Minority interests mainly relate to externally-held shares in SCHOTT Flat Glass Holding B.V., Tiel/Netherlands, SCHOTT forma vitrum holding AG, St. Gallen/Switzerland, NEC SCHOTT Components Corporation, Shiga/Japan and SCHOTT Gemtron Corporation, Sweetwater, Tennessee/U.S.A.

#### Capital management

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

The capital structure comprises financing liabilities, securities and cash, as well as equity of SCHOTT AG, which the Carl-Zeiss-Stiftung is entitled to. This consists of issued shares, capital reserves and retained earnings.

At SCHOTT, the measures of capital management in accordance with IAS 1.124B encompass in particular outside capital, the optimization of investment activities, dividend payments, net working capital, as well as capital increases and reductions.

The management of the SCHOTT Group uses the value-oriented management concept based on the SCHOTT Value Added (SVA). All strategic and operative activities in the company are assessed based on their contribution to increasing the value of the company. The aim is the successful use of business assets and to achieve a value contribution that is higher than the capital costs of the Group for SCHOTT.

Within the scope of company planning, as well as continuously in the monthly reporting of the SCHOTT Group, the net liquidity, among other things, and the operative cash flow are determined at the level of the Group companies and the Group. The net liquidity includes all cash and cash equivalents and also securities less financing liabilities. The net liquidity provides information on the financial status. The operative free cash flow determines the financial surpluses which are left after the deduction of investment capital. Surplus funds could be used, for example, to repay financing liabilities or to finance investments without drawing on external sources. In this way, measures needed to influence the capital structure can be detected early.

In addition, Group accounting and also Group controlling review the capital structure on a yearly basis. Within the scope of this examination, the equity ratio and debt-equity ratio are assessed. The equity ratio is the ratio of equity on the balance sheet to the balance sheet total. On September 30, 2008, the equity ratio amounted to 36.4% (prior year 31.3%).

The net financial assets, an important internal key indicator for the financial management of the SCHOTT Group, comprise the following:

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Cash and cash equivalents	103,433	74,097
Marketable securities	3,351	159
Shares in special-purpose investment funds	110,261	111,599
Liabilities to banks	-176,079	-140,181
Finance leases	-47,308	-55,040
Other financing liabilities	-72,832	-88,560
Balance financial settlements	-5,135	-8,937
<b>NET FINANCIAL ASSETS</b>	<b>- 84,309</b>	<b>- 106,863</b>

The overall strategy remained unchanged in comparison to the 2006/2007 fiscal year.

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#### PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

An amount of T € 14,295 (prior year T € 2,804) was recognized as an expense for foreign contribution-oriented benefit plans and T € 3,061 (prior year T € 2,691) for domestic contribution-oriented benefit plans. The domestic pension provisions also contain employee-financed pension commitments (so-called pay commutation) amounting to T € 37 (prior year T € 1,027). The asset values were set off against the corresponding commitments. The pension provisions for defined benefit commitments include current pensions and also company financed and employee financed expectancies. The item also includes provisions made by our U.S. companies for post-retirement healthcare obligations. Under IAS 19, these commitments are classified as defined benefit plans.

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

Pension Charter P74 is a remuneration-dependent overall benefit scheme with set-off against the social security pension, for which the defined benefit obligation is calculated using the pro rata temporis method.

The “P82 old” and “P82 new” Pension Charters are likewise remuneration-dependent pension schemes. In these, the pension benefit increases by one percent of pensionable remuneration for each year of eligible service, whereby salary components above the basis of calculation are more heavily weighted. The calculation of the defined benefit obligation is likewise carried out according to the pro rata temporis method.

The benefit scheme 2000 that is currently applicable is a contribution-oriented benefit commitment with a dynamic benefit contribution, in which the defined benefit obligation is calculated according to the earned pension method. This is a building block scheme 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 individual benefit account of the employee. The pension contribution depends on pensionable income and also on the pre-tax profits of the SCHOTT Group. There are comprehensive transitional arrangements for employees already working for the SCHOTT Group upon introduction of the new scheme on January 1, 2000.

Outside Germany (in particular in the U.S.A. and the United Kingdom), the committed benefits essentially depend on the length of service and the salary last earned. Decisions regarding the allocation of plan assets are fundamentally made taking the development of plan assets and pension commitments into consideration. Moreover, requirements that pension commitments be covered by plan assets and also tax regulations regarding the deductible amounts must often be observed abroad.

The estimates of the valuation assumptions on which the calculations of the extent of the obligation are based, were derived according to uniform principles and fixed for each country depending on individual economic circumstances. The assumptions regarding the expected yield on the plan assets are based on detailed analyses carried out by external financial experts and actuaries. These analyses take into account both actual historical yields on long-term investments, as well as future anticipated long-term yields based on the target portfolio structure aimed for. The target portfolio essentially corresponds to the composition of plan assets reported as of September 30, 2008.

The calculation of the benefit obligations and also, in certain cases, the accompanying plan assets is based on the following actuarial parameters (weighted average):

%	2007/2008			2006/2007		
	TOTAL	DOMESTIC	FOREIGN	TOTAL	DOMESTIC	FOREIGN
Discount factor	6.01	6.00	6.07	5.22	5.20	5.40
Anticipated yield on plan assets	5.06	3.55	6.91	5.13	3.50	6.94
Future salary increases	2.97	3.00	2.73	2.95	3.00	2.60
Future pension increases	1.78	1.75	2.02	1.80	1.75	2.20
Expected rate of inflation	1.78	1.75	2.02	1.80	1.75	2.20
Rate of increase in health costs	9.00	n/a	9.00	10.00	n/a	10.00

The financing status of the defined benefit pension commitments pursuant to IAS 19 is as follows. The table also contains the employee-financed pension commitments:

IN € THOUSANDS	SEPT. 30, 2008			SEPT. 30, 2007		
	TOTAL	DOMESTIC	FOREIGN	TOTAL	DOMESTIC	FOREIGN
Present value of commitments not financed by a fund	86,665	78,084	8,581	87,248	77,287	9,961
Present value of commitments wholly or partially financed by a fund	641,760	558,297	83,463	687,593	603,187	84,406
<b>TOTAL PRESENT VALUE OF THE BENEFIT COMMITMENT</b>	<b>728,425</b>	<b>636,381</b>	<b>92,044</b>	<b>774,841</b>	<b>680,474</b>	<b>94,367</b>
Plan assets at current fair values	177,893	94,581	83,312	169,669	89,320	80,349
<b>FINANCING STATUS</b>	<b>550,532</b>	<b>541,800</b>	<b>8,732</b>	<b>605,172</b>	<b>591,154</b>	<b>14,018</b>
Other changes	0	0	0	60	0	60
<b>PROVISION (FINANCING STATUS)</b>	<b>550,532</b>	<b>541,800</b>	<b>8,732</b>	<b>605,232</b>	<b>591,154</b>	<b>14,078</b>

The net pension expense is as follows:

IN € THOUSANDS	2007/2008			2006/2007		
	TOTAL	DOMESTIC	FOREIGN	TOTAL	DOMESTIC	FOREIGN
Length of service expense	16,563	13,912	2,651	20,751	16,885	3,866
Interest expense	39,571	34,710	4,861	37,592	32,832	4,760
Anticipated income from plan assets	8,627	3,477	5,150	7,636	3,030	4,606
Post-calculated length of service expense	3,763	3,667	96	-392	0	-392
Other changes	1,214	334	880	-595	0	-595
<b>TOTAL EXPENSE RECOGNIZED IN THE STATEMENT OF INCOME</b>	<b>52,484</b>	<b>49,146</b>	<b>3,338</b>	<b>49,720</b>	<b>46,687</b>	<b>3,033</b>

The following table presents the development of the projected unit credits of the defined benefit obligation:

IN € THOUSANDS	2007/2008			2006/2007		
	TOTAL	DOMESTIC	FOREIGN	TOTAL	DOMESTIC	FOREIGN
<b>DEFINED BENEFIT OBLIGATION AT THE BEGINNING OF THE FISCAL YEAR</b>	<b>774,057</b>	<b>680,474</b>	<b>93,583</b>	<b>899,037</b>	<b>789,934</b>	<b>109,103</b>
Changes in the scope of consolidation/changes in the consolidation method	9,011	8,936	75	-13,498	-7,512	-5,986
Exchange rate fluctuations	1,138	0	1,138	-8,344	0	-8,344
Length of service expense	16,563	13,912	2,651	20,751	16,885	3,866
Post-calculated length of service expense	3,763	3,667	96	-392	0	-392
Interest expense	39,571	34,710	4,861	37,592	32,832	4,760
Actuarial gains (-)/losses (+)	-74,186	-65,969	-8,217	-117,894	-114,012	-3,882
Pension payments	42,681	38,652	4,029	41,081	37,357	3,724
Other changes	405	-697	1,102	-2,114	-296	-1,818
<b>DEFINED BENEFIT OBLIGATION AT THE END OF THE FISCAL YEAR</b>	<b>727,641</b>	<b>636,381</b>	<b>91,260</b>	<b>774,057</b>	<b>680,474</b>	<b>93,583</b>
of which committed without plan assets	86,665	78,084	8,581	87,248	77,287	9,961
of which proportionately covered by plan assets	641,760	558,297	83,463	687,593	603,187	84,406



The calculation parameters are decisively influenced by trend assumptions concerning the development of costs in the healthcare sector. In the 2007/2008 fiscal year, a change of one percentage point in these assumptions would have caused the following increase/decrease of the defined benefit obligation and also the expense for the current service cost and interest cost components:

IN € THOUSANDS	2007/2008			2006/2007		
	TOTAL	DOMESTIC	FOREIGN	TOTAL	DOMESTIC	FOREIGN
Changes in the extent of commitment	88	0	88	143	0	143
Sum of the changes in the expense for the additionally acquired entitlements and compounding in the fiscal year	-43	0	-43	8	0	8

Contributions to plan assets:

IN € THOUSANDS	SEPT. 30, 2008			SEPT. 30, 2007		
	TOTAL	DOMESTIC	FOREIGN	TOTAL	DOMESTIC	FOREIGN
Normal contribution	10,117	0	10,117	6,143	0	6,143
Special contribution	0	0	0	0	0	0
<b>TOTAL CONTRIBUTION</b>	<b>10,117</b>	<b>0</b>	<b>10,117</b>	<b>6,143</b>	<b>0</b>	<b>6,143</b>

Contributions to plan assets amounting to T € 905 are expected for the following fiscal year.

Changes to the financing status, consisting of the present value of pension obligations and the fair value of plan assets, since September 30, 2005:

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007	SEPT. 30, 2006	SEPT. 30, 2005
Present value of pension commitments	728,425	774,841	899,037	935,375
Fair value of plan assets	177,893	169,669	167,170	109,415
Other changes	0	60	153	3,018
<b>PROVISIONS (FINANCING STATUS)</b>	<b>550,532</b>	<b>605,232</b>	<b>732,020</b>	<b>828,978</b>

The adjustments in this fiscal year, as well as the preceding fiscal year, based on experience are as follows:

IN € THOUSANDS	2007/2008	2006/2007
Adjustments to the fair value of vested pension benefits based on experience	539	-12,966
Adjustments to the fair value of plan assets based on experience	-18,214	1,390

#### OTHER PROVISIONS

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IN € THOUSANDS	SEPT. 30, 2008		SEPT. 30, 2007	
	UP TO 1 YEAR	MORE THAN 1 YEAR	UP TO 1 YEAR	MORE THAN 1 YEAR
Taxes	18,447	67,743	16,620	10,679
Personnel	6,610	27,322	6,789	32,822
Sales	11,406	6,409	13,916	13,160
Restructuring	1,912	0	7,919	257
Other	48,556	7,617	61,385	9,670
	<b>86,931</b>	<b>109,091</b>	<b>106,629</b>	<b>66,588</b>

IN € THOUSANDS	AS OF OCT. 1, 2007	REPORTING ENTITY CHANGES	CONSUMPTION	RELEASE	ADDITION	COMPOUNDING	CURRENCY ADJUSTMENTS	AS OF SEPT. 30, 2008
Taxes	27,299	0	12,883	2,144	73,111	534	273	86,190
Personnel	39,611	32	7,056	5,269	4,966	1,641	7	33,932
Sales	27,076	-225	4,932	14,423	9,949	658	-288	17,815
Restructuring	8,176	-2,170	894	4,118	1,252	13	-347	1,912
Other	71,055	-2	21,174	11,581	17,287	484	104	56,173
	<b>173,217</b>	<b>-2,365</b>	<b>46,939</b>	<b>37,535</b>	<b>106,565</b>	<b>3,330</b>	<b>-251</b>	<b>196,022</b>

T € 86,931 of provisions are due within one fiscal year.

Tax provisions include amounts for taxes which have not yet been finally assessed. Provisions in the personnel area relate to commitments for partial retirement benefits and anniversary bonuses. Sales provisions comprise guarantee provisions, commitments arising from contractual risks and losses on supply commitments. The other provisions also contain provisions for litigation expense risks and provisions for financial statement costs.

The releases of provisions set aside in the prior year are recognized in the different functional areas and also in the income statement item Other Operating Income.

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## ACCRUED LIABILITIES

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Christmas bonuses	45,414	34,884
Other commitments to personnel	72,404	57,623
Unpaid invoices	20,732	18,512
Commissions/Bonuses	15,204	17,654
Other accrued liabilities	120	259
	<b>153,874</b>	<b>128,932</b>

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## TRADE PAYABLES

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Trade payables to third parties	177,397	177,616
Trade payables to affiliated companies	5,896	1,927
Trade payables to other long-term investees and investors	10,574	3,470
	<b>193,867</b>	<b>183,013</b>

All trade payables reported in the year under review and in the preceding year have terms to maturity of less than one year.

Trade payables relating to current business relations with companies not included in the consolidated financial statements are reported under liabilities to affiliated companies.

## OTHER FINANCIAL LIABILITIES (NON-CURRENT AND CURRENT)

29

IN € THOUSANDS	SEPT. 30, 2008		SEPT. 30, 2007	
	UP TO 1 YEAR	MORE THAN 1 YEAR	UP TO 1 YEAR	MORE THAN 1 YEAR
Liabilities to banks	60,666	115,413	25,895	114,286
Liabilities arising from the sale of receivables	16,626	0	16,913	0
Other liabilities to affiliated companies	4,896	0	9,256	0
Liabilities under finance leases	2,125	45,183	8,694	46,346
Negative market prices from derivatives	5,570	0	8,157	0
Credit balances in accounts receivable	1,065	0	2,935	0
Other financial liabilities	7,625	72,832	2,652	85,908
Other liabilities to long-term investees and investors	1,892	0	2,540	0
Other miscellaneous financial liabilities	3,640	3,629	6,559	2,102
	<b>104,105</b>	<b>237,057</b>	<b>83,601</b>	<b>248,642</b>

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

During the 2007/2008 fiscal year, as in the previous year, there were no noteworthy delays in redemption or interest payments in the Group.

The liabilities for finance leasing relate exclusively to property, whereby the emphasis is on Germany.

The remaining financial liabilities with a term to maturity of more than one year also include a long-term private placement by our U.S. subsidiary SCHOTT Corporation, Elmsford, New York/U.S.A., of a nominal amount of T USD 100,000 (T € 70,363). The effective interest rate amounts to 7.1% p.a. The due date of this loan is March 31, 2012. The U.S. dollar private placement was agreed to with institutional investors on the basis of separate documentation.

A further material item in the previous year was the loan by a former shareholder of an included company amounting to T JPY 2,526,573 (T € 15,148). The loan was repaid in the 2007/2008 fiscal year. Interest was dependent on the business success of the subsidiary.

The short-term financial liabilities with a term to maturity of up to one year include in particular liabilities for financial settlement to non-consolidated affiliated companies amounting to T € 4,896 (prior year T € 9,256) and to long-term investees amounting to T € 1,892 (prior year T € 2,540). The financial settlement liabilities mainly consist of liabilities in euros, interest on which corresponds to the 1-month EURIBOR plus a premium customary in the market.

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## OTHER NON-FINANCIAL LIABILITIES (NON-CURRENT AND CURRENT)

IN € THOUSANDS	SEPT. 30, 2008		SEPT. 30, 2007	
	UP TO 1 YEAR	MORE THAN 1 YEAR	UP TO 1 YEAR	MORE THAN 1 YEAR
Payments received on account of orders	57,381	16,630	35,172	12,179
Withheld income tax	7,501	0	6,640	0
Deferred income	5,324	13,982	1,872	15,707
Social security liabilities	3,816	0	3,561	0
Other miscellaneous non-financial liabilities	15,128	9,484	14,854	10,916
	<b>89,150</b>	<b>40,096</b>	<b>62,099</b>	<b>38,802</b>

The other miscellaneous liabilities also include liabilities for participation rights capital amounting to T € 4,484 (prior year T € 5,916), of which T € 424 (prior year T € 1,847) are due within one year. The participation rights for our employees were issued to employees at home and abroad on comparable conditions. Interest is staggered, depending on the profit margin of the SCHOTT Group.

## FURTHER INFORMATION

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## CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities consist of the following items:

IN € THOUSANDS	SEPT. 30, 2008	SEPT. 30, 2007
Liabilities under guarantees	56,336	75,542
Liabilities under guarantee assurances	34,685	0
<b>TOTAL</b>	<b>91,021</b>	<b>75,542</b>

As of balance sheet date, there were other financial obligations towards third parties under outstanding orders, investment projects, and agreements to acquire company shares amounting to T € 1,145,662 (prior year T € 1,234,976). The outstanding orders essentially relate to inventories and investment in tangible non-current assets. Future commitments under lease contracts are presented in the separate section "Rental and lease expenditure" within marginal number 15 "Property, plant and equipment". There were contingent liabilities amounting to T € 0 (prior year T € 248) as of balance sheet date.

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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In the cash flow statement, cash flows are classified into cash inflows and outflows from current operations, investment activities, and financing activities. The cash flow is derived indirectly on the basis of earnings from business operations. Adjustment for non-cash expenses and income – primarily depreciation on non-current assets – and taking changes in working capital into account, results in the cash flow from current operations.

Investment activity comprises the receipts and disbursements from the disposal of and investment in non-current assets.

The financing activity summarizes the cash inflows and outflows arising from the raising and repayment of financing liabilities respectively, from equity contributions, and also from the payment of dividends.

Changes in balance sheet items contained in the cash flow statement cannot be derived directly from the balance sheet, as they have been adjusted for transactions not affecting cash flow, exchange rate effects, and changes to the scope of consolidation.

The cash and cash equivalents disclosed in the cash flow statement include checks, cash holdings, and bank deposits amounting to T € 103,433 (prior year T € 74,097).

During the year under review, the SCHOTT Group sold the subsidiary SCHOTT Processing Korea Co. Ltd., Ochang/South Korea. The following table explains the effects on the net assets, financial position and results of operations connected therewith:

<b>BOOK VALUES OF THE NET ASSETS SOLD</b> IN € THOUSANDS	<b>2007/2008</b>
<b>Non-current assets</b>	
Property, plant and equipment	11,856
Other assets	326
<b>Current assets</b>	
Inventories	354
Trade receivables	4,326
Other assets	120
Cash and cash equivalents	290
<b>Non-current liabilities</b>	
Other liabilities	14,566
<b>Current liabilities</b>	
Trade payables	101
Other liabilities	18,522
Book values of the net assets sold (negative)	-15,917
Currency translation differences (expense) recognized in income	2,416
Final consolidation result	22,511
<b>SELLING PRICE</b>	<b>9,010</b>
<b>NET CASH INFLOWS FROM SALES</b>	
Cash and cash equivalents	9,010
Less cash and cash equivalents sold	-290
	<b>8,720</b>

## EMPLOYEES

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ON AN ANNUAL AVERAGE	2007/2008	2006/2007
Employees	16,763	16,608
Trainees	350	352
<b>TOTAL</b>	<b>17,113</b>	<b>16,960</b>

The employees of the companies included in the consolidated financial statements are reported as employees of the Group; initial consolidation during the fiscal year is taken into account pro rata temporis. As of balance sheet date, the number of employees was 17,363, an increase of 692 in comparison to September 30, 2007 (prior year 16,671).

## OTHER INFORMATION

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The following personnel expenses were incurred during the fiscal year:

IN € THOUSANDS	2007/2008	2006/2007
Personnel expenses	692,163	701,164

Personnel expenses are contained in the functional areas and are not separately disclosed in the statement of income according to the cost of sales (operational) method. The fall in personnel expenses is mainly due to currency translations.

## RELATED PARTY DISCLOSURE

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Related parties from the SCHOTT AG point of view are the Carl-Zeiss-Stiftung, Heidenheim an der Brenz and Jena, the sister company Carl Zeiss AG, Oberkochen, and its affiliated companies. Direct and indirect subsidiaries of SCHOTT AG, associated companies and joint ventures of SCHOTT AG, and also pension funds which are classified as contribution-oriented benefit plans in accordance with IAS 19 are related parties within the meaning of IAS 24. In addition, members of the Board of Management, members of the Group Senior Management and Supervisory Board of the SCHOTT Group, as well as their next of kin, are classed as related parties.

As in the previous year, there were loan commitments amounting to T € 5,000 to Carl-Zeiss-Stiftung as of September 30, 2008. The loan, which was granted in the course of the reform of the foundation, should bear interest at 1.5 percentage points of the 12-month EURIBOR as from the date of divestment.

In the 2007/2008 fiscal year, deliveries of SCHOTT AG to companies of the Carl Zeiss Group amounted to T € 11,845. During the same period, services, mainly in the IT sector, were rendered, amounting to T € 1,016. In the 2007/2008 fiscal year, companies of the Carl Zeiss Group made only few deliveries or rendered few other services to SCHOTT. All transactions were treated as if they were conducted with third parties. There are no significant balances as of balance sheet date.

As a result of the consolidation, business transactions with material subsidiaries were eliminated and have therefore not been explained. Disclosures of pension funds which are classified as contribution-oriented benefit plans in accordance with IAS 19 are listed in the disclosures of plan assets, section 25, in the notes. No further material business transactions with these pension funds or companies not included in the consolidated financial statements were conducted.

In the 2007/2008 fiscal year, products supplied by companies of the SCHOTT Group to associated companies amounted to T € 31. During the same period, products supplied by associated companies to SCHOTT Group companies amounted to T € 71,843. Unpaid receivables from associated companies amounted to T € 11,163. No value adjustments for doubtful receivables were made. As of balance sheet date, there are liabilities to associated companies amounting to T € 8,613.

The share in the financing of a joint venture relating to a company of the SCHOTT Group was hedged with a guarantee amounting to T € 20,000. In addition, securities amounting to T € 14,685 were set up for advances received from a joint venture.

In the 2007/2008 fiscal year, as in the prior year, further material business transactions between companies of the SCHOTT Group and members of the Board of Management, Group Senior Management and Supervisory Board, as well as their next of kin, did not take place.

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#### EVENTS FOLLOWING BALANCE SHEET DATE

Up to November 25, 2008, no events or developments arose which would have led to a material alteration to the recognition or measurement of individual assets and liabilities as of September 30, 2008. The following events in particular took place during this period:

##### Initial public offering of Solar

On October 8, 2008, SCHOTT Solar AG, together with SCHOTT AG, decided to inform the joint coordinators and joint bookrunners Commerzbank, Deutsche Bank and JP Morgan that the planned initial public offering of SCHOTT Solar AG was being called off. The placing of shares was canceled for an indefinite period, due to the turbulences on the international capital markets. Once the capital markets have stabilized once again, further action will be considered. The operations of SCHOTT Solar AG remain untouched by this decision. Further development plans will be financed by bank lines belonging to SCHOTT AG.

#### Majority interest in the listed Moritex Corporation

SCHOTT acquired a majority interest of 70.8% in the Moritex Corporation, Tokyo/Japan, by way of a bid for tender published on September 25, 2008, the purchase costing EUR 57 million. Costs directly attributable to the merger amount to EUR 3 million. Moritex, consisting of the parent company Moritex Corporation, six subsidiaries in Asia, the U.S.A. and Europe, as well as three associated companies, is listed on the Tokyo Stock Exchange. In the 2007/2008 fiscal year, the company was the market leader in Japan for LED-based and fiber optic lighting systems, as well as optical imaging systems for industrial image processing, with approximately 450 employees and sales income of roughly EUR 100 million. Already in June 2007, SCHOTT and Moritex had signed a declaration of intent for a strategic cooperation and have been working together successfully since then in Sales, Purchasing and also Research and Development. The technology platforms of Moritex and SCHOTT complement each other well. Moritex has technological know-how that is interesting for markets targeted by SCHOTT. In addition, Moritex, with its strong presence in Asia, affords SCHOTT better access to the strategically important Asian market. The purchase was financed by utilizing the consortium loan. The date of purchase is October 31, 2008. On the day that the consolidated financial statements were prepared, the necessary market valuations and other calculations were not yet concluded. As a result, further disclosures in accordance with IFRS 3.67 cannot be determined for all practical purposes.

#### REMUNERATION OF MANAGEMENT AND SUPERVISORY BOARDS

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The total remuneration of the Members of the Board of Management are composed in the 2007/2008 fiscal year of payments due in the short term amounting to T € 5,205 (prior year T € 2,157) and payments after termination of the employment relationship amounting to T € 563 (prior year T € 501).

#### Additional disclosures under Section 314 (1.6) HGB

A total of T € 19,562 (prior year T € 19,690) has been provided for pension commitments to former members of the Board of Management or their surviving dependents. Payments to former members of the Board of Management and their surviving dependents amounted to T € 1,846. Disclosure of the remuneration of this group of persons in the previous year is omitted pursuant to Section 286 (4) HGB.

The members of the Supervisory Board received a total of T € 324 (prior year T € 334) in the 2007/2008 fiscal year for their supervisory activities.

## AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by SCHOTT AG, Mainz, – consisting of the balance sheet, the statement of income, the statement of recognized income and expense, the cash flow statement, and the notes to the financial statements – and the group management report for the fiscal year from October 1, 2007, through September 30, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch “German Commercial Code”], is the responsibility of the company’s Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch “German Commercial Code”] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs.1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and, as a whole, provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, November 25, 2008

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
(previously KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft)

Zehnder	Wagenseil
German Public Auditor	German Public Auditor

## MAJOR SHAREHOLDINGS

THE LIST OF ALL SHAREHOLDINGS PURSUANT TO THE REQUIREMENTS OF § 313 ABS. 2 HGB [HANDELSGESETZ-  
BUCH "GERMAN COMMERCIAL CODE"] IS PUBLISHED IN THE ELECTRONIC FEDERAL GAZETTE [BUNDESANZEIGER].

### EUROPE

#### GERMANY

##### LIB Industrie Beteiligung GmbH

Mainz

C: EUR 2,600 100%

##### SCHOTT Displayglas Jena GmbH<sup>1)</sup>

Jena

C: EUR 5,000 100%

##### SCHOTT Electronics GmbH<sup>1)</sup>

Landshut

C: EUR 10,000 100%

##### SCHOTT Electronic Packaging GmbH<sup>1)</sup>

Landshut

C: EUR 2,000 100%

##### SCHOTT Glas Export GmbH

Mainz

C: EUR 260 100%

##### SCHOTT Glas Mainz Grundstücks-GmbH & Co. KG<sup>1)</sup>

Mainz

C: EUR 1,000 100%

##### SCHOTT Glaswerke Beteiligungs-GmbH<sup>1)</sup>

Mainz

C: EUR 68,100 100%

##### SCHOTT Jena<sup>er</sup> Glas GmbH<sup>1)</sup>

Jena

C: EUR 15,339 100%

##### Panasch Grundstücksverwaltungs- gesellschaft mbH & Co. Vermietungs KG

Mainz

C: EUR 1,699 100%

##### SCHOTT Pharmaceutical Packaging GmbH

Mainz

C: EUR 8,000 100%

##### SCHOTT-Rohrglas GmbH<sup>1)</sup>

Mitterteich

C: EUR 8,200 100%

##### SCHOTT Solar AG

Mainz

C: EUR 84,000 100%

##### SCHOTT Solar CSP GmbH

Mainz

C: EUR 35,000 100%

##### SCHOTT Solar Thin Film GmbH

Jena

C: EUR 2,000 100%

##### TOJ GmbH

Erfurt

C: EUR 500 94%

##### WACKER SCHOTT Solar GmbH

Jena

C: EUR 15,000 50%

##### WACKER SCHOTT Solar Vertriebs GmbH

Jena

C: EUR 5,000 49%

#### DENMARK

##### SCHOTT Scandinavia A/S

Glostrup

C: DKK 1,000 100%

#### FRANCE

##### SCHOTT France Holding SAS

Clichy

C: EUR 18,000 100%

##### SCHOTT France SAS

Pont-sur-Yonne

C: EUR 1,600 100%

##### SCHOTT SFAM Société Française d'Ampoules Mécaniques S.à.r.l.

Casteljaloux

C: EUR 950 100%

##### SCHOTT VTF SAS

Troisfontaines

C: EUR 1,000 50% (100%)

#### UNITED KINGDOM

##### SCHOTT Industrial Glass Ltd.

Newton-Aycliffe

C: GBP 810 50% (100%)

##### SCHOTT UK Ltd.

Stafford

C: GBP 1,230 100%

## ITALY

**SCHOTT-Italgias s.r.l.** ●

Genova

C: EUR 500 50%

**SCHOTT Italvetro S.p.A.**

Borgo a Mozzano

C: EUR 3,640 50% (90%)

## THE NETHERLANDS

**SCHOTT Benelux B.V.**

Tiel

C: EUR 4,538 100%

**SCHOTT Flat Glass B.V.**

Tiel

C: EUR 5,445 50% (75%)

**SCHOTT Flat Glass Holding B.V.**

Tiel

C: EUR 4,084 50% (66.7%)

## AUSTRIA

**SCHOTT Austria GmbH** ●

Vienna

C: EUR 250 100%

## POLAND

**SCHOTT Poland Sp. z o.o.** ●

Warsaw

C: PLN 50 100%

## RUSSIA

**SCHOTT Flat Glass Russia OOO**

Bor

C: RUB 17,000 100%

**SCHOTT Pharmaceutical Packaging OOO**

Bor

C: RUB 7,000 100 %

## SWEDEN

**SCHOTT Scandinavia AB** ●

Bromma

C: SEK 1,000 100%

**SCHOTT Termofrost AB**

Arvika

C: SEK 10,000 50% (100%)

## SWITZERLAND

**SCHOTT forma vitrum AG**

St. Gallen

C: CHF 2,000 66.6% (100%)

**SCHOTT forma vitrum Europe AG**

St. Gallen

C: CHF 100 66.6% (100%)

**SCHOTT forma vitrum holding AG**

St. Gallen

C: CHF 2,000 66.6%

**JIT Packaging Trading AG**

Glarus

C: CHF 100 66.6% (100%)

**SCHOTT Flat Glass Suisse S.A.**

Yverdon-les-Bains

C: CHF 100 50% (100%)

**SCHOTT Schweiz AG**

Yverdon-les-Bains

C: CHF 380 100%

## SPAIN

**SCHOTT Ibérica S.A.**

Barcelona

C: EUR 1,337 100%

**SCHOTT Solar S.L.**

Aznalcóllar

C: EUR 5,000 100%

**Major shareholdings:**

Position as of September 30, 2008

The stated percentage of share capital represents the share percentages from the SCHOTT Group point of view. Direct and indirect participations are taken into account.

If these differ from the share percentages as defined by § 285 no.1 German Commercial Code, the legal specification is stated in parentheses.

● Not included in the consolidated financial statements

C Subscribed capital in € thousands or foreign currency

<sup>1)</sup> Pursuant to § 264 Abs 3 and/or § 264b HGB, this company is exempted from the duty to disclose its financial statements and also from the preparation of an annual report.

## EUROPE

## CZECH REPUBLIC

**SCHOTT CR a.s.**

Valašské Meziříčí

C: CZK 856,000 100%

**SCHOTT Electronic Packaging  
Lanškroun s r.o.**

Lanškroun

C: CZK 150,000 100%

**SCHOTT Fiber Optics CR s r.o.**

Valašské Meziříčí

C: CZK 5,000 100%

**SCHOTT Solar CR s r.o.**

Valašské Meziříčí

C: CZK 100,000 100%

**SCHOTT Flat Glass CR s r.o.**

Valašské Meziříčí

C: CZK 7,500 50% (100%)

## TURKEY

**SCHOTT Orim Cam Sanayi  
ve Ticaret A.S.**

Istanbul

C: TRY 1,845 50% (100%)

## HUNGARY

**SCHOTT forma vitrum Kft.**

Lukácsháza

C: HUF 423,600 66.6% (100%)

## THE AMERICAS

## U. S. A.

**DiamondView Armor Products, LLC**

Boothwyn

C: USD 5,000 49%

**SCHOTT Gemtron Corporation**

Sweetwater

C: USD 19 51%

**SCHOTT Corporation**

Elmsford

C: USD 13,171 100%

**SCHOTT Lithotec USA  
Corporation**

Poughkeepsie

C: USD 14,000 100%

**SCHOTT North America Inc.**

Elmsford

C: USD 0.0002 100%

**SCHOTT Solar Inc.**

Billerica

C: USD 3 100%

## CANADA

**Baron Glass Sealing & Assembly Inc.**

Midland

C: CAD 0.1 100%

**SCHOTT Gemtron Canada Corporation**

Midland

C: CAD 1,400 51% (56%)

## BRAZIL

**SCHOTT Brasil Ltda.**

São Paulo

C: BRL 18,000 100%

**SCHOTT Flat Glass do Brasil Ltda.**

São Paulo

C: BRL 14,911 49.6% (99.1%)

## COLOMBIA

**SCHOTT Colombiana S.A.**

Bogotá

C: COP 1,329,590 100%

**SCHOTT Envases  
Farmaceuticos S.A.**

Bogotá

C: COP 5,400,000 72.7%

## MEXICO

**forma vitrum de México  
S.A. de C.V.**

Cordoba

C: MXN 29,961 66.6% (100%)

**Gemtron de México  
S.A. de C.V.**

San Luis Potosí

C: MXN 73,717 51% (100%)

**SCHOTT Mexicana  
S.A. de C.V.**

México, D.F.

C: MXN 3,500 100%

## ASIA

## CHINA

**SCHOTT Glass Technologies (Suzhou) Co. Ltd.**

Suzhou

C: CNY 62,723 100%

**SCHOTT (Shanghai) Precision Materials & Equipment International Trading Co. Ltd.**

Shanghai

C: CNY 1,655 100%

## SPECIAL ADMINISTRATIVE REGION

## HONG KONG

**SCHOTT Glas China Ltd.**

Hong Kong

C: HKD 8,500 100%

## INDIA

**SCHOTT Glass India Pvt. Ltd.**

Mumbai

C: INR 483,373 100%

**KAISHA MANUFACTURERS Pvt. Ltd.**

Mumbai

C: INR 3,220 50%

## INDONESIA

**PT. SCHOTT Igar Glass**

Bekasi

C: IDR 13,776,000 100%

## JAPAN

**NEC SCHOTT Components Corporation**

Shiga

C: JPY 1,700,000 51%

**SCHOTT Nippon K.K.**

Tokyo

C: JPY 12,000 100%

**SCHOTT Nippon Holding K.K.**

Tokyo

C: JPY 8,400 100%

## MALAYSIA

**SCHOTT Glass (Malaysia) Components SDN. BHD.**

Perai

C: MYR 1,000 100%

**SCHOTT Glass (Malaysia) SDN. BHD.**

Perai

C: MYR 13,000 94.6%

## SINGAPORE

**SCHOTT Electronic Packaging Asia Pte. Ltd.**

Singapore

C: SGD 2,400 100%

**SCHOTT Singapore Pte. Ltd.**

Singapore

C: SGD 825 100%

## SOUTH KOREA

**SCHOTT Korea Co. Ltd.**

Seoul

C: KRW 330,000 100%

## TAIWAN

**SCHOTT Taiwan Ltd.**

Taipei

C: TWD 5,000 100%

## UNITED ARAB EMIRATES

**SCHOTT Middle East FZE**

Dubai

C: AED 1,000 100%

## AUSTRALIA/OCEANIA

## AUSTRALIA

**SCHOTT Australia Pty. Ltd.**

Frenchs Forest

C: AUD 3 100%

## NEW ZEALAND

**SCHOTT New Zealand Ltd.**

Auckland

C: NZD 0.5 100%

## MEMBERS OF EXECUTIVE BODIES AT SCHOTT AG

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Until June 30, 2008:

Home Tech, Flat Glass, Research & Technology Development.

As of October 1, 2008, also:

Corporate Marketing.

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(as of January 1, 2008)

Krefeld

Member of the Board of Management for Advanced Materials, Electronic Packaging, Fiber Optics.

As of October 1, 2008, also:

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(as of July 1, 2008)

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**Klaus Rübenthaler**

Mainz

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Until December 31, 2007:

Advanced Materials, Electronic Packaging, Fiber Optics.

Until September 30, 2008:

Corporate Marketing.

### GENERAL EXECUTIVES

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Saulheim

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**Dr.-Ing. Hans-Joachim Konz**

(until June 30, 2008)

Bad Kreuznach

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**Peter Scarborough**

Wiesbaden

Member of the Corporate Management Committee of SCHOTT AG, Mainz

## SUPERVISORY BOARD

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**Hannsgeorg Edinger**<sup>1)</sup>

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**Dr. Helmut Olyschläger**<sup>1)</sup>

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SCHOTT AG, Member of the Managerial  
Staff Committee SCHOTT AG, Mainz

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(as of January 1, 2008)

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## COMMITTEES

**Presidential Committee**

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(until July 31, 2008)  
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(as of October 14, 2008)  
Franz-Josef Eckert  
Hannsgeorg Edinger  
Dr. Heribert Johann  
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Max Dietrich Kley (Chairman)  
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Hartmuth Baumann  
(as of November 26, 2007)  
Dr. Helmut Olyschläger  
Tilman Todenhöfer  
(until July 31, 2008)  
Dr. h.c. Eggert Voscherau  
(as of October 14, 2008)

**Conference Committee**

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(until July 31, 2008)  
Dr. h.c. Eggert Voscherau (Chairman)  
(as of October 14, 2008)  
Franz-Josef Eckert  
Max Dietrich Kley  
Judith Krone

<sup>1)</sup> Workers' representative

# GLOSSARY

## SELECTED FINANCIAL TERMS

### Capital costs

Weighted average cost of equity and borrowings (WACC).

### Cash flow

Balance of cash inflows and outflows.

### Cash management

Management and control of cash and cash equivalent assets of an entity with the aim of making the most efficient use possible of these funds, while maintaining the entity's debt paying ability.

### Corporate Treasury

Staff function with Group-wide responsibility for cash management, financing, and financial risk management.

### Credit facility, syndicated

Credit line agreed to with a group of banks (syndicate) on uniform terms.

### Deferred taxation

Asset or liability positions to offset the difference between the tax burden actually assessed and the economic burden of tax caused by commercial accounting.

### Defined Benefit Obligation (DBO)

Present value of vested employee service benefits as of balance sheet date.

### Derivatives

Instruments whose value is essentially derived from the price and the price fluctuations/expectations of an underlying base value (e.g., shares, currencies, fixed-interest securities).

### EBIT

Earnings Before Interest and Taxes, plus income from investments measured at equity.

### EBITDA

Earnings Before Interest and Tax, Depreciation and Amortization, plus income from investments measured at equity.

### Equity Method

Method of accounting for investments in associated companies (companies over whose financial and operating policies a significant influence can be exerted).

### Exposure

Customary financial term describing the risk of changes in value due to market fluctuations.

### Hedge accounting

Cover for interest rate, currency, price risks and similar by means of options or forward transactions which provide cover for the underlying transactions (to a large extent).

**IASB**

International Accounting Standards Board. Committee for setting international accounting standards.

**IFRIC**

International Financial Reporting Interpretations Committee. Body which publishes interpretations of the IFRS or IAS accounting standards.

**IFRS**

International Financial Reporting Standards (until 2001 International Accounting Standards, IAS). Accounting standards published by the IASB.

**Interest rate swaps**

Exchange of interest payments between two partners; enables, e. g., variable interest to be exchanged for fixed interest or vice versa.

**Joint venture**

Agreement concerning the collaboration of various firms to operate a joint enterprise.

**Risk management**

Systematic procedure for the identification and evaluation of potential risks, and for the selection and implementation of measures for dealing with risk.

**SCHOTT Value Added**

Earnings before interest and taxes plus capital costs. Internal ratio used to determine the value contribution. It is calculated as the difference between earnings before interest and taxes and capital costs.

**SIC**

Standing Interpretations Committee. Predecessor of the International Financial Reporting Interpretations Committee, IFRIC.

**Treasury Committee**

Board committee which decides on financial risk policy and also risk management strategy and releases these for implementation by the Corporate Treasury.

**Value at Risk**

Risk measurement which indicates the likely maximum value of the loss incurred by a certain risk exposure (e. g. a securities portfolio) within a given period.

**Working capital**

Trade receivables plus inventories less trade payables.

# GLOSSARY

## SELECTED TECHNICAL TERMS

### Backlighting

Background lighting for flat display screens (TFT-LCDs), so as to make the information on display visible. SCHOTT supplies high UV blocked special glass which screen defined radiation components and thus protect important display screen components from rapid aging.

### Calcium fluoride crystals

Optical crystal material ( $\text{CaF}_2$ ), which is cultivated by SCHOTT Lithotec as highest quality large single crystals with disc diameters of up to 350 mm and a thickness of over 150 mm. Due to its high transmission value in the UV range, calcium fluoride crystal is especially suitable for use in microlithography. Here, they are used in the optics or laser technology of devices for manufacturing computer chips of the latest generation. Furthermore,  $\text{CaF}_2$  is found in high-resolution HDTV camera lenses to correct chromatic aberration.

### Food display

Glass door and frame systems for attractive and efficient food presentation in commercial cooling systems. SCHOTT Termofrost food display products are characterized by an anti-fog coating which enables a consistently clear view of the products. They also provide low energy consumption, constant temperatures for food storage and maximize space.

### Glass ceramic

A special material made by the exact, temperature-controlled crystallization (ceramization) of previously melted glass. Characteristic properties are high resistance to temperature changes and

very low thermal expansion. Glass ceramics, such as **SCHOTT Zerodur®**, have therefore proven themselves for decades as mirror substrate materials for large telescopes and other astronomical applications, **SCHOTT Ceran®** glass ceramic cooktop panels or **SCHOTT Robax®** fireplace panels are integral fixtures in modern kitchens and living culture.

### Glass-to-metal and ceramic-to-metal seals

Housings for electronic components that provide lasting protection against humidity and aggressive media. Electrical seal and optical elements are thereby inserted into metal components under vacuum conditions. Glass-to-metal seals are vacuum-sealed fusions of (sinter) glass with metals. In the case of ceramic-to-metal seals, multi-layer ceramic plates are soldered into metal housings. SCHOTT manufactures miniature housing components with diameters of around one millimeter. Examples of applications are sensors or airbag igniters in the automobile, holders for oscillating quartzes or thermal fuses.

### Induction technology

Heating system used in modern cookers for the direct transfer of heat to special cooking utensils. With induction technology, a current-bearing coil below the cooktop surface creates an electromagnetic field that ensures rapid transfer of heat into the base of ferro-magnetic cooking vessels. Thus, the heat arises directly inside the vessel; the cooktop surface is, as a rule, only heated by the return heat of the vessel. The advantages lie in the high energy efficiency, the very delicate and quick-reacting temperature regulation and the shortest possible cooking times.

### LED

Light Emitting Diodes (LEDs) are extremely efficient electronic semiconductor components with a high lifespan of several tens of thousands of hours. SCHOTT uses both white LEDs and different colored LEDs in its products. The innovative LED solutions, which are also very successful in combination with conventional glass fiber optical components, find application in high-quality areas, such as lighting in aircraft and autos, stereo microscopy, industrial image processing, or museum and retail display cases.

### PICVD

Plasma Impulse Chemical Vapor Deposition (PICVD) is the name of a vacuum coating process patented worldwide by SCHOTT. Gaseous raw materials are turned into plasma by microwave pulses and are deposited as an ultra-thin functional layer on the surface of glass or plastic. Applications include, for example, barrier coatings on the inner side of pharmaceutical packaging, such as syringes or vials, to protect the medication.

### Receiver

The heart of a solar thermal parabolic trough power plant that transforms sunshine into heat. A receiver consists of a long steel tube that is vacuum isolated with a glass mantle. Large numbers of these components are mounted behind each other in the focal line of parabolic mirror troughs. The sunshine heats thermal oil as it flows through the receiver, which is then passed through a heat exchanger. The ensuing steam drives a turbine to generate electricity.

### Synthetic fused silica

Silicon dioxide material ( $\text{SiO}_2$ ) that is manufactured by SCHOTT in a process of chemical synthesis based on ultra pure raw materials. Due to its high transmission and homogeneity, synthetic quartz glass is suited for manufacturing optics with excellent properties, especially in the UV range. These make laser components and highly precise measurements in medical and environmental technology possible, for example, or may be processed into lenses for use in microlithography.

### Thin-film solar technology

Innovative coating process for manufacturing thin-film solar modules. Amorphous silicon is applied to a carrier material, such as glass, by the process of vapor deposition in a plasma reactor. The emerging layers are less than one micrometer in thickness. Thin-film solar modules can easily be integrated into the mantle of a building and can take on a wide variety of architectural and protective functions. Manufacturing them requires 50 times less semiconductor material than crystalline technology, but they nevertheless offer a high energy yield and long-term stable performance, even when subjected to severe temperature changes and low sunlight hours.

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